
Minutes

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

Board members:

A. Scott Andrews, Chair

Lawrence A. Bernert III, Vice Chair

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

John M. Bennett

Clifford Foster IV

Susan T. Gooden, Ph.D.

Jessica L. Hood

Hon. Matthew James

Lindsey K. Pantele

Investment Advisory Committee:

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

VRS Staff:

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

Guests:

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

The meeting convened at 1:02 p.m.

Opening Remarks

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

Approval of Minutes

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

Report of the Investment Advisory Committee

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

Mr. Andrews thanked Mr. Kochard for his report.

Report of the Chief Investment Officer

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

Mr. Andrews thanked Mr. Junkin for his report.

Annual CEM Benchmarking Report on Administration

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

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

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

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

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

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

Report of the Defined Contribution Plans Advisory Committee

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

WELCOME AND INTRODUCTION

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

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

APPROVAL OF MINUTES

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

INVESTMENTS

Annual Investment Review

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

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

Callan 2025 DC Trends Survey

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

Retirement Income

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

ADMINISTRATION

Administrative Report & Communications

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

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

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

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

ORPHE Contribution Rates Review

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

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

RBA: Accept VRS Staff Review of ORPHE Contribution Rates

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

OTHER BUSINESS

DISCUSSION OF NEW IDEAS

No new ideas were presented.

2025 MEETINGS

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

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

Mr. Andrews thanked Dr. Gooden for her report.

Report of the Audit and Compliance Committee

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

APPROVAL OF MINUTES

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

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

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

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

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

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

AUDIT REPORTS

The committee received one audit report.

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

INTERNAL AUDIT LIMITED ASSURANCE REVIEWS

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

Agency Performance Outcomes and Operational Measures

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

VRS' Investment Incentive Compensation

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

ADVISORY SERVICES OVERVIEW

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

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

The committee received the following updates:

Internal Audit Department's Annual Report

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

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

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

Annual Plan and Long-Range Plan Progress

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

PROPOSED FY 2026 ANNUAL PLAN

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

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

RBA: Approve FY 2026 Annual Audit Plan

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

MISCELLANEOUS UPDATES

The committee received the following miscellaneous updates:

Quarterly Report on Fraud, Waste and Abuse Hotline Cases

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

Management's Quarterly Travel Expense and Per Diem Report

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

Committee Meeting Schedule for Calendar Year 2026

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

Next Committee Meeting Date

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

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

AUDIT DIRECTOR'S PERFORMANCE EVALUATION (CLOSED SESSION)

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

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

RBA: Audit Director's Performance Review

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

Mr. Andrews thanked Senator Bell for his report.

Report of the Administration, Finance and Talent Management Committee

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

APPROVAL OF MINUTES

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

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

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

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

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

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

BUDGET UPDATE

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

AMENDED INVESTMENT OPERATIONS AND ADMINISTRATIVE PAY PLAN

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

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

INFORMATIONAL ITEM (INTERNAL AUDIT DIRECTOR’S PERFORMANCE REVIEW)

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

FOIA ELECTRONIC MEETING ATTENDANCE POLICY

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

COMPENSATION AND BENEFITS (CLOSED SESSION)

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

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

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

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

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

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

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

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

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

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

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

RBA: Approve FY 2025 Incentive Payments for VRS Investment Professionals

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

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

RBA: VRS Director's Performance Review

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

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

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

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

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

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

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

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

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

RBA: Affirm "FOIA Electronic Meeting Attendance Policy"

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

New Lease Space Update

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

Mr. Andrews thanked Mr. Cooper for his presentation.

Report of the Director

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

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

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

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

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

Mr. Andrews thanked Ms. Bishop for her report.

Other Business

Lastly, Mr. Andrews reviewed the following meeting schedule:

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

Adjournment

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

 Chair

 Secretary

Report

The Defined Contribution Plans Advisory Committee (DCPAC) convened on September 11, 2025, at 1:00 p.m. and took up the following matters:

WELCOME AND INTRODUCTION

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

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

APPROVAL OF MINUTES

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

INVESTMENTS

Annual Investment Review

Staff provided the Committee with its annual review as of June 30, 2025, which included a review of DC governing documents, investment performance and investment fund expenses for the unbundled DC plans and the bundled TIAA ORPHE. Staff highlighted the plans' target date portfolios, which serve as the plan's default investment option, and the various asset classes used within the portfolios. Staff also outlined the wide range of asset classes and types of funds used as standalone investment options for those participants who desire to construct their own portfolios. Staff explained the breakdown of the unbundled DC plans as it pertains to the use of collective investment trusts (CITs), white label funds, passively managed investments, and the VRS investment portfolio (VRSIP). Staff shared the TIAA ORPHE investment program includes passively managed funds as well as TIAA's proprietary fixed annuity and real estate variable annuity product offerings.

Callan 2025 DC Trends Survey

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

Retirement Income

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

ADMINISTRATION

Administrative Report & Communications

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

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

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

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

ORPHE Contribution Rates Review

As required by *Code of Virginia §51.1-126.F.3*, VRS staff recently completed a comprehensive review of employee and employer defined contribution retirement plan contributions at peer higher education institutions across the United States as compared to those required in the ORPHE plan. 622 Peer institutions were identified by the State Council of Higher Education (SCHEV) and staff reviewed various plan attributes, including contribution rates, for 614 institutions. The analysis showed that ORPHE contribution rates are comparable to those of peer institutions and no changes were recommended at this time.

Recommend RBA for the ORPHE Contribution Rates Report

The Committee recommended approval of the following action to the Board of Trustees:

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

OTHER BUSINESS

DISCUSSION OF NEW IDEAS

No new ideas were presented.

2025 MEETINGS

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

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

There was no other business to come before the Committee.

Submitted to the Board of Trustees on September 25, 2025.



Susan T. Gooden, Chair
Defined Contribution Plans Advisory Committee

Report

The Audit and Compliance Committee (committee) met on September 24, 2025. Senator Bell welcomed committee members, board members, agency officials, representatives from stakeholder groups and other members of the public joining in person and through electronic means. The committee discussed the following:

APPROVAL OF MINUTES

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

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

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

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

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

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

AUDIT REPORTS

The committee received one audit report.

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

INTERNAL AUDIT LIMITED ASSURANCE REVIEWS

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

Agency Performance Outcomes and Operational Measures

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

VRS' Investment Incentive Compensation

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



ADVISORY SERVICES OVERVIEW

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

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

The committee received the following updates:

Internal Audit Department's Annual Report

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

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

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

Annual Plan and Long-Range Plan Progress

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

PROPOSED FY 2026 ANNUAL PLAN

The Internal Audit Director presented the proposed annual plan for fiscal year 2026, noting it was derived from the approved long-range plan with some adjustments to address activities carried from fiscal year 2025 to fiscal year 2026. The Committee recommended approval of the following action to the full board:

Request for Board Action: The VRS Board of Trustees approves the proposed FY 2026 Annual Plan.

MISCELLANEOUS UPDATES

The committee received the following miscellaneous updates:

Quarterly Report on Fraud, Waste and Abuse Hotline Cases

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

Management's Quarterly Travel Expense and Per Diem Report

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

Committee Meeting Schedule for Calendar Year 2026

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



Next Committee Meeting Date

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

AUDIT DIRECTOR'S PERFORMANCE EVALUATION (CLOSED SESSION)

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

Upon returning to open meeting, the committee voted to recommend approval of the following action to the full board:

Request for Board Action: The VRS Board of Trustees approves a 7% performance bonus for the audit director.

Respectfully submitted to the Board of Trustees on September 25, 2025.


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

Report

The Administration, Finance and Talent Management Committee met on September 24, 2025, and discussed the following:

APPROVAL OF MINUTES

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

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

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

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

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

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

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

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

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

BUDGET UPDATE

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

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

AMENDED INVESTMENT OPERATIONS AND ADMINISTRATIVE PAY PLAN

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

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

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

INFORMATIONAL ITEM (INTERNAL AUDIT DIRECTOR'S PERFORMANCE REVIEW)

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

FOIA ELECTRONIC MEETING ATTENDANCE POLICY

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

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

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

COMPENSATION AND BENEFITS (CLOSED SESSION)

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

Upon returning to open meeting, the Committee recommended approval of the following actions to the full Board:

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

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

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

Submitted to the Board of Trustees on September 25, 2025.



A. Scott Andrews, Chair
Administration, Finance and Talent Management Committee