
Minutes

A regular meeting of the Virginia Retirement System Board of Trustees was held on September 17, 2026, in Richmond, Virginia with the following members participating:

Board members:

Susan T. Gooden, Ph.D., Chair

A. Scott Andrews, Vice Chair

Lawrence A. Bernert III

John M. Bennett (*attended remotely from Weems, VA under § 2.2-3708.3(B)(1)*)

Rokasha Edmondson, Ed.D.

J. Clifford Foster IV

Jessica L. Hood

Hon. Matthew James

William H. Leighty

Investment Advisory Committee:

Lawrence E. Kochard, Ph.D., Chair

VRS Staff:

Patricia Bishop, Jennifer Schreck, Andrew Junkin, Rory Badura, Parham Behrooz, Ty Bowers, Lee Buchanan, Caroline Cardwell, Ryan Carlson, Warren Chang, Bill Chen, Michael Cooper, Perry Corsello, David Cotter, Juanita Cribbs, Sara Denson, Valerie Disanto, Curtis Doughtie, Pam Elam, Kenji Epling, Laurie Fennell, Laura Fields, Antonio Fisher, Kenny Fleming, Katie Grawe, JT Grier, Krystal Groff, Mehtab Haleem, Rachel Hayes, Kelly Hiers, KC Howell, Taylor Irvin, Robert Irving, Ross Kasarda, Mengting Kim, Kristina Koutrakos, LaShaunda King, Matt Lacy, Vu Le, Robert Leopold, Chung Ma, Curt Mattson, Kidus Molla, Walker Noland, Greg Oliff, Angela Payne, Matt Priestas, Laura Pugliese, Shawn Rabalais, Paula Reid, Mark Rein, Andrew Ringle, Gregory Salvati, Ph.D., Jummai Sarki-Hurd, Michael Scott, Joseph Shaver, Trib Singh, , Richard Slate, Amethyst Sloane, Virginia Sowers, Nicole Taylor, Nathan Thomas, Viet Tran, Emily Trent and Dan Whitlock.

Guests:

Maya A., Apollo; Chris Doll, CEM Benchmarking; Joe Ebisa, WithIntelligence.com; Alexandra Jansson, Joint Legislative Audit and Review Commission; Rob Kozlowski, Pensions & Investments; Haley Messick, BlackRock; Elizabeth Myers, Office of the Attorney General; Gregory Richard, New Hampshire Retirement System; Jason Rose-Seiden, Osmosis.fm; Quratulain Tejani, EQ Derivatives; Sabrina Ticer-Wurr, MandateWire; Spencer Witherspoon, Shenkman; and Laura Sagona Wurtz, Financial Investment News.

The meeting convened at 1:01 p.m.

Opening Remarks

Dr. Gooden called the meeting to order and welcomed everyone to the September 17, 2026, meeting of the Virginia Retirement System Board of Trustees. Dr. Gooden next introduced Dr. Rokasha Edmondson,

who was appointed by the House of Delegates to the Board in August. Dr. Edmondson is a distinguished educator with Hampton City Schools and her appointment fills the vacancy of Lindsey Pantele who resigned from the board earlier in the year.

Approval of Minutes

Following a motion by Mr. Leighty, and a second by Mr. Andrews, the VRS Board of Trustees unanimously approved the minutes from its June 17, 2026, meeting.

Committee Assignments

Next, Dr. Gooden advised that, with the appointment of a new Board member, and in accordance with the Governance Policy, the Board is required to update its committee assignments.

Following a motion by Mr. Andrews, with a second by Mr. Leighty, the Board unanimously approved the proposed committee assignments.

Report of the Investment Advisory Committee

Lawrence Kochard, Chair of the Investment Advisory Committee (IAC), presenting remotely, began his report by noting the IAC met on August 16, 2026, and approved the minutes from its April 8, 2026, 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, 2026. The Committee received an overview of Risk Management at VRS, discussed leverage, an update on diversification and then received the Portfolio Solution Group program review. Lastly, Chung Ma, Deputy CIO, and Sara Denson, Staff Actuary, delivered a presentation 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 12.1% return, net of fees, for the fiscal year that ended June 30, 2026. The strong return surpassed the actuarially assumed return of 6.75% and elevated the fund to \$135.2 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 2026 to the Board. CEM measures costs, 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 \$96 per active member and annuitant, VRS' total pension administration cost per active member and annuitant is \$44 below the peer group average of \$140. Mr. Doll provided a summary of the trend in total pension administration costs from 2018 to 2025. He noted that VRS' total pension administration cost per active member and annuitant **increased by 18.2% in the year 2025** and increased **by 2.9%** per annum over the last eight years. During the same period, the average cost of peers with eight consecutive years of data increased by **5.2%** per annum.

Mr. Doll advised that VRS achieved a total service score of 83, which is equal to the peer median. VRS' service score has increased from 74 to 83 between 2018 and 2025.

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

Dr. Gooden thanked Mr. Doll for his presentation and commended the VRS staff for achieving these exceptional results. Dr. Gooden 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 of high service and low cost.

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 10, 2026, and placed it on file.

WELCOME AND INTRODUCTION

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

APPROVAL OF MINUTES

The Committee approved the minutes of its May 14, 2026, meeting.

INVESTMENTS

Annual Investment Review

Staff provided the Committee with a high-level market update and reported that total DC Plan assets under investment oversight reached approximately \$12.6 billion. Most of these assets remain in the unbundled investment structure.

Staff reported that the key initiatives included successful reductions in BlackRock index investment management fund fees, with reductions ranging from 20% to 50%. These reductions are expected to improve cost efficiency for participants. Investment oversight continues to follow a team-based due diligence approach that includes performance monitoring, manager reviews, and attribution analysis. The target date portfolios and passive strategies continue to perform as expected. Although stable value funds across the asset class were affected by the interest rate environment, they continue to maintain principal protection.

ADMINISTRATION

Administration Reports & Communication

Staff reported that total assets across the DC plans increased to approximately \$13.5 billion. Account growth has stabilized somewhat due to seasonal employment changes. Total participant accounts approached 750,000, representing about 403,000 unique individuals across the plans.

Web registration is currently approximately 15%. VRS continues to work on increasing digital engagement and email capture through targeted communication efforts. The communication strategy focuses on targeted nudges, automated messaging, and employer-supported outreach to increase participation and encourage savings behavior.

Several behavioral nudge campaigns, including campaigns encouraging participants to save more, restart contributions, or maximize contributions, produced open rates between 39% and 67% and measurable action rates of up to 7%. New-hire onboarding mail and email campaigns resulted in a 4.2% contribution activation rate. Most participants who responded selected higher contribution levels, such as 4%.

Hybrid plan engagement continues to grow significantly. Active participation reflects strong long-term compounded growth trends that exceed base membership growth. Auto-escalation remains a major driver of savings behavior, with more than 91% of members either maintaining or increasing their escalated contribution levels.

The coordination between VRS and Voya field staff resulted in more than 260 meetings and more than 4,000 participant interactions during the quarter. New initiatives in development include employer spotlights, success story videos, and communication toolkits designed to replicate and encourage high-performing employer engagement models. VRS is shifting its focus toward identifying employer best practices that can improve participation rates across participating employers.

VRS is working with Voya to integrate pension estimates into Voya's retirement planning tools. This work is intended to improve participant retirement readiness projections, reduce participant confusion, and increase engagement by providing more accurate, pre-populated retirement income projections.

The Committee also discussed the use of artificial intelligence. VRS has developed an internal AI governance policy and has deployed Microsoft Copilot within secure environments that include data safeguards. Current AI use cases include summarizing legal and policy documents and improving operational efficiency, while maintaining human oversight and risk controls. Investment teams and administrators are also exploring AI tools that may improve efficiency in performance analysis and reporting, with ongoing human-centered validation processes.

OTHER BUSINESS

Discussion of New Ideas

The Committee discussed retirement income challenges and uncertainty in modeling participant financial behavior due to incomplete external financial data.

Members highlighted the importance of peer influence and trusted messengers ("champions") in improving retirement savings participation.

2026 MEETINGS

Del. James confirmed the DCPAC meeting dates for 2026:

- December 3, 2026, at 1:00 pm
- ORPHE Annual Employer Update (not a meeting of DCPAC):
September 16, 2026, at 2:00 p.m.

Dr. Gooden thanked Delegate James for his 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 16, 2026, and placed it on file.

APPROVAL OF MINUTES

The committee approved the minutes of its June 9, 2026, meeting.

ELECTION OF VICE CHAIR

The committee nominated and elected William H. Leighty to serve as the committee's vice chair.

EXIT ON THE 2025 EMPLOYER ASSURANCES REVIEW AND UPDATE ON THE 2026 ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) AUDIT

The Auditor of Public Accounts (APA) reported the 2025 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 2026 VRS ACFR Audit is progressing as planned and is on schedule to be finished in advance of December 15, 2026.

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 committee received the results of Internal Audit's review of management's representations regarding the agency performance outcomes and operational measures for the fiscal year ended June 30, 2026, 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 committee received the results of Internal Audit's review of the Investment department's proposed incentive compensation amounts which determined they were accurately calculated in accordance with the authorized pay plan and related eligibility requirements were met.

INTERNAL AUDIT DEPARTMENT'S ANNUAL PROGRESS REPORTS FOR FISCAL YEAR 2026

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, 2026, was presented. The Internal Audit Director noted ARFUS contained seven recommendations, three were represented as implemented, one of which was issued by the APA. The three recommendations were released, one with comment, leaving four outstanding as of June 30, 2026.

Annual Plan and Long-Range Plan Progress

The Internal Audit Director discussed the fiscal year 2026 annual plan results as of June 30, 2026, along with the status of the long-range plan for the three years ending June 30, 2027.

PROPOSED FY 2027 ANNUAL PLAN

The Internal Audit Director presented the proposed annual plan for fiscal year 2027, noting it was derived from the approved long-range plan with some adjustments to address activities carried from fiscal year 2026 to fiscal year 2027.

Following a motion by Mr. Foster, with a second by Mr. Andrews, the Board unanimously approved the proposed committee assignments.

Request for Board Action 2026-09-14: The VRS Board of Trustees approves the proposed FY 2027 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, 2026, through July 31, 2026.

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 2027

The committee received a schedule of Audit and Compliance Committee meeting dates for 2027.

Next Committee Meeting Date

The final 2026 committee meeting is scheduled for Tuesday, December 8, 2026, at 11 a.m.

AUDIT REPORT AND AUDIT DIRECTOR'S PERFORMANCE EVALUATION (CLOSED SESSION)

The committee went into closed session to receive the audit report on *myVRS Application Controls and Risk and Fraud Prevention* and to review the Internal Audit Director's performance for the fiscal year ended June 30, 2026.

Following a motion by Mr. Foster, with a second by Delegate James, the Board unanimously approved the proposed committee assignments.

Request for Board Action 2026-09-15: The VRS Board of Trustees approves a 7% performance bonus for the audit director.

Dr. Gooden thanked Mr. Foster 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 16, 2026, and placed it on file.

APPROVAL OF MINUTES

The Committee approved the minutes of its June 17, 2026, meeting.

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. Bernert, the VRS Board of Trustees approved the following action:

Request for Board Action 2026-09-16: The VRS Board of Trustees 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.

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 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 fourteen of the sixteen operational measures.

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

Request for Board Action 2026-09-17: The VRS Board of Trustees approves the attainment of FY 2026 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.

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

Request for Board Action 2026-09-18: 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 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. Andrews, with a second by Mr. Foster, the VRS Board of Trustees approved the following action:

Request for Board Action 2026-09-19: 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 VRS employees.

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

Request for Board Action 2026-09-20: 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.

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

Request for Board Action 2026-09-21: The VRS Board of Trustees approves a performance bonus of 5% for the VRS Director payable on October 16, 2026, and a supplemental payment of \$120,000 made December 1, 2026, as authorized in the 2026 Appropriation Act.

Dr. Gooden concluded her report by thanking Mr. Junkin and the Investments team for their dedication and continued success following the Fund's return of 12.1% at the close of the fiscal year. This exceeds the assumed rate of 6.75% and produced a record high of \$135.2 billion in market value.

Dr. Gooden also thanked Trish Bishop and the Administration team for their progress over various agency projects and accomplishing the operational measures and APOs. Dr. Gooden noted these efforts are reflected in the CEM report illustrating VRS' continued performance in the most coveted quadrant of the cost-effective chart and delivering high service at a low cost.

Lastly, Dr. Gooden thanked the Internal Audit team for their contributions and their work in implementing new internal audit standards and providing assurance and insights to VRS management and the Board to support the agency's ongoing improvement efforts.

Report of the Director

Ms. Bishop, Director, began her report with an update on the agency road map for FY 2027, noting all projects are progressing as planned, as well as a review of New Coverage Elections.

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)*.

Ms. Bishop shared with the Board that VRS worked with the Commonwealth of Virginia (CVC) team this year to coordinate donations of backpacks, school supplies and essential items to the YMCA of Greater Richmond's Bright Beginnings program to strengthen community engagement and local students' educational success.

Ms. Bishop advised the Board that a successful partnership between VRS and the Virginia Department of Health resulted in 400 new Walk With Ease registrations following the summer Retiree News article about the free six-week walking program.

Ms. Bishop requested the attention of the Board introducing Rory Badura, Senior Actuary for a presentation of the 2026 Actuarial Valuation Preparation Overview. The overview introduced factors that will influence the 2026 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 provided a preview of upcoming meetings and events.

Dr. Gooden thanked Ms. Bishop for her report.

Other Business

Lastly, Dr. Gooden reviewed the following meeting schedule:

- Benefits and Actuarial Committee – October 14 at 1:00 p.m.
- Board of Trustees – October 15 at 1:00 p.m.
- Investment Advisory Committee – November 4 at 9:00 a.m.
- Benefits and Actuarial Committee – November 12 at 10:00 a.m.
- Board of Trustees – November 12 at 1:00 p.m.

Adjournment

There being no further business and following a motion by Mr. Leighty, with a second by Mr. Andrews, 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 10, 2026, at 1:00 p.m. and took up the following matters:

WELCOME AND INTRODUCTION

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

APPROVAL OF MINUTES

The Committee approved the minutes of its May 14, 2026, meeting.

INVESTMENTS

Annual Investment Review

Staff provided the Committee with a high-level market update and reported that total DC Plan assets under investment oversight reached approximately \$12.6 billion. Most of these assets remain in the unbundled investment structure.

Staff reported that the key initiatives included successful reductions in BlackRock index investment management fund fees, with reductions ranging from 20% to 50%. These reductions are expected to improve cost efficiency for participants. Investment oversight continues to follow a team-based due diligence approach that includes performance monitoring, manager reviews, and attribution analysis. The target date portfolios and passive strategies continue to perform as expected. Although stable value funds across the asset class were affected by the interest rate environment, they continue to maintain principal protection.

ADMINISTRATION

Administration Reports & Communication

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VRS is working with Voya to integrate pension estimates into Voya's retirement planning tools. This work is intended to improve participant retirement readiness projections, reduce participant confusion, and increase engagement by providing more accurate, pre-populated retirement income projections.

The Committee also discussed the use of artificial intelligence. VRS has developed an internal AI governance policy and has deployed Microsoft Copilot within secure environments that include data safeguards. Current AI use cases include summarizing legal and policy documents and improving operational efficiency, while maintaining human oversight and risk controls. Investment teams and administrators are also exploring AI tools that may improve efficiency in performance analysis and reporting, with ongoing human-centered validation processes.

OTHER BUSINESS

Discussion of New Ideas

The Committee discussed retirement income challenges and uncertainty in modeling participant financial behavior due to incomplete external financial data.

Members highlighted the importance of peer influence and trusted messengers (“champions”) in improving retirement savings participation.

2026 MEETINGS

Del. James confirmed the DCPAC meeting dates for 2026:

- December 3, 2026, at 1:00 pm
- ORPHE Annual Employer Update (not a meeting of DCPAC):
September 16, 2026, at 2:00 p.m.

There was no other business to come before the Committee.

Submitted to the Board of Trustees on September 17, 2026.



Del. Matthew James, Chair
Defined Contribution Plans Advisory Committee

Report

The Audit and Compliance Committee (committee) met on September 16, 2026. Mr. Foster 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 9, 2026, meeting.

ELECTION OF VICE CHAIR

The committee nominated and elected William H. Leighty to serve as the committee's vice chair.

EXIT ON THE 2025 EMPLOYER ASSURANCES REVIEW AND UPDATE ON THE 2026 ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) AUDIT

The Auditor of Public Accounts (APA) reported the 2025 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 2026 VRS ACFR Audit is progressing as planned and is on schedule to be finished in advance of December 15, 2026.

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 committee received the results of Internal Audit's review of management's representations regarding the agency performance outcomes and operational measures for the fiscal year ended June 30, 2026, 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 committee received the results of Internal Audit's review of the Investment department's proposed incentive compensation amounts which determined they were accurately calculated in accordance with the authorized pay plan and related eligibility requirements were met.

INTERNAL AUDIT DEPARTMENT'S ANNUAL PROGRESS REPORTS FOR FISCAL YEAR 2026

The committee received the following updates:

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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.

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Annual Plan and Long-Range Plan Progress

The Internal Audit Director discussed the fiscal year 2026 annual plan results as of June 30, 2026, along with the status of the long-range plan for the three years ending June 30, 2027.

PROPOSED FY 2027 ANNUAL PLAN

The Internal Audit Director presented the proposed annual plan for fiscal year 2027, noting it was derived from the approved long-range plan with some adjustments to address activities carried from fiscal year 2026 to fiscal year 2027. 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 2027 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, 2026, through July 31, 2026.

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 2027

The committee received a schedule of Audit and Compliance Committee meeting dates for 2027.

Next Committee Meeting Date

The final 2026 committee meeting is scheduled for Tuesday, December 8, 2026, at 11 a.m.

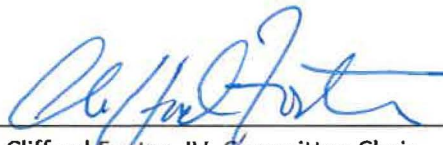
AUDIT REPORT AND AUDIT DIRECTOR'S PERFORMANCE EVALUATION (CLOSED SESSION)

The committee went into closed session to receive the audit report on *myVRS Application Controls and Risk and Fraud Prevention* and to review the Internal Audit Director's performance for the fiscal year ended June 30, 2026.

Upon returning to open meeting, the committee accepted the audit report as presented and 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 17, 2026.



J. Clifford Foster, IV, Committee Chair
Audit and Compliance Committee

Report

The Administration, Finance and Talent Management Committee met on September 16, 2026, and discussed the following:

APPROVAL OF MINUTES

The Committee approved the minutes of its June 17, 2026, meeting.

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.

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

Request for Board Action: The VRS Board of Trustees 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.

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 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 fourteen of the sixteen operational measures.

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 2026 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 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 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.

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 VRS employees.

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 \$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.

Lastly, the Committee recommended approval of a performance bonus and supplemental payment to the VRS Director.

Request for Board Action: *The VRS Board of Trustees approves a performance bonus of 5% for the VRS Director payable on October 16, 2026, and a supplemental payment of \$120,000 made December 1, 2026, as authorized in the 2026 Appropriation Act.*

Submitted to the Board of Trustees on September 17, 2026.



Susan T. Gooden, Ph.D., Chair
Administration, Finance and Talent Management Committee