Defined Contribution Plans Advisory Committee (DCPAC) Meeting

1111 E. Main St., Richmond
Pavilion Building

Thursday, 5/23/2024
1:00 - 3:00 PM ET

1. Welcome

2. Meeting Minutes
-- Adoption of the Minutes from the March 14, 2024 Meeting
2024.3.14 DCPAC Minutes - Page 2

3. Administration
2024Q1 Administrative Summary - Page 6

a. Administrative Reports & Communications

b. DC Plans Recordkeeper Transition Update

c. RBA for Plan Document Updates
RBA DC Plan Document Updates - Page 24

4. Investments
Final 5-23-24 PP DC Investments slide deck - Page 46

a. Performance Reports

b. Callan 2024 DC Trends Survey

5. Other Business

a. Advice and Managed Accounts
-- RBA for Voya Retirement Advisors to offer Advice and Managed Accounts Services
Advice and Managed Accounts - Sageview - Page 76
RBA DC Plans Investment Advice-Managed Account - Page 83

b. DCPAC Appointments

i. RBA - Reappointment of Ravindra Deo, C. Matt Harris and Brenda Madden
RBA_ReappointDCPAC_Members - Page 85

ii. RBA - New DCPAC Appointments
RBA - Appoint DCPAC Member - Page 86

6. Discussion of New Ideas

7. 2024 Meetings

a. Remaining 2024 Meetings

i. September 12, 2024 at 1:00 p.m. (Annual Investment Review)

ii. December 5, 2024 at 1:00 p.m.

b. ORPHE Annual Employer Update (not a meeting of the DCPAC) -- TBD

Minutes

A regular meeting of the Defined Contribution Plans Advisory Committee (DCPAC) of the VRS Board of Trustees convened on March 14, 2024, with the following members present:

Hon. J. Brandon Bell, II, Chair
Susan T. Gooden, Vice Chair
Ravindra Deo
C. Matt Harris
Rick Larson
Brenda Madden
Arun Muralidhar *(remotely in accordance with § 2.2-3708.3(B)(3))*
David Winter

Members of the Board of Trustees:
John M. Bennett

VRS Staff:
Trish Bishop, Steve Cerreto, Jeanne Chenault, Michael Cooper, David Cotter, Antonio Fisher, Josh Fox, Kelley Harlow, Kelly Hiers, KC Howell, Robert Irving, Sandy Jack, Brian Lackey, Ryan LaRochelle, Joyce Monroe, Teresa Nyugen, Laura Pugliese, Mark Rein, Kristy Scott, Michael Scott, Jennifer Schreck, Ashley Spradley, Bridgette Watkins-Smith, Rachel Webb, Leslie Weldon, and Tanya Williams.

Guests:
Jamie Bitz, JLARC; Andrew Ness, Sageview; Spencer Witherspoon, Shenkman Capital.

The meeting convened at 1:00 p.m.

Opening Remarks

Brandon Bell, Chair of the DCPAC, welcomed committee members, board members, VRS staff, representatives from other stakeholder groups and members of the public.

Approval of Minutes

Upon a motion by Dr. Gooden and a second by Mr. Deo, the minutes of the November 30, 2023, meeting were approved by the Committee.

Administrative Reports and Communications Update

<u>DC Plans Overview</u>

Kelly Hiers, Defined Contribution Plans Administrator, provided an overview of the DC Plans, as well as an update on administrative reports for the fourth quarter of 2023. An overview of assets and accounts across the various defined contribution plans, as well as asset allocations across all plans and on an individual plan basis, was also provided.

Ms. Hiers advised the Committee that total assets and plan accounts have increased substantially over the last year. Total Plan assets and accounts have increased 22% and 16%, respectively, during the same time period. Pending Plan document recommendations, which are primarily related to SECURE 2.0, were presented to include an additional age-based catch-up provision, hybrid plan deferral change frequency from quarterly to monthly, allowance of in-plan Roth conversions, the addition of Unforeseen Emergency Withdrawal (UEW) provisions to the Hybrid 457 Plan with self-certification, application of self-certification provisions to UEWs in the COV 457 Plan and the elimination of the *de minimis* withdrawal option in the COV 457 Plan – all to be rolled out with the Voya transition, if approved.

DC Plans Recordkeeper Transition Update

Ms. Hiers provided an update on the transition to Voya. Teams are meeting weekly covering various areas (i.e., Administration, Communications, Call Center, Operational Readiness, Plan Set-up/Conversion). The contract review and discussions should be completed by June.

Mr. Bell thanked Ms. Hiers for her presentation.

DC Plans Investments Update

Performance Reports

Laura Pugliese, Portfolio Manager of Defined Contribution Plans, provided an overview of the January 31, 2024, performance reports, including the unbundled DC plans investment options and the bundled TIAA investment menu for ORPHE. Staff provided highlights from two Callan Periodic Tables of Investment Returns from 2014-2023 showing various asset class returns and inflation trends.

Projects

Ms. Pugliese provided an update on various projects, including the review of DC Investments governing documents, Retirement Income Solutions, and Investment Advice & Managed Accounts.

Mr. Bell thanked Ms. Pugliese for her presentation.

Other Business

Legislative Update

Sandy Jack, Director of Policy, Planning and Compliance, presented an RBA for plan document updates which proposes plan changes regarding escheatment provisions impacting all DC Plans as a result of legislation passed by the General Assembly.

Following a motion by Dr. Gooden, with a second by Ms. Madden, the Committee recommended approval of the following action to the full Board of Trustees:

RBA: Approve amended and restated Plan Documents: Virginia 457 and Cash Match, Hybrid 457 and Cash Match, ORPHE, ORPPA, and ORPSS.

Request for Board Action: *The Virginia Retirement System Board of Trustees approves the amended and restated (i) Commonwealth of Virginia 457 Deferred Compensation Plan, (ii) Virginia Cash Match Plan, (iii) Virginia Hybrid 457 Deferred Compensation Plan, (iv) Virginia Hybrid 401(a) Cash Match Plan, (v) Optional Retirement Plan of the Commonwealth of Virginia for Employees of Institutions of Higher Education, (vi) Optional Retirement Plan of the Commonwealth of Virginia for Political Appointees, and (vii) Optional Retirement Plan of the Commonwealth of Virginia for Public School Superintendents, effective July 1, 2024.*

Ms. Jack further provided an overview of VRS-related legislation presented during the 2024 regular session of the General Assembly. Ms. Hiers reviewed the status of several mandatory and optional SECURE 2.0 Act provisions with impact to the DC Plans. Most of the changes will be implemented in conjunction with the Voya transition.

Mr. Bell thanked Ms. Jack and Ms. Hiers for their presentations.

Discussion of New Ideas

Dr. Gooden initiated a discussion regarding the education provided to employees and retirees and what other employers may be doing to supplement educational activities. Staff added various areas that are currently being addressed, such as holistic financialwellness, and concurred that there are opportunities to enhance what is currently being done. This was a timely discussion to consider where there may be gaps in educational efforts.

Upcoming Defined Contribution Plans Advisory Committee Meetings

Mr. Bell confirmed the remaining DCPAC meeting dates in 2024, all at 1:00 p.m.:
- Thursday, May 23rd
- Thursday, September 12th
- Thursday, December 5th

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

Adjournment

There being no further business, Mr. Bell adjourned the meeting at 2:44 p.m. upon a motion by Dr. Gooden, with a second by Mr. Deo, and a vote of the Committee.

___________________________ ___________________________
Chair Date

Virginia Retirement System

VRS Defined Contribution Plans – 1st Quarter 2024

(January 1 – March 31, 2024)

Administrative Summary

May 23, 2024

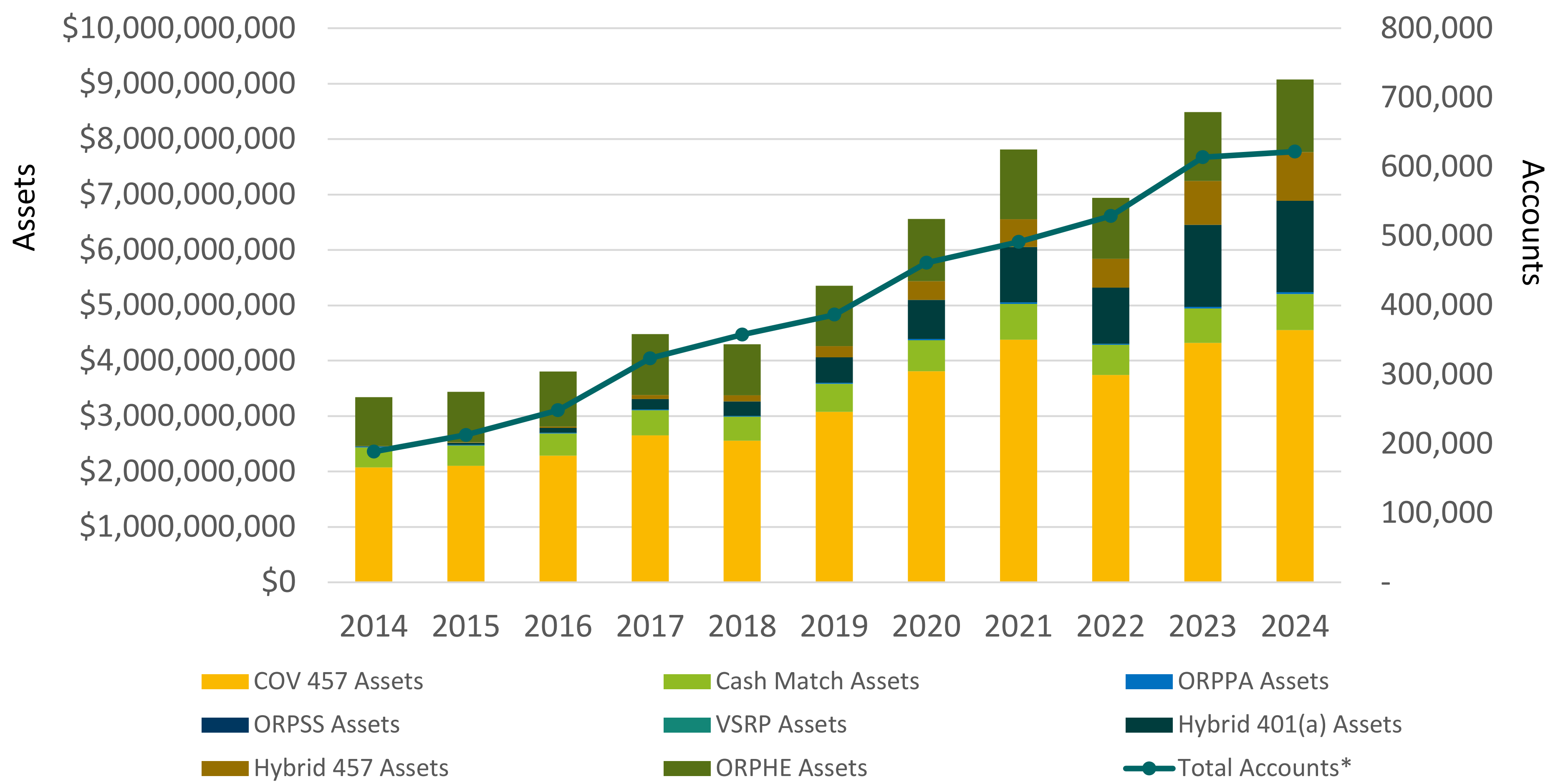
Agenda

Topic	Slide Number(s)
General Updates	3-6
COV 457 & Cash Match Plans	7
Hybrid Retirement Plan	8-11
ORPHE	12
Upcoming Events	13
DC Plans Unbundled Record Keeper Transition Update	14-17

Total Assets and Accounts Over Time

Virginia Retirement System

Totals as of 3/31/2024	Assets	Accounts	Assets ↑ 7% Accounts ↑ 1% Since 12/31/2023
	$9,077,378,007	621,849	



Note: All data reflects totals as of calendar year-end and includes ORPHE selected providers and MissionSquare participant, beneficiary, forfeiture & reserve accounts. Data is as of 3/31/2024.

*Does not indicate unique participants.

NAGDCA – Legislative Advocacy

Virginia Retirement System

NAGDCA
National Association of Government Defined Contribution Administrators, Inc.

2024 LEGISLATIVE PRIORITIES

PROTECT AND ENHANCE GOVERNMENTAL DEFINED CONTRIBUTION PLAN FEATURES

- Reasonable implementation timelines.
- Enhance distribution choices.
- Improve Roth plans.
- Support National Retirement Security Month.
- Recognize unique plan features.
- Enhance investment options for 403(b) investors.

Discussion Points:
- SECURE 2.0 implementation
- Status of potential technical corrections bill

This month NAGDCA Board members met with various members of the following committees:

- House Ways and Means
- House Education and Workforce
- Senate Finance
- Senate Banking
- Senate Health, Education, Labor & Pensions

Communicator Awards

Academy of Interactive and Visual Arts

Virginia Retirement System

Excellence Award

Contribution Increase Campaign

The Award of Excellence, AIVA's highest honor, is given to those entrants whose ability to communicate positions them as the best in the field.

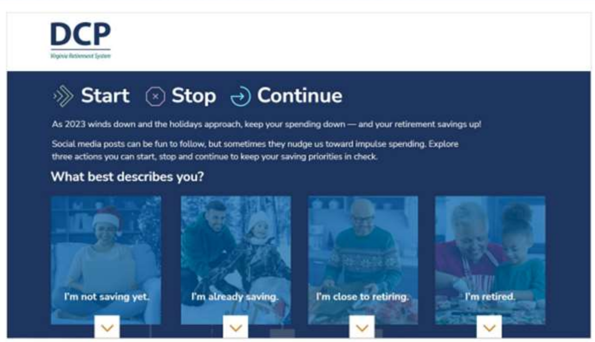
The Communicator Awards

Communication is Everything

Don't Miss Out on the Match

Quarterly Deadline Approaching!

Maximize Your Retirement Saving!



Distinction Award

Start, Stop, Connect Campaign

The Award of Distinction is presented to projects that exceed industry standards in quality and achievement.

Stevie® Awards

The American Business Awards

Virginia Retirement System

Marketing Campaign of the Year

Government/Institutional/Recruitment

THE AMERICAN BUSINESS AWARDS®

Gold Stevie® Award

Start, Stop, Connect Retirement Planning Campaign

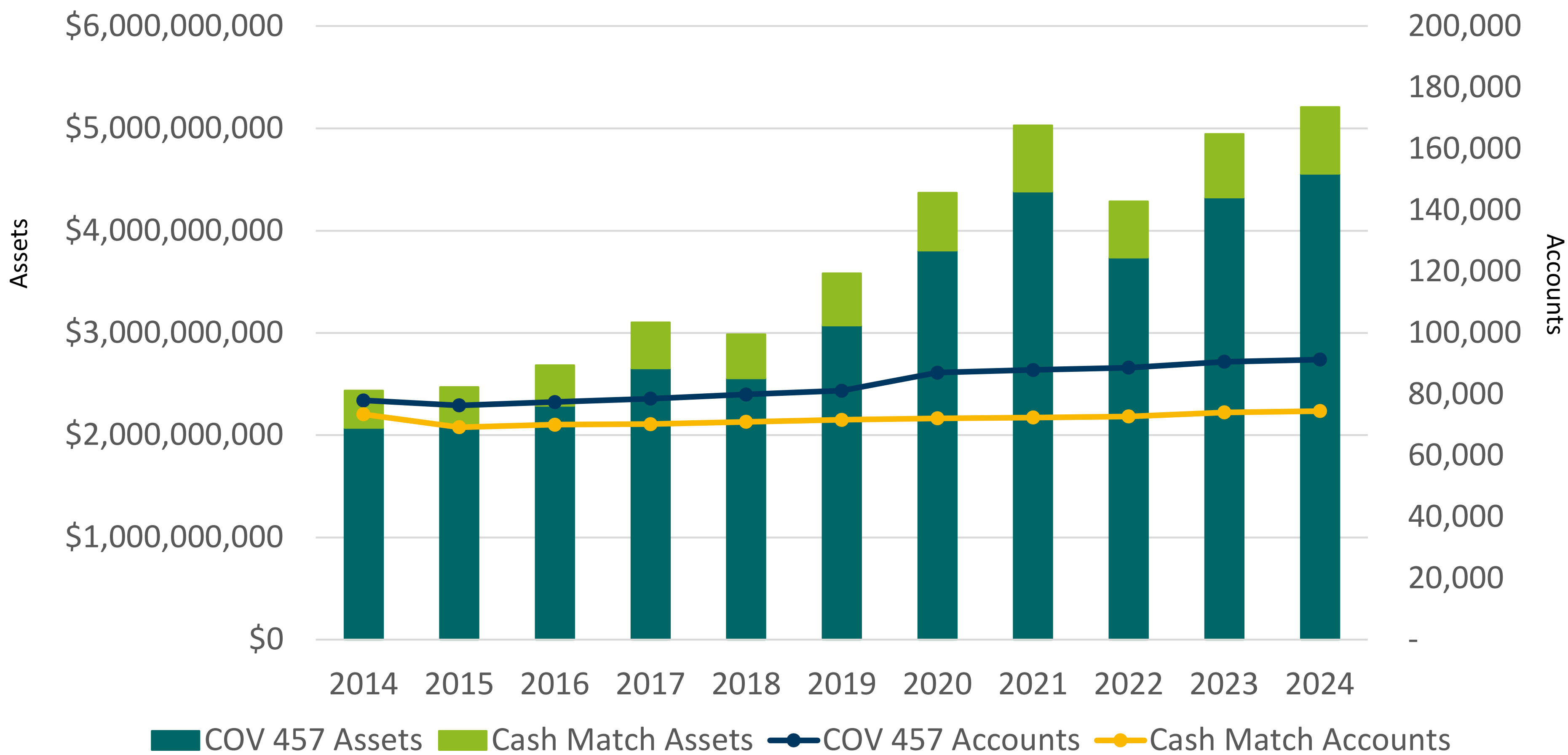
Goal 1: Drive more visitors to the microsite than the 2022 campaign did.

Goal 2: Engage employees where they are in their individual savings journey (early, mid- or late career or retired) and provide them with ways to connect with valuable resources.

COV 457/Cash Match Plan
Assets and Accounts

Totals as of 3/31/2024	Assets	Accounts
COV 457	$4,557,496,077	91,266
Cash Match	$649,577,255	74,550

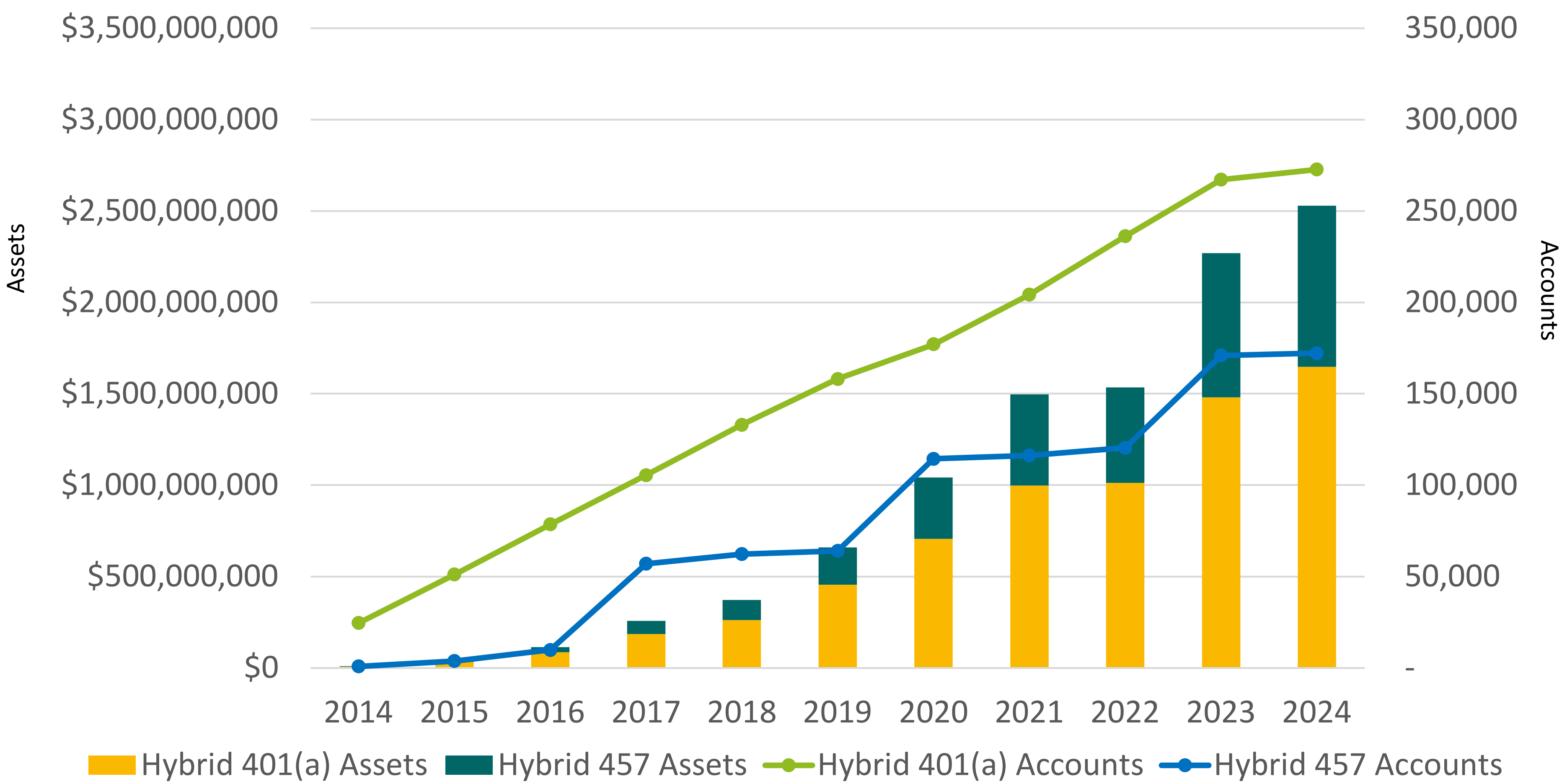
Assets ↑ 5% Since 12/31/2023



Note: Current data reflects totals as of 3/31/2024 and includes MissionSquare participant, beneficiary & reserve accounts.

Hybrid Retirement Plan
Assets and Accounts (DC only)

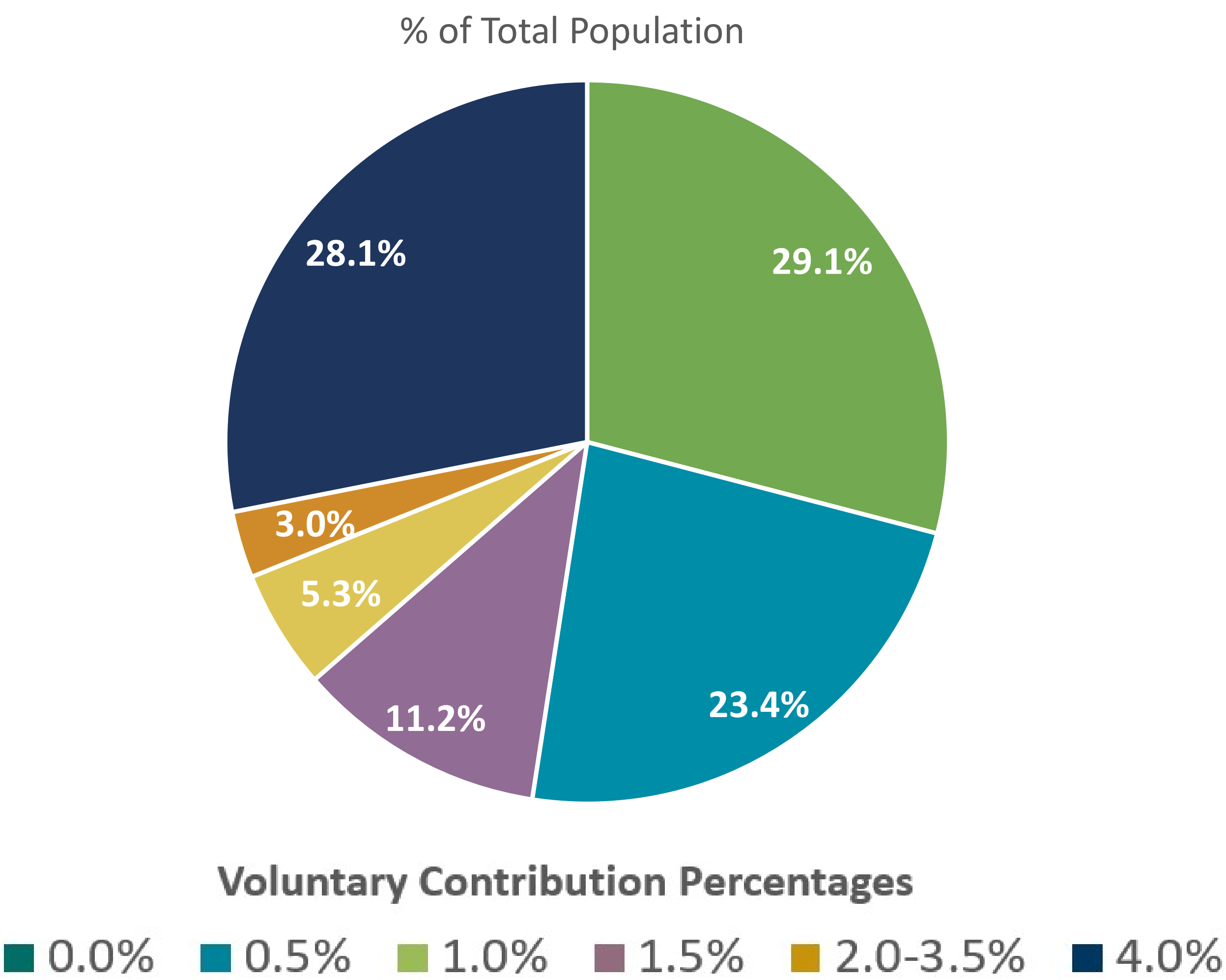
Totals as of 3/31/2024	Assets	Accounts	Assets ↑ 11% Accounts ↑ 2% Since 12/31/2023
Hybrid 401(a)	$1,647,594,040	272,738	
Hybrid 457	$881,378,423	172,182	



Note: All data reflects through 3/31/2024 and includes MissionSquare participant, beneficiary & forfeiture accounts.

Hybrid Retirement Plan
Voluntary Contribution Elections

Voluntary Contribution Percentages for Active Hybrid Plan Members



Overall Voluntary Contribution Participation Rate
70.9%

Active Election Rate
32.8%

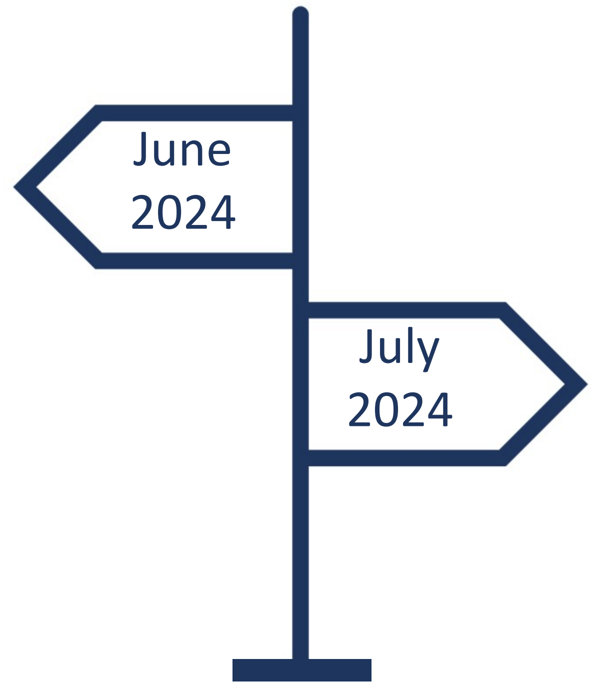
‘Active’ is defined as being actively employed in the Hybrid Retirement Plan with a balance in the Hybrid 401(a).
Data through 3/31/2024.

Hybrid Rate Separation

Effective July 1, 2024

Starting July 1, the way employers process payroll for the Hybrid Retirement Plan will change.

- Employer DB rate will be a fixed amount for Hybrid, Plan 1 and Plan 2 members.
- Employer DC contributions will continue to vary based on member elections.
- Expected DC amounts will no longer be calculated by VRS and will not be displayed in the Snapshot file.
- Employers are responsible for budgeting accordingly to cover the full DC employer match.



Hybrid Rate Separation - Communications

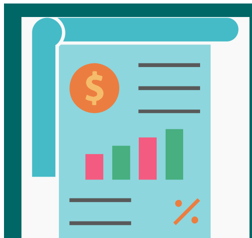
Effective July 1, 2024

Educational webinars (live and recorded).

Snapshot comparison illustration available.

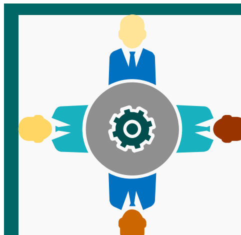
Dedicated webpage.

Targeted outreach to unengaged employers and employers that may benefit from additional assistance.



Employer Update newsletter.

Employer Help Sessions for live Q&A.



Ongoing Employer Roundtables.

Administrative Summary
ORPHE

ORPHE Totals*			
	12/31/2023	**3/31/2024**	% Change
Assets	$1,244,985,416	**1,309,794,296**	5%
Participants	10,588	**10,612**	0%
Average Balance	$117,585	**$123,426**	5%

DCP	
	3/31/2024
Assets	**$175,694,521**
Participants	**2,296**
Average Balance	**$76,522**

17% of new hires through Q1 2024 elected DCP as their provider.

TIAA**	
	3/31/2024
Assets	**$1,134,099,775**
Participants	**8,316**
Average Balance	**$136,376**

83% of new hires through Q1 2024 elected TIAA as their provider.

*Excludes deselected providers.
**Includes assets in GRA/RA and RC contracts.

DC Plans - Upcoming Events

Ongoing

- Voya requirements in development

Summer 2024

- Escheatment provisions effective
- Hybrid Rate Separation effective
- SDBA Roth segregation (Schwab)
- Voya employer outreach begins
  - Payroll Microsite Launches
  - Employer Support Line opens

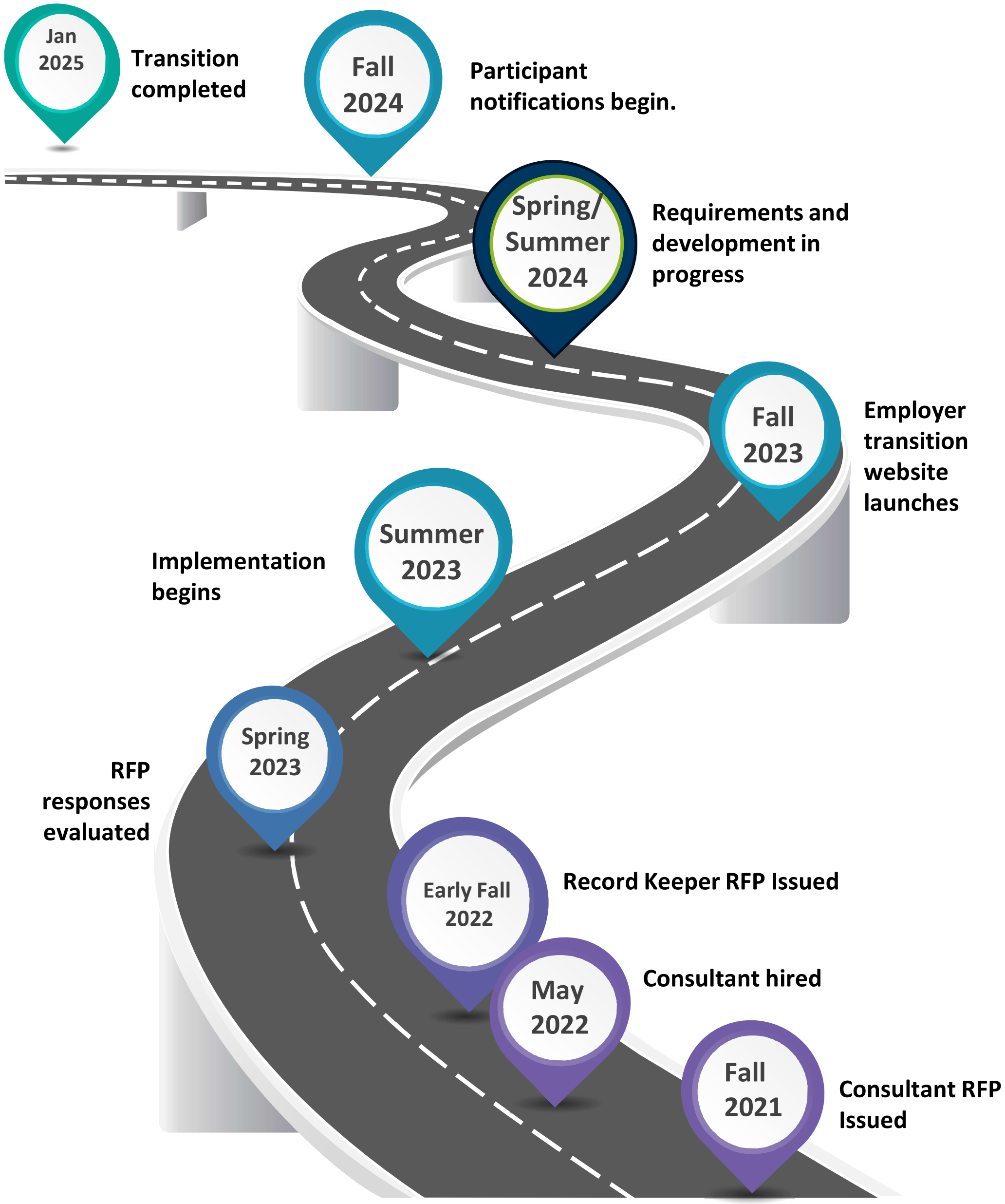
Fall 2024

- TIAA ORPHE Beneficiary Campaign
- ORPHE Open Enrollment
- Voya participant call center opens
- Voya transition notification mailed

Virginia Retirement System

DC Plans Unbundled Record Keeper Project Status

Unbundled Record Keeper Contract



Project Status

- Overall status is GREEN.
- Although a few areas are slightly delayed including custom reporting.

Milestones

- **Contract** – In progress, on track
- **Employer transition website** – Completed
- **Finalized conversion timeline** – Completed
- **Detailed project plan** – Completed
- **Initial requirements completed** – In progress
  - Reports – Completed
  - Interface files – Completed
  - Website development – In progress, on track
  - Forms – In progress, on track

Overall Project Status

Swim lane	Overall Status	Highlights
Administration		•Second review of contract in progress • ADRO discussions completed (included in final contract) • Pending plan document updates
Investments		•Finalizing VRSIP requirements • Tracking grid created • Managed accounts/advice in review (pending decision)
Communications		•Content mapping of existing websites in progress • Website wireframes under review • Cobranding discussion in progress • Participant website confirmed as varetire.org/dcp • Financial Wellness discussions underway
Call Center		•ER and EE toll free numbers, telephone menus and post-call surveys established • Chatbot and Voiceprint reviews in process
Local Office		• Field Staff positions posted • Performance Standards/Reports in progress
Interfaces		•Requirements review completed for all interface files • Employer outreach to begin July • Testing plans are in progress
Operational Readiness		• Forty-three forms in review, most will be custom • Majority of reports are ready for programming
Plan Set-Up/Conversion		•Initial plan set-up documents under final review • Initial test data file received from MissionSquare • Detailed project plan provided

Transition Communications Timeline

as of 5/15/2024

Virginia Retirement System

Employer Communications

- **Jun 2024**: ER Payroll Line Opens
- **Jul 2024**: ER Payroll Site Go LIVE (Voya-Email/Mail); VRS ER Update
- **Aug 2024**: VRS ER Update
- **Sept 2024**: VRS ER Update
- **Oct 2024**: VRS ER Update
- **Nov 2024**: VRS ER Update
- **Dec 2024**: VRS ER Update
- **Jan 2025**: Call Center (Go LIVE); ER Site (Go LIVE); VRS ER Update

Participant Communications

- **Jun 2024**: VRS Retiree News
- **Jul 2024**: FOCUS Newsletter
- **Aug 2024**: VRS Member News
- **Sept 2024**
- **Oct 2024**: Blackout Notice (Voya-Mail; VRS-Mail/Email); Participant (Transitional) Call Center Go LIVE; FOCUS Newsletter
- **Nov 2024**: VRS Member News
- **Dec 2024**: VRS Retiree News
- **Jan 2025**: EE Account Access Go Live/Mailing (Voya-Mail: VRS-Email); FOCUS Newsletter

Additional items will be added as developed and as scheduled.

Virginia Retirement System

Thank you!

Request for Board Action
RBA 2024-06-____

Approve Plan Document Updates.

Requested Action

The Virginia Retirement System Board of Trustees approves the amended and restated (i) Commonwealth of Virginia 457 Deferred Compensation Plan (COV Plan), (ii) Virginia Hybrid 457 Deferred Compensation Plan (Hybrid Plan), and (iii) Optional Retirement Plan of the Commonwealth of Virginia for Employees of Institutions of Higher Education, effective January 1, 2025.

Description/Background

The Setting Every Community Up for Retirement Enhancement Act of 2022 (SECURE Act 2.0) was included in the Comprehensive Appropriations Act of 2023, which was signed into law on December 29, 2022. VRS staff undertook a review of the existing Plan Document for the purpose of determining the need or advisability for amendments to the Plans in light of certain discretionary provisions under the SECURE Act 2.0. In addition, ahead of the transition to a new recordkeeper in 2025, VRS staff reviewed the Plans for other possible amendments that would be beneficial for its members. In connection with this project, staff engaged Ice Miller (outside benefits counsel) to review draft amendments to the Plan Document. The overriding goals of this project were to adopt discretionary provisions allowed under the SECURE Act 2.0 and otherwise that serve the interests of plan members.

The proposed amendments to the Plan Documents, effective January 1, 2025, include the following:

- Eliminates the first day of the month rule for initial elections and the exception to that rule for new hires (Hybrid Plan; COV Plan was amended in 2023 to eliminate the first day of the month rule).
- Amends the maximum amount of elective deferrals to the plan to reflect the current federal level (Both Plans).
- Allows additional elective age-based catch-up deferrals to the plan for participants ages 60 to 63 (COV Plan).
- Allows withdrawals for an unforeseeable emergencies (Hybrid Plan).
- Allows self-certification for an unforeseeable emergency withdrawal if (i) the withdrawal amount does not exceed $2,500 and (ii) no other unforeseeable emergency withdrawal based on a self-certification has been taken in the previous 24 months (Both Plans).
- Eliminate the de minimis withdrawal option, i.e., the option to withdraw the full balance is the balance is under $5,000 and there have been no contributions to the plan in the previous 24 months) (COV Plan).
- Allows for in-plan Roth conversions (COV Plan).

The proposed amendments also include an amendment to the Optional Plan of the Commonwealth of Virginia for Employees of Institutions of Higher Education to add a provision governing the mandatory cash-out of participant's accounts upon the participant's severance of employment if the balance of the participant's account does not exceed $1,000. This provision is identical to provisions already contained in the other Plans' Documents.

Authority for Requested Action

Va. Code § 51.1-124.22(8) authorizes the Board to make determinations necessary to carry out the provisions of Title 51.1 of the *Code of Virginia*, and Va. Code § 51.1-124.22(10) requires the Board to adopt rules and policies that bring the Retirement System into compliance with any applicable law or regulation of the Commonwealth of Virginia or the United States.

The above action is approved.

____ ____________________________________

A. Scott Andrews, Chairman — Date
VRS Board of Trustees

THIRD AMENDMENT TO THE
COMMONWEALTH OF VIRGINIA 457 DEFERRED COMPENSATION PLAN

(As Amended and Restated Effective January 1, 2021)

The Board of Trustees of the Virginia Retirement System ("Board") has the authority to amend the Commonwealth of Virginia 457 Deferred Compensation Plan ("Plan") in accordance with Section 51.1-600 *et seq.* of the Code of Virginia and Section 16.01 of the Plan. In accordance with such authority, the Board hereby amends the Plan, effective as of the dates stated herein, to reflect certain discretionary amendments under the Setting Every Community Up for Retirement Enhancement Act of 2022 as well as certain other amendments.

1. As soon as administratively practicable on or after January 1, 2025, Section 5.01, addressing Elective Deferral Limits, is hereby amended to be and read as follows:

Section 5.01. Elective Deferral Limits.

(a) The maximum amount of Elective Deferrals to the Plan for any calendar year shall be limited to the lesser of (i) the applicable dollar amount as provided in Code Section 457(e)(15) or (ii) the Participant's Includible Compensation as provided in Code Section 457(b)(2). The applicable dollar amount is ~~$22,500~~ $23,000 for ~~2023~~ 2024, increased thereafter by the Cost-of-Living Adjustment.

(b) A Participant who attains age 50 or more by the end of the calendar year, and who is contributing up to the applicable dollar amount under paragraph (a), may make additional Elective Deferrals under Code Section 414(v) of up to $7,500 for ~~2023~~ 2024, increased thereafter by the Cost-of-Living Adjustment. ~~The Administrator shall have the authority, in its sole discretion, if determined necessary to comply with applicable law, to suspend the right to make Elective Deferrals under this paragraph for 2024 or any subsequent calendar year. Any suspension under this subsection shall apply to any new or existing Salary Reduction Agreements in effect for such year or years.~~

(c) A Participant who attains age 60 but will not attain age 64 by the end of the calendar year, and who is contributing up to the applicable dollar amount under paragraph (a), may make additional Elective Deferrals under Code Section 414(v) of up to (i) $10,000 or (ii) 150% of the dollar amount under paragraph (b), whichever is greater, increased thereafter by the Cost-of-Living Adjustment.

~~(c)~~(d) If the applicable year is one of a Participant~~'~~’s last three calendar years ending before the year in which the Participant attains Normal Retirement Age and the amount determined under this paragraph ~~(c)~~ (d) exceeds the amount computed under paragraphs (a) ~~and~~, (b), and (c), then the Elective Deferrals limit under this Article V shall be the lesser of:

(1) An amount equal to two times the applicable dollar amount set forth in paragraph (a) for such year; or

(2) The sum of:

(i) An amount equal to (i) the aggregate paragraph (a) limit for the current year plus each prior calendar year beginning after December 31, 2001, during which the Participant was an Employee under the Plan, minus (ii) the aggregate amount of Compensation that the Participant deferred under the Plan during such years, plus

(ii) An amount equal to (i) the aggregate limit referred to in Code Section 457(b)(2) for each prior calendar year beginning after December 31, 1978, and before January 1, 2002, during which the Participant was an Employee (determined without regard to paragraph (b) ~~or~~, (c), or (d)), minus (ii) the aggregate contributions to Pre-2002 Coordination Plans (as defined by Treasury regulations and as provided in Section 5.03(c)) for such years.

However, in no event can the Elective Deferrals be more than the Participant's Compensation for the year.

(e) The Administrator shall have the authority, in its sole discretion, if determined necessary to comply with applicable law, to suspend the right to make Elective Deferrals under this paragraph for 2024 or any subsequent calendar year. Any suspension under this subsection shall apply to any new or existing Salary Reduction Agreements in effect for such year or years.

2. As soon as administratively practicable on or after January 1, 2025, Section 5.03, addressing Coordination of Limits, is hereby amended to be and read as follows:

Section 5.03. Coordination of Limits.

(a) If the Participant is or has been a participant in one or more other eligible plans within the meaning of Code Section 457(b), including the Hybrid 457 Plan, then this Plan and all such other plans shall be considered as one plan for purposes of applying the foregoing limitations of this Article V. For this purpose, the Administrator shall take into account any other such eligible plan maintained by the Participating Employer for which the Administrator receives from the Participating Employer sufficient information concerning such plan, and shall also take into account any other such eligible plan for which the Administrator receives from the Participant sufficient information concerning his or her participation in such other plan.

(b) In applying Section 5.03, a year shall be taken into account only if:

(1) the Participant was eligible to participate in the Plan during all or a portion of the year; and

(2) Compensation deferred, if any, under the Plan during the year was subject to the applicable dollar amount described in Section 5.01(a) or any other plan ceiling required by Code Section 457(b).

(c) For purposes of Section 5.01~~(c)~~(d)(2)(ii) "contributions to Pre-2002 Coordination Plans" means any employer contribution, salary reduction or elective contribution under any other eligible Code Section 457(b) plan, or a salary reduction or elective contribution under any Code Section 401(k) qualified cash or deferred arrangement, Code Section 402(h)(1)(B) simplified employee pension (SARSEP), Code Section 403(b) annuity contract, and Code Section 408(p) simple retirement account, or under any plan for which a deduction is allowed because of a contribution to an organization described in Code Section 501(c)(18), including plans, arrangements or accounts maintained by the Participating Employer or any employer for whom the Participant performed services. However, the contributions for any calendar year are only taken into account for purposes of Section 5.01~~(e)~~(d)(2)(ii) to the extent that the total of such contributions does not exceed the aggregate limit referred to in Code Section 457(b)(2) for that year.

(d) For 2002 and thereafter, any amounts contributed by the Participant to a tax-sheltered annuity pursuant to Code Section 403(b) or to a 401(k) plan pursuant to Code Section 402(e)(3) shall not reduce the maximum Elective Deferrals under Section 5.01.

(1) An individual is treated as not having deferred compensation under a plan for a prior taxable year to the extent excess deferrals under the plan are distributed, as described in Section 5.04. To the extent that the combined deferrals for pre-2002 years exceeded the maximum deferral limitations, the amount is treated as an excess deferral for those prior years.

(2) The Participant is responsible for ensuring coordination of these limits.

3. As soon as administratively practicable on or after January 1, 2025, Section 9.01, addressing Distribution Restrictions, is hereby amended to be and read as follows:

<u>Section 9.01. Distribution Restrictions.</u>

(a) Except as otherwise provided in this Section 9.01, a Participant or Beneficiary is not entitled to a distribution of his or her Vested Accounts under the Plan until the Participant has had a Break in Service following a Severance from Employment.

(b) Notwithstanding paragraph (a), a Participant who is an Employee may request a distribution of his or her Account on or after the January 1 of the calendar year in which the Participant attains age 70½, even if the Participant has not had a Severance from Employment.

(c) Notwithstanding paragraph (a), a Participant may request a distribution from his or her Rollover Contribution Account at any time.

~~(d) Notwithstanding paragraph (a), a Participant who is an Employee may request a distribution of his or her Account at any time if (i) his or her Account balance does not exceed the de minimis amounts under Code Section 457(e)(9)(A), (ii) no contributions have been made to the Participant's Account in the 24 month period preceding the date the distribution request, (iii) the Participant has not previously taken a withdrawal under this paragraph (d), and the distribution equals the Participant's entire Account balance.~~

~~(c)~~(d) A Participant or Beneficiary may submit a request for a distribution to the Administrator on the Applicable Form. The Participating Employer shall certify that the Participant has had a Severance from Employment, if applicable.

4. As soon as administratively practicable on or after January 1, 2025, Section 9.02, addressing Forms of Payment, is hereby amended to be and read as follows:

Section 9.02. Forms of Payment.

(a) Subject to Section 9.06, the terms of the Investment Funds, and any restrictions established by VRS, a Participant may elect to receive his or her Vested Account under any form of payment approved by the Administrator which may include a lump sum payment, annuity payment, periodic payment, or partial lump sum with remainder paid as a periodic payment or annuity payment.

(b) Notwithstanding paragraph (a), a distribution under Section 9.01(c)~~ or 9.01(d)~~ made prior to Severance from Employment shall only be made as a lump sum payment.

5. As soon as administratively practicable on or after January 1, 2025, Section 9.08, addressing Unforeseeable Financial Emergency Distributions, is hereby amended to be and read as follows:

Section 9.08. Unforeseeable Financial Emergency Distributions.

(a) A Participant who has not had a Severance from Employment may receive a distribution for an Unforeseeable Financial Emergency from his or her Account.

(b) Any distribution made because of the Participant's Unforeseeable Financial Emergency shall not exceed the amount reasonably necessary to relieve the Participant's need, including any anticipated taxes or penalties associated with such distribution.

(c) The Participant's distribution request shall specify the reason for the Unforeseeable Financial Emergency and specify the amount the Participant wishes to withdraw to meet the need caused by the Unforeseeable Financial Emergency.

(d) A distribution on account of Unforeseeable Financial Emergency shall not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets to the extent the liquidation of such assets would not itself cause severe financial hardship, or by cessation of Elective Deferrals under the Plan.

(e) The Administrator or its Agent shall determine based on uniform and nondiscriminatory standards whether an Unforeseeable Financial Emergency exists based on the facts and circumstances and in accordance with the claims procedures of the Plan.

(f) Notwithstanding paragraph (e), unless it has actual knowledge to the contrary, the Administrator or its Agent can rely on the Participant's written self-certification that the distribution is an Unforeseeable Financial Emergency that meets the requirements under paragraphs (b) and (d) if (i) the amount of the distribution does not exceed $2,500 and (ii) the Participant has not previously received a self-certified distribution under this paragraph (f) within 24 months of the date of the distribution request.

~~(f)~~(g) The Administrator may charge a reasonable fee for processing Unforeseeable Financial Emergency distributions.

6. As soon as administratively practicable on or after January 1, 2025, a new Section 9.11, addressing In-Plan Roth Rollovers, is hereby added to be and read as follows:

Section 9.11. In-Plan Roth Rollovers.

(a) The following transfers are permitted under the Plan:

(1) Any amount held in a Pre-Tax Contribution Account is eligible for direct transfer to a Roth Contribution Account even if not otherwise distributable under Section 9.01.

(2) Any amount held in a subaccount of the Participant's Transfer Contribution Account holding pre-tax Transfer Contributions or after-tax Transfer Contributions is eligible for direct transfer to a subaccount of the Participant's Transfer Contribution Account holding Roth Transfer Contributions and earnings even if not otherwise distributable under Section 9.01.

(3) Any amount held in a subaccount of the Participant's Rollover Contribution Account holding pre-tax Rollover Contributions and earnings is eligible for direct transfer to a subaccount of the Participant's Rollover Contribution Account holding Roth Rollover Contributions and earnings.

Any such transfer shall be treated as a qualified rollover contribution (within the meaning of Code Section 408A(e)) to such Account.

(b) A Participant's election under this Section 4.10 shall be subject to the reasonable administrative procedures established by the Administrator, Code Section 402A(c)(4) and the regulations thereunder, and subsequent guidance from the Internal Revenue Service.

(c) The taxable portion of the Participant's Accounts transferred to a Roth Contribution Account or to a subaccount of the Participant's Roth Rollover Contribution Account holding Roth Rollover Contributions and earnings pursuant to this Section 9.11 shall be included in the Participant's gross income in the tax year in which the transfer occurs.

7. In all other respects, the Plan shall be and remain unchanged.

IN WITNESS WHEREOF, the undersigned has executed this amendment to the Plan this ________ day of _______________________, 2024.

BOARD OF TRUSTEES OF THE VIRGINIA RETIREMENT SYSTEM

By: ____________________________________

Printed Name: ___________________________

Title: ___________________________________

Date: ___________________________________

SECOND AMENDMENT TO THE VIRGINIA HYBRID 457 DEFERRED COMPENSATION PLAN

(As Amended and Restated Effective January 1, 2021)

The Board of Trustees of the Virginia Retirement System ("Board") has the authority to amend the Virginia Hybrid 457 Deferred Compensation Plan ("Plan") in accordance with Section 51.1-600 *et seq.* of the Code of Virginia and Section 16.01 of the Plan. In accordance with such authority, the Board hereby amends the Plan, effective as of the dates stated herein, to reflect certain discretionary amendments under the Setting Every Community Up for Retirement Enhancement Act of 2022 as well as certain other amendments.

1. As soon as administratively practicable on or after January 1, 2025, Section 2.2, addressing Definitions, is hereby amended to be and read as follows:

Section 2.02. Definitions. When the initial letter of a word or phrase is capitalized herein the meaning of such word or phrase shall be as follows:

(a) "Account" means the aggregate of the following separate accounts maintained for each Participant reflecting his or her interest under the Plan as follows:

(1) "Pre-Tax Contribution Account" means the account maintained to reflect the Participant's interest under the Plan attributable to his or her Pre-Tax Contributions pursuant to Section 4.01.

(2) "Rollover Contribution Account" means the account maintained to reflect the Participant's interest under the Plan attributable to his or her Rollover Contributions pursuant to Section 4.03. There shall be the following separate subaccounts under the Rollover Contribution Account:

(i) A subaccount to reflect the Participant's interest under the Plan attributable to his or her Rollover Contributions from a Code Section 457(b) plan within the meaning of Section 4.03(a); and

(ii) A subaccount to reflect the Participant's interest under the Plan attributable to his or her Rollover Contributions from an eligible retirement plan within the meaning of Section 4.03(a) other than a Code Section 457(b) plan.

(3) "Transfer Contribution Account" means the account maintained to reflect the Participant's interest under the Plan attributable to his or her Transfer Contributions pursuant to Section 4.04. There shall be the following separate subaccounts under the Transfer Contribution Account:

(i) A subaccount to reflect the Participant's interest under the Plan attributable to his or her Transfer Contributions from an eligible retirement plan within the meaning of Section 4.04(a) that consists of after-tax employee contributions; and

(ii) A subaccount to reflect the Participant's interest under the Plan attributable to his or her Transfer Contributions from an eligible retirement plan within the meaning of Section 4.04(a) that consists of employer and/or employee contributions other than after-tax employee contributions.

(b) "Administrator" means VRS; provided, however, that to the extent that VRS has delegated any of its responsibilities as Administrator to any other person or persons, the term Administrator shall be deemed to refer to that person or persons. The VRS Director shall serve as the chief administrative officer of the Plan.

(c) "Agent" means a service provider selected by the Administrator, in its sole and absolute discretion, to provide services under the Plan.

(d) "Applicable Form" means the appropriate form as designated and furnished by the Administrator or the Agent to make any election or provide any notice required by the Plan. In those circumstances where a written election or consent is not required by the Plan or the Code, the Administrator and/or the Agent may prescribe an electronic or telephonic form in lieu of or in addition to a written form.

(e) "Automatic Escalation Arrangement" is an arrangement under which, in the absence of an affirmative election by a Covered Employee, the Participant's Elective Deferrals shall be increased by one-half of one percent every three years until the Participant's Elective Deferrals equal four percent of his or her Creditable Compensation, as described in Section 4.02.

(f) "Beneficiary" means any person, company, trustee or estate designated by the Participant on the Applicable Form to receive any benefits payable under the Plan in the event of the Participant's death. If the designated primary or contingent Beneficiary does not survive the Participant or there is no Beneficiary designated, the Participant's Beneficiary shall be determined in accordance with Va. Code Section 51.1-162, as follows: (i) the Participant's surviving Spouse, or if none; (ii) the Participant's children and descendants of deceased children, per stirpes, or if none; (iii) the Participant's parents equally if both living, or if none; (iv) the duly appointed executor or administrator of the Participant's estate, or if none; (v) the next of kin entitled to inherit under the laws of the Participant's domicile at the time of death. If a Beneficiary survives the Participant but dies before the entire Account has been distributed, then the unpaid balance of the Account shall be distributed to the Beneficiary's estate. Beneficiary also means an alternate payee within the meaning of Code Section 414(p)(8).

(g) "Board" means the Board of Trustees of the Virginia Retirement System.

(h) "Break in Service" means a period of at least one full calendar month from the end of the month in which the Participant has a Severance from Employment.

(i) "CARES Act" means the Coronavirus Aid, Relief, and Economic Security Act of 2020.

(j) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(k) "Commonwealth" means the Commonwealth of Virginia and an agency or instrumentality thereof.

(l) "Contributions" mean Pre-Tax Contributions, Rollover Contributions, and Transfer Contributions.

(m) "Coronavirus-Related Distribution" means a distribution made on or after April 9, 2020, but before December 31, 2020, or such later date as provided in legislation modifying or extending the CARES Act or regulatory guidance under the CARES Act, to a Qualified Individual in accordance with Section 9.05.

(n) "Cost-of-Living Adjustment" means the cost-of-living adjustment prescribed by the Secretary of the Treasury under Code Section 401(a)(17), 414(v), or 457(e)(15) for any applicable year.

(o) "Covered Employee" means an Employee who has elected to contribute to the Plan Elective Deferrals equal to less than 4% of his or her Creditable Compensation, and who is subject to an Automatic Escalation Arrangement pursuant Va. Code Section 51.1-169(C)(3).

(p) "Creditable Compensation" has the meaning set forth in Va. Code Section 51.1-124.3, as interpreted by VRS. Creditable Compensation generally means the Employee's annual salary, not including overtime pay, payment of a temporary nature, or payments for extra duties. Creditable Compensation shall not include any amounts paid after Severance from Employment except for regular pay that would have been paid to the Employee prior to a Severance from Employment if the Employee continued in employment with the Employer and that is otherwise Creditable Compensation.

(q) "Deferred Compensation Plan" means the Commonwealth of Virginia 457 Deferred Compensation Plan, as amended from time to time.

(r) "Effective Date" of the Plan means January 1, 2021.

(s) "Elective Deferral" means Pre-Tax Contributions.

(t) "Employee" means any common law employee employed by an Employer who:

(1) is first hired or rehired in a position covered for retirement purposes under Chapter 1 of Title 51.1 of the Va. Code (Section 51.1-124.1 et seq.) on or after January 1, 2014; or

(2) made an irrevocable election to participate in the Plan pursuant to Va. Code Section 51.1-169(A).

An Employee who was first hired in a position covered for retirement purposes under Chapter 1 of Title 51.1 of the Va. Code (Section 51.1-124.1 et seq.) prior to January 1, 2014, but who took a refund of his or her member contributions and interest or withdrew his or her full account under an optional retirement plan maintained under the same Chapter, will be treated as an Employee under paragraph (1) if otherwise applicable. An Employee does not include: (i) any person who meets the definition of "emergency medical services personnel in Va. Code Section 32.1-111.1 or is employed as a firefighter, emergency medical technician, or law-enforcement officer as those terms are defined in Va. Code Section 15.2-1512.2, and whose Employer has adopted the resolutions described in Va. Code Section 51.1-153(B)(4) or Va. Code Section 51.1-155(A)(3); (ii) any employee who is a participant in or eligible to participate in, the retirement plans under Chapter 2 of Title 51.1 of the Va. Code (Section 51.1-200 et seq.), Chapter 2.1 of Title 51.1 of the Va. Code (Section 51.1-211 et seq.), and the optional retirement plans established under Va. Code Sections 51.1-126.1, 51.1-126.3, 51.1-126.4, and 51.1-126.7, or a person eligible to earn benefits under Va. Code Section 51.1-138; or (iii) any member of the retirement plan under Chapter 3 of Title 51.1 of the Va. Code (Section 51.1-300 et seq.) except members appointed to an original term on or after January 1, 2014. An Employee also does not include any person employed by a Political Subdivision who has elected to direct his or her voluntary hybrid contributions to a 403(b) plan established by his or her Employer; provided, however, that such a person may change his or her election on or before November 30 of each year, and become an Employee under the Plan effective January 1 of the following year as described in Va. Code Section 51.1-169(G)(3).

(u) "Employer" means an employer as defined under Va. Code Section 51.1-124.3 that is an eligible employer within the meaning of Code Section 457(e)(1)(A). The Commonwealth is considered a single Employer for purposes of the Plan.

(v) "HEART" means the Heroes Earnings Assistance and Relief Tax Act of 2008, as amended from time to time.

(w) "Includible Compensation" means all compensation received by an Employee from the Employer that is includible in his or her gross income for federal income tax purposes (computed without regard to Code Section 911) for that taxable year. Includible Compensation also includes any amounts excludable from taxable income because of an election under Code Sections 401(k), 403(b), 457(b), 125, and 132(f). Includible Compensation includes any compensation described in paragraphs (1), (2), or (3), provided the compensation is paid by the later of two and one-half months after the Employee's Severance from Employment or the end of the calendar year in which the Employee has a Severance from Employment:

(1) a payment that would have been paid to the Employee prior to a Severance from Employment if the Employee had continued in employment with the Employer and that is regular compensation for services during the Employee's regular working hours, compensation for services outside the Employee's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar payments;

(2) a payment for unused accrued bona fide sick leave, vacation or other leave, but only if the Employee would have been able to use the leave if employment had continued and the payment would have been included in the definition of Includible Compensation if paid prior to the Employee's Severance from Employment; and

(3) a payment received by an Employee pursuant to a nonqualified unfunded deferred compensation plan, but only if the payment would have been paid to the Employee at the same time if the Employee had continued in employment with the Employer and only to the extent that the payment is includible in the Employee's gross income.

Includible Compensation is determined without regard to any community property laws. Includible Compensation shall not exceed the limits under Code Section 401(a)(17), to the extent applicable, increased by the Cost-of-Living Adjustment.

(x) "Investment Funds" means the mutual funds, collective investment trust funds, insurance company separate accounts, annuity contracts, or other investment vehicles made available to Participants for the investment of their Accounts. The Administrator, in its sole and absolute discretion, shall select the Investment Funds and may add or delete Investment Funds.

(y) "Normal Retirement Age" means the age elected by the Participant on the Applicable Form that is (i) on or after the earlier of age 65 or the age at which the Participant can retire and receive an unreduced benefit from the Employer's pension plan and (ii) not later than age 70½.

(z) "Participant" means any Employee who is or may become eligible to receive a benefit of any type under the Plan. A Participant shall also mean, when appropriate to the context, a former Employee who is eligible to receive a benefit of any type under the Plan.

(aa) "Plan" means the Virginia Hybrid 457 Deferred Compensation Plan, as amended from time to time.

(bb) "Plan Year" means the calendar year.

(cc) "Political Subdivision" means a county, municipality, authority, school division or other political subdivision of the Commonwealth or an agency thereof.

(dd) "Pre-Tax Contributions" mean the contributions made to the Plan by the Employer at the election of a Participant pursuant to a Salary Reduction Agreement in accordance with Section 4.01.

(ee) "Qualified Individual" means a Participant:

(1) who is diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention;

(2) whose Spouse or dependent (as defined in Code Section 152) is diagnosed with such virus or disease by such a test; or

(3) who experiences adverse financial consequences as a result of:

(i) the Participant, the Participant's Spouse, or a member of the Participant's household (a) being quarantined, (b) being furloughed or laid off or having work hours reduced due to such virus or disease, (c) being unable to work due to lack of child care due to such virus or disease, (v) having a reduction in pay (or self-employment income) due to such virus or disease, or (e) having a job offer rescinded or start date for a job delayed due to such virus or disease;

(ii) closing or reducing hours of a business owned or operated by the Participant, the Participant's Spouse, or a member of the Participant's household due to such virus or disease; or

(iii) other factors as determined by the Secretary of the Treasury (or the Secretary's delegate); or

(4) any other Participant who satisfies the definition of a Qualified Individual as provided in legislation modifying or extending the CARES Act or regulatory guidance under the CARES Act.

For purposes of this paragraph (ee), a member of the Participant's household means someone who shares the Participant's principal residence.

(ff) "Related Employer" means the Employer and any other entity which is under common control with the Employer under Code Section 414(b), (c) or (m). For this purpose, the Board shall determine which entities are Related Employers based on a reasonable, good faith standard and taking into account the special rules applicable under Notice 89-23, 1989-1 C.B. 654.

(gg) "Rollover Contributions" mean the contributions made to the Plan pursuant to Section 4.03.

(hh) "Salary Reduction Agreement" means an agreement entered into between an Employee and the Employer pursuant to Section 4.01. Such agreement shall not be effective with respect to Creditable Compensation made available prior to the effective date of such agreement and shall be binding on the parties and irrevocable with respect to Creditable Compensation earned while it is in effect.

(ii) "Section" means, when not preceded by the word Code, a section of the Plan.

(jj) "Severance from Employment" means the complete termination of the employment relationship between the Employee and the Employer.

(kk) "Spouse" means the person to whom the Participant is legally married under federal law.

(ll) "Transfer Contributions" mean the contributions made to the Plan pursuant to Section 4.04.

(mm) "Trust" means the Master Trust for the Deferred Compensation Plan of the Commonwealth of Virginia, which may incorporate one or more qualified trusts under Code Section 457(g), custodial accounts treated as qualified trusts under Code Section 401(f), and/or annuity contracts treated as qualified trusts under Code Section 401(f), established under the Plan to hold Plan assets.

(nn) "Trust Fund" means the assets of the Plan held pursuant to the terms of the Plan and the Trust.

(oo) "Trustee" means the trustee or any successor trustee designated and appointed by VRS and includes a custodian of a custodial account or an insurer of an annuity contract under Code Section 457(g)(3).

(pp) "Unforeseeable Financial Emergency" means a severe financial hardship of the Participant resulting from:

(1) an illness of accident of the Participant, the Participant's Spouse, the Participant's dependent (as defined in Code Section 152 without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B)), or a Beneficiary of the Participant;

(2) loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by homeowner's insurance, *e.g.*, as a result of a natural disaster);

(3) the need to pay funeral expenses of the Participant's Spouse, the Participant's dependent (as defined in Code Section 152 without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B)), or a Beneficiary of the Participant; or

(4) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

~~(pp)~~(qq) "USERRA" means the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended from time to time.

~~(qq)~~(rr)"Va. Code" means the Code of Virginia, as amended from time to time.

~~(rr)~~(ss) "Vested" means the interest of the Participant or Beneficiary in his or her Accounts which is unconditional, legally enforceable, and nonforfeitable at all times.

~~(ss)~~(tt) "VRS" means the Virginia Retirement System.

2. As soon as administratively practicable on or after January 1, 2025, Section 4.01, addressing Elective Deferrals, is hereby amended to be and read as follows:

Section 4.01. Elective Deferrals.

(a) Subject to the limitations under Article V, an Employee who has satisfied the participation requirements under Section 3.01 may enter into a written Salary Reduction Agreement agreeing to contribute each pay period Pre-Tax Contributions to the Plan equal to a specified half or whole percentage of his or her Creditable Compensation up to a maximum of four percent.

(b) Elective Deferrals shall begin as soon as administratively practicable following the date specified in the Salary Reduction Agreement, or, if later or if no date is specified, as soon as administratively practicable after the Salary Reduction Agreement is filed with the Administrator. ~~Notwithstanding the preceding, the Salary Reduction Agreement shall become effective no earlier~~

~~than the first day of the calendar quarter following the month in which the Salary Reduction Agreement is executed and submitted to the Administrator.~~

(c) Elective Deferrals shall reduce the Creditable Compensation otherwise payable to a Participant and shall be paid in cash to the Trustee by the Employer each payroll period, on a basis consistent with its payroll practices, as soon as administratively feasible after being withheld from the Creditable Compensation of a Participant, but no later than 15 business days following the end of the month in which such amount is withheld from the Creditable Compensation of the Participant.

(d) A Participant may change his or her election to make Pre-Tax Contributions at any time by entering into new Salary Reduction Agreement.~~ If the Salary Reduction Agreement is filed by the 15th day of the month prior to the end of the calendar quarter, it shall become effective on the first day of the calendar quarter following the month in which the Salary Reduction Agreement is executed and submitted to the Administrator. If the Salary Reduction Agreement is filed thereafter, it shall become effective on the first day of the subsequent calendar quarter.~~ Any such changes shall be effective as soon as administratively practicable following the date specified in the new Salary Reduction Agreement, or if later, as soon as administratively practicable after the Salary Reduction Agreement is filed with the Administrator.

(e) A Participant may terminate his or her election to make Elective Deferrals at any time by filing the Applicable Form with the Administrator, which shall be effective as soon as administratively practicable after the Applicable Form is filed with the Administrator.

(f) If a Participant's Elective Deferrals to the Plan cease during a Plan Year because they exceed the limits set forth in Article V, the Participant must either ensure that his or her Employer begins Elective Deferrals pursuant to the existing Salary Reduction Agreement the following Plan Year or enter into a new Salary Reduction Agreement for the following Plan Year in order to continue making Elective Deferrals under the Plan.

(g) An election to make Elective Deferrals shall not be valid with respect to any period during which the Participant is not an Employee. No election to make, change, or discontinue Elective Deferrals shall be given retroactive effect.

(h) The Administrator may establish additional nondiscriminatory rules and procedures governing the manner and timing of elections by Participants to make, change, or discontinue Elective Deferrals.

3. As soon as administratively practicable on or after January 1, 2025, Section 5.01, addressing Elective Deferral Limits, is hereby amended to be and read as follows:

Section 5.01. Elective Deferral Limits. The maximum amount of Elective Deferrals to the Plan for any calendar year shall be limited to the lesser of (i) the applicable dollar amount as provided in Code Section 457(e)(15) or (ii) the Participant's Includible Compensation as provided in Code Section 457(b)(2). The applicable dollar amount is ~~$19,500~~ $23,000 for ~~2021~~ 2024, increased thereafter by the Cost-of-Living Adjustment. However, in no event can the Elective Deferrals be more than the Participant's Creditable Compensation for the year.

4. As soon as administratively practicable on or after January 1, 2025, the Plan is hereby amended by adding a Section 9.08, addressing Unforeseeable Financial Emergency Distributions, and renumbering current Sections 9.08 and 9.09, to be and read as follows:

Section 9.08. Unforeseeable Financial Emergency Distributions.

(a) A Participant who has not had a Severance from Employment may receive a distribution for an Unforeseeable Financial Emergency from his or her Account.

(b) Any distribution made because of the Participant's Unforeseeable Financial Emergency shall not exceed the amount reasonably necessary to relieve the Participant's need, including any anticipated taxes or penalties associated with such distribution.

(c) The Participant's distribution request shall specify the reason for the Unforeseeable Financial Emergency and specify the amount the Participant wishes to withdraw to meet the need caused by the Unforeseeable Financial Emergency.

(d) A distribution on account of Unforeseeable Financial Emergency shall not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets to the extent the liquidation of such assets would not itself cause severe financial hardship, or by cessation of Elective Deferrals under the Plan.

(e) The Administrator or its Agent shall determine based on uniform and nondiscriminatory standards whether an Unforeseeable Financial Emergency exists based on the facts and circumstances and in accordance with the claims procedures of the Plan.

(f) Notwithstanding paragraph (e), unless it has actual knowledge to the contrary, the Administrator of its Agent can rely on the Participant's written self-certification that the distribution is an Unforeseeable Financial Emergency that meets the requirements under paragraphs (b) and (d) if (i) the amount of the distribution does not exceed $2,500 and (ii) the Participant has not previously received a self-certified distribution under this paragraph (f) within 24 months of the date of the distribution request.

(g) The Administrator may charge a reasonable fee for processing Unforeseeable Financial Emergency distributions.

Section ~~9.08~~ 9.09. Transfer to Defined Benefit Governmental Plan.

(a) If a Participant is also a participant in a tax-qualified defined benefit governmental plan (as defined in Code Section 414(d)) that provides for the acceptance of plan-to-plan transfers with respect to the Participant, then the Participant may elect to have any portion of the Participant's Rollover Account transferred to the defined benefit governmental plan, subject to the terms of the Investment Fund. A Participant may not elect to have any portion of the Participant's Pre-Tax Contribution Account or Transfer Contribution Account transferred under this Section. A transfer under this Section may be made before the Participant has had a Severance from Employment.

(b) A transfer may be made under this Section only if the transfer is either for the purchase of permissive service credit (as defined in Code Section 415(n)(3)(A)) under the receiving defined benefit governmental plan or a repayment to which Code Section 415 does not apply by reason of Code Section 415(k)(3).

Section ~~9.09~~ 9.10. Transfers from the Plan.

The Plan shall transfer a Participant's Account to the Deferred Compensation Plan to correct an eligibility error under the following conditions: (i) the Participant whose amounts are being transferred will have a deferred amount immediately after the transfer at least equal to the deferred amount with respect to that Participant immediately before the transfer; and (ii) the transfer satisfies such other rules and policies established by the Administrator.

5. In all other respects, the Plan shall be and remain unchanged.

IN WITNESS WHEREOF, the undersigned has executed this amendment to the Plan this ________ day of ________________________, 2024.

BOARD OF TRUSTEES OF THE VIRGINIA RETIREMENT SYSTEM

By: ____________________________________

Printed Name: ___________________________

Title: ___________________________________

Date: ___________________________________

SECOND AMENDMENT TO THE
OPTIONAL RETIREMENT PLAN OF THE COMMONWEALTH OF VIRGINIA FOR EMPLOYEES OF INSTITUTIONS OF HIGHER EDUCATION

(As Amended and Restated Effective January 1, 2021)

The Board of Trustees of the Virginia Retirement System ("Board") has the authority to amend the Optional Retirement Plan of the Commonwealth of Virginia for Employees of Institutions of Higher Education ("Plan") in accordance with Section 51.1-600 *et seq.* of the Code of Virginia and Section 16.01 of the Plan. In accordance with such authority, the Board hereby amends the Plan, effective as of the dates stated herein, to add a provision governing the mandatory distribution of small balances.

1. As soon as administratively practicable on or after January 1, 2025, Section 9.02, addressing Forms of Payment, is hereby amended, and the Plan is hereby amended by adding a section 9.04, addressing Mandatory Cash-Out and renumbering current Sections 9.04, 9.05, and 9.06 to be and read as follows:

Section 9.02. Forms of Payment.

(a) Subject to Section ~~9.05~~ 9.06, the terms of the Investment Funds, and any restrictions established by VRS, a Participant may elect to receive his or her Vested Account under any form of payment approved by the Administrator, which may include a lump sum payment, annuity payment, periodic payment, or partial lump sum with remainder paid as a periodic payment or annuity payment.

(b) Notwithstanding paragraph (a), a distribution under Section 9.01(b) made prior to Severance from Employment shall only be made as a lump sum payment.

Section 9.04. Mandatory Cash-Out. A lump sum payment of the Participant's Account may be made at the Participant's Severance from Employment without his or her consent, provided that the Account balance (not including the Rollover Contribution Account) does not exceed $1,000, unless the Participant elects to have such distribution paid directly to an eligible retirement plan specified by the Participant in a direct rollover. Any lump sum payments made under this Section 9.04 shall be made in a uniform and nondiscriminatory manner.

Section ~~9.04~~ 9.05. Death Benefit. If a Participant dies before distribution of his or her entire Account, his or her Account shall be payable to his or her Beneficiary under the distribution options available under the Investment Funds, subject to Code Section 401(a)(9).

Section ~~9.05~~ 9.06. Required Minimum Distribution Rules.

(a) The provisions of this Section ~~9.05~~ 9.06 take precedence over any inconsistent provisions of the Plan. All distributions under this Plan shall be made in accordance with Code Section 401(a)(9) and the regulations promulgated thereunder, including the incidental death benefit rules under Code Section 401(a)(9)(G), and the changes under the Setting Every

Community Up for Retirement Enhancement Act of 2019, and any regulatory guidance issued thereunder, and shall comply with rules under this Section ~~9.05~~ 9.06.

(b) Distributions may only be made over one of the following periods (or a combination thereof):

(1) The life of the Participant;

(2) The life of the Participant and a designated individual Beneficiary;

(3) A period certain not extending beyond the life expectancy of the Participant; or

(4) A period certain not extending beyond the joint and last survivor life expectancy of the Participant and designated individual Beneficiary.

(c) A Participant's Accounts shall be distributed to the Participant beginning no later than his or her "required beginning date" as defined in this paragraph or, if applicable, as defined in subsequent legislation or regulations that amend the definition of required beginning date for purposes of Code Section 401(a)(9). Subject to the preceding sentence, required beginning date shall mean April 1 of the calendar year following the calendar year in which the Participant attains age 70½ (age 72 for distributions required to be made after December 31, 2019, with respect to a Participant who would have attained age 70½ after December 31, 2019) or, if later, April 1 of the calendar year following the calendar year that the Participant has a Severance from Employment.

(d) The Administrator or its Agent shall calculate the amounts required to be distributed to a Participant under this Section and notify such Participant of such distributions prior to the date distributions must begin.

(e) Notwithstanding anything in this Section ~~9.05~~ 9.06 to the contrary, for 2020 or such longer period as provided in legislation modifying or extending the Coronavirus Aid, Relief, and Economic Security Act of 2020, the minimum distribution requirements will be satisfied for 2020 as provided in paragraph (1) or (2) below, as determined by the terms of the trust, custodial account, and/or annuity contract incorporated under the Trust and governing the Participant's or Beneficiary's required minimum distribution:

(1) Effective March 27, 2020, or as soon as administratively practicable thereafter, a Participant or Beneficiary who would have been required to receive a required minimum distribution in 2020 (or paid in 2021 for the 2020 calendar year for a Participant with a required beginning date of April 1, 2021) but for the enactment of Code Section 401(a)(9)(I) ("2020 RMDs") and who would have satisfied that requirement by receiving distributions that are

(i) equal to the 2020 RMDs, will not receive these distributions unless the Participant or Beneficiary chooses to receive the distributions; or

(ii) one or more payments (that include the 2020 RMDs) in a series of substantially equal periodic payments made at least annually and expected to last for the life (or life expectancy) of the Participant, the joint lives (or joint life expectancies) of the Participant and the Beneficiary, or for a period of at least 10 years ("Extended 2020 RMDs"), will receive these distributions unless the Participant or Beneficiary chooses not to receive the distributions.

Participants and Beneficiaries described in paragraphs (i) and (ii) will be given the opportunity to elect to receive and/or stop receiving the distributions, as applicable, described in those paragraphs.

(2) Effective March 27, 2020, or as soon as administratively practicable thereafter, a Participant or Beneficiary who would have been required to receive a 2020 RMD, and who would have satisfied that requirement by receiving distributions that are (i) equal to the 2020 RMDs or (ii) Extended 2020 RMDs, will receive this distribution unless the Participant or Beneficiary chooses not to receive such distributions. Participants and Beneficiaries described in the preceding sentence will be given the opportunity to elect to stop receiving the distribution described in the preceding sentence.

(3) In addition, solely for purposes of applying the direct rollover provisions of Article XII, 2020 RMDs and Extended 2020 RMDs will be treated as eligible rollover distributions in 2020.

Section ~~9.06~~ 9.07. Additional Tax on Early Withdrawals.

(a) Generally, and except as described in paragraph (b), if a Participant receives any amount under the Plan, his or her tax for the taxable year in which such amount is received is increased by an amount equal to 10% of the portion of such amount which is includible in gross income. Such amount shall be included in gross income to the extent allocable to income on the Investment Fund and shall not be included in gross income to the extent allocable to the investment in the Investment Fund as provided in Code Section 72(e)(2)(b).

(b) The penalty described in paragraph (a) generally does not apply to any distribution (i) made on or after the date on which the Participant attains age 59½, (ii) made on or after the death of the Participant, (iii) attributable to the Participant becoming disabled within the meaning of Code Section 72(m)(7), (iv) which is part of a series of substantially equal periodic payments made (not less frequently than annually) for the life or life expectancy of the Participant or the joint lives (or joint life expectancies) of such Participant and his or her designated Beneficiary, (v) made to a Participant after Severance from Employment following the attainment of age 55, (vi) which is a qualified reservist distribution within the meaning of Code Section 72(t)(2)(G)(iii), or (vii) any other circumstance permitted by the Code or the Internal Revenue Service.

2. In all other respects, the Plan shall be and remain unchanged.

IN WITNESS WHEREOF, the undersigned has executed this amendment to the Plan this ________ day of ______________________, 2024.

BOARD OF TRUSTEES OF THE VIRGINIA RETIREMENT SYSTEM

By: ___________________________________

Printed Name: __________________________

Title: __________________________________

Date: __________________________________

Virginia
Retirement
System

DC Plans Investments

May 23, 2024

Agenda Items

Virginia Retirement System

- Performance
- Callan 2024 DC Trends Survey Highlights

Virginia Retirement System

March 31, 2024 Performance

Below are the totals for the period ending March 31, 2024. Returns greater than one year are annualized.

Investment Options	1 Month	3 Months	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs / Since Inception[1]	Fund Expense Ratio[2]	Inception Date	Market Value	% of Market Value [25]	% of Participants Selecting an Option [26]
Do-It-For-Me: Target Date Portfolios[3,4]	%	%	%	%	%	%	%	%		$	%	%
Retirement Portfolio	**1.78**	**2.50**	**2.50**	**9.11**	**1.20**	**4.76**	**4.49**	**0.06**	**8/1/05**	**384,517,711**	**4.8**	**4.1**
Custom Benchmark	1.80	2.47	2.47	9.19	1.24	4.76	4.47					
Target Date 2025 Portfolio	**1.86**	**2.71**	**2.71**	**9.88**	**1.65**	**5.46**	**5.32**	**0.06**	**7/5/06**	**377,271,337**	**4.8**	**5.4**
Custom Benchmark	1.88	2.69	2.69	9.93	1.66	5.44	5.27					
Target Date 2030 Portfolio	**2.20**	**3.73**	**3.73**	**12.60**	**2.79**	**6.68**	**6.18**	**0.06**	**8/1/05**	**460,271,871**	**5.8**	**7.6**
Custom Benchmark	2.21	3.72	3.72	12.70	2.81	6.66	6.11					
Target Date 2035 Portfolio	**2.48**	**4.72**	**4.72**	**15.18**	**3.85**	**7.83**	**6.97**	**0.06**	**7/5/06**	**506,852,541[22]**	**6.4**	**9.0**
Custom Benchmark	2.49	4.70	4.70	15.28	3.85	7.79	6.88					
Target Date 2040 Portfolio	**2.75**	**5.67**	**5.67**	**17.72**	**4.84**	**8.88**	**7.68**	**0.06**	**8/1/05**	**453,885,682**	**5.7**	**9.2**
Custom Benchmark	2.75	5.66	5.66	17.80	4.83	8.82	7.58					
Target Date 2045 Portfolio	**2.99**	**6.57**	**6.57**	**20.12**	**5.74**	**9.80**	**8.26**	**0.06**	**7/5/06**	**457,062,432**	**5.8**	**10.5**
Custom Benchmark	2.99	6.55	6.55	20.18	5.70	9.73	8.13					
Target Date 2050 Portfolio	**3.14**	**7.22**	**7.22**	**21.74**	**6.31**	**10.34**	**8.56**	**0.06**	**9/30/07**	**469,619,269**	**5.9**	**12.0**
Custom Benchmark	3.13	7.19	7.19	21.79	6.25	10.26	8.43					
Target Date 2055 Portfolio	**3.18**	**7.51**	**7.51**	**22.33**	**6.49**	**10.50**	**8.64**	**0.06**	**5/19/10**	**554,253,935**	**7.0**	**15.4**
Custom Benchmark	3.17	7.49	7.49	22.40	6.44	10.42	8.51					
Target Date 2060 Portfolio	**3.18**	**7.51**	**7.51**	**22.33**	**6.49**	**10.49**	**8.76**	**0.06**	**11/17/14**	**314,416,413**	**4.0**	**13.5**
Custom Benchmark	3.17	7.49	7.49	22.41	6.44	10.42	8.62					
Target Date 2065 Portfolio	**3.19**	**7.52**	**7.52**	**22.35**	**6.50**	**n/a**	**10.60**	**0.06**	**9/23/19**	**59,911,881**	**0.8**	**6.4**
Custom Benchmark	3.17	7.49	7.49	22.42	6.43	n/a	10.59					
Help-Me-Do-It: Individual Options												
Money Market Fund[5,6]	**0.47**	**1.39**	**1.39**	**5.61**	**2.91**	**2.23**	**1.56**	**0.08**	**11/1/99**	**137,882,244**	**1.7**	**1.7**
FTSE 3 Month Treasury Bill Index	0.46	1.37	1.37	5.52	2.70	2.07	1.39					
Yield as of 03/31/24: 5.54%[7]												
Stable Value Fund[8,9]	**0.28**	**0.79**	**0.79**	**3.06**	**2.09**	**2.17**	**1.97**	**0.24**	**2/1/95**	**614,501,249**	**7.7**	**5.3**
Custom Benchmark[10]	0.39	1.14	1.14	4.74	3.20	2.37	2.11					
Yield as of 03/31/24: 3.32%[11]												
Bond Fund[12]	**0.87**	**-0.74**	**-0.74**	**1.67**	**-2.43**	**0.39**	**1.60**	**0.03**	**11/1/99**	**154,636,030**	**2.0**	**2.6**
Bloomberg U.S. Aggregate Bond Index	0.92	-0.78	-0.78	1.70	-2.46	0.36	1.54					
Inflation-Protected Bond Fund[13]	**0.75**	**0.02**	**0.02**	**0.45**	**-0.52**	**2.54**	**2.29**	**0.03**	**7/30/02**	**51,502,336**	**0.7**	**1.2**
Bloomberg U.S. TIPS Index	0.82	-0.08	-0.08	0.45	-0.53	2.49	2.21					
High-Yield Bond Fund[14]	**1.24**	**1.26**	**1.26**	**9.24**	**2.15**	**4.18**	**4.57**	**0.39**	**5/31/04**	**53,206,603**	**0.7**	**1.5**
ICE BofA U.S. High-Yield BB-B Constrained Index	1.18	1.30	1.30	10.13	2.07	3.98	4.36					
Stock Fund[15]	**3.22**	**10.55**	**10.55**	**29.88**	**11.50**	**15.07**	**12.99**	**0.01**	**11/1/99**	**1,913,287,682**	**24.1**	**8.4**
S&P 500 Index	3.22	10.56	10.56	29.88	11.49	15.05	12.96					
Small/Mid-Cap Stock Fund[16]	**4.12**	**6.93**	**6.93**	**21.56**	**3.06**	**9.97**	**8.93**	**0.02**	**11/1/99**	**473,854,189**	**6.0**	**4.6**
Russell 2500 Index	4.13	6.92	6.92	21.43	2.97	9.90	8.84					
International Stock Fund[17]	**3.14**	**4.41**	**4.41**	**12.95**	**1.86**	**6.20**	**4.46**	**0.06**	**11/1/99**	**229,916,664**	**2.9**	**3.7**
MSCI ACWI ex-U.S. IMI Index[18]	3.09	4.33	4.33	13.20	1.72	6.00	4.22					
Global Real Estate Fund[19]	**3.46**	**-1.01**	**-1.01**	**8.34**	**-0.24**	**0.64**	**3.92**	**0.08**	**10/1/02**	**91,511,294**	**1.2**	**2.4**
FTSE EPRA/NAREIT Developed Index	3.45	-1.30	-1.30	7.41	-1.13	-0.21	3.05					
VRSIP[20]	**1.24**	**4.40**	**1.67**	**10.20**	**7.48**	**8.80**	**7.76**	**0.63**	**7/1/08**	**65,141,247[23]**	**0.8**	**0.4**
VRS Custom Benchmark[21]	2.55	4.24	2.08	11.16	4.49	7.20	6.70					
VRSIP and benchmark returns are reported with a one month lag. [Return information shown is as of February 29th, 2024.] [Market value as of February 29th, 2024 was $63,875,613.]												
Do-It-Myself: Self-Directed Brokerage Account												
Schwab PCRA	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**119,775,622**	**1.5**	**0.2**
Total										**$7,943,278,232[24]**		

Footnotes >

Below benchmark return by 10 bps or more for index funds. Reasonable expectations due to typical sources of tracking for index funds including fair value pricing.

Excess over benchmark return by 10 bps or more for index funds and capital preservation funds. Reasonable expectations due to impact of typical sources of tracking for index funds including fair value pricing.

Results within reasonable expectations due to rising interest rate environment and nature of book value accounting.

Underperformance for an actively managed fund.

Excess performnce for an actively managed fund.

1 If the fund was not in existence for 10 years, fund and corresponding benchmark returns shown represent performance from the since inception date.

2 Fund investment advisers may voluntarily agree to waive expenses. Expense waivers may be terminated at any time.

3 Effective February 2023, the Target Date Portfolios invest in units of BlackRock's LifePath Index Funds N. The LifePath Index Funds N invest in the master Lifepath Index Funds F. The inception dates shown reflect that of the master LifePath Index Funds F. Prior to February 2023, the Target Date Portfolios invested in BlackRock's LifePath Index Funds O which also invested in the master LifePath Index Funds F. All performance returns are linked.

4 Benchmarks are calculated using blended returns of third-party indices that proportionately reflect the respective weightings of the Portfolios' asset classes. Weightings are adjusted quarterly to reflect the Portfolios' asset allocation shifts over time. Indices currently used to calculate the custom benchmarks are: Russell 1000 Index, Russell 2000 Index, MSCI ACWI ex-U.S. IMI Net Dividend Return Index, Bloomberg U.S. Long Credit Bond Index, Bloomberg U.S. Intermediate Credit Bond Index, Bloomberg U.S. Long Government Bond Index, Bloomberg U.S. Intermediate Government Bond Index, Bloomberg U.S. Securitized: MBS, ABS, and CMBS Index, Bloomberg U.S. TIPS Index, FTSE EPRA/NAREIT Developed Index and the Bloomberg Commodity Index Total Return.

5 The Money Market Fund invests in units of BlackRock's Short-Term Investment Fund W. The inception data shown reflects the VRS Defined Contribution Plan's investment strategy inception date. Returns of the Fund from July 2012 through July 2016 represent performance of other BlackRock funds. Performance returns are linked.

6 An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment it is possible to lose money by investing in the Fund.

7 The current yield more closely reflects the earnings of the Fund than the total net return information. There is no guarantee that the Fund will earn the current yield in the future.

8 The inception date shown reflects the VRS Defined Contribution Plans investment strategy inception date.

9 Direct transfers from the Stable Value Fund to the Money Market Fund (considered a "competing fund") are not permitted. Before transferring to the Money Market Fund, participants must first transfer to a "non-competing" fund for 90 days. Optional Retirement Plan for Higher Education (ORPHE) participants who want to make a direct exchange to another ORPHE provider, must first exchange to a "non-competing" fund on the MissionSquare Retirement investment platform for 90 days.

10 Effective August 2016, the benchmark represents a hypothetical return generated by the monthly yields of actively traded U.S. Treasuries based on [50% 2- year maturity + 50% 3- year maturity] plus an annualized spread of 0.25% and is representative of the Fund's expected return profile, given how the Fund is managed and book value accounting treatment. Prior to August 2016 the custom benchmark was based on the monthly yield of actively traded U.S Treasuries with a 3-year maturity plus an annualized spread of 0.50%. The benchmark returns are linked.

11 The current yield more closely reflects the earnings of the Fund than the total net return information. There is no guarantee that the Fund will earn the current yield in the future.

12 The Bond Fund invests in units of BlackRock's U.S. Debt Index Fund M. The U.S. Debt Index Fund M invests in the master Fund F. The inception date shown reflects the VRS Defined Contribution Plans strategy inception date.

13 The Inflation-Protected Bond Fund invests in units of BlackRock's U.S. Treasury-Inflation Protected Securities Fund M. The U.S. Treasury Inflation-Protected Securities Fund M invests in the master Fund F. The inception date shown reflects the inception date of the master Fund F.

14 The High-Yield Bond Fund invests in units of JPMorgan's Corporate High-Yield Fund-Investment Class. The inception date shown reflects the date the current investment team at JPMorgan commenced management responsibility of the Fund.

15 The Stock Fund invests in units of BlackRock's Equity Index Fund F. Performance represents BlackRock's returns for the master Fund F with deductions taken for management fees negotiated by VRS and fund administrative expenses. The inception date shown reflects the VRS Defined Contribution Plans investment strategy inception date.

16 The Small/Mid-Cap Stock Fund invests in units of BlackRock's Russell 2500 Index Fund F. Performance represents BlackRock's returns for the master Fund F with deductions taken for investment management fees negotiated by VRS and fund administrative expenses. The inception date shown reflects the VRS Defined Contribution Plans investment strategy date.

17 The International Stock Fund invests in units of BlackRock's MSCI ACWI ex-U.S. IMI Index Fund F. Performance represents BlackRock's returns for the master Fund F with deductions taken for investment management fees negotiated by VRS and fund administrative expenses. The inception date shown reflects the VRS Defined Contribution Plan's investment strategy inception date. Returns from July 2012 through July 2016 represent performance of another BlackRock Fund. Performance returns are linked.

18 Effective August 2016, the performance benchmark is the MSCI ACWI ex.-U.S. IMI Index. It was the MSCI World ex-U.S Index from July 2012 through July 2016. The benchmark returns are linked.

19 The Global Real Estate Fund invests in units of BlackRock's Developed Real Estate Index Fund F. Performance represents BlackRock's returns for the master Fund F with deductions taken for investment management fees negotiated by VRS and fund administrative expenses. The inception date shown reflects the VRS Defined Contribution Plans investment strategy inception date.

20 The inception date shown reflects the date the VRS Investment Portfolio (VRSIP) was unitized.

21 The VRS Custom Benchmark is a blend of the asset class benchmarks at policy weights.

22 Includes Pending Account VRSIP amount of $0.

23 Includes Preliminary Investment Portfolio Account - PIP amount of $2,140,232.

24 Includes $8,449,863 held in the administrative Special Accounts.

25 May not equal 100% due to rounding.

26 The data reflects the percentage of participants who selected a particular investment option as of March 31, 2024. There were 613,533 participant accounts as of March 31, 2024 across all unbundled DC plans.

All fund performance returns shown reflect all fund management fees and expenses, but do not reflect the Plan administrative fee charged by MissionSquare Retirement which would further reduce the returns shown.
All calculations assume reinvestment of dividends and capital gains. All returns are calculated in U.S. dollars. Performance returns are provided by BlackRock, Galliard Capital Management, JPMorgan, Bank of New York Mellon, and MissionSquare Retirement. Benchmark returns are provided by BlackRock, Russell/Mellon Analytical Services, Galliard, and MissionSquare Retirement. Although data is gathered from sources believed to be reliable, we cannot guarantee completeness or accuracy.

Plan Administrative Fee: An annual record keeping and communication services fee of $30.50 is deducted from participant accounts on a monthly basis (approximately $2.54 per month). Only one annual fee of $30.50 is deducted from participant accounts for those participants participating in more than one Commonwealth of Virginia defined contribution plan.

Defined Contribution Plans Advisory Committee Report
TIAA RC Contract Investment Performance

Below are the totals for the period ending March 31, 2024. Returns greater than one year are annualized.

Investment Options	1 Month	3 Months	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs / Since Inception[1]	Fund Expense Ratio[2]	Inception Date	Market Value	% of Market Value [19]	% of Participants Selecting an Option [20]
Target Date Portfolios [3,4]	%	%	%	%	%	%	%	%		$	%	
BlackRock LifePath Index Retirement Fund N	**1.78**	**2.50**	**2.50**	**9.11**	**1.22**	**4.78**	**4.51**	**0.06**	**8/1/05**	**24,189,094**	**5.6**	**7.1**
Custom Benchmark	1.80	2.47	2.47	9.19	1.24	4.76	4.47					
BlackRock LifePath Index 2025 Fund N	**1.86**	**2.71**	**2.71**	**9.88**	**1.66**	**5.48**	**5.34**	**0.06**	**7/5/06**	**21,158,157**	**4.9**	**6.4**
Custom Benchmark	1.88	2.69	2.69	9.93	1.66	5.44	5.27					
BlackRock LifePath Index 2030 Fund N	**2.20**	**3.73**	**3.73**	**12.60**	**2.80**	**6.70**	**6.19**	**0.06**	**8/1/05**	**34,658,676**	**8.0**	**8.5**
Custom Benchmark	2.21	3.72	3.72	12.70	2.81	6.66	6.11					
BlackRock LifePath Index 2035 Fund N	**2.48**	**4.72**	**4.72**	**15.18**	**3.86**	**7.84**	**6.99**	**0.06**	**7/5/06**	**30,266,897**	**7.0**	**8.9**
Custom Benchmark	2.49	4.70	4.70	15.28	3.85	7.79	6.88					
BlackRock LifePath Index 2040 Fund N	**2.75**	**5.67**	**5.67**	**17.72**	**4.86**	**8.90**	**7.70**	**0.06**	**8/1/05**	**34,172,705**	**7.9**	**9.9**
Custom Benchmark	2.75	5.66	5.66	17.80	4.83	8.82	7.58					
BlackRock LifePath Index 2045 Fund N	**2.99**	**6.57**	**6.57**	**20.12**	**5.75**	**9.82**	**8.27**	**0.06**	**7/5/06**	**29,985,408**	**7.0**	**10.4**
Custom Benchmark	2.99	6.55	6.55	20.18	5.70	9.73	8.13					
BlackRock LifePath Index 2050 Fund N	**3.14**	**7.22**	**7.22**	**21.74**	**6.32**	**10.36**	**8.58**	**0.06**	**9/30/07**	**19,079,542**	**4.4**	**8.4**
Custom Benchmark	3.13	7.19	7.19	21.79	6.25	10.26	8.43					
BlackRock LifePath Index 2055 Fund N	**3.18**	**7.51**	**7.51**	**22.33**	**6.51**	**10.52**	**8.66**	**0.06**	**5/19/10**	**10,378,145**	**2.4**	**6.9**
Custom Benchmark	3.17	7.49	7.49	22.40	6.44	10.42	8.51					
BlackRock LifePath Index 2060 Fund N	**3.18**	**7.51**	**7.51**	**22.33**	**6.51**	**10.51**	**8.76**	**0.06**	**11/17/14**	**2,985,445**	**0.7**	**3.7**
Custom Benchmark	3.17	7.49	7.49	22.41	6.44	10.42	8.62					
BlackRock LifePath Index 2065 Fund N	**3.19**	**7.52**	**7.52**	**22.35**	**6.51**	**n/a**	**10.62**	**0.06**	**9/23/19**	**6,085,294**	**1.4**	**2.4**
Custom Benchmark	3.17	7.49	7.49	22.42	6.43	n/a	10.59					
Individual Options												
BlackRock Short-Term Investment Fund W [5]	**0.47**	**1.39**	**1.39**	**5.61**	**2.91**	**2.23**	**1.60**	**0.08**	**7/1/03**	**6,300,498**	**1.5**	**7.4**
FTSE 3 Month Treasury Bill Index	0.46	1.37	1.37	5.52	2.70	2.07	1.39					
Yield as of 03/21/24: 5.54%[6]												
BlackRock U.S. Debt Index Fund M [7]	**0.87**	**-0.74**	**-0.74**	**1.67**	**-2.43**	**0.39**	**1.60**	**0.03**	**6/6/96**	**10,774,153**	**2.5**	**17.0**
Bloomberg U.S. Aggregate Bond Index	0.92	-0.78	-0.78	1.70	-2.46	0.36	1.54					
BlackRock U.S. TIPS Fund M [8]	**0.75**	**0.02**	**0.02**	**0.45**	**-0.52**	**2.54**	**2.29**	**0.03**	**7/30/02**	**5,471,628**	**1.3**	**11.8**
Bloomberg U.S. TIPS Index	0.82	-0.08	-0.08	0.45	-0.53	2.49	2.21					
BlackRock Equity Index Fund J [9]	**3.22**	**10.55**	**10.55**	**29.89**	**11.50**	**15.07**	**12.99**	**0.02**	**3/5/97**	**55,463,778**	**12.9**	**24.2**
S&P 500 Index	3.22	10.56	10.56	29.88	11.49	15.05	12.96					
BlackRock Russell 2500 Index Fund J [10]	**4.12**	**6.93**	**6.93**	**21.56**	**3.06**	**9.97**	**8.95**	**0.02**	**9/30/08**	**9,537,876**	**2.2**	**4.8**
Russell 2500 Index	4.13	6.92	6.92	21.43	2.97	9.90	8.84					
BlackRock MSCI ACWI ex-U.S. IMI Index Fund M [11]	**3.13**	**4.39**	**4.39**	**12.90**	**1.81**	**6.15**	**4.50**	**0.11**	**2/28/11**	**18,136,597**	**4.2**	**16.8**
MSCI ACWI ex-U.S. IMI Index	3.09	4.33	4.33	13.20	1.72	6.00	4.32					
BlackRock MSCI ACWI IMI Index Non-Lendable Fund M [12]	**3.19**	**7.85**	**7.85**	**22.66**	**6.53**	**10.84**	**8.76**	**0.05**	**4/12/13**	**60,495,434**	**14.0**	**30.0**
MSCI ACWI IMI Index	3.16	7.72	7.72	22.45	6.31	10.57	8.43					
TIAA Real Estate Account [13]	**-0.49**	**-2.65**	**-2.65**	**-13.83**	**1.61**	**1.98**	**4.35**	**0.87**	**10/2/95**	**10,997,586**	**2.6**	**25.4**
Custom Composite Benchmark [14]	-0.33	-1.58	-1.58	-6.50	2.88	2.74	5.10					
TIAA Traditional Annuity RC [15,16,17,18]	**0.38**	**1.18**	**1.18**	**4.88**	**4.26**	**4.14**	**4.19**	**---[21]**	**8/1/05**	**34,658,323**	**8.0**	**27.4**
Self-Directed Brokerage Account												
TIAA - Self-Directed Account	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**6,248,581**	**1.5**	**0.9**
Total										**$431,043,817**		

Footnotes >

Below benchmark return by 10 bps or more for index funds. Reasonable expectations due to typical sources of tracking for index funds including fair value pricing.

Excess over benchmark return by 10 bps or more for index funds and capital preservation funds. Reasonable expectations due to impact of typical sources of tracking for index funds including fair value pricing.

Underperformance for an actively managed fund.

1 If the fund was not in existence for 10 years, fund and corresponding benchmark returns shown represent performance from the since inception date.

2 Fund investment advisers may voluntarily agree to waive expenses. Expense waivers may be terminated at any time.

3 The BlackRock LifePath Index Funds N invest in the master LifePath Index Funds F. The inception dates shown reflect the inception date of the master LifePath Funds F. The inception dates for most LifePath Funds N were 8/15/17. The 2065 Fund's N inception date was 11/15/19. Returns prior to Funds' N inception dates are those of Funds F with deductions taken for Funds N investment management fees.

4 Benchmarks are calculated using blended returns of third-party indices that proportionately reflect the respective weightings of the Portfolios' asset classes. Weightings are adjusted quarterly to reflect the Portfolios' asset allocation shifts over time. Indices currently used to calculate the custom benchmarks are: Russell 1000 Index, Russell 2000 Index, MSCI ACWI Ex-U.S. IMI Net Dividend Return Index, Bloomberg U.S. Long Credit Bond Index, Bloomberg U.S. Intermediate Credit Bond Index, Bloomberg U.S. Long Government Bond Index, Bloomberg U.S. Intermediate Government Bond Index, Bloomberg U.S. Securitized: MBS, ABS, and CMBS Index, Bloomberg U.S. TIPS Index, FTSE EPRA/NAREIT Developed Index and the Bloomberg Commodity Index Total Return.

5 An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment it is possible to lose money by investing in the Fund.

6 The current yield more closely reflects the earnings of the Fund than the total net return information.

7 The BlackRock U.S. Debt Fund M invests in the master Fund F. The inception date shown reflects the inception of the master Fund F. The inception date of Fund M was 7/20/12. Returns prior to Fund M's inception date are those of Fund F with deductions taken for Fund M's investment management fees.

8 The BlackRock U.S. Treasury Inflation-Protected Securities Fund M invests in the master Fund F. The inception date shown reflects the inception of the master Fund F. The inception date of Fund M was 7/20/12. Returns prior to Fund M's inception date are those of Fund F with deductions taken for Fund M' investment management fees.

9 The BlackRock Equity Index Fund J invests in the master Fund F. The inception date shown reflects the inception of the master Fund F. The inception date of Fund J was 3/20/17. Returns prior to Fund J's inception date are those of Fund F with deductions taken for Fund J's investment management fees.

10 The BlackRock Russell 2500 Fund J invests in the master Fund F.The inception date shown reflects the inception of the master Fund F. The inception date of Fund J was 10/15/21. Returns prior to Fund J's inception date are those of Fund F with deductions taken for Fund J's investment management fees.

11 The BlackRock MSCI ACWI ex-U.S. IMI Index Fund M invests in the master Fund F.The inception date shown reflects the inception of the master Fund F. The inception date of Fund M was 12/31/12. Returns prior to Fund M's inception date are those of Fund F with deductions taken for Fund M's investment management fees.

12 The BlackRock MSCI ACWI IMI Index Non-Lendable Fund M invests in the master Fund F. Inception dates for the master Fund F and Fund M are both 4/12/13.

13 Transfers out of the TIAA Real Estate Account (REA) are limited to one per quarter. Currently, these transfers do not require a minimum transaction amount; however, in the future TIAA reserves the right, in its sole discretion, to impose minimum transaction levels, which levels will generally be at least $1,000 (except for systematic transfers, which must be at least $100) or your entire accumulation, if less. Participants may not make a lump-sum transfer into the REA if their aggregated balances across all contracts is greater than $150,000. Systematic transfers and recurring contributions are not subject to this limitation.

14 Effective January 2014, the Custom Composite Index is 70% NCREIF Open End Diversified Core Equity (ODCE) Net Index, 20% Bloomberg 3-Month Treasury Bill Index, and 10% Dow Jones U.S. Select REIT Index. Prior periods include other representative indices. TIAA's investment management team does not manage its real estate portfolio to a specific published index benchmark. The Custom Composite Index represents a reasonable proxy of how TIAA allocates assets among real property, short-term investments, and REITs over time. The Virginia Retirement System anticipates that Fund returns may vary greatly from those of the Custom Composite Index. Benchmark returns are not available for months that do not end on a calendar quarter due to the fact that NCREIF ODCE Index returns are only published each calendar quarter.

15 Upon separation from service or retirement participants can convert their TIAA Traditional accumulation dollars amount to a lifetime income option or withdraw funds through a fixed period annuity ranging from five to 30 years or a Transfer Payout Annuity, which enables participants to move funds out of the TIAA Traditional Annuity in 7 annual installments for the Retirement Choice (RC) contract. Each installment includes a portion of principal and interest, based on the rate in effect when transfer or withdrawal funds are made. However, there are two exceptions to the payout installment. First, if the TIAA Traditional account balance is less than $5,000, participants can transfer the total amount at any time following termination of employment, but only once during the life of the contract. Second, TIAA Traditional can be withdrawn or transferred to another company up to the full balance within 120 days following termination of employment, subject to 2.5% surrender charge. After the 120-day period, participants can withdraw funds only through a fixed period annuity ranging from five to 30 years or the Transfer Payout Annuity.

16 The TIAA Traditional Annuity RC contract has minimum guaranteed rate during the accumulation phase of 1% to 3% . The current minimum rate for the RC contract is 1%. Further, the TIAA Traditional Annuity RC contract applies to premiums deposited during the applicable calendar year and is guaranteed for 10 years, at which point the minimum rate for these premiums will be reset.

17 TIAA's annual credited rate on new money for the RC contract for the month of March was 5.50%.

18 The TIAA Traditional Annuity is not an investment for purposes of federal securities laws; it is a guaranteed insurance contract. Therefore, unlike a variable annuity or mutual fund, the TIAA Traditional Annuity does not include an identifiable expense ratio. Each premium allocated to the TIAA Traditional Annuity buys a definite amount of lifetime income for participants based on the rate schedule in effect at the time the premium is paid. In addtion, the TIAA Traditional Annuity provides a guarantee of principle, a guaranteed minimum rate of interest and the potential for additional amounts of interest when declared by TIAA's Board of Trustees. Additional amounts, when declared, remain in effect for the "declaration year" that begins each March for the accumulating annuites and January for lifetime payout annuities. Additional amounts are not guaranteed for future years.

19 May not equal 100% due to rounding

20 The data reflects the percentage of participants who selected a particular investment option as of March 31, 2024. There were 5,397 (RC contract) participants as of March 31, 2024.

21 Effective July 2022,TIAA no longer provides an estimated expense ratio for its TIAA Traditional Annuity product.

Performance returns shown reflect all fund management fees and other investment related expenses, but do not reflect the TIAA annual administrative fee of $28 (deducted at $7.00 per quarter) which would further reduce the returns shown. Performance returns do not reflect redemption fees and/or surrender charges, if applicable.

All calculations assume reinvestment of dividends and capital gains. All returns are calculated in U.S dollars. Fund and benchmark returns are provided by TIAA and BlackRock. Although data is gathered from sources to be reliable, the Virginia Retirement System cannot guarantee completeness or accuracy.

Callan 2024 DC Trends Survey Highlights

Callan 2024 DC Trends Survey Highlights

Virginia Retirement System

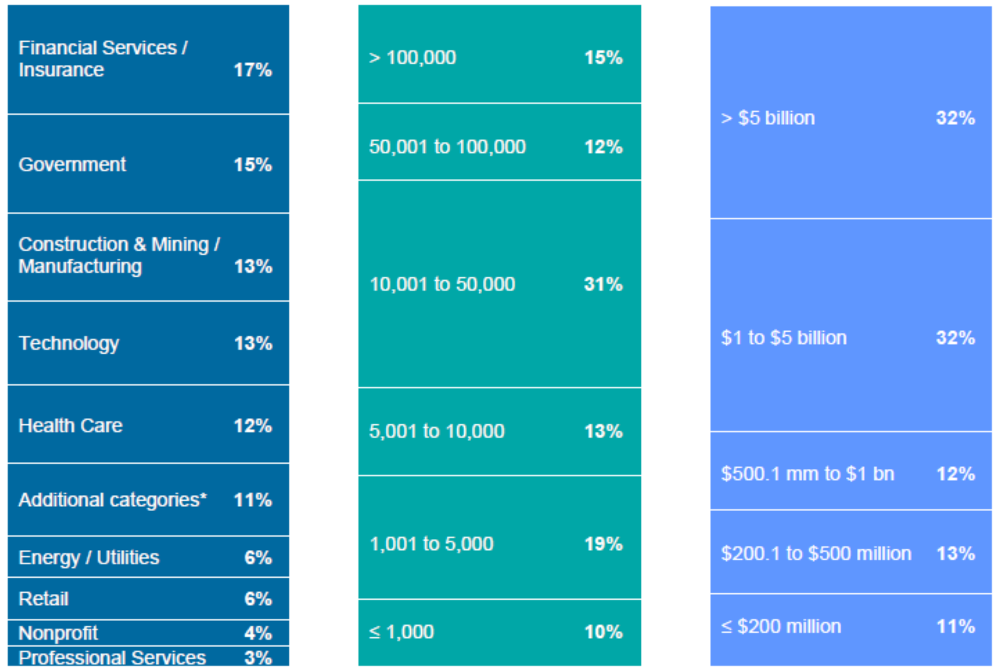
Respondent Characteristics

Callan conducted this *DC Survey* online in late 2023. This survey incorporates responses from 132 DC plan sponsors, including both Callan clients and other organizations.

Respondents spanned a range of industries, with the top being financial services and government.

89% of plans in the survey had over $200 million in assets; moreover, 64% were "mega plans" with more than $1 billion in assets, and 58% had more than 10,000 participants.

Primary industry employees hired from | **Number of participants in DC plan** | **Assets in DC plan**



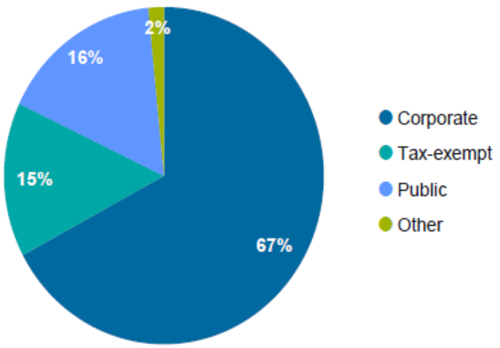
*Additional categories: aerospace/ defense (2%), automotive (1%), education (2%), telecommunications (2%), transportation (2%), and other (3%)

Note: Throughout the survey, charts may not sum to 100% due to rounding.

Respondent Characteristics (continued)

More than two-thirds of respondents were corporate organizations, followed by public (16%) and tax-exempt (15%) entities.

Organization type



Callan 2024 DC Trends Survey Highlights

Fiduciary Initiatives

Consistent with prior years, DC plan sponsors were largely focused on their investment policy statement (IPS), reviewing plan fees, and the investment structure in 2023. These will also be top areas of focus in 2024, with reviewing plan fees as the highest area of focus (74%).

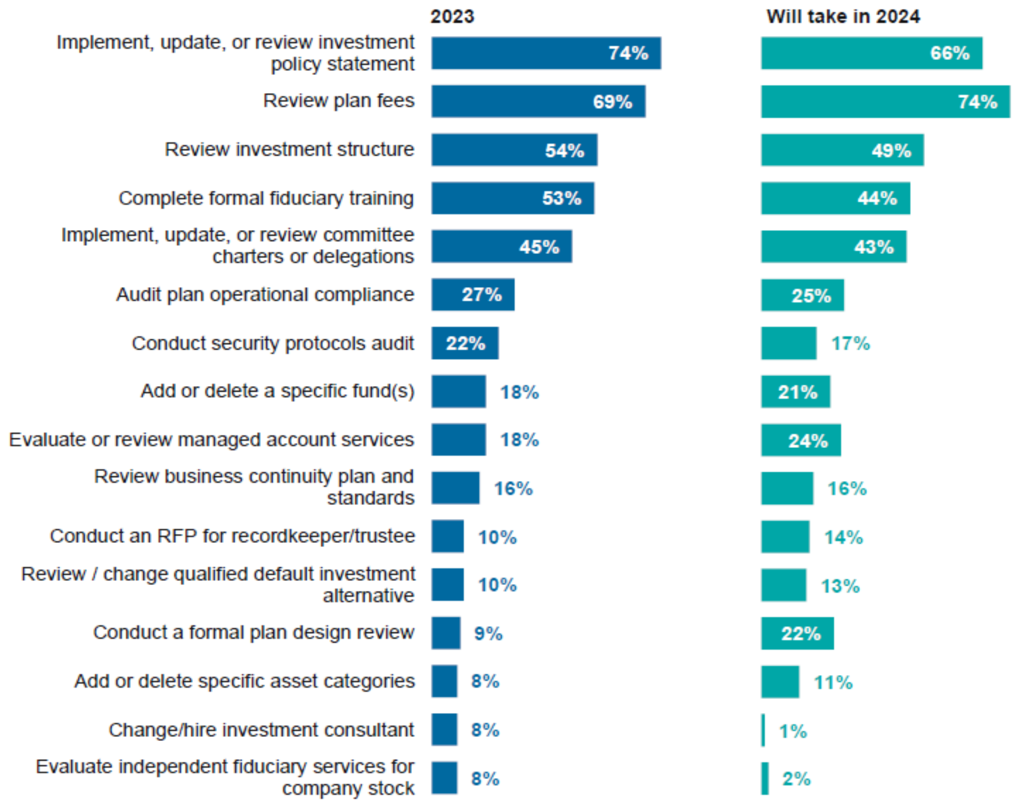
In the 2021 survey, we saw a sharp increase in respondents reporting they were reviewing security protocols (41%), in response to U.S. Department of Labor guidance. This fell dramatically in 2022 to 14% but has somewhat rebounded in 2023 (22%).

About a fifth of respondents added or deleted a fund in 2023, and a similar percentage expect to do so in 2024 (21%). This reflects the nature of fund changes: They are not necessarily premeditated many months in advance.

Top actions planned for 2024

1. Review plan fees
2. Review IPS
3. Review investment structure

Fiduciary actions DC plans took or will take*



*Multiple responses allowed.
Other actions taken with less than 8% include: Implement a written plan fee policy statement, change/hire investment consultant, evaluate/implement 3(38) discretionary services, add/change managed account services, change trustee/custodian, evaluate independent fiduciary services for company stock.

Callan 2024 DC Trends Survey Highlights

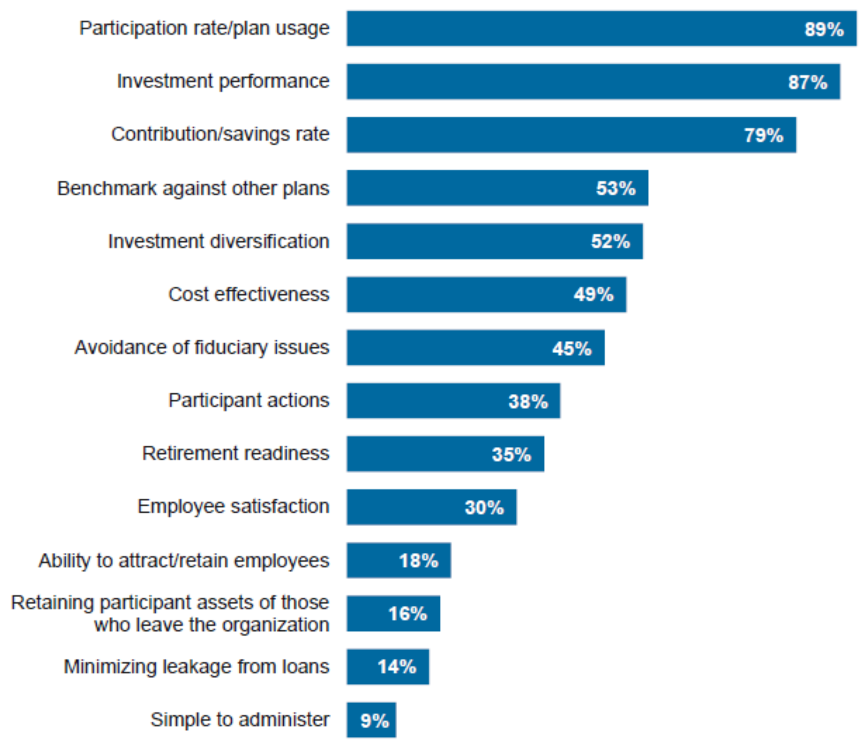
Virginia Retirement System

DC Plan Measurement

Survey respondents monitored 6.1 metrics, on average, to measure the success of the DC plan.

In line with the past three years, most plan sponsors used participation rate/plan usage to measure the success of their DC plan. Investment performance followed closely with contribution / savings rate coming in third.

Criteria used to measure plan success*



*Multiple responses allowed.

Callan 2024 DC Trends Survey Highlights

Default Investments

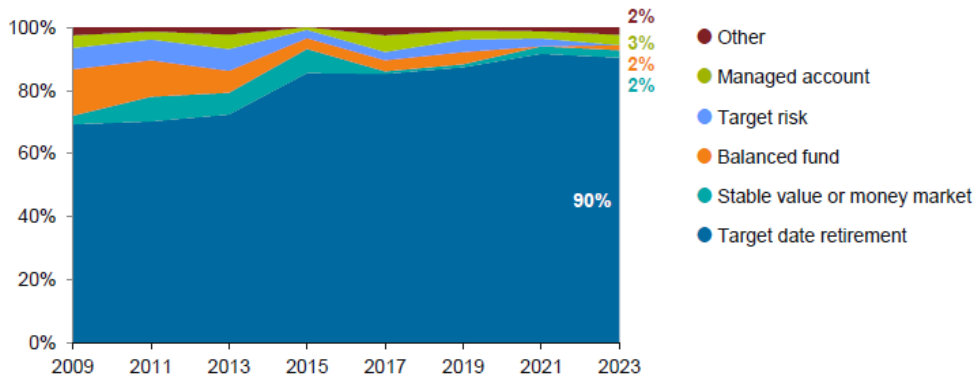
A key provision of the 2006 Pension Protection Act (PPA) provides relief to DC fiduciaries that default participant assets into qualified default investment alternatives (QDIAs) under regulation 404(c)(5). Plan sponsors complying with this provision are responsible for the prudent selection and monitoring of the plan's QDIA, but they are not liable for any loss incurred by participants defaulted into the QDIA.

Before the PPA, target date fund usage as a QDIA was only 35% in 2006, with money market/stable value making up 30% and risk-based funds at 28%. The PPA paved the way for a major uptick in the adoption of target date funds as QDIAs.

In 2023, 94% of plans offered a target date suite and 90% of plans used a target date fund as their default for non-participant-directed monies. Of plans offering a target date suite as the default, 46% also offer managed accounts as an optional service. Only 3% of respondents included managed accounts as the QDIA. Use of other QDIA types remained low.

Plans offering target date funds

Default investment for non-participant-directed monies



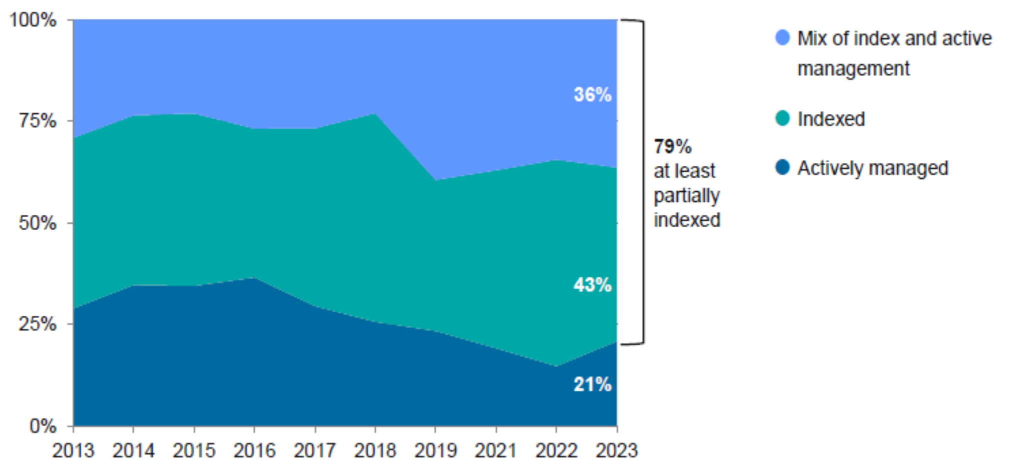
Callan 2024 DC Trends Survey Highlights

Target Date Fund Landscape

Among those that offer target date funds, nearly 8 in 10 used an implementation that was at least partially indexed.

The share of active-only strategies rose to 21% in 2023 from 15% in 2022, its lowest point in our survey's history.

Target date fund investment approach



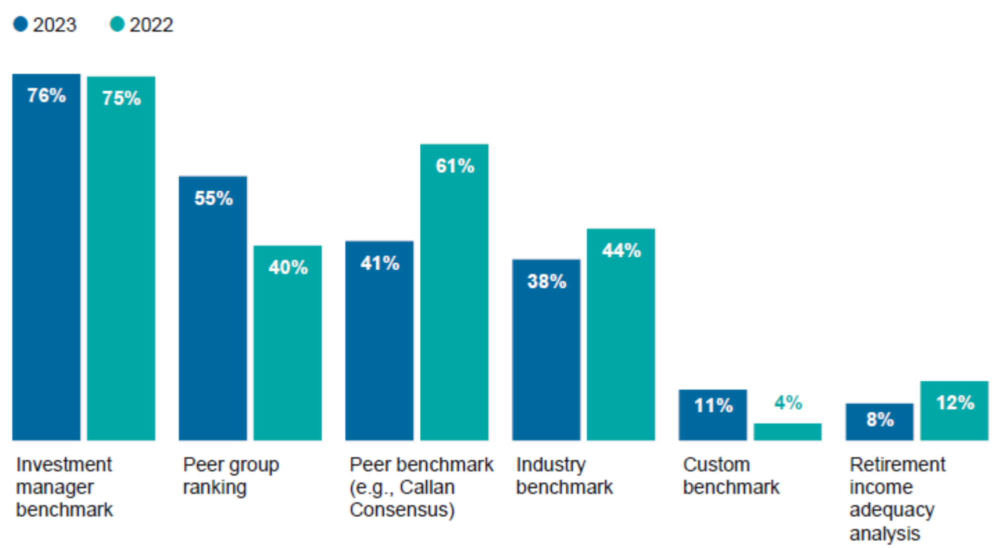
Target Date Fund Benchmarking

Guidance on appropriate benchmarks for target date funds has been limited to date. The DOL's participant disclosure regulation requires that each fund option's historical performance be compared to an appropriate broad-based securities market index. However, this rule does not adequately address asset-allocation funds, like target date funds. SECURE 2.0, passed in December 2022, directed the DOL to issue regulations providing that, in the case of an asset-allocation fund, the plan administrator may, but is not required to, use a benchmark that is a blend of different broad-based securities market indices. This guidance is required within two years. This guidance may impact future survey results.

While all respondents indicated they benchmark their target date funds, nearly 8 in 10 (77%) reported using multiple benchmarks to monitor their target date funds, indicating that plan sponsors are seeking a more nuanced evaluation.

Manager benchmarks (76%) continued to be the most common means of measurement, while peer group rankings are the next most used.

Target date fund benchmarks*



Additional categories (2023 data): other (8%).

*Multiple responses were allowed.

Actions Taken Around Target Date Funds

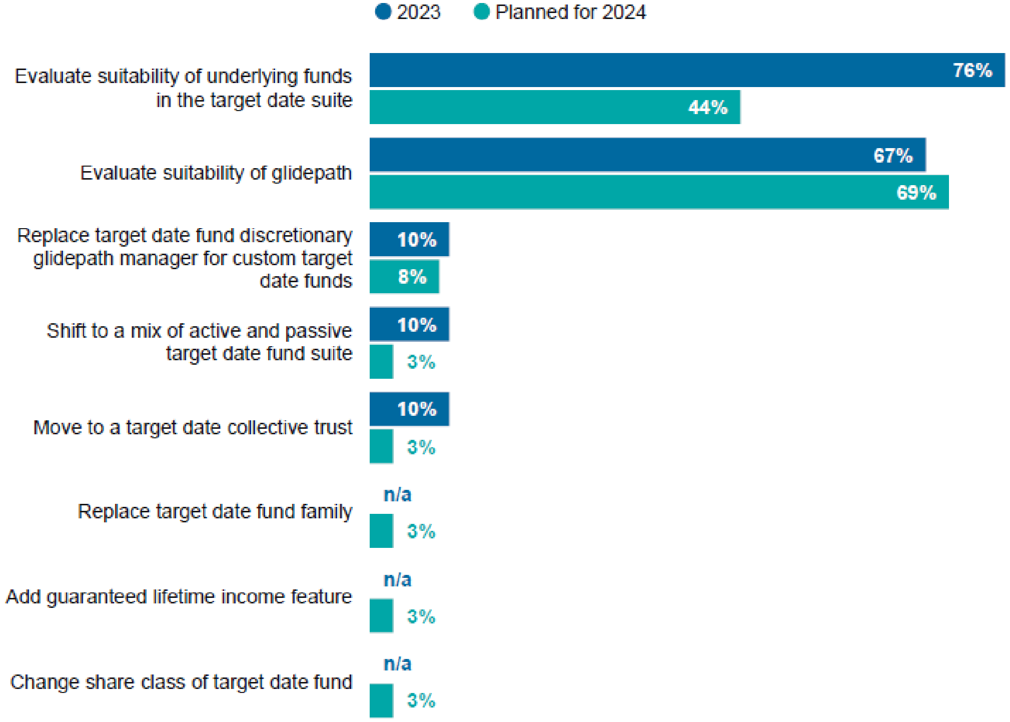
Over 7 in 10 plans took at least one action around the target date fund suite in 2023. The most common actions taken were to evaluate the suitability of the underlying funds and the suitability of the glidepath.

Since target date funds typically serve as the QDIA, the fund selection and monitoring is often held to a higher standard and should consider additional variables than one may use for other funds—e.g., participant demographics, savings rates, and other benefits, among others.

In 2024, evaluating the suitability of the underlying funds and glidepath are also the most common actions planned, but in reverse order.

Notably, 10% of respondents indicated they replaced their discretionary glidepath manager for custom target date funds, and 8% plan to do so in 2024.

Actions taken or planned regarding target date fund suite*



Additional category for Planned for 2024: Other 8%

*Percentages out of those that took action. Multiple responses allowed.

Callan 2024 DC Trends Survey Highlights

Target Date Fund Approaches

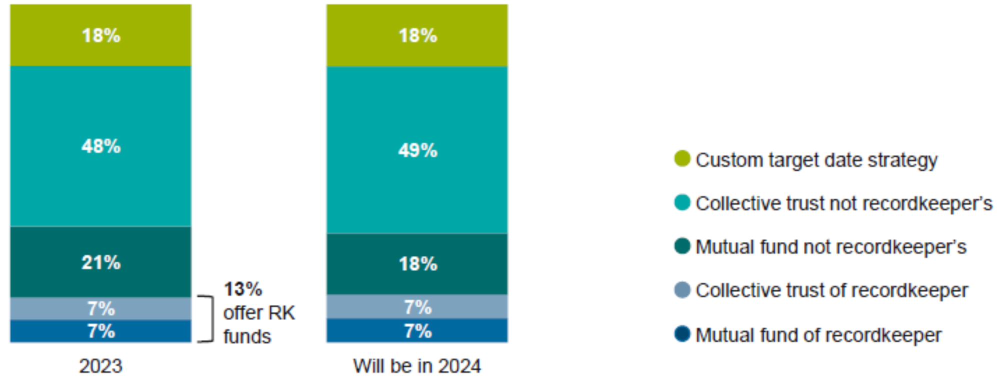
The use of recordkeepers' proprietary target date vehicles in DC plans continued to drop over time.

Only 13% of respondents used their recordkeeper's target date option in 2023, a small decrease from the 16% reported in 2022, but a sharp drop from 48% a decade ago. That number is projected to remain relatively steady in 2024.

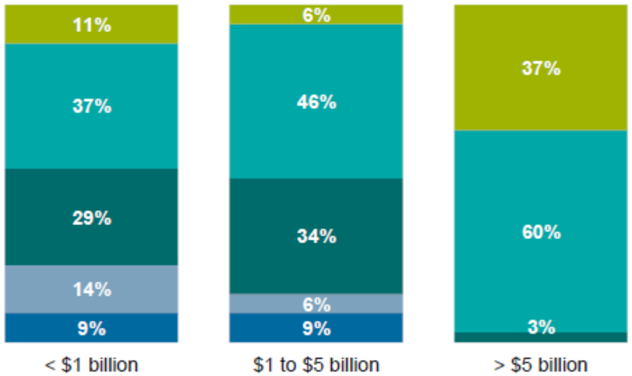
The prevalence of mutual funds for the target date fund continued its decline as well. In 2010, 67% of plans used a mutual fund for their target date fund compared to 42% in 2020. This decreased noticeably further in 2023 to 28%.

Unsurprisingly, plans with more than $5 billion in assets were the most likely to use a custom strategy (37%) compared to those with fewer than $5 billion in plan assets.

Target date fund approach: in place and will be in place



Target date fund approach by size

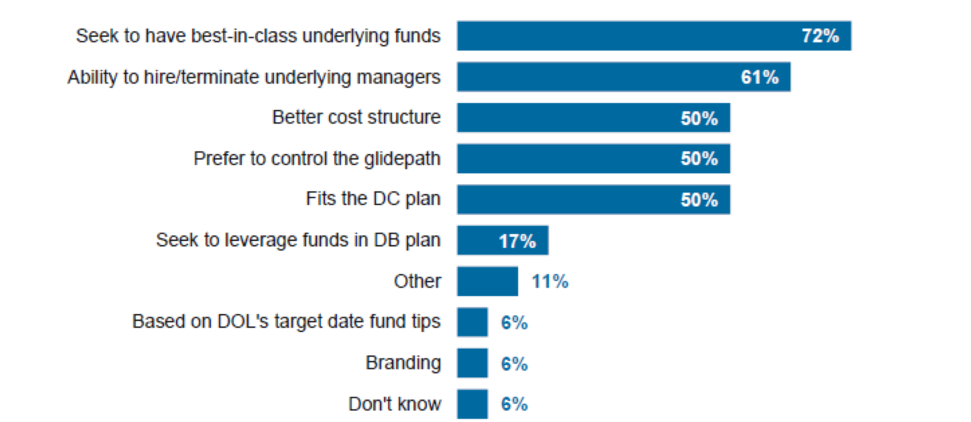


Custom Target Date Funds

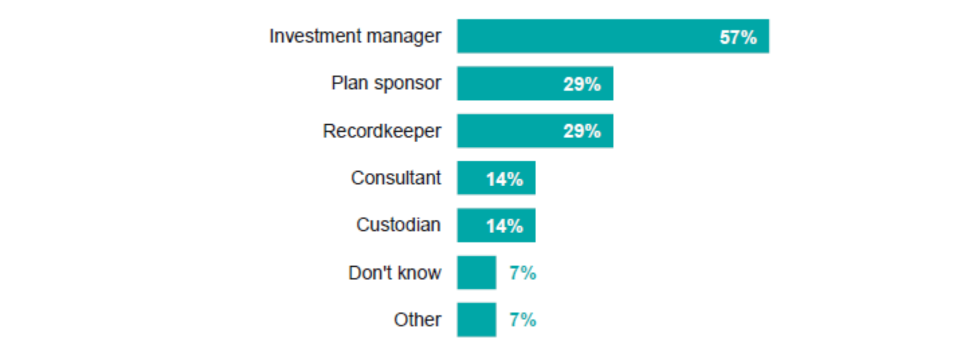
For those that use custom target date funds, the most common reasons for doing so are to leverage best-in-class underlying funds or to have the ability to select and retain underlying managers.

Among respondents offering custom target date funds, the most common party with discretionary control of the glidepath was an investment manager, followed by the plan sponsor or recordkeeper.

Reason for custom target date funds*



Discretionary control of the glidepath*



*Multiple responses allowed.

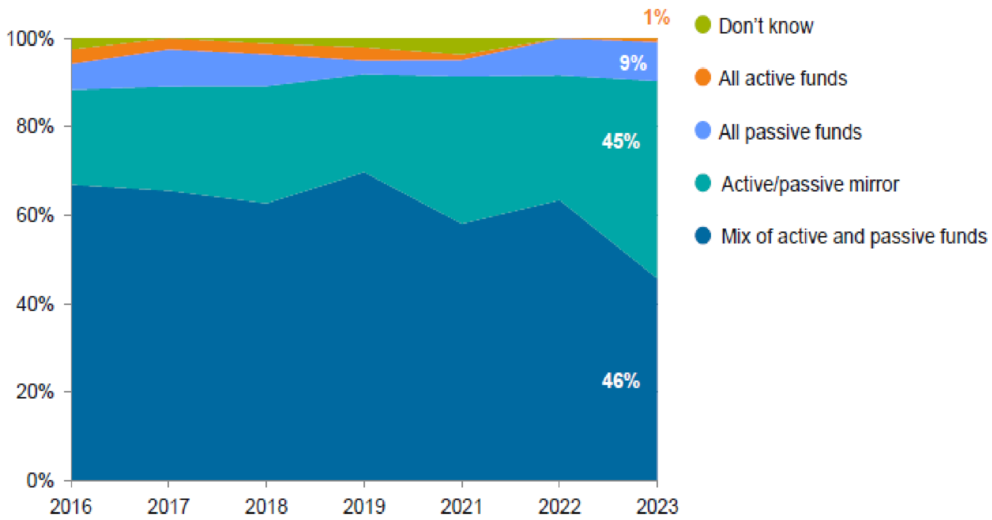
Callan 2024 DC Trends Survey Highlights

Investment Menu

There was a large increase in DC plans offering an active/passive mirror versus those offering a mix of active and passive funds, with a mirror coming in at an all-time high of 45%. A mirrored lineup is when virtually all core asset classes are represented by both active and passive options.

DC plans with a mix of active and passive investment funds (91%) was the most prevalent. Purely passive (9%) lineups remained a rarity, with a purely active menu being even more rare (1%).

Investment menu approach



Callan 2024 DC Trends Survey Highlights

Investment Types Within the Fund Lineup

Collective investment trusts (CITs) and mutual funds continued to be the most prevalent investment vehicles, with CIT usage only recently surpassing that of mutual funds.

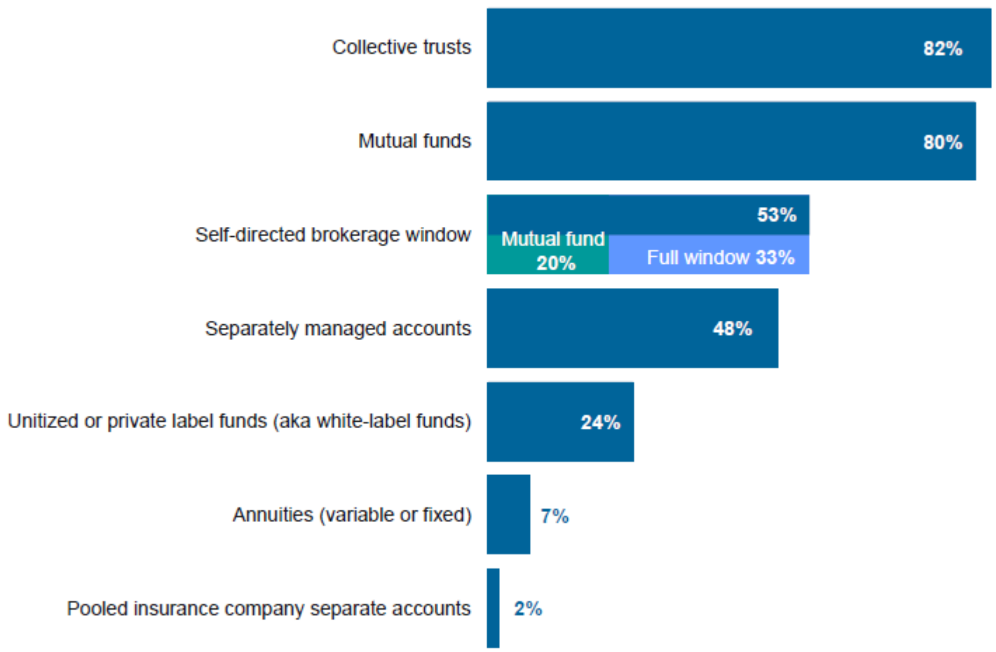
Large plans were less likely to offer mutual funds in general and significantly less likely to offer mutual funds that are proprietary to the recordkeeper.

About a quarter of plans used unitized funds in 2023, up slightly from roughly a fifth of respondents in 2022. No small plans reported using unitized funds.

Over half of plans offered a self-directed brokerage window. Of those, more chose to use a full brokerage window rather than a self-directed brokerage limited to mutual funds only.

Over the past decade, the use of separate accounts increased by nearly 10 percentage points.

Investment types within the fund lineup*



*Multiple responses allowed.

Callan 2024 DC Trends Survey Highlights

Virginia Retirement System

Investment Menu Structure

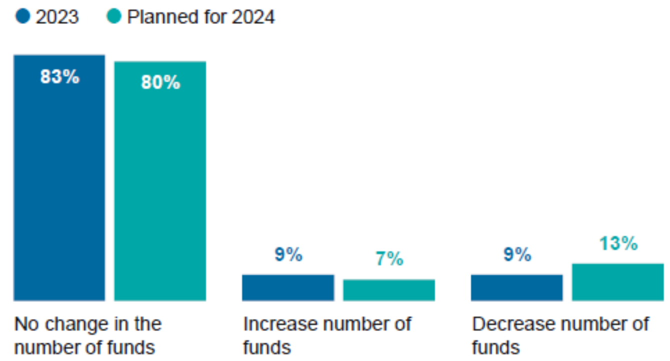
Most plan sponsors did not change the quantity or style of the funds offered last year, and they do not expect to in 2024.

Only 18% of plan sponsors reported making changes to the number of funds in 2023. Roughly the same percentage of sponsors indicated they are planning a change in 2024. Of those that made changes in 2023, there was an even split between those increasing the number of funds and those decreasing the number of funds. This does not include adding or deleting a new target date vintage. 13% responded that they expect to decrease the number of options in 2024.

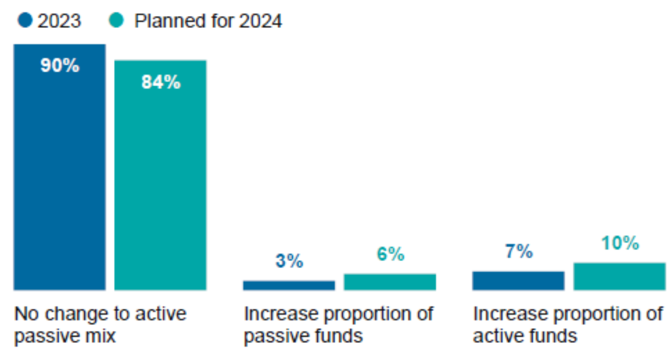
Similarly, most plan sponsors did not change the proportion of active versus passive funds in their plan in 2023. There is a small increase, however to the expected proportion of active funds for those making a change in 2024. For those that made a change in 2023, more increased the proportion of active funds (7%) than passive funds (3%).

About **2 in 10** plan sponsors are **planning some change to the investment structure** in 2024.

Investment structure change in fund quantity



Investment structure change in fund style



Fee Calculation and Benchmarking

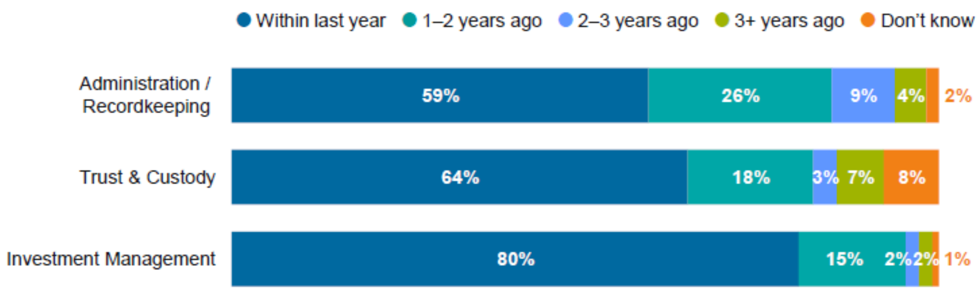
All-in administration fees can encompass a variety of expenses, including administration, participant transaction fees, compliance, custody, communications (e.g., print and distribution), and indirect sources of revenue.

About **6 in 10** plan sponsors calculated their administration DC plan fees within the past 12 months. Another 26% did so in the past one to two years. Only 2% were unsure of the last time administration fees were calculated. Similar levels were seen for trust and custody fees. Higher levels were seen for investment management fees—as a major target of litigation, reviewing the investment management fees regularly is broadly considered best practice.

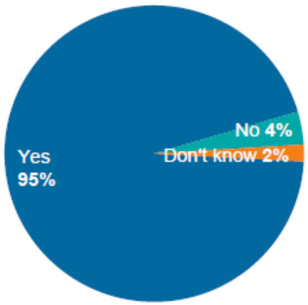
When calculating fees, over half of respondents also evaluated sources of indirect revenue (e.g., revenue shared with the recordkeeper from managed accounts, brokerage windows, IRA rollovers, etc.).

Fewer plans (42%) did not evaluate indirect revenue or know whether their fee calculation involved an evaluation of indirect revenue.

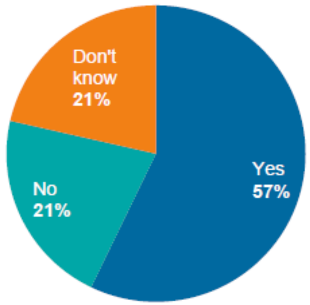
Last time all-in plan fees were calculated, by service type*



Fees were benchmarked when calculating



Evaluated indirect revenue when reviewing fees



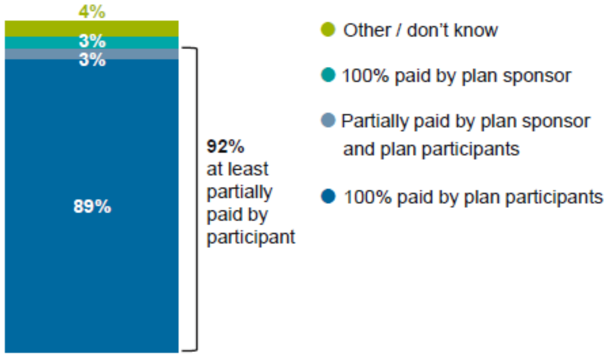
*All-in fees include all applicable administration, recordkeeping, trust/custody, and investment management fees.

Fee Payment

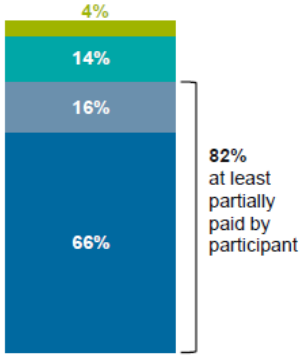
Investment management fees were most often paid entirely by participants (89%), and almost always at least partially paid by participants (92%). By contrast, 66% of all administrative fees were paid entirely by participants, up significantly from three years ago (49%). Most plan sponsors (82%) noted that at least some administrative fees were paid for by participants.

More than three-quarters of plan sponsors reported using a per-participant fee for plan administration. Flat, per-participant fees continued to be more prevalent than asset-based fees where the revenue collected by the recordkeeper fluctuates based on account balances and market performance.

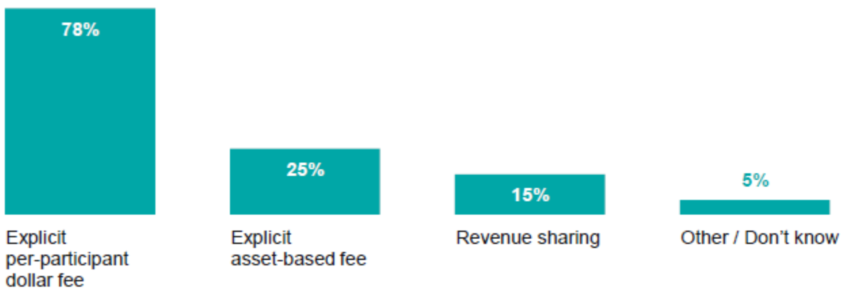
How investment management fees are paid



How administrative fees are paid



How participants pay for plan administration*



*Multiple responses allowed.

Virginia Retirement System

Advisory Services: Prevalence

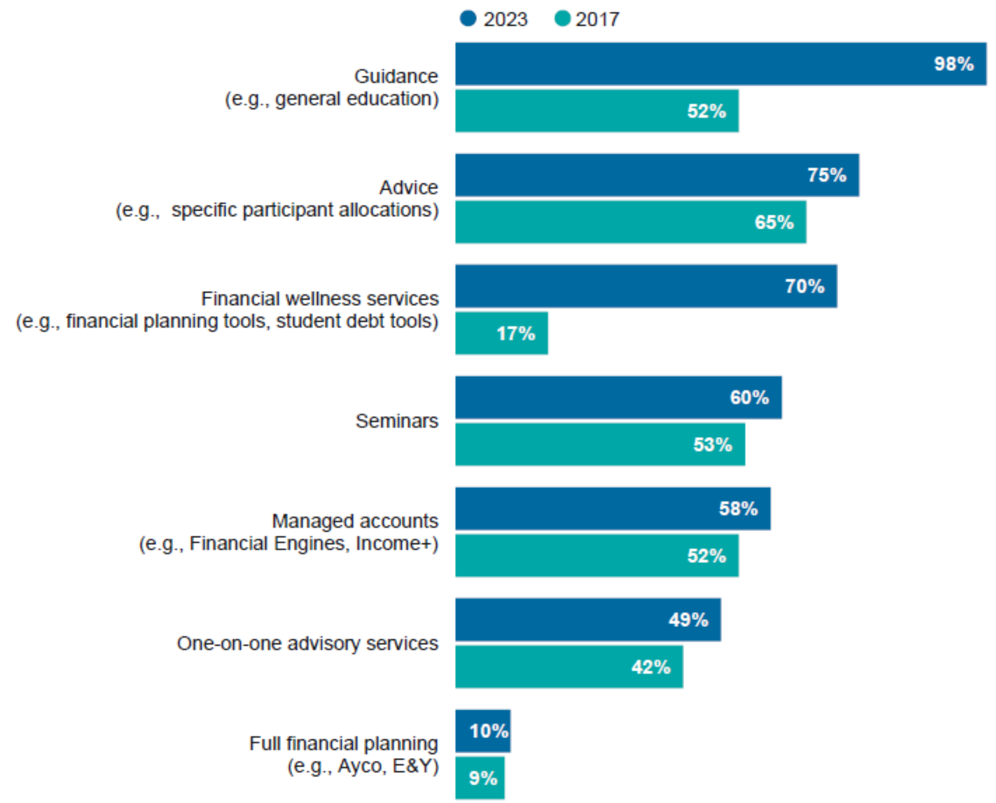
Nearly all respondents offered some type of advisory service to participants, with almost all offering guidance and three quarters offering advice.

There was a meaningful uptick in the prevalence of managed accounts from 2017. These services are geared toward "do-it-for-me" investors who desire greater personalization. Managed account providers are investment managers under Section 3(38) of the Employee Retirement Income Security Act (ERISA). **Nearly 6 in 10 plans report offering managed accounts in 2023.** Only 3% report they will add managed accounts, and 2% report they will remove them, suggesting that the service has reached saturation.

The decision to include managed accounts is a fiduciary action. Plans with, or considering adding, managed accounts should consider the fiduciary implications of this service.

Financial wellness tools (70%) saw a significant increase in utilization in 2023 compared to 2017.

Type of service offered*



*Percentages out of those offering advisory services. Multiple responses were allowed.

Managed Accounts and Advice: Fiduciary Relationship

A plan can choose from two basic types of fiduciary arrangements for managed account services: sub-advised or direct.

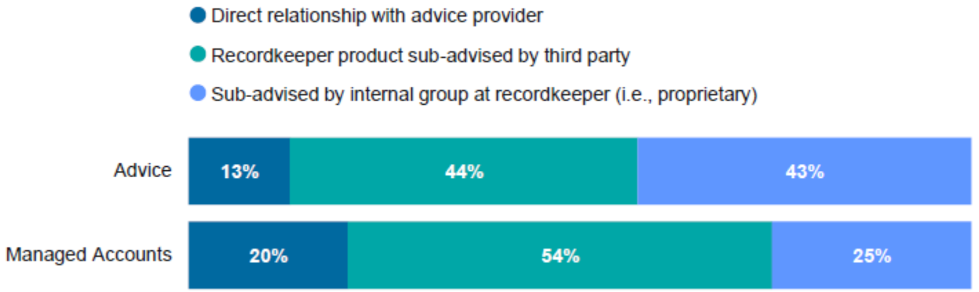
Sub-Advised Relationship
The recordkeeper (or an affiliate) is the adviser and fiduciary; the advice provider serves as a sub-adviser. The recordkeeper supports communications and the call center. It also sets the fees and pays the advice provider a sub-advisory fee.

Direct Relationship with Advice Provider
The advice provider serves as the adviser and fiduciary while providing communications and call center support. It also determines fees and pays the recordkeeper an ongoing fee for data, transactional, web, and operational support.

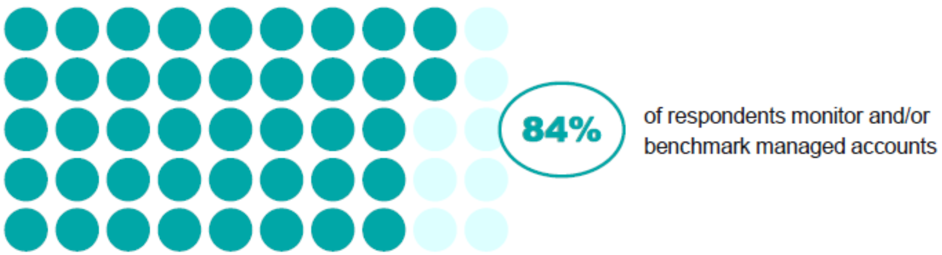
Managed accounts were most commonly offered through a recordkeeper product sub-advised by a third party (54%), with fewer plans using the recordkeeper's proprietary managed account (25%) or a direct relationship (20%).

Over three quarters of plans with managed accounts monitored or benchmarked the outcomes of the service.

Fiduciary relationship of managed accounts services or advice*



Managed accounts services are monitored and/or benchmarked



*Managed account products include an advice component.

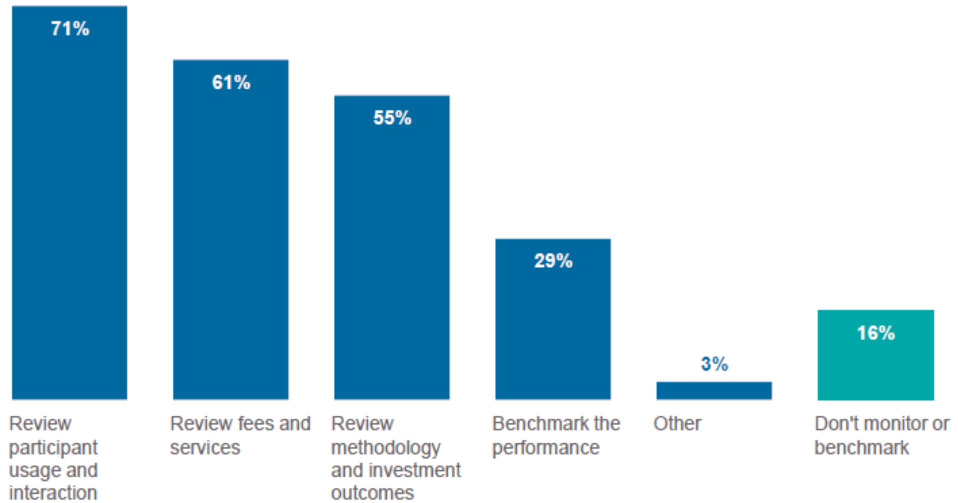
Managed Accounts and Advice: Monitoring

Over 70% of plan sponsors monitored the managed account services by reviewing participant usage and interaction, while just over 60% review fees and services.

Over half review the methodology and investment outcomes. Reviewing the methodology is key when selecting (or confirming the selection of) a managed account provider. This process helps plan fiduciaries understand which elements of "personalization"—retirement age, risk profile, outside assets—impact the actual investment recommendations.

While less than a third of respondents benchmark the performance, this is arguably one of the more beneficial exercises plan fiduciaries can undertake. Managed account services can be difficult to benchmark on an apples-to-apples basis, as varying participant demographics will impact the recommendations. Benchmarking dissimilar individual participant situations is not a reasonable comparison.

Monitor / plan to monitor your advisory or managed accounts service*



*Multiple responses allowed. Note that not all respondents who offer managed accounts responded to this question.

The DOL does not require plan sponsors to provide participants information on managed account performance or offer standard benchmarks, making it difficult for participants to evaluate whether the additional fees for managed accounts are worth paying.

Similarly, plan sponsors may receive limited information from their managed account provider to adequately review and monitor the performance and outcomes.

Managed Accounts: Enrollment and Payment

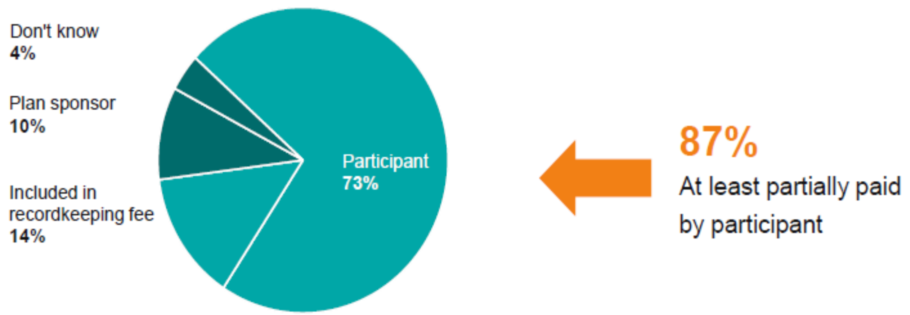
It remained most common for participants to pay for advisory services, either explicitly or as part of the overall recordkeeping fees.

One in 10 plan sponsors paid the full expense of investment advisory services, an increase from prior years.

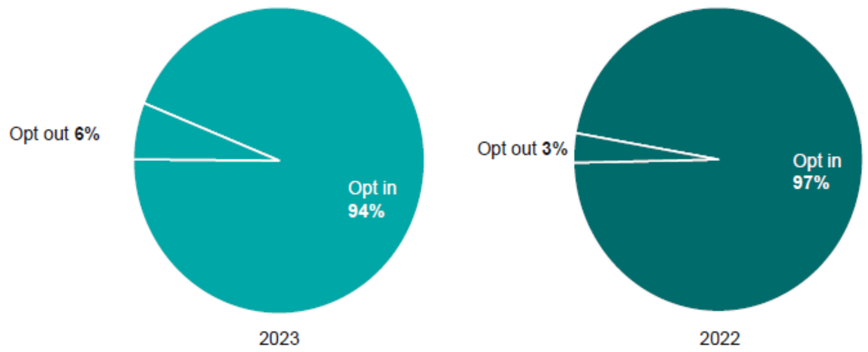
For plans that offered managed accounts, the vast majority (94%) offered them as an opt-in feature whereby participants must affirmatively elect to use the service. By comparison, few plans enrolled participants on an opt-out basis (6%).

The fees associated with a managed account service are a frequently cited reason for not offering opt-out enrollment. Plan sponsors do have the ability to negotiate the managed account service fees as utilization increases over time, and these fees should be benchmarked at a regular cadence.

Who pays for managed account services?



How are participants enrolled in managed accounts?



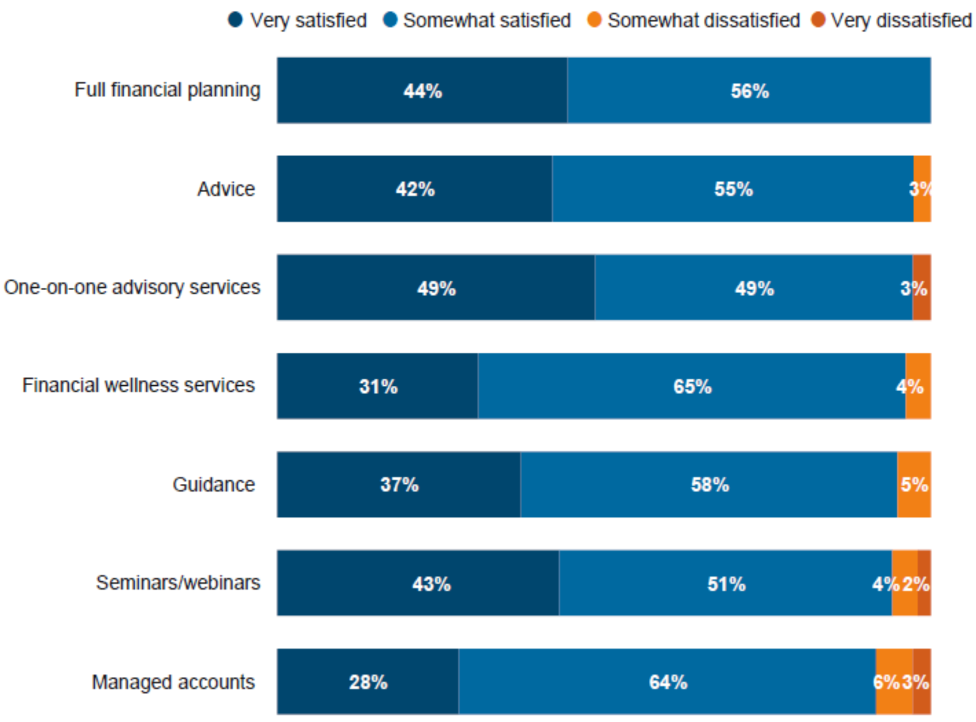
Virginia Retirement System

Satisfaction with Advisory Services

Plans reported high levels of satisfaction with investment advisory services. Full financial planning received the highest overall marks, with 100% of respondents very or somewhat satisfied.

The service with the largest percentage of dissatisfied respondents was managed accounts.

Satisfaction ratings for advisory services



Retirement Income Solutions

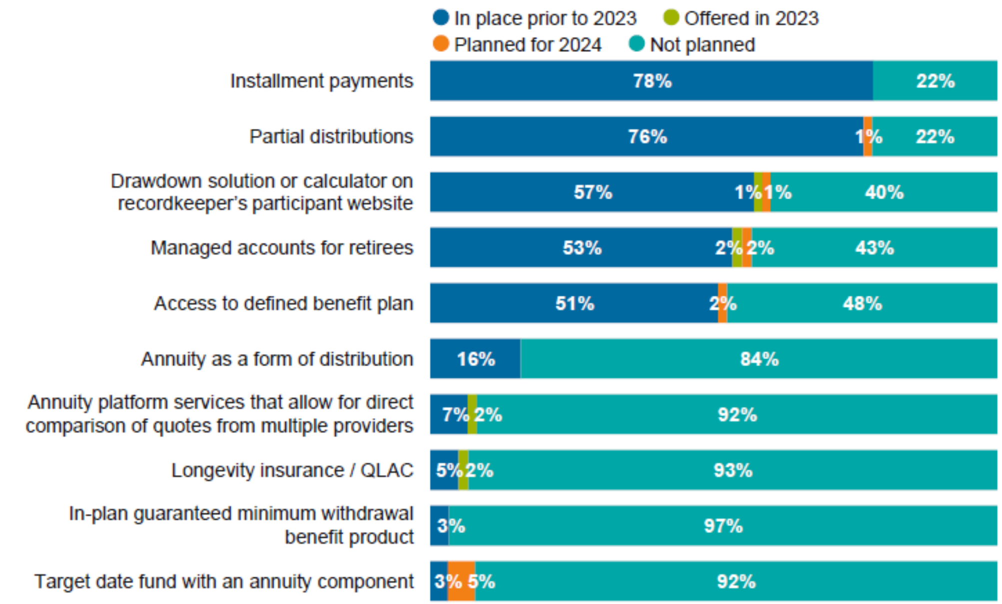
Most plans offered some sort of retirement income solution to employees by 2023. Installment payments (78%) and partial distributions (76%) were the most common solutions. Providing access to a drawdown solution, managed accounts, or a defined benefit plan were the next most common.

Explainer: A drawdown solution is a simplified process on the participant website (e.g., a one-step button) to implement the output from a retirement calculator. It is a more streamlined process for participants to establish a stream of income, who would otherwise have to manually transfer the calculator output into the transactional section of the website.

Only 5% of plan sponsors offered qualified longevity annuity contracts (QLACs) or longevity insurance in their plans despite a 2014 Treasury Department ruling making it easier to do so.

Of those offering a solution, 58% offered one proprietary to the recordkeeper.

Retirement income solutions offered*



Proprietary to the recordkeeper or offered by an external provider

*Percentages out of those with a solution in place. Multiple responses allowed.

Callan 2024 DC Trends Survey Highlights

Virginia Retirement System

Reasons for Not Offering Annuities

Plan sponsors cited a number of reasons to explain why they were unlikely to offer an annuity-type product in the near term. The two most common are: it is unnecessary or not a priority and there is a lack of participant need/demand.

Respondents also noted that they are difficult to communicate and that the fiduciary implications around an annuity-type product can be uncomfortable or unclear, citing these as part of the reason to not offer these products. Being too costly dropped to a lesser area of concern from last year.

Reasons for not offering an annuity-type product

Most important

Reason	Ranking
Unnecessary or not a priority	3.7
No participant need or demand	3.0
Difficult to communicate to participants	2.3
Uncomfortable/unclear about fiduciary implications	2.0
Availability of defined benefit plan	1.9
Too costly to plan sponsor/participants	1.4
Products are not portable	1.4
Uncomfortable with available products	1.2
Too administratively complex	1.1
Lack of product knowledge	1.1
Concerned about insurer risk	0.8
Recordkeeper will not support this product	0.2

Least Important

(5=Most important. Total rating is weighted average score.)

SAGE VIEW

Advice & Managed Accounts

Virginia Retirement System

Advice & Managed Accounts – What is it?

Advice

- Voya Retirement Advisors, LLC (VRA) is the registered investment advisor
- Computer based model powered by Edelman Financial Engines
- Employee personal data provided will support:
  - Income forecast
  - Savings rate
  - Investment advice
- On-line with VRA advisor assistance available by phone; Series 6, 63, and 65; some CFP®
- VRA is a fiduciary for investment advice
- Point in time
- No user fee

Managed Accounts

- All services from advice, and authority to manage investments going forward, including investment changes
- Monthly portfolio reviews with investment updates when needed
- Quarterly updates to participant to show progression toward retirement and personalization used
- Near retirees may value:
  - Income planning
  - Social Security guidance
- Asset fee for users

  First $100,000 = 0.40%

  Next $150,000 = 0.35%

  Amounts over $250,000 = 0.30%

Advice & Managed Accounts – How does it differ from TDF?

Target date funds provide a portfolio based on the participant's retirement date, but managed accounts can consider additional personal data

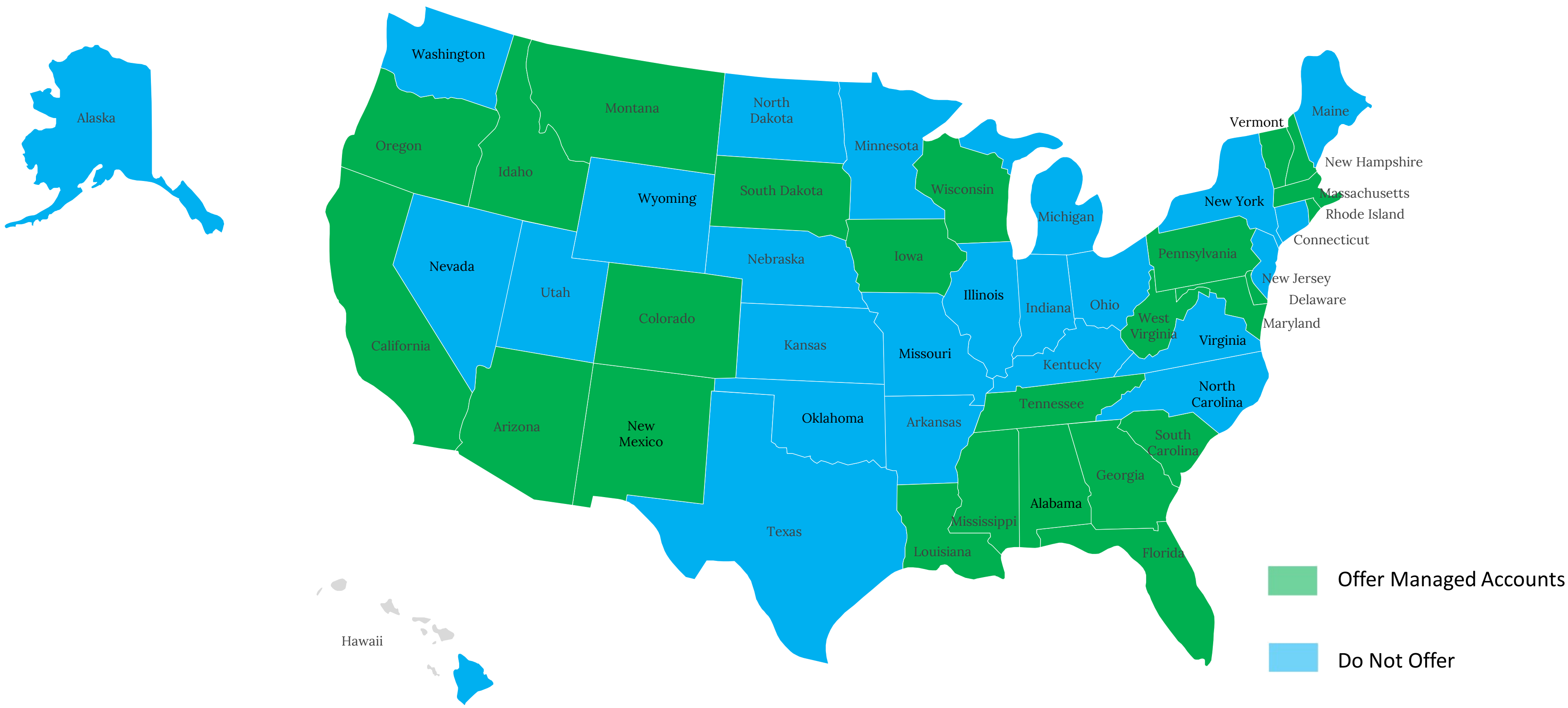
Target Date Funds

- Age

Managed Accounts

- Age
- Account balance
- Salary
- Pension
- Risk profile
- Age to retire
- Marital status
- Other assets

Advice & Managed Accounts – Do other State 457 Plans offer it?



May 2024: data is based on review of 457 plan websites

Advice & Managed Accounts – Industry Observations

Cautionary

- Requiring participants to actively select managed accounts is a broadly used model; use as a default could have unintended results
- Personalization from the participant is key to getting value from managed accounts
- 0.40% fee can be a lot of money

		Account Size		
		$100,000	**$300,000**	**$600,000**
$100,000	0.40%	$400	$400	$400
$150,000	0.35%		$525	$525
> $250,000	0.30%		$150	$1,050
	Total Fee:	**$400**	**$1,075**	**$1,975**
	%:	**0.40%**	**0.36%**	**0.33%**

- Worry that this will be pushed on participants
- Fiduciary concerns
- Requires additional and ongoing oversight
- Monthly valued option (VRSIP) will not be used

Optimistic

- Participants like having the option if they want it
- More customization and personalization based on participant feedback
- This is not a commission sales product
- Develop guardrails with the provider; investment discretion is limited to assets within the plan, and prohibit moving assets to products outside of the plan
- Users get quarterly reminders of service and personalization traits
- Institutional pricing, and 0.40% is competitive (RFP, other plans)
- Reporting and monitoring is more in-depth than it used to be; i.e., Voya offers listening to calls
- Income planning and Social Security guidance may be valuable for decumulation phase

Advice & Managed Accounts – What is involved with adoption?

- Separate contract but implementing with the larger Voya transition
  - No cross-selling from Voya; no marketing of other products
  - Protection and use of participant information
  - Data protection and no monetization of collected participant data and information
- Voya Retirement Advisors is fiduciary for advice provided, but VRS is responsible for decision to offer it and selecting Voya
- Ongoing monitoring
  - Receive regular reporting from Voya
    - Participation
    - Personalization
    - Portfolio construction
    - Performance
  - Monitor for participant complaints and overall product satisfaction
  - Fees
  - Re-enrollment can be used if concerned about participants forgetting about service

Advice & Managed Accounts – What is involved with adoption?

Implementation Milestones

DCPAC May 23:
- ❑ RBA for services

- ❑ Board of Trustees June 20, 2024

Next:
- ❑ Contracting
- ❑ Develop monitoring process, including service level agreements
- ❑ Include new offering with transition communications

Updates: DCPAC Sept 12 and DCPAC Dec 5

Jan 2025 available with Voya implementation

Virginia Retirement System

Approve the provision of investment advice and managed account services to defined contribution plans participants by the third-party record keeper.

Requested Action

The Virginia Retirement System Board of Trustees accepts the recommendation of the Defined Contribution Plans Advisory Committee (DCPAC) to allow investment advice and managed account services to be provided to defined contribution plans participants by the third-party record keeper beginning January 1, 2025.

Description/Background

The VRS Investment Policy Statement for an Unbundled Defined Contribution Plan Structure provides that the Board is responsible for determining whether "individual investment advice will be provided and the terms on which it will be available to participants."

On June 15, 2023, the Board of Trustees approved the selection of Voya to serve as VRS' defined contribution plans third-party administrator after the completion of a thorough procurement process.

In addition to the services Voya will provide as VRS' third-party record keeper for VRS' defined contribution plans, Voya offers services providing investment advice and managed account services through Voya Retirement Advisors, LLC (VRA). VRA is a duly registered investment advisor under the Advisors Act and VRA and its delegates are investment fiduciaries with respect to advisory services.

The VRA services include providing personalized retirement forecasts, risk assessments, and instructions that include savings and specific fund recommendations to be implemented by the participant. There is no additional cost to the participant for these services.

In addition, VRA provides managed account services that allow a participant to delegate the management of their account to an investment professional. Managed account services offered by VRA are fee-based but are not commission-based. The accounts of participants who opt into managed account services are reviewed monthly and investment updates are made when needed based on market and economic conditions. The managed accounts services also provides participants with assistance related to other retirement planning topics, like incoming planning.

It will be administratively easier to begin to offer these services at the same time as VRS transitions to Voya as the third-party record keeper. VRS staff will work with Voya to identify appropriate metrics and establish an ongoing monitoring process to ensure that the advice product and managed accounts service continue to provide value to participants in the VRS defined contribution plans.

Authority for Requested Action

Va. Code § 51.1-124.22(8) authorizes the Board to make determinations necessary to carry out the provisions of Title 51.1 of the *Code of Virginia*.

The above action is approved.

______________________________________	______________________________
A. Scott Andrews, Chairman VRS Board of Trustees	Date

Request for Board Action
RBA 2024-06-____

Reappointment of DCPAC Members.

Requested Action

The Board reappoints Ravindra Deo, Brenda Madden, and C. Matt Harris to the Defined Contribution Plans Advisory Committee (DCPAC), each for a two-year term ending June 20, 2026.

Rationale for Requested Action

Mr. Deo, Ms. Madden, and Mr. Harris currently serve on the DCPAC and are willing to be reappointed for another two-year term. Mr. Deo is the Executive Director of the Federal Retirement Thrift Investment Board. Ms. Madden is a Senior Vice President and the Human Resources Director of Davenport & Company. Mr. Harris is the Deputy County Administrator for Finance and Administration at Chesterfield County.

Authority for Requested Action

Code of Virginia § 51.1-124.26 authorizes the Board to appoint such other advisory committees as it deems necessary. Each member appointment requires a two-thirds vote of the Board, and advisory committee members serve at the pleasure of the Board.

The above action is approved.

_______________________________________ _______________________

A. Scott Andrews, Chair
VRS Board of Trustees

Date

Virginia Retirement System

Request for Board Action
RBA 2024-06-____

Appointment of DCPAC member.

Requested Action

The Board appoints Kate Jonas and Monique G. Barnes to the Defined Contribution Plans Advisory Committee (DCPAC) for two-year terms ending June 20, 2026.

Rationale for Requested Action

Ms. Jonas is currently the Principal of Kate Jonas Group LLC, which was established in 2023. She is a results-focused Executive with demonstrable success at Scale asset managers and a capital raiser with a strategic enterprise mindset, solutions orientation, and client centric philosophy. She has a career sales total over $65 billion and has experience building and leading teams across multiple channels, as well as possessing private and public vehicle and asset class fluency (fixed income, equity, real estate, and multi–asset.)

Prior to establishing Kate Jonas Group LLC, Ms. Jonas was the Senior Managing Director, Head of Global Consultant Relations for Nuveen where, amidst the accelerated integration of Nuveen and TIAA, she restructured a siloed multi-affiliate product driven Consultant Relations team into a client-centric accountability driven model and quadrupled assets under management raised and quintupled revenue raise. Ms. Jonas has also held positions at Blackrock, AQR Capital Management, Insight Investment, and Morgan Stanley. Ms. Jonas has also served on the Defined Contribution Institutional Investment Association Executive Committee.

Ms. Jonas earned an undergraduate degree in Government and American Studies from Smith College and an MBA from the Wharton School.

Ms. Barnes is currently the Chief Financial Officer for Prince George County Public Schools. She has previously served in similar capacities for Williamsburg-James City County Public Schools, Hopewell Public Schools, and Surry Public Schools. Ms. Barnes has more than 16 years of experience in overseeing and managing the financial needs of public school systems in Virginia and has been awarded the Meritorious Budget Award from the Virginia Association of School Business Officials (VASBO) on multiple occasions. Ms. Barnes is skilled in the areas of government procurement, management, corporate finance, managerial finance, and strategic planning.

Ms. Barnes is a Certified Administrator of School Finance and Operations and a Certified Government Financial Manager. Ms. Barnes has also earned the Virginia Finance Officers Certificate and the Virginia Association of School Business Officers Certificate. Ms. Barnes currently serves on the Management Team and served as the Technology Chair for VASBO.

Ms. Barnes earned an associate degree in Applied Science – Accounting from Tidewater Community College, an undergraduate degree in Music from Virginia Commonwealth University, and an MBA from the College of William and Mary.

Both Ms. Jonas and Ms. Barnes are highly qualified and willing to be appointed to the DCPAC, and it is the Board's pleasure to appoint them to the Committee.

Authority for Requested Action

Code of Virginia § 51.1-124.26 authorizes the Board to appoint such other advisory committees as it deems necessary. Each member appointment requires a two-thirds vote of the Board, and advisory committee members serve at the pleasure of the Board.

The above action is approved.

____ ______________________________

A. Scott Andrews, Chair
VRS Board of Trustees

Date

Quarterly Review

VRS Defined Contribution Plans

January 1, 2024 – March 31, 2024

DCP

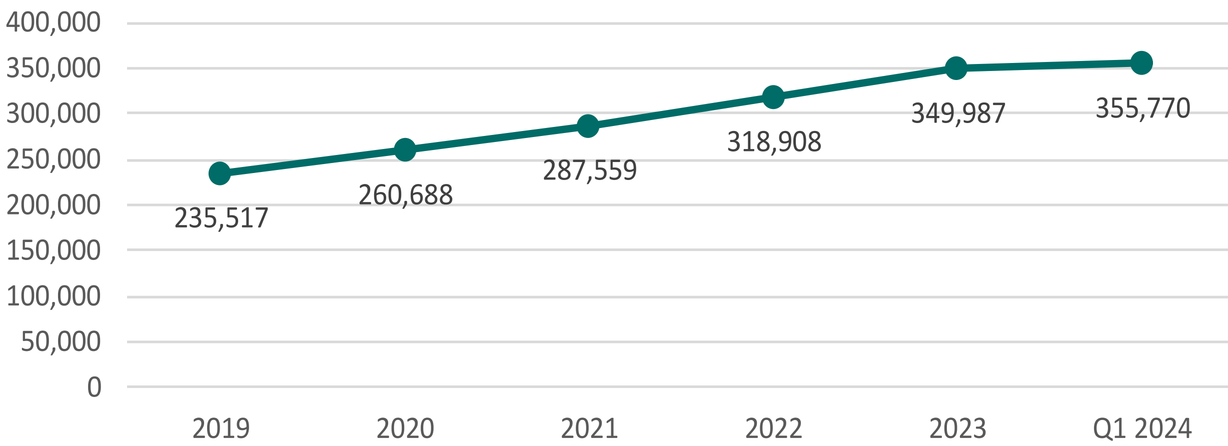
Virginia Retirement System

VRS Defined Contribution Plans[1]

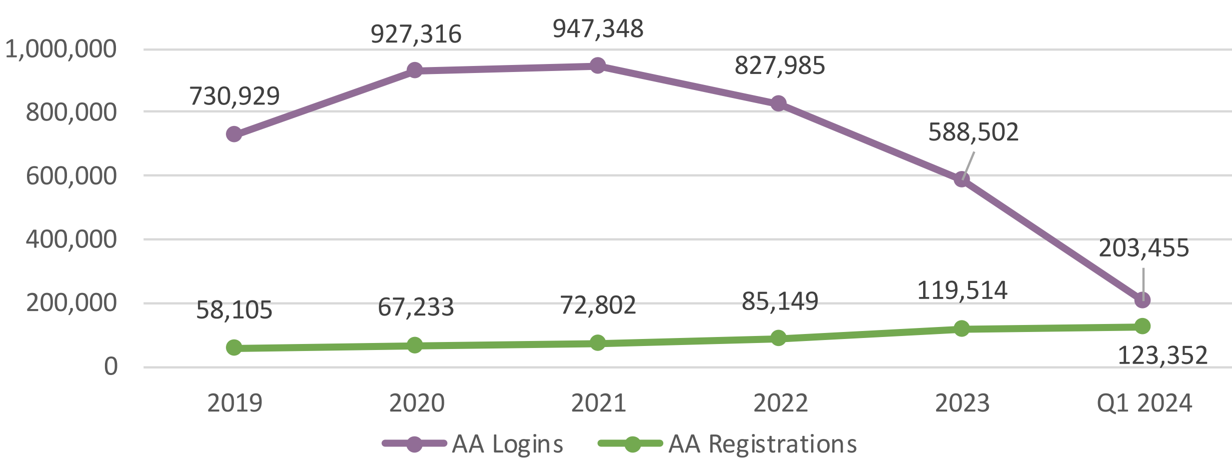
1st *Quarter 2024 – DC Plans Metrics*

Total Assets[2]: $7,934,828,369.28   Total Accounts[2]: 612,692

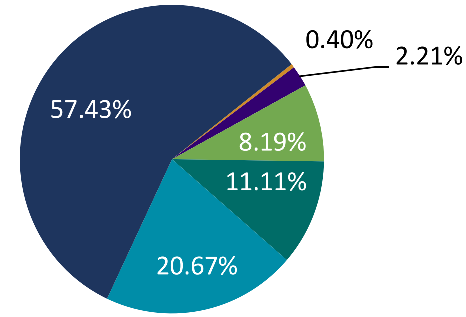
Unique Participants



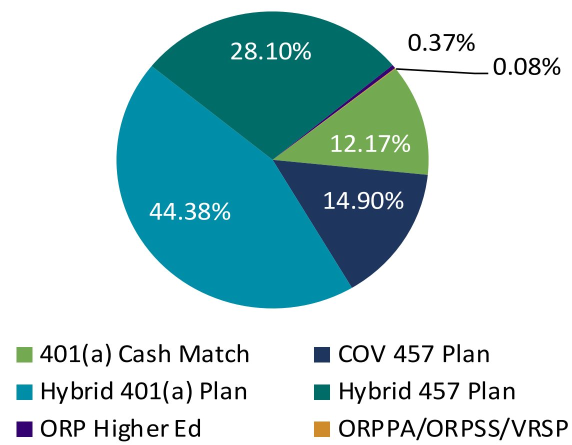
Account Access Registrations & Logins



Assets Under Management



Accounts Under Management



Top 10 Visited Pages[3]

1. COV 457 Retirement Plan Landing Page
2. Hybrid Retirement Plan Landing Page
3. Hybrid 457 Voluntary Contributions
4. Hybrid Plan Group Life Insurance
5. Virginia Cash Match Landing Page
6. COV 457 Contributions
7. Hybrid Plan Education
8. COV 457 Overview
9. COV 457 Plan Info
10. VRS Hybrid Plan Learning Channel

VRS Defined Contribution Plans

1st *Quarter 2024 – DC Plans Participant Engagement*

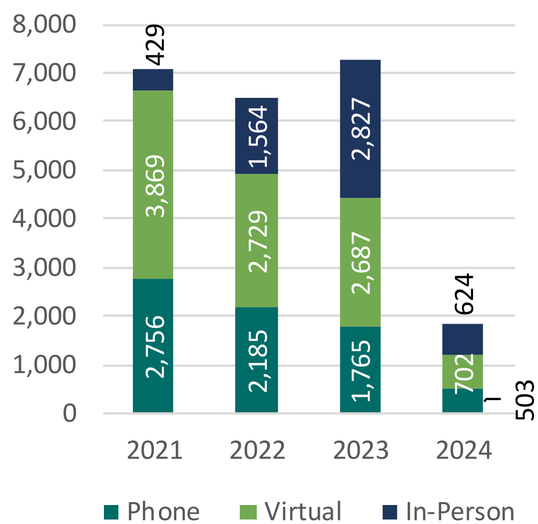
Call Center – Participant Services

- 16,365 calls received YTD in 2024
- 60,397 calls received in 2023
- 55,471 calls received in 2022
- 55,311 calls received in 2021

Current call trends:

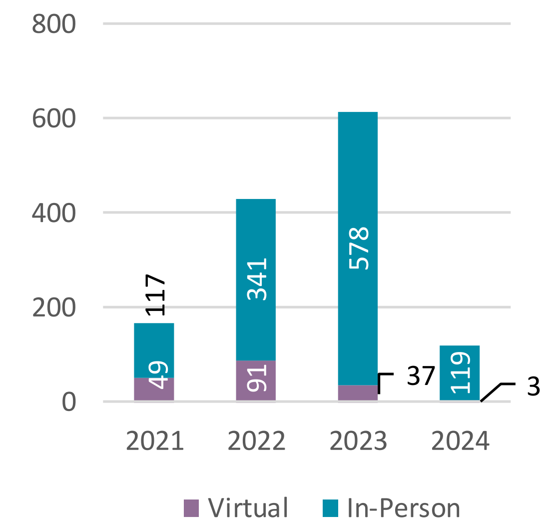
1. Withdrawals
2. General inquiries
3. Internet assistance
4. Deferrals
5. Indicative data

Individual Account Reviews

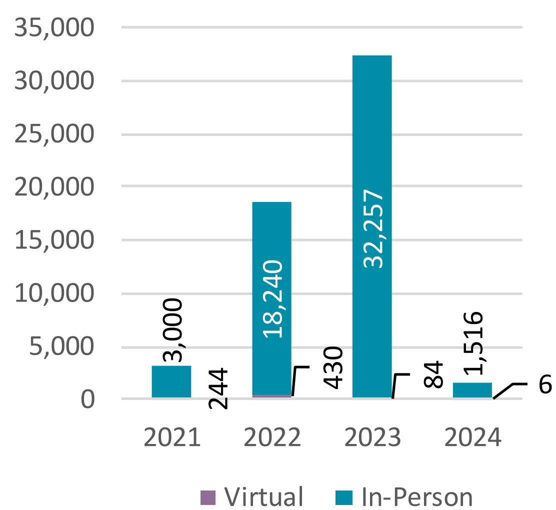


Participant Sessions

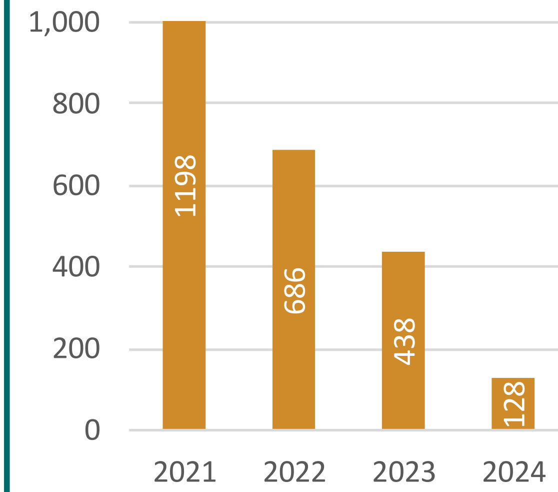
Group Meetings

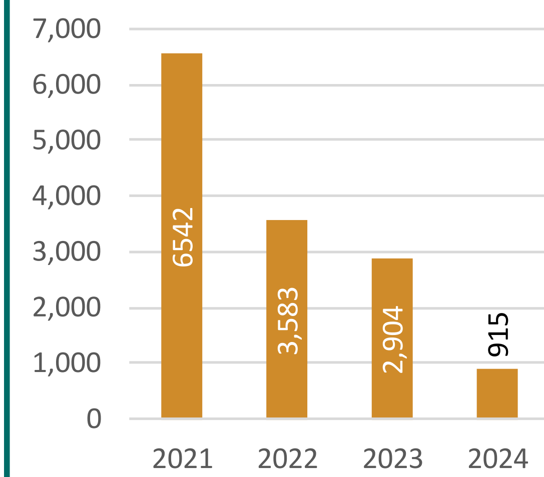


Participant Attendance



Webinars

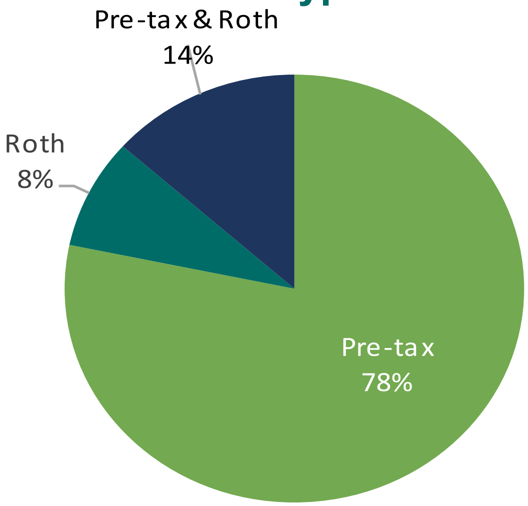




VRS Defined Contribution Plans

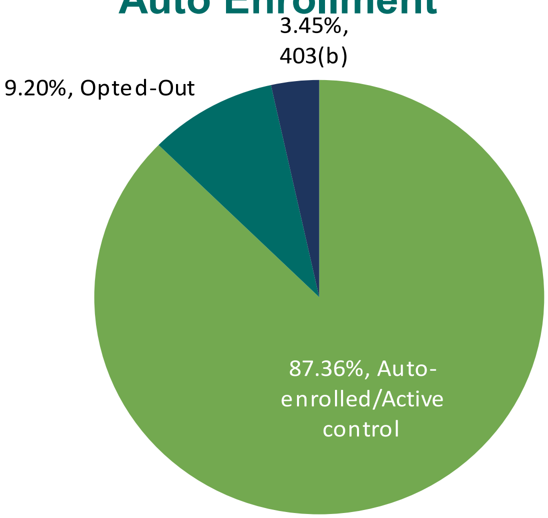
1st Quarter 2024 – COV 457 Plan, Virginia Cash Match Plan

Deferral Type



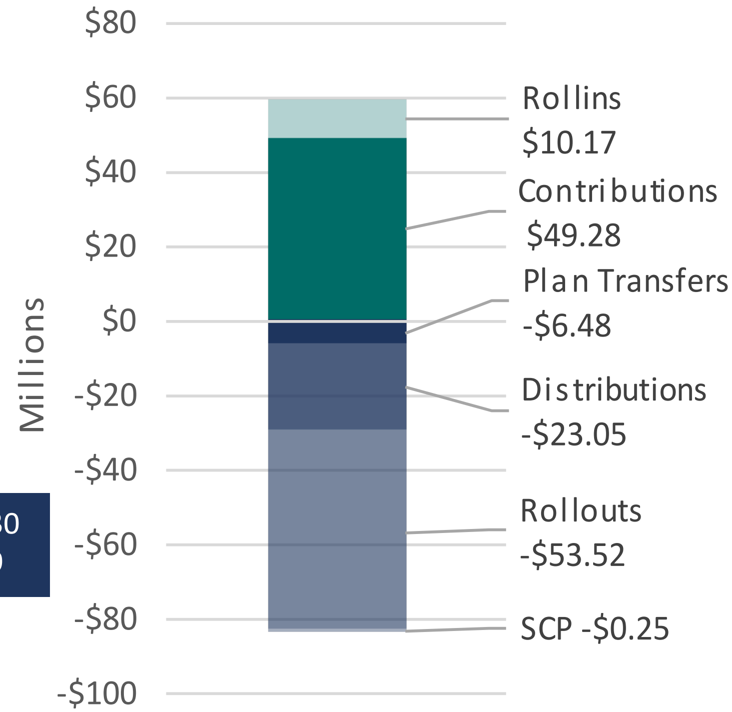
Average pre-tax deferral per pay = $188.30
Average Roth deferral per pay = $177.99

Auto Enrollment



9.20% Opt-Out rate for quarter
8.83% opt-out rate since inception[9]

Contributions/Distributions[5]



Participant Status Overview[6]

165,068 total accounts

56% Active

44% Separated

$2,311m assets at-risk

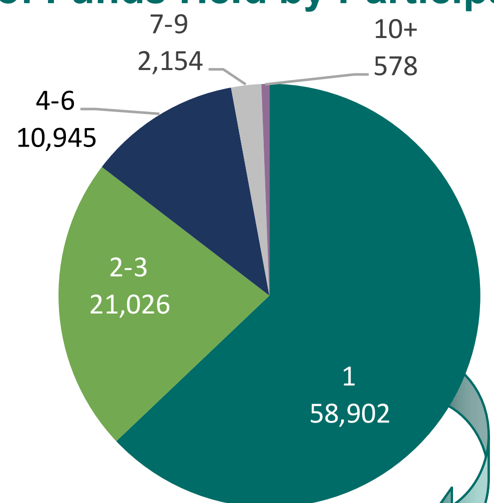
COV 457 Participation Rates

- State[4] 33.91%
- Non-state 9.34%

Top 10 Fund Holdings

1.	Stock	$1,761,115,073
2.	Target Date Portfolios	$1,542,687,922
3.	Stable Value	$591,976,170
4.	Small/Mid-Cap Stock	$433,236,424
5.	International Stock	$210,971,605
6.	Bond	$146,413,894
7.	Money Market	$118,204,810
8.	Schwab PCRA	$110,152,943
9.	Global Real Estate	$83,316,581
10.	VRS Investment Portfolio	$63,740,051

of Funds Held by Participants

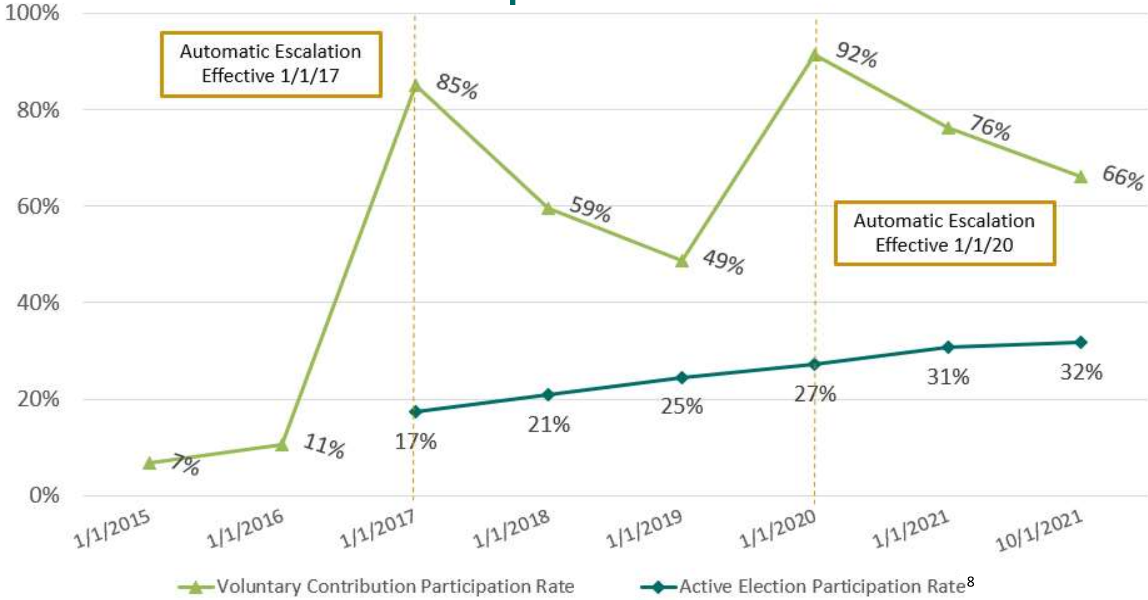


83.0% of this population is invested in a single TDP

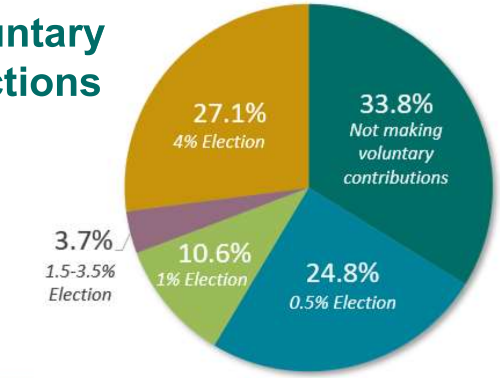
VRS Defined Contribution Plans

1st Quarter 2024 – Hybrid Retirement Plan – 401(a) & 457(b)

Participation Rates[7]



Voluntary Elections



Top 10 Fund Holdings

1.	Target Date Portfolios	$2,344,147,580
2.	Stock	$99,093,986
3.	Small/Mid-Cap Stock	$25,309,395
4.	International Stock	$12,638,092
5.	Stable Value	$9,815,846
6.	Money Market	$7,172,629
7.	Global Real Estate	$5,236,161
8.	High-Yield Bond	$5,142,998
9.	Schwab PCRA	$4,756,270
10.	Bond	$4,369,517

Participant Status Overview[3]

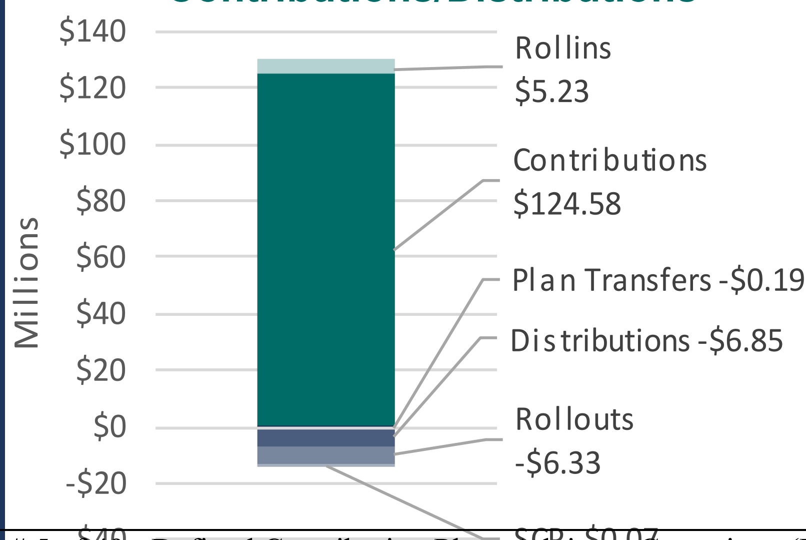
444,032 total accounts

72% Active

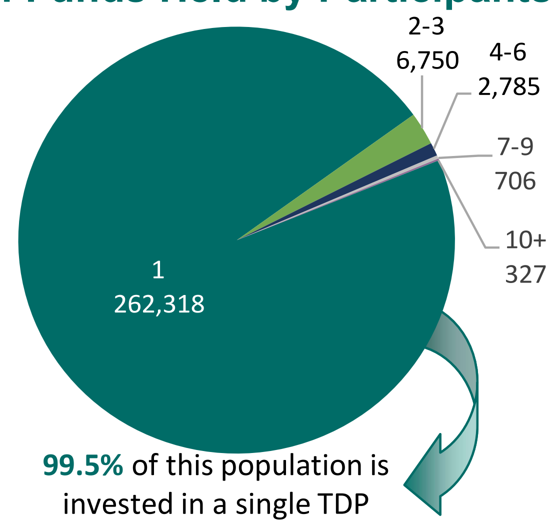
28% Separated

$463m assets at-risk

Contributions/Distributions



of Funds Held by Participants



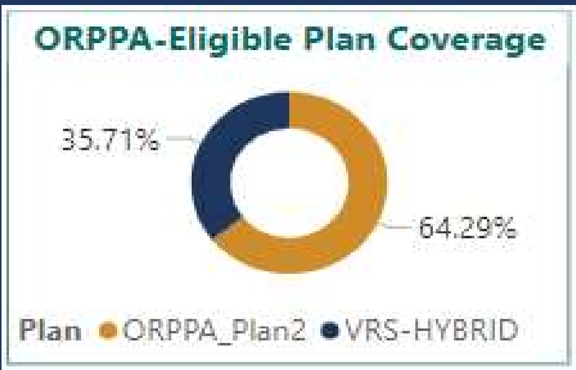
99.5% of this population is invested in a single TDP

VRS Defined Contribution Plans

1st Quarter 2024 – ORPHE* and ORPPA

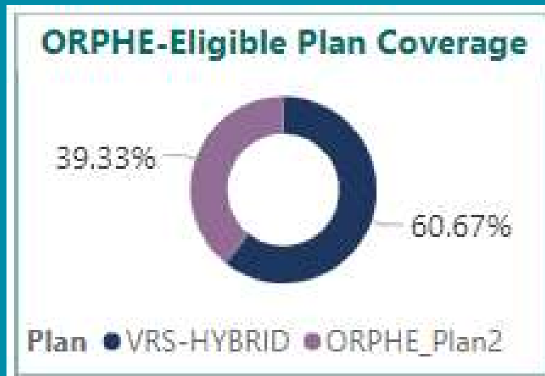
ORPPA Participation

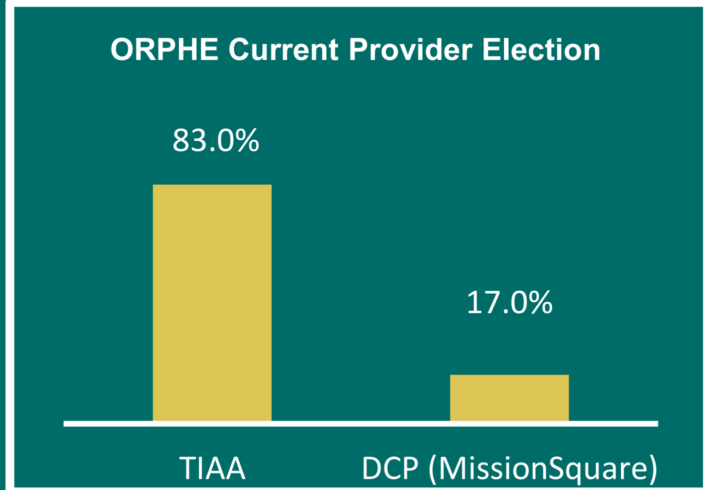
Participant Accounts: 495
Assets: $30,912,593
Provider: MissionSquare

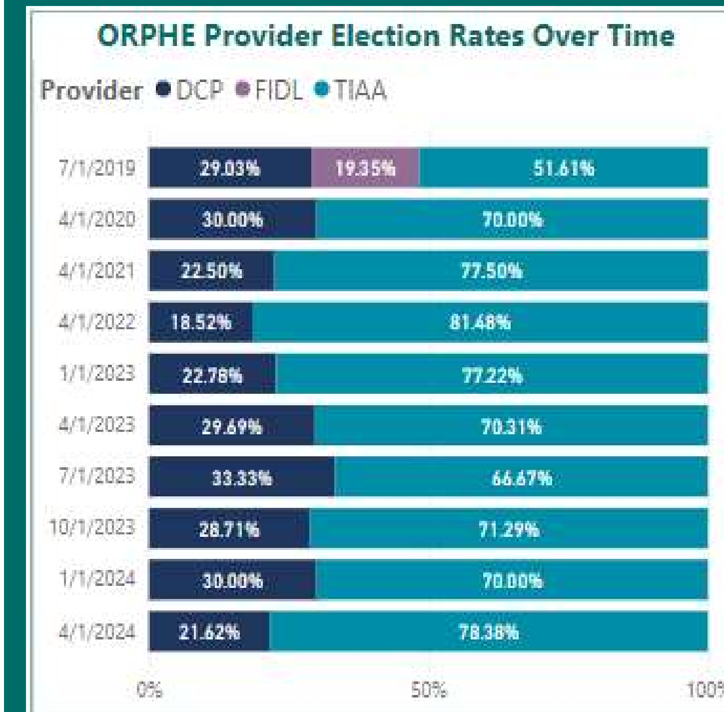


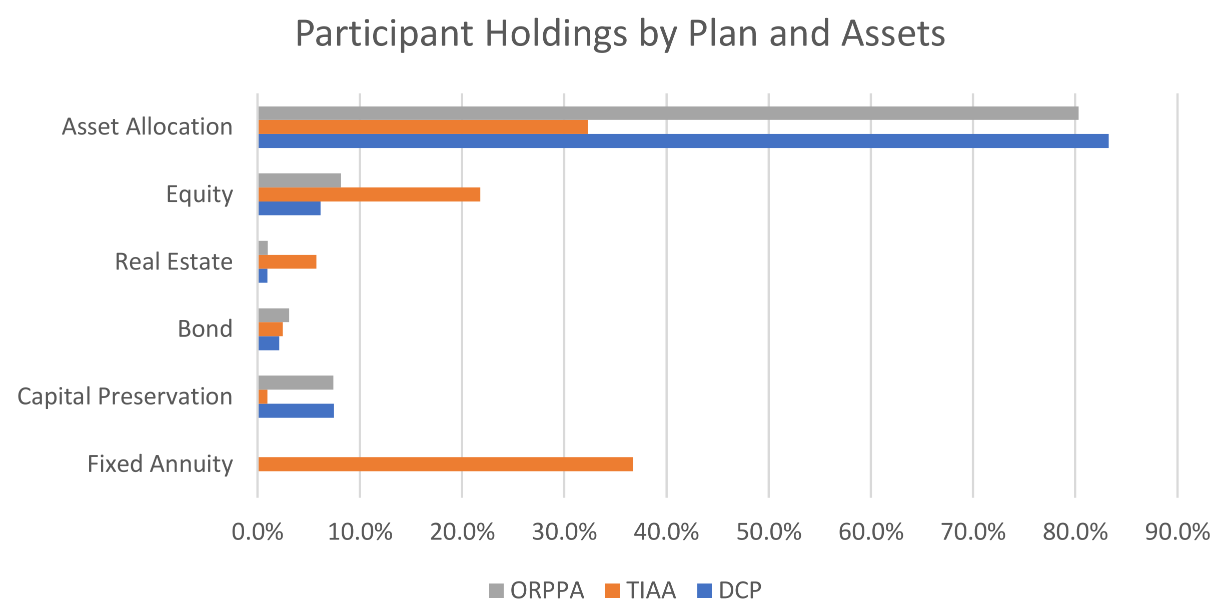
ORPHE Participation

Participant Accounts: 10,612
Assets: $1,309,794,296
Providers: MissionSquare, TIAA









ORPHE Deselected Providers:
Fidelity, T. Rowe Price, Empower, AIG-VALIC, MetLife
Participants: 1,275
Assets: $156,242,742

*Excludes opt-out higher ed institutions. ^Excludes deselected investments. Some currently selected funds on the TIAA platform may include assets across the RC, RA, and GRA contracts. ⁺Includes both international and domestic equity.

Source Information/Additional Footnotes

All data unless noted otherwise was provided by MissionSquare Retirement and is as of 3/31/2024.

1. Includes DC plans record kept by MissionSquare Retirement.
2. Total assets and accounts include beneficiaries and excludes forfeiture and reserve accounts.
3. Web statistics provided by Google Analytics.
4. Includes employees at higher education institutions who are also eligible for a 403(b).
5. Cash Flow Definitions
    - Rollins – Contributions into a participant's account from a retirement plan or IRA.
    - Contributions – Payroll contributions from a participant's paycheck.
    - Plan Transfers – Transfer of funds between VRS retirement plans.
    - Distributions – Consists of auto enrollment refunds, required minimum distributions (RMDs) unforeseen emergency withdrawals and full, partial, installment and de minimis requests
    - Rollouts – Withdrawal request sent to another retirement plan or IRA
    - SCP – A request to transfer employee contribution funds from the plan to VRS to purchase service credit. Please note, SCP is not permitted from the H401 plan.
6. Active Participants do not have a termination date on file and may not have made a contribution during the quarter. Terminated Participants have a termination date on file.
7. Source: 10/1/21 Active Hybrid Member Demographics Report.
8. Active Election participation rate includes members who had a self-selected voluntary election on file prior to the automatic escalation that occurred on 12/16/19.
9. Chart shows current status of active participants set up as auto-enroll eligible after plan conversion, January 6, 2014; excludes terminated participants.

Callan Institute

Research

2024 Defined Contribution Trends Survey

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Introduction

The world is changing dramatically, and our annual *Defined Contribution (DC) Trends Survey* is evolving to fit the shifting landscape. The 17th annual *DC Survey* covers the key tenets of DC plan management such as governance, investments, fees, plan design, and more. The insights and experience distilled in our *2024 DC Survey* inform this discussion, and we are grateful to all of those who contributed.

Key Findings

Areas of Focus

1. Plan governance and process
2. Investment management fees
3. Administration fees

See page 8 for details

Fiduciary Initiatives

1. Review plan fees
2. Update or review the IPS
3. Review investment structure

See page 7 for details

Criteria for Plan Success

1. Participation rate
2. Investment performance
3. Contribution rate

See page 9 for details

>80%
offered a retirement income solution

Installment payments (78%)

Partial distributions (76%)

See page 36 for details

58%
offer managed account services

84%
monitor or benchmark these services

See pages 27 and 28 for details

Investments

91% combination of Active Passive

82% Collective trusts

80% Mutual funds

See pages 17 and 18 for details

81%
sought to retain assets of retirees

61%
sought to retain assets of terminated participants

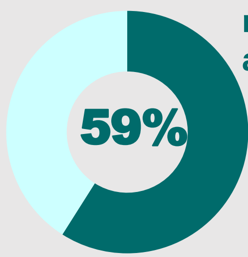
See page 34 for details

~100
provisions in SECURE 2.0 Act (passed in 2022)

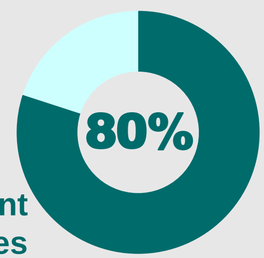
2 of 5 plans implementing self-certification of hardship withdrawals

See page 38 for details

Plan Fees



reviewed administrative fees



reviewed investment management fees

See page 23 for details

56%
reported only **10%** or less of participants rolled in assets from a prior employer's qualified plan

See page 33 for details

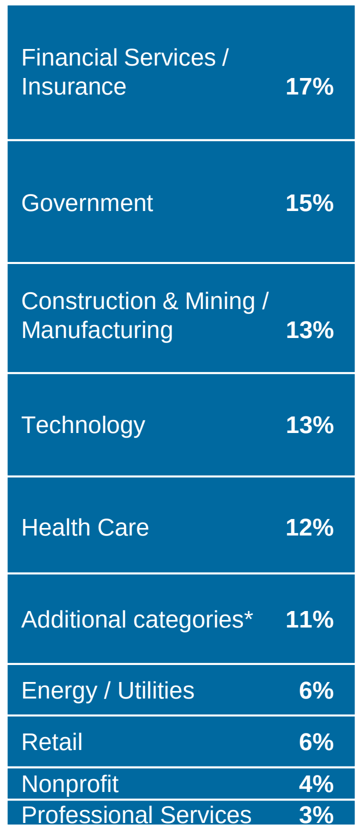
Respondent Characteristics

Callan conducted this *DC Survey* online in late 2023. This survey incorporates responses from 132 DC plan sponsors, including both Callan clients and other organizations.

Respondents spanned a range of industries, with the top being financial services and government.

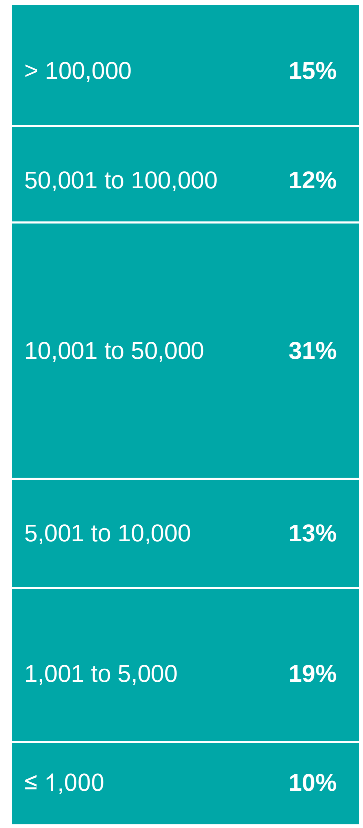
89% of plans in the survey had over $200 million in assets; moreover, 64% were "mega plans" with more than $1 billion in assets, and 58% had more than 10,000 participants.

Primary industry employees hired from

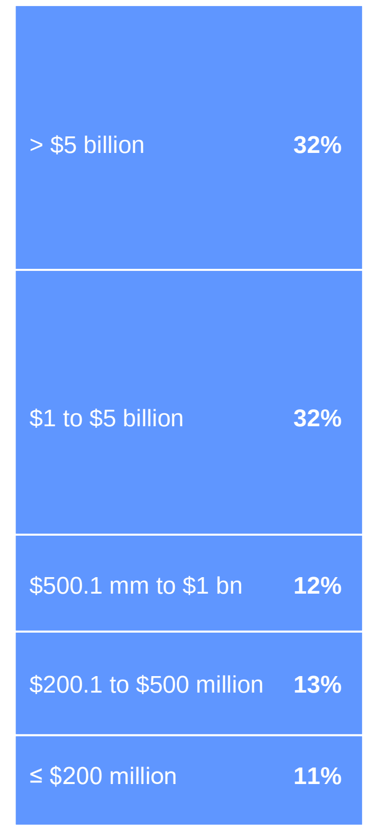


*Additional categories: aerospace/ defense (2%), automotive (1%), education (2%), telecommunications (2%), transportation (2%), and other (3%)

Number of participants in DC plan



Assets in DC plan

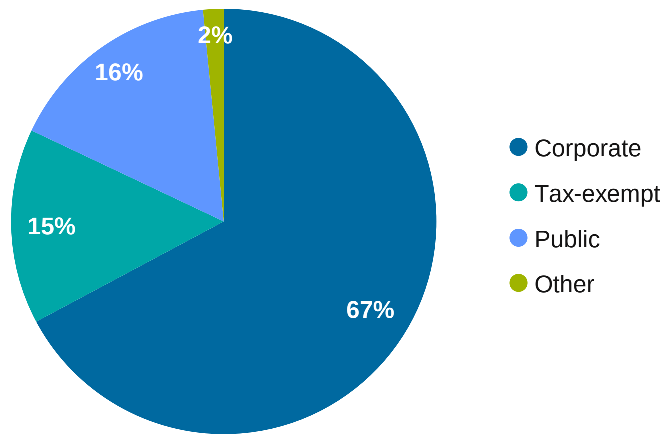


Note: Throughout the survey, charts may not sum to 100% due to rounding.

Respondent Characteristics (continued)

More than two-thirds of respondents were corporate organizations, followed by public (16%) and tax-exempt (15%) entities.

Organization type

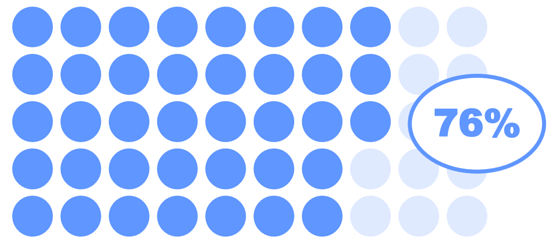


Plan Recordkeeper

Consolidation in the recordkeeper marketplace continues. The top recordkeepers shown are used by 76% of survey respondents. Note that Schwab and Bank of America Merrill Lynch tied for fifth this year.

Most-used recordkeepers

1. Fidelity
2. Empower
3. Alight
4. Voya
5. Charles Schwab and Bank of America Merrill Lynch



of respondents used these 6 recordkeepers

Fiduciary Initiatives

Consistent with prior years, DC plan sponsors were largely focused on their investment policy statement (IPS), reviewing plan fees, and the investment structure in 2023. These will also be top areas of focus in 2024, with reviewing plan fees as the highest area of focus (74%).

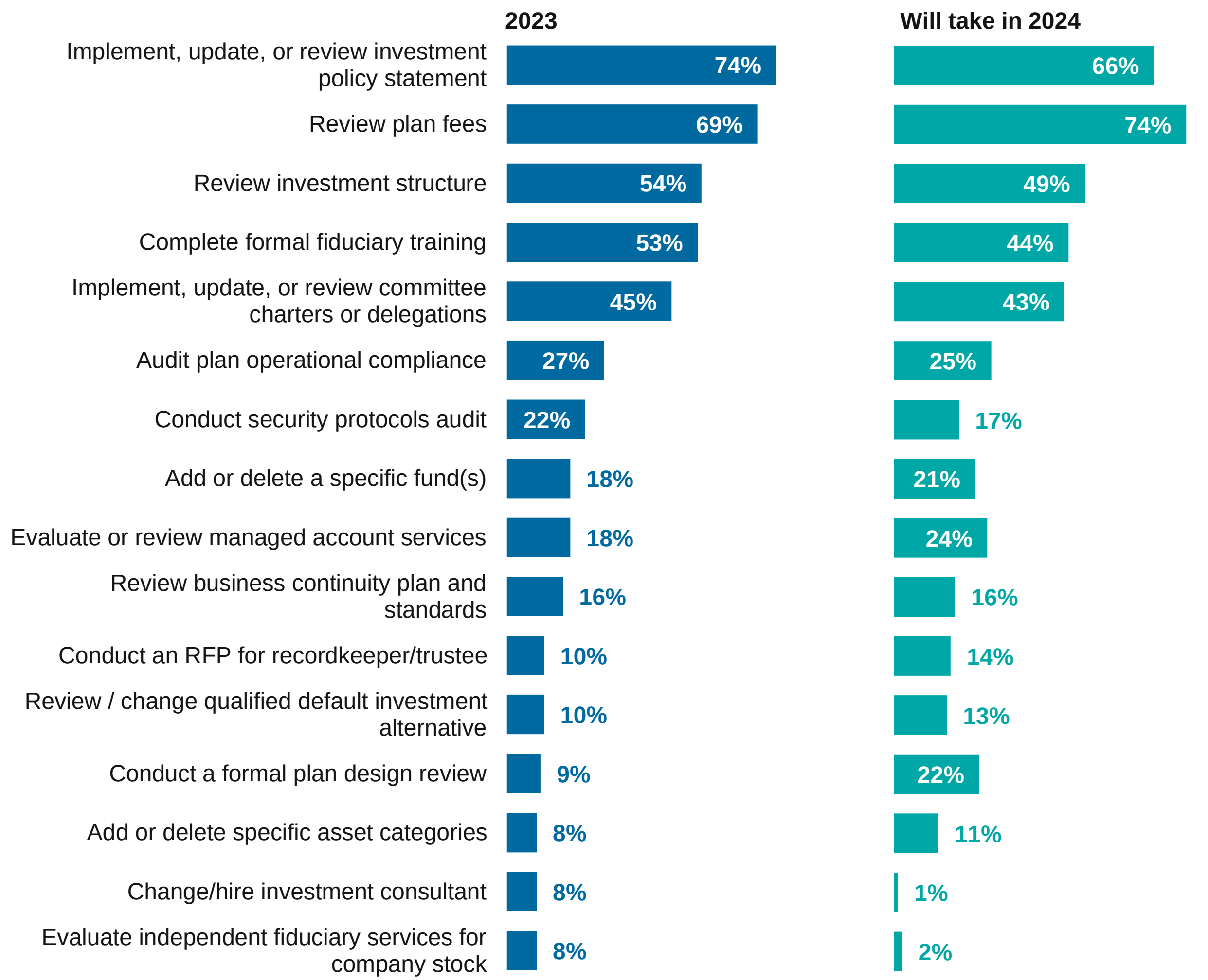
In the 2021 survey, we saw a sharp increase in respondents reporting they were reviewing security protocols (41%), in response to U.S. Department of Labor guidance. This fell dramatically in 2022 to 14% but has somewhat rebounded in 2023 (22%).

About a fifth of respondents added or deleted a fund in 2023, and a similar percentage expect to do so in 2024 (21%). This reflects the nature of fund changes: They are not necessarily premeditated many months in advance.

Top actions planned for 2024

1. Review plan fees
2. Review IPS
3. Review investment structure

Fiduciary actions DC plans took or will take*



*Multiple responses allowed.
Other actions taken with less than 8% include: Implement a written plan fee policy statement, change/hire investment consultant, evaluate/implement 3(38) discretionary services, add/change managed account services, change trustee/custodian, evaluate independent fiduciary services for company stock.

Areas of Focus

Following a decade of abundant litigation, DC plan sponsors have refined the elements of fiduciary focus.

Plan governance and process has consistently ranked as one of the top-rated areas of focus. This broad category includes much of the basic blocking and tackling that plan sponsors do on an ongoing basis.

Investment management fees have ranked as a top area of focus year over year, while plan administration fees have consistently been ranked slightly lower. Investment management fees are generally more straightforward to benchmark and monitor, allowing for more frequent review. Plan sponsors should be mindful to review all plan fees on a regular basis.

Investment structure and fund/manager due diligence continued to rank in the top five, although actual rankings vary year over year.

Top areas of focus

2023		2022		2021	
Plan governance and process	3.7	Plan governance and process	3.8	Plan investment management fees	2.8
Plan investment management fees	3.0	Investment structure evaluation	3.2	Plan governance and process	2.7
Plan administration fees	2.3	Plan investment management fees	2.8	Plan administration fees	2.5
Fund / manager due diligence	2.2	Fund / manager due diligence	2.3	Fund / manager due diligence	2.3
Investment structure evaluation	2.0	Plan administration fees	2.0	Investment structure evaluation	2.2
Committee education and fiduciary training	1.6	Participant retirement readiness	1.3	Participant retirement readiness	1.5
Participant education and communications	1.3	Plan operational compliance	1.0	Cybersecurity	1.5
Participant retirement readiness	1.3	Committee education and fiduciary training	0.9	Participant education and communications	1.1
Plan operational compliance	1.2	Participant education and communications	0.9	Asset allocation and diversification	1.1

(5=Most focus. Total ranking is weighted average score.)

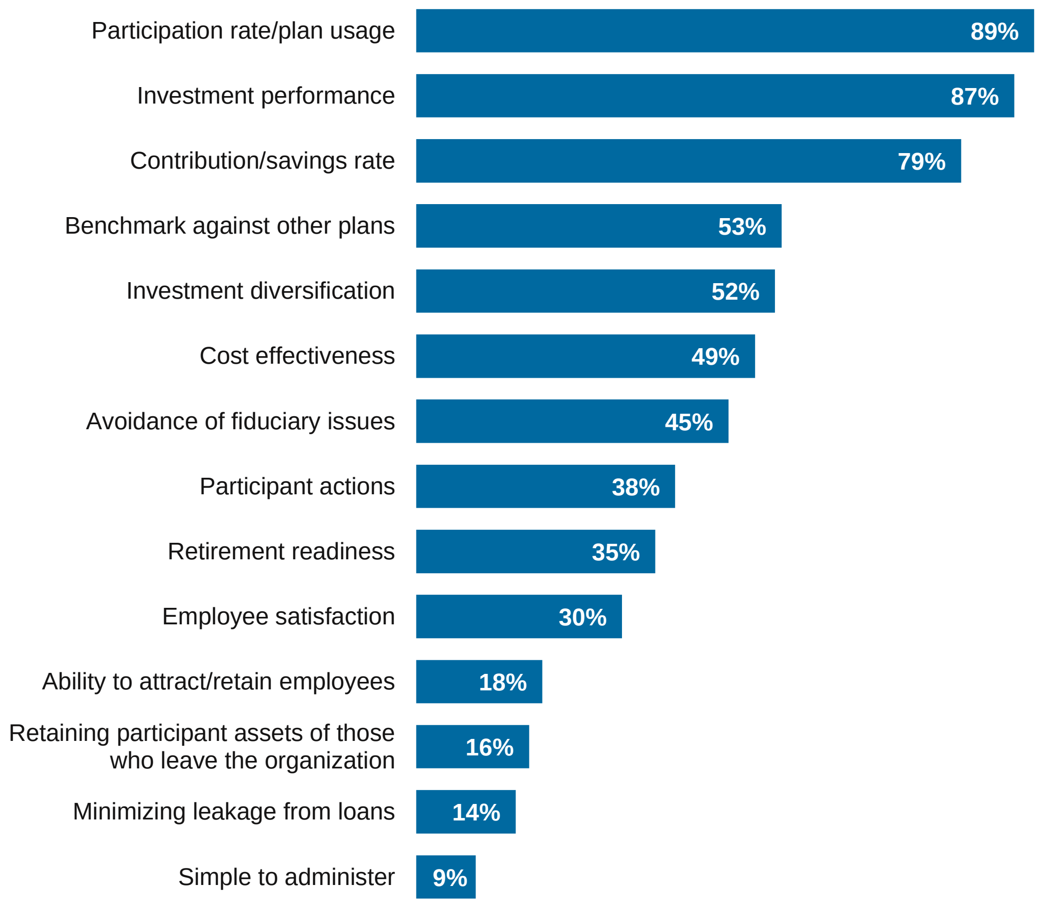
Additional 2023 categories: asset allocation and diversification, financial wellness (1.0), plan design, qualified default fund evaluation, cybersecurity (0.7), provider evaluation (0.6), market volatility (0.4), retirement income solutions, alternative asset classes (0.3)

DC Plan Measurement

Survey respondents monitored 6.1 metrics, on average, to measure the success of the DC plan.

In line with the past three years, most plan sponsors used participation rate/plan usage to measure the success of their DC plan. Investment performance followed closely with contribution / savings rate coming in third.

Criteria used to measure plan success*



*Multiple responses allowed.

Default Investments

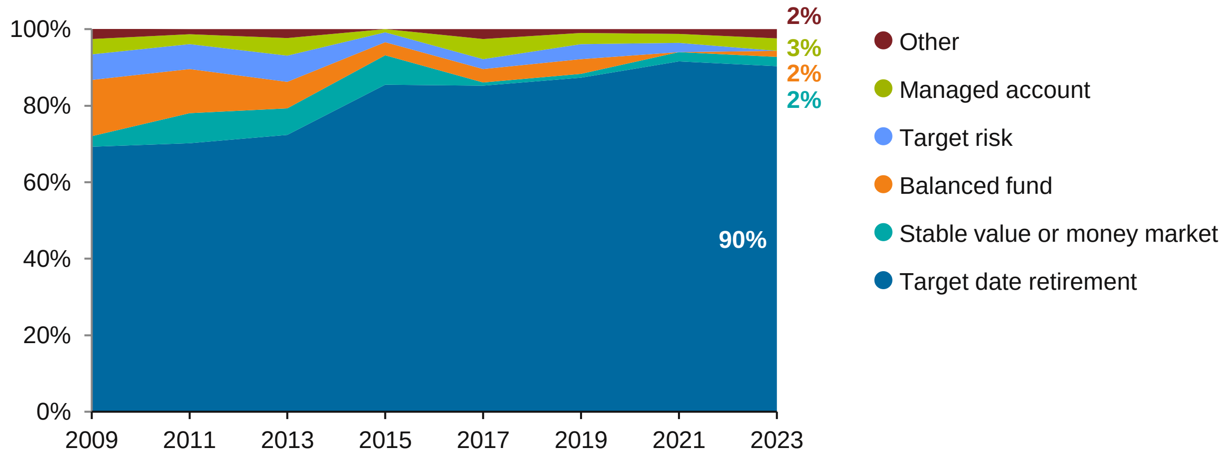
A key provision of the 2006 Pension Protection Act (PPA) provides relief to DC fiduciaries that default participant assets into qualified default investment alternatives (QDIAs) under regulation 404(c)(5). Plan sponsors complying with this provision are responsible for the prudent selection and monitoring of the plan's QDIA, but they are not liable for any loss incurred by participants defaulted into the QDIA.

Before the PPA, target date fund usage as a QDIA was only 35% in 2006, with money market/stable value making up 30% and risk-based funds at 28%. The PPA paved the way for a major uptick in the adoption of target date funds as QDIAs.

In 2023, 94% of plans offered a target date suite and 90% of plans used a target date fund as their default for non-participant-directed monies. Of plans offering a target date suite as the default, 46% also offer managed accounts as an optional service. Only 3% of respondents included managed accounts as the QDIA. Use of other QDIA types remained low.

Plans offering target date funds

Default investment for non-participant-directed monies

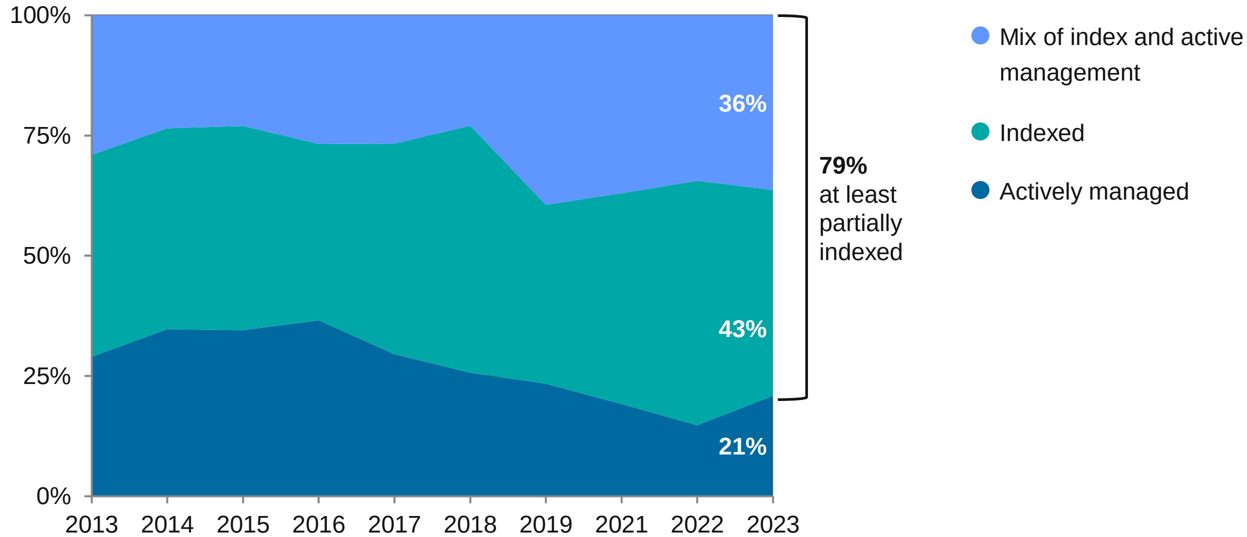


Target Date Fund Landscape

Among those that offer target date funds, nearly 8 in 10 used an implementation that was at least partially indexed.

The share of active-only strategies rose to 21% in 2023 from 15% in 2022, its lowest point in our survey's history.

Target date fund investment approach



Target Date Fund Selection

Priorities for target date fund selection remained the same as previous years. The top three reasons for selecting or retaining target date funds in 2023 were: portfolio construction, performance, and fees.

Criteria for selecting or retaining target date funds

Most important key attributes

2018	2019	2021	2022	2023	Ranking
Performance	Portfolio construction	Performance	Portfolio construction	Portfolio construction	**4.0**
Portfolio construction	Fees	Fees	Performance	Performance	**3.4**
Fees	Performance	Portfolio construction	Fees	Fees	**3.0**
Number, type, and quality of underlying funds	Ability to achieve pre-specified retirement goal	Risk	Risk	Risk	**1.9**
Risk	Risk	Number, type, and quality of underlying funds	Number, type, and quality of underlying funds	Number, type, and quality of underlying funds	**1.0**
Active vs. passive	Active vs. passive	Ability to achieve pre-specified retirement goal	Active vs. passive	Ability to achieve pre-specified retirement goal	**0.7**
Usage of tactical asset allocation	Number, type, and quality of underlying funds	Active vs. passive	Ability to achieve pre-specified retirement goal	Active vs. passive	**0.6**
Name recognition	Usage of tactical asset allocation	Name recognition	Usage of tactical asset allocation	Usage of tactical asset allocation	**0.3**
Whether the funds are proprietary to the recordkeeper	Name recognition	Usage of tactical asset allocation	Name recognition	Name recognition	**0.2**
Ability to achieve pre-specified retirement goal	Whether the funds are proprietary to the recordkeeper	Whether the funds are proprietary to the recordkeeper	Other	Whether the funds are proprietary to the recordkeeper	**0.1**

(5=Most important. Total ranking is weighted average score.)

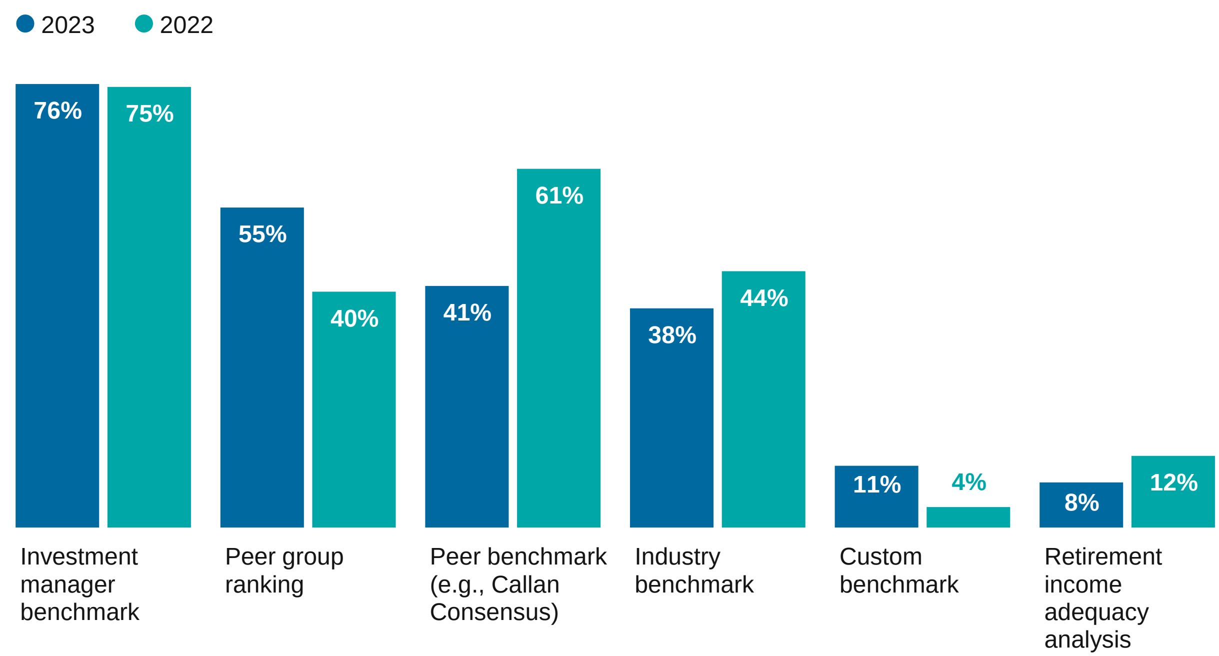
Target Date Fund Benchmarking

Guidance on appropriate benchmarks for target date funds has been limited to date. The DOL's participant disclosure regulation requires that each fund option's historical performance be compared to an appropriate broad-based securities market index. However, this rule does not adequately address asset-allocation funds, like target date funds. SECURE 2.0, passed in December 2022, directed the DOL to issue regulations providing that, in the case of an asset-allocation fund, the plan administrator may, but is not required to, use a benchmark that is a blend of different broad-based securities market indices. This guidance is required within two years. This guidance may impact future survey results.

While all respondents indicated they benchmark their target date funds, nearly 8 in 10 (77%) reported using multiple benchmarks to monitor their target date funds, indicating that plan sponsors are seeking a more nuanced evaluation.

Manager benchmarks (76%) continued to be the most common means of measurement, while peer group rankings are the next most used.

Target date fund benchmarks*



Additional categories (2023 data): other (8%).

*Multiple responses were allowed.

Actions Taken Around Target Date Funds

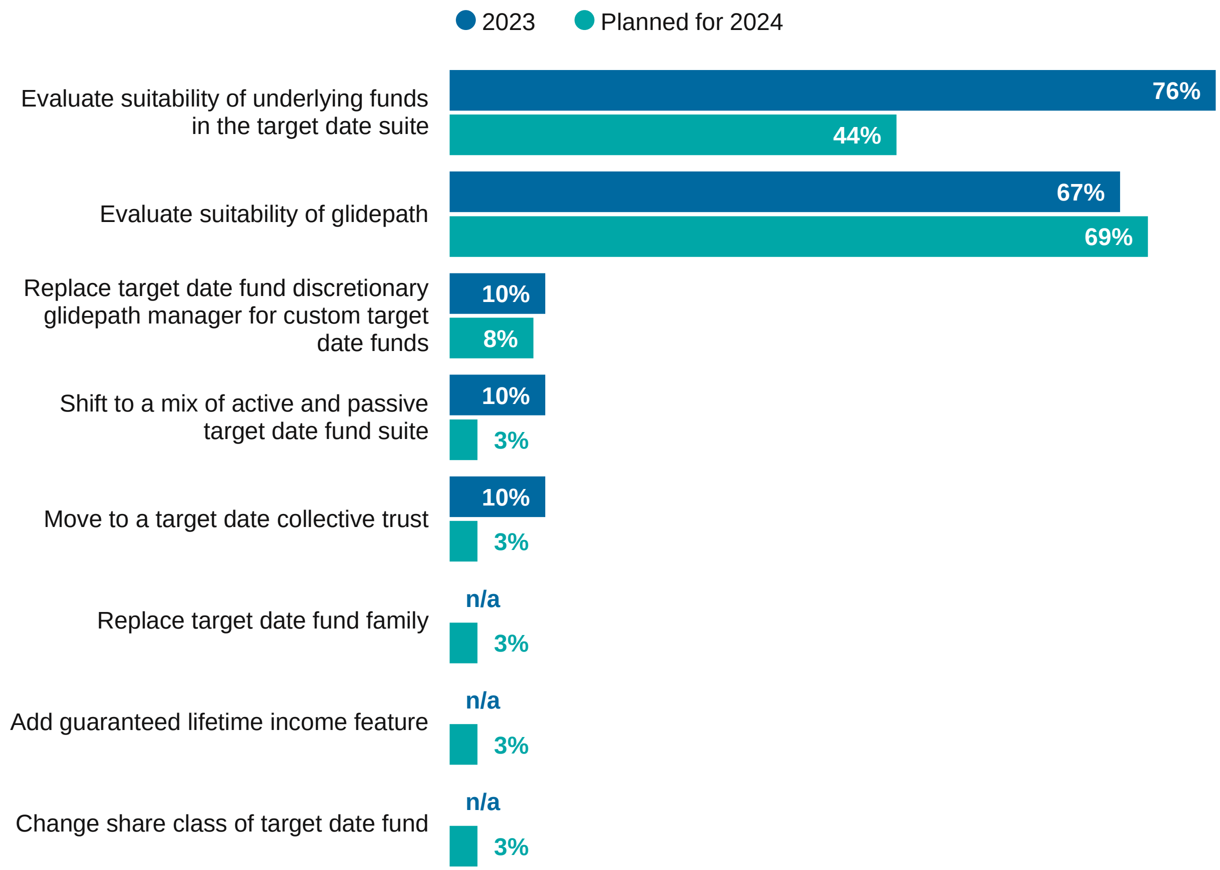
Over 7 in 10 plans took at least one action around the target date fund suite in 2023. The most common actions taken were to evaluate the suitability of the underlying funds and the suitability of the glidepath.

Since target date funds typically serve as the QDIA, the fund selection and monitoring is often held to a higher standard and should consider additional variables than one may use for other funds—e.g., participant demographics, savings rates, and other benefits, among others.

In 2024, evaluating the suitability of the underlying funds and glidepath are also the most common actions planned, but in reverse order.

Notably, 10% of respondents indicated they replaced their discretionary glidepath manager for custom target date funds, and 8% plan to do so in 2024.

Actions taken or planned regarding target date fund suite*



Additional category for Planned for 2024: Other 8%

*Percentages out of those that took action. Multiple responses allowed.

Target Date Fund Approaches

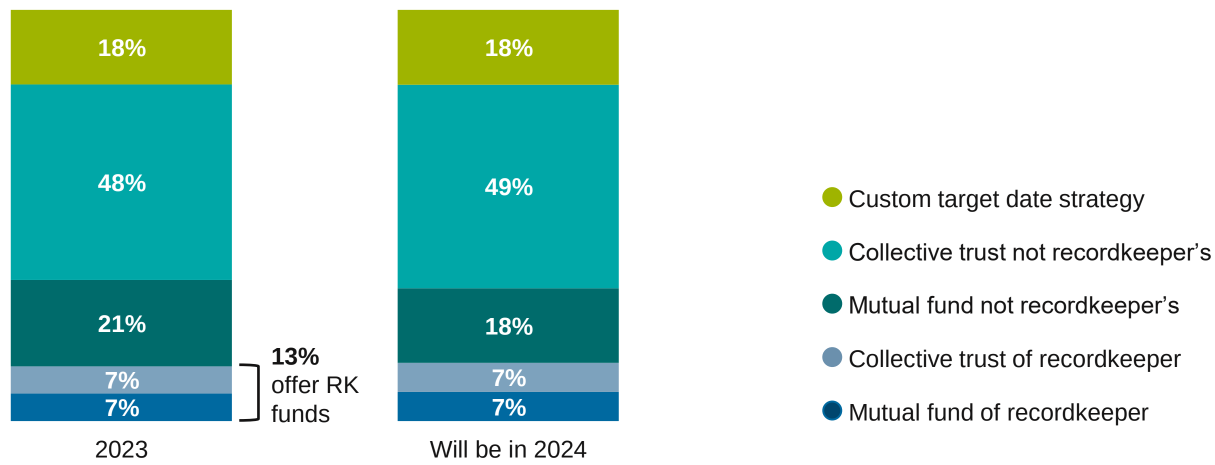
The use of recordkeepers' proprietary target date vehicles in DC plans continued to drop over time.

Only 13% of respondents used their recordkeeper's target date option in 2023, a small decrease from the 16% reported in 2022, but a sharp drop from 48% a decade ago. That number is projected to remain relatively steady in 2024.

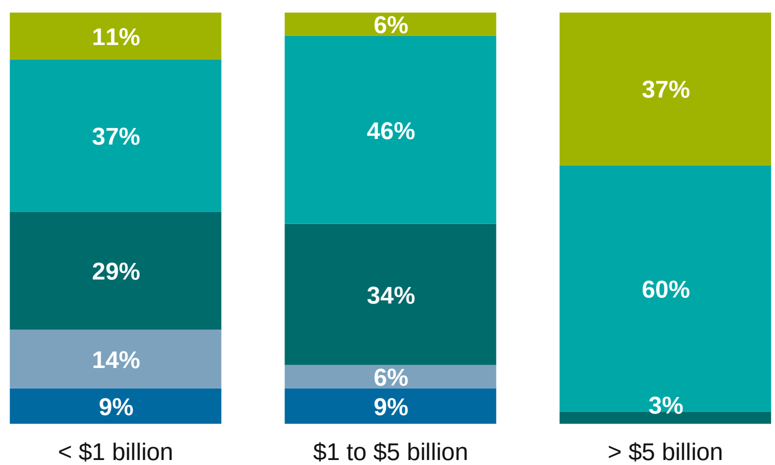
The prevalence of mutual funds for the target date fund continued its decline as well. In 2010, 67% of plans used a mutual fund for their target date fund compared to 42% in 2020. This decreased noticeably further in 2023 to 28%.

Unsurprisingly, plans with more than $5 billion in assets were the most likely to use a custom strategy (37%) compared to those with fewer than $5 billion in plan assets.

Target date fund approach: in place and will be in place



Target date fund approach by size

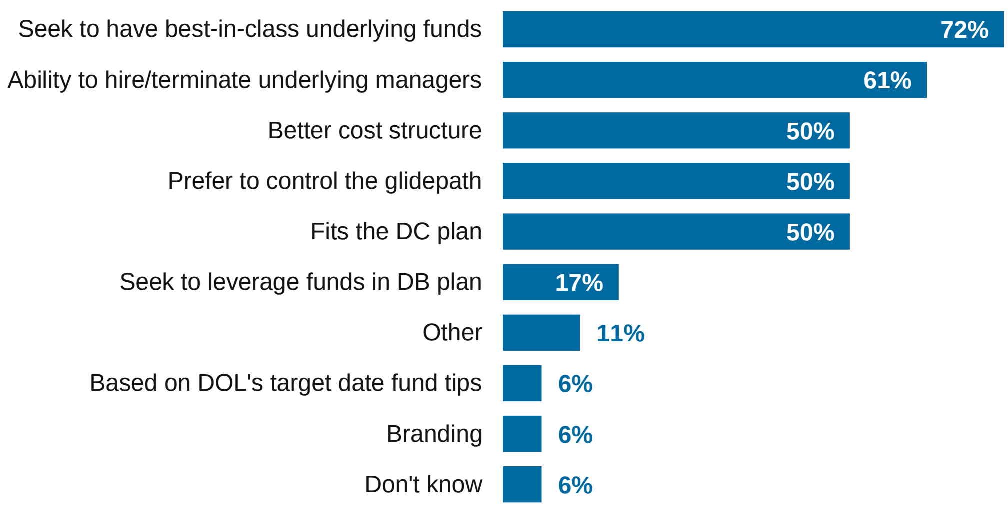


Custom Target Date Funds

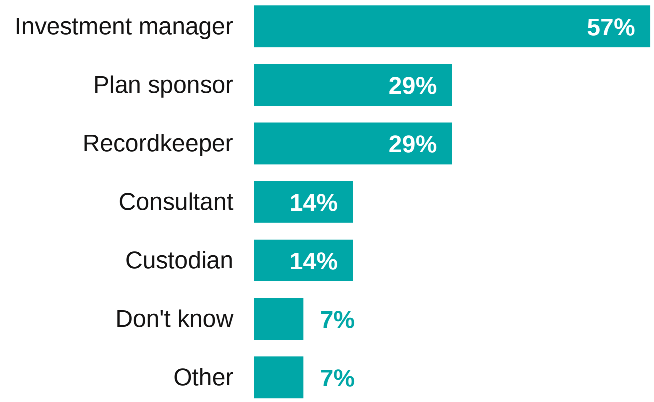
For those that use custom target date funds, the most common reasons for doing so are to leverage best-in-class underlying funds or to have the ability to select and retain underlying managers.

Among respondents offering custom target date funds, the most common party with discretionary control of the glidepath was an investment manager, followed by the plan sponsor or recordkeeper.

Reason for custom target date funds*



Discretionary control of the glidepath*



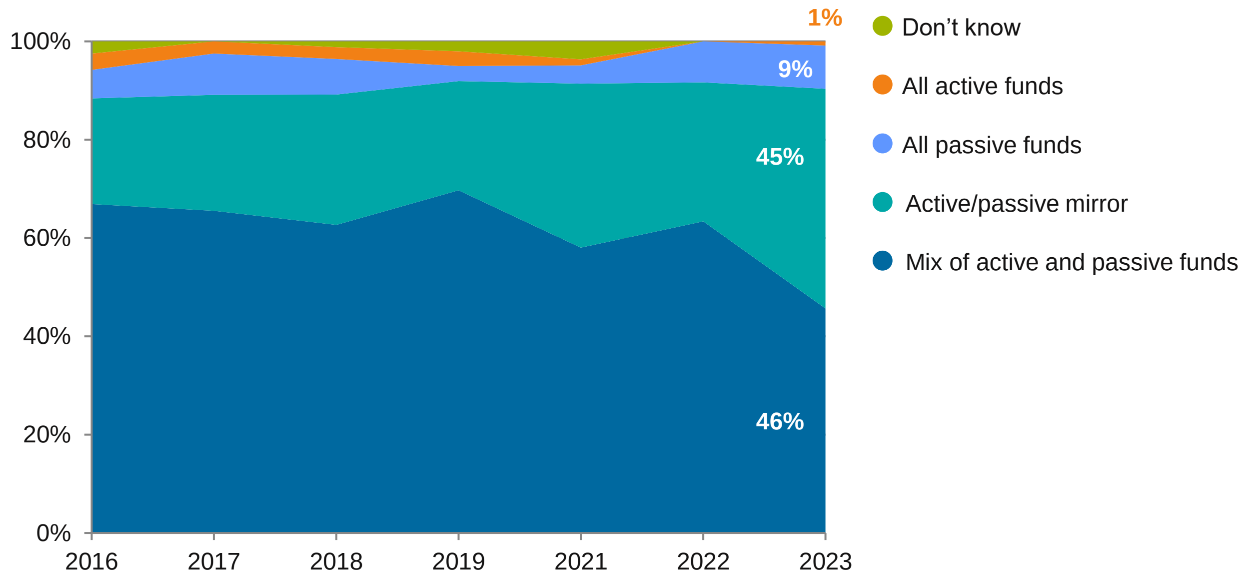
*Multiple responses allowed.

Investment Menu

There was a large increase in DC plans offering an active/passive mirror versus those offering a mix of active and passive funds, with a mirror coming in at an all-time high of 45%. A mirrored lineup is when virtually all core asset classes are represented by both active and passive options.

DC plans with a mix of active and passive investment funds (91%) was the most prevalent. Purely passive (9%) lineups remained a rarity, with a purely active menu being even more rare (1%).

Investment menu approach



Investment Types Within the Fund Lineup

Collective investment trusts (CITs) and mutual funds continued to be the most prevalent investment vehicles, with CIT usage only recently surpassing that of mutual funds.

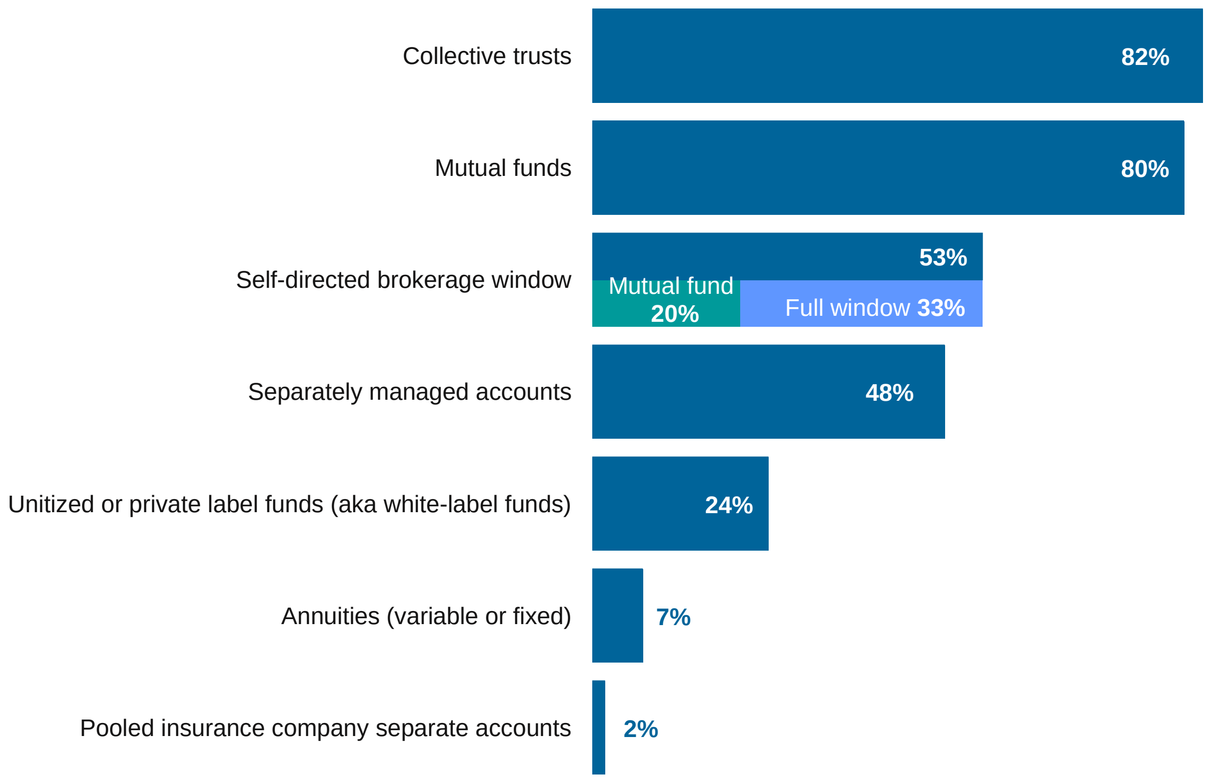
Large plans were less likely to offer mutual funds in general and significantly less likely to offer mutual funds that are proprietary to the recordkeeper.

About a quarter of plans used unitized funds in 2023, up slightly from roughly a fifth of respondents in 2022. No small plans reported using unitized funds.

Over half of plans offered a self-directed brokerage window. Of those, more chose to use a full brokerage window rather than a self-directed brokerage limited to mutual funds only.

Over the past decade, the use of separate accounts increased by nearly 10 percentage points.

Investment types within the fund lineup*



*Multiple responses allowed.

Investment Menu Structure

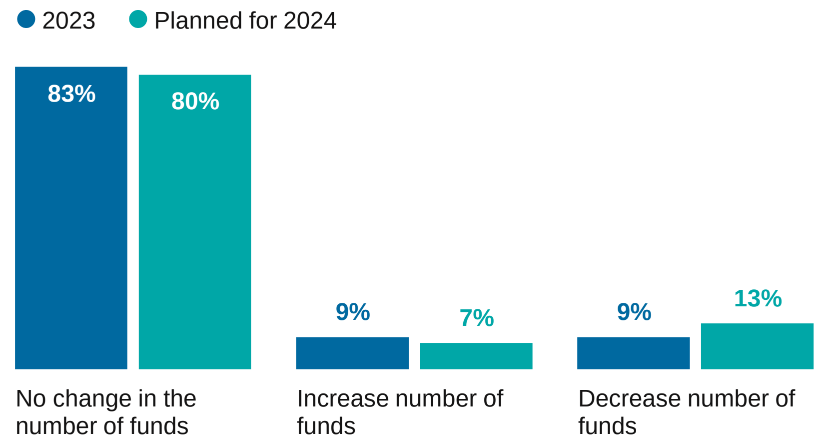
Most plan sponsors did not change the quantity or style of the funds offered last year, and they do not expect to in 2024.

Only 18% of plan sponsors reported making changes to the number of funds in 2023. Roughly the same percentage of sponsors indicated they are planning a change in 2024. Of those that made changes in 2023, there was an even split between those increasing the number of funds and those decreasing the number of funds. This does not include adding or deleting a new target date vintage. 13% responded that they expect to decrease the number of options in 2024.

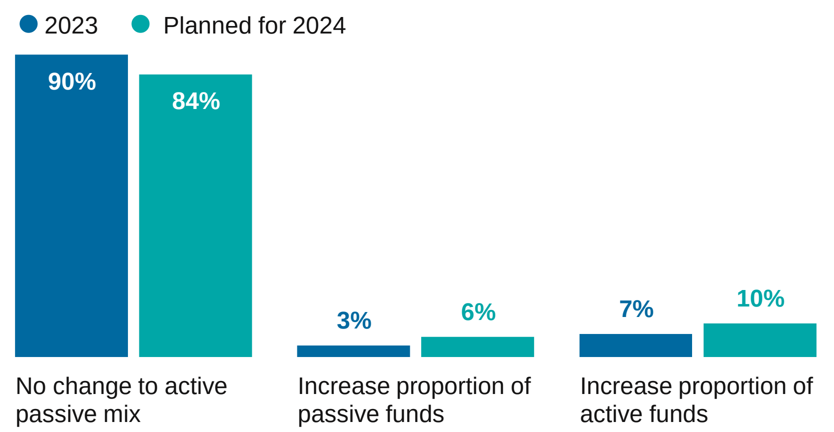
Similarly, most plan sponsors did not change the proportion of active versus passive funds in their plan in 2023. There is a small increase, however to the expected proportion of active funds for those making a change in 2024. For those that made a change in 2023, more increased the proportion of active funds (7%) than passive funds (3%).

About **2 in 10** plan sponsors are **planning some change to the investment structure** in 2024.

Investment structure change in fund quantity



Investment structure change in fund style

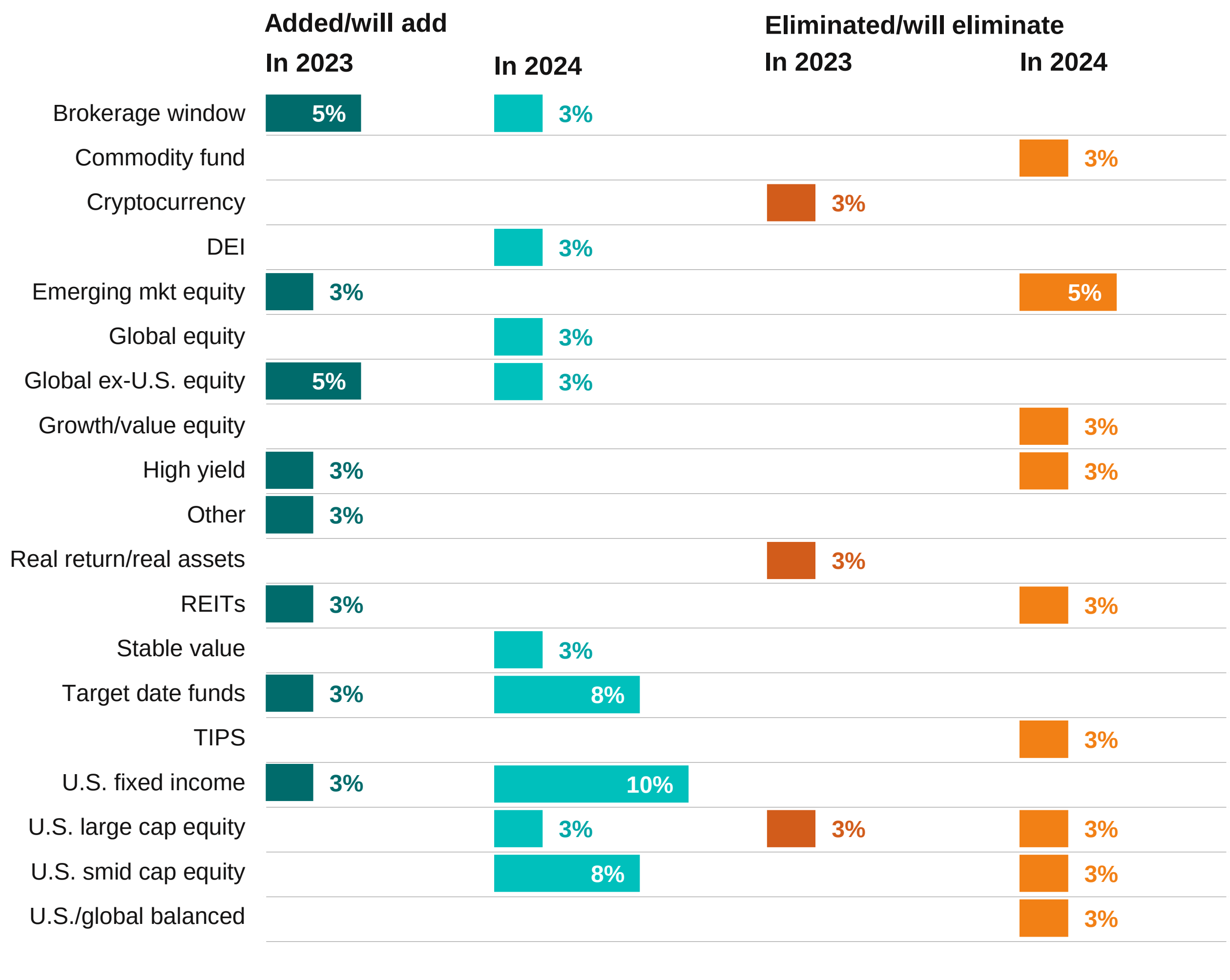


Investment Menu Structure (continued)

Of those that added funds in 2023, adding a brokerage window and a global ex-U.S. equity fund were the most common actions (5%). Other additions were lesser at 3%. Expected additions for 2024 include target date funds, U.S. fixed income funds, and U.S. smid equity funds.

The most commonly eliminated funds in 2023 were cryptocurrency, real return, and U.S. large cap equity funds. A wide array of strategies will likely be eliminated in 2024.

Types of funds added or eliminated*



*Percentages out of those that made a change. Multiple responses allowed.

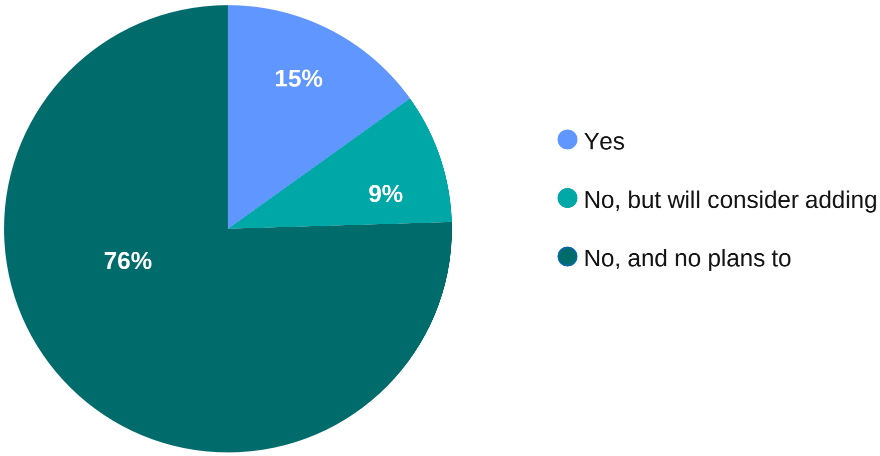
ESG and DEI in DC Plans

Most plans (76%) did not offer an environmental, social, and governance (ESG) fund in the core fund lineup. But 9% will consider adding an ESG option in the future and the other 15% already offer an ESG fund.

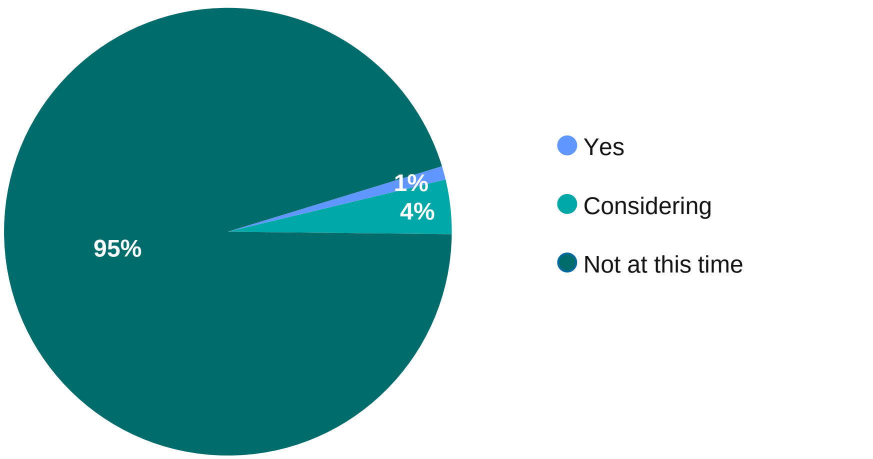
For the 15% that do offer an ESG fund, half use an active strategy and the other half are passive. One plan sponsor offered three ESG funds across the three main asset classes and one offered a balanced fund with both stocks and bonds.

Diversity, equity, and inclusion (DEI) in the investment selection process can address weaknesses or roadblocks to participants' savings behaviors. Some plan sponsors may seek to add a brokerage window to permit participants with religious prohibitions on investing in the core lineup to save in the plan. Additionally, plan sponsors can look to include a DEI element when assessing asset managers.

Plans that offer an ESG fund



Changes to investment fund lineup to support DEI initiatives



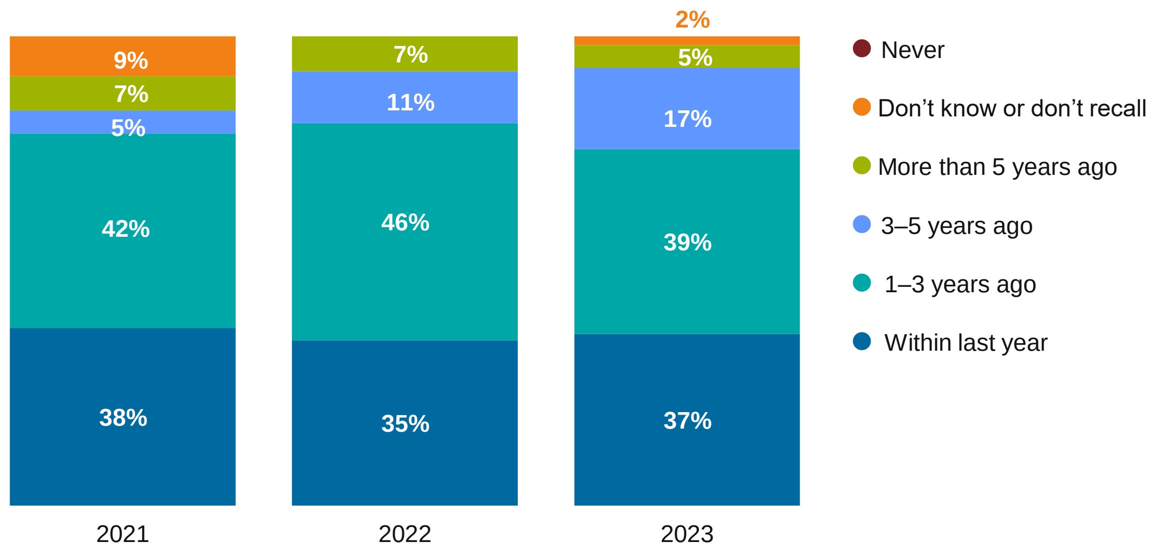
Investment Structure Evaluation and Mapping

More than a third of the plan sponsors in the survey conducted an investment structure evaluation within the last year, which is in line with previous years. More than 93% have conducted an evaluation within the last five years.

Plan size did not have a meaningful difference on the results for how recently a plan sponsor conducted an investment structure evaluation.

In cases where there was a fund change, **more than half** of plans mapped assets, as needed, to "like" funds. **One-quarter** mapped to the default fund and 19% used both the QDIA and a like-to-like strategy based on the funds being changed.

Timing of investment structure evaluation



Assets mapped from eliminated funds

Fee Calculation and Benchmarking

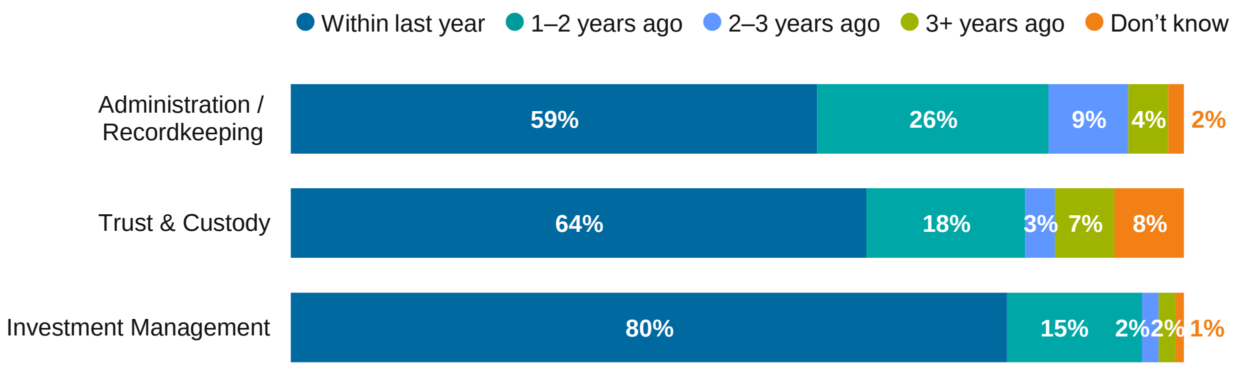
All-in administration fees can encompass a variety of expenses, including administration, participant transaction fees, compliance, custody, communications (e.g., print and distribution), and indirect sources of revenue.

About **6 in 10** plan sponsors calculated their administration DC plan fees within the past 12 months. Another 26% did so in the past one to two years. Only 2% were unsure of the last time administration fees were calculated. Similar levels were seen for trust and custody fees. Higher levels were seen for investment management fees—as a major target of litigation, reviewing the investment management fees regularly is broadly considered best practice.

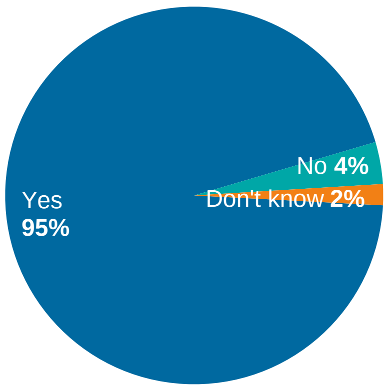
When calculating fees, over half of respondents also evaluated sources of indirect revenue (e.g., revenue shared with the recordkeeper from managed accounts, brokerage windows, IRA rollovers, etc.).

Fewer plans (42%) did not evaluate indirect revenue or know whether their fee calculation involved an evaluation of indirect revenue.

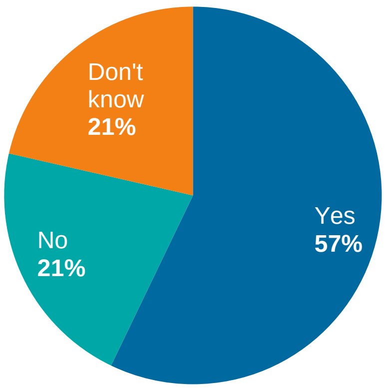
Last time all-in plan fees were calculated, by service type*



Fees were benchmarked when calculating



Evaluated indirect revenue when reviewing fees



*All-in fees include all applicable administration, recordkeeping, trust/custody, and investment management fees.

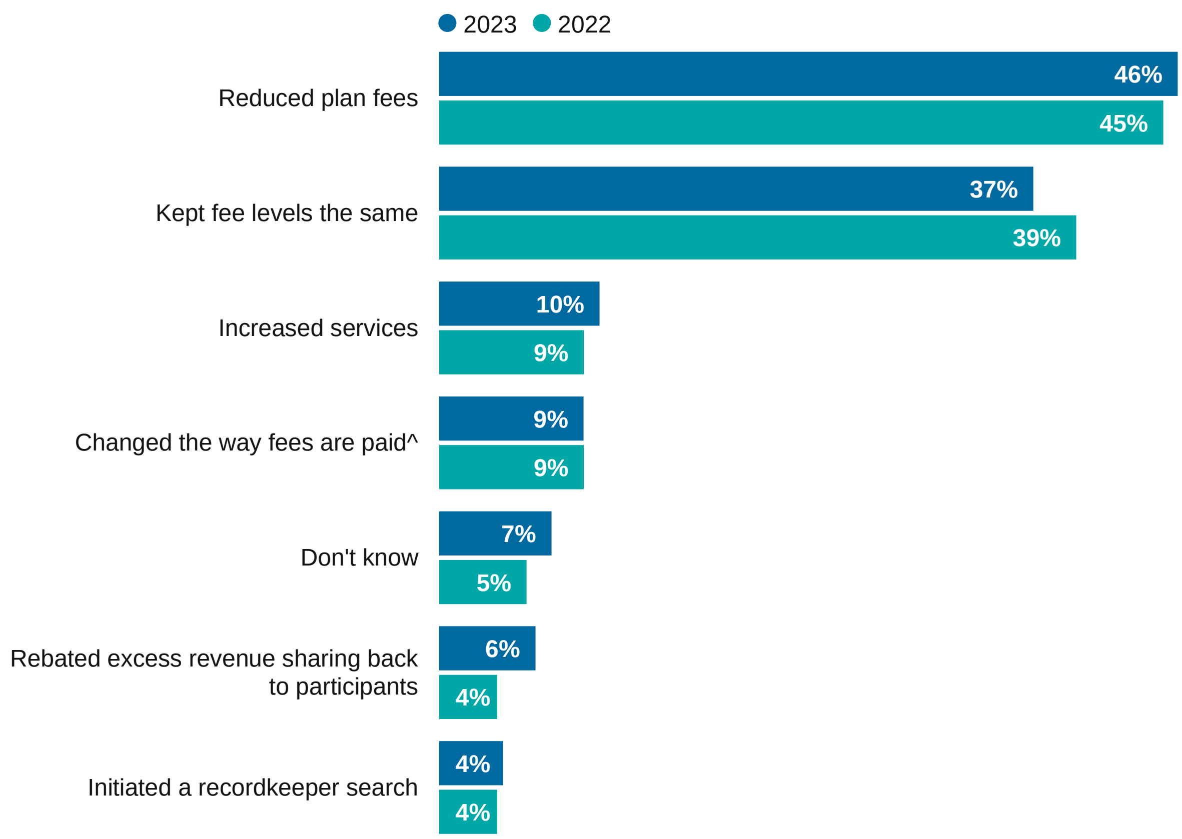
Fee Calculation and Benchmarking Outcomes

Fewer than half of plan sponsors kept fees the same following their most recent fee review, while nearly half reduced fees.

After reducing fees, the next most prevalent actions resulting from a fee assessment in 2023 were increasing services (10%) and changing the way fees are paid (9%).

A small group (6%) noted that they began to rebate excess revenue sharing to participants. Few plans (4%) initiated a recordkeeper search due to their fee review.

Outcome of fee analysis*



^e.g., change from use of revenue sharing to an explicit participant fee

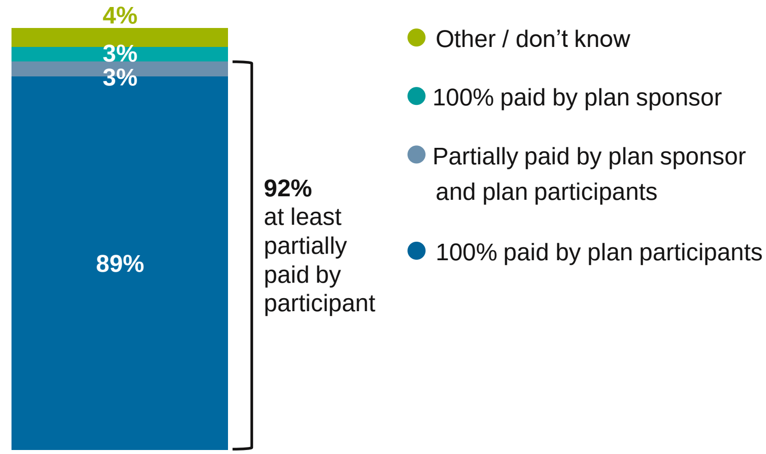
*Multiple responses allowed

Fee Payment

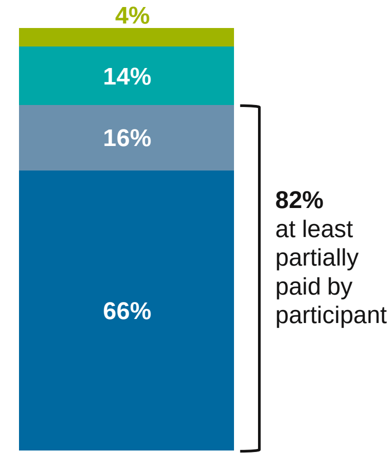
Investment management fees were most often paid entirely by participants (89%), and almost always at least partially paid by participants (92%). By contrast, 66% of all administrative fees were paid entirely by participants, up significantly from three years ago (49%). Most plan sponsors (82%) noted that at least some administrative fees were paid for by participants.

More than three-quarters of plan sponsors reported using a per-participant fee for plan administration. Flat, per-participant fees continued to be more prevalent than asset-based fees where the revenue collected by the recordkeeper fluctuates based on account balances and market performance.

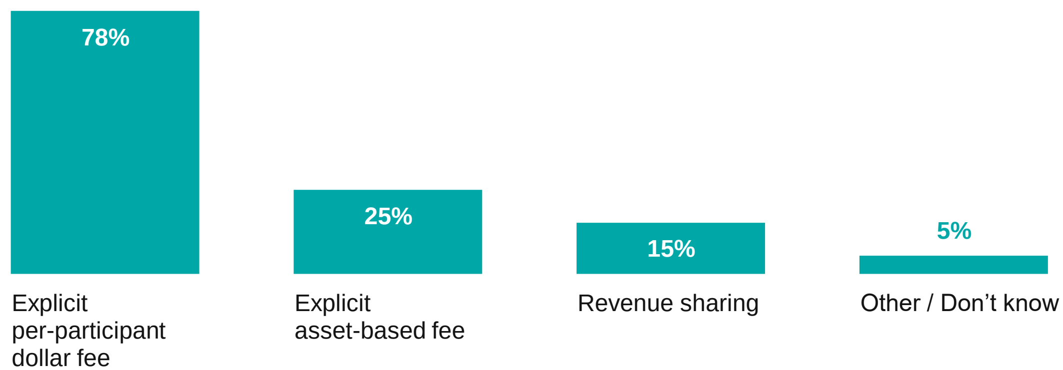
How investment management fees are paid



How administrative fees are paid



How participants pay for plan administration*



*Multiple responses allowed.

2024 Fee Initiatives

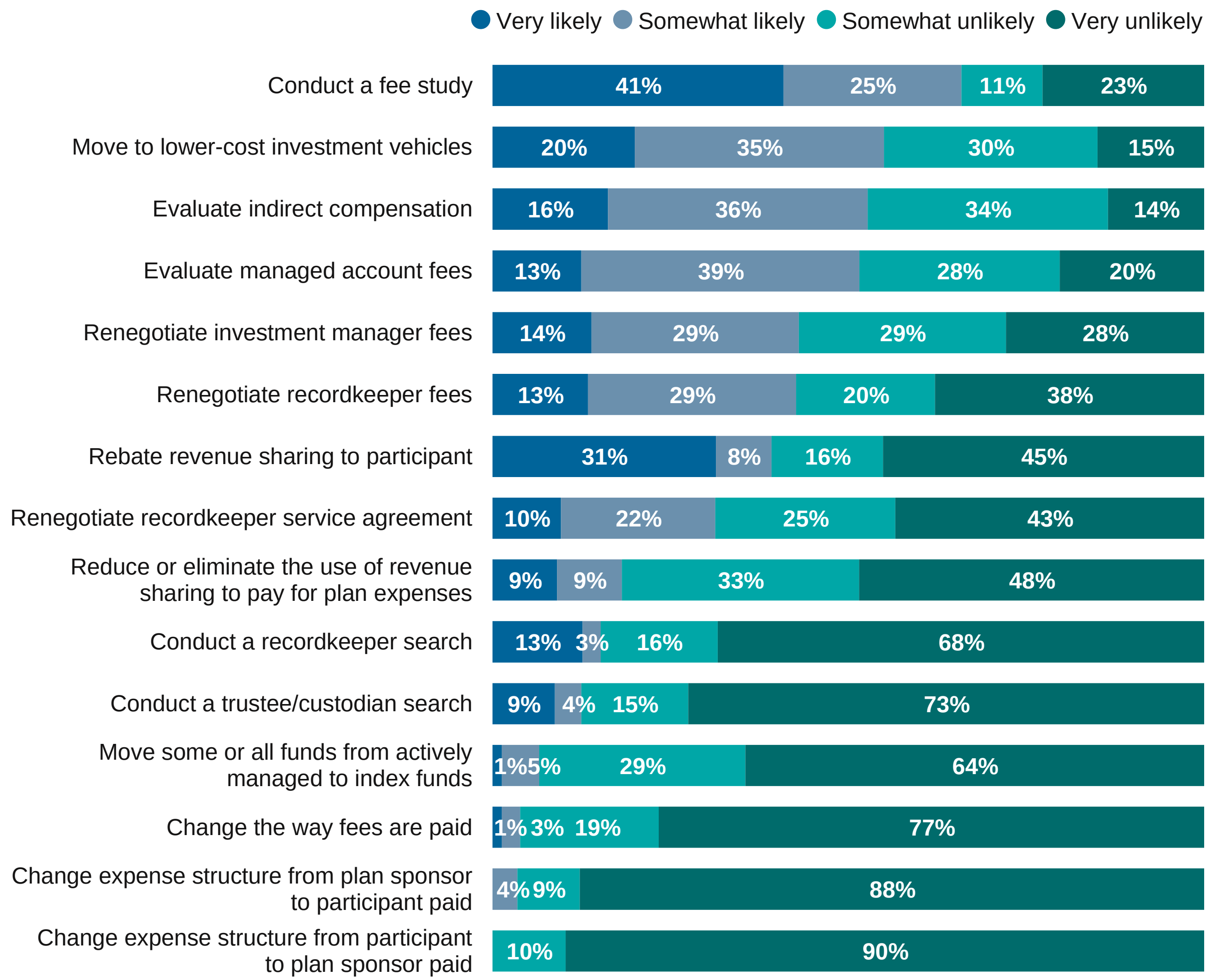
Two-thirds of plan sponsors are either somewhat or very likely to conduct a fee study in 2024. Most respondents also indicated they are very or somewhat likely to review other fee types (e.g., managed account services fees) and indirect revenue.

Five in 10 respondents are likely to move to lower-cost investment vehicles (e.g., move from an R6 share class to a collective investment trust) in 2024, a notable increase from last year's survey (42%).

Only 16% of plan sponsors plan to explore a recordkeeper search in 2024, down from the last two years' survey results (24% in 2022).

Other somewhat or very likely actions include renegotiating investment manager fees (43%), renegotiating recordkeeper fees (42%), and rebating revenue sharing to participant accounts (39%).

Fee initiatives planned for 2024



Advisory Services: Prevalence

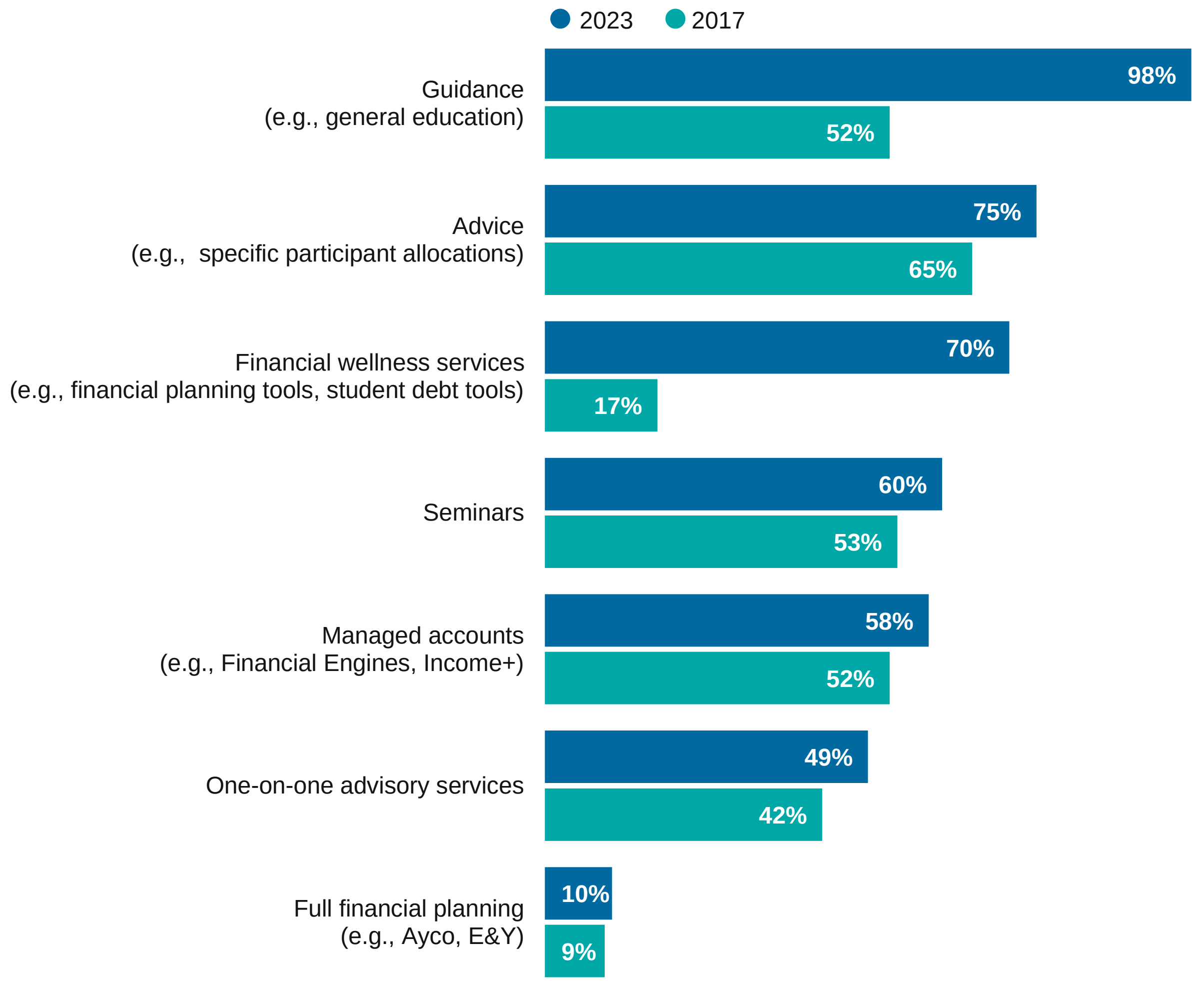
Nearly all respondents offered some type of advisory service to participants, with almost all offering guidance and three quarters offering advice.

There was a meaningful uptick in the prevalence of managed accounts from 2017. These services are geared toward “do-it-for-me” investors who desire greater personalization. Managed account providers are investment managers under Section 3(38) of the Employee Retirement Income Security Act (ERISA). **Nearly 6 in 10 plans report offering managed accounts in 2023.** Only 3% report they will add managed accounts, and 2% report they will remove them, suggesting that the service has reached saturation.

The decision to include managed accounts is a fiduciary action. Plans with, or considering adding, managed accounts should consider the fiduciary implications of this service.

Financial wellness tools (70%) saw a significant increase in utilization in 2023 compared to 2017.

Type of service offered*



*Percentages out of those offering advisory services. Multiple responses were allowed.

Managed Accounts and Advice: Fiduciary Relationship

A plan can choose from two basic types of fiduciary arrangements for managed account services: sub-advised or direct.

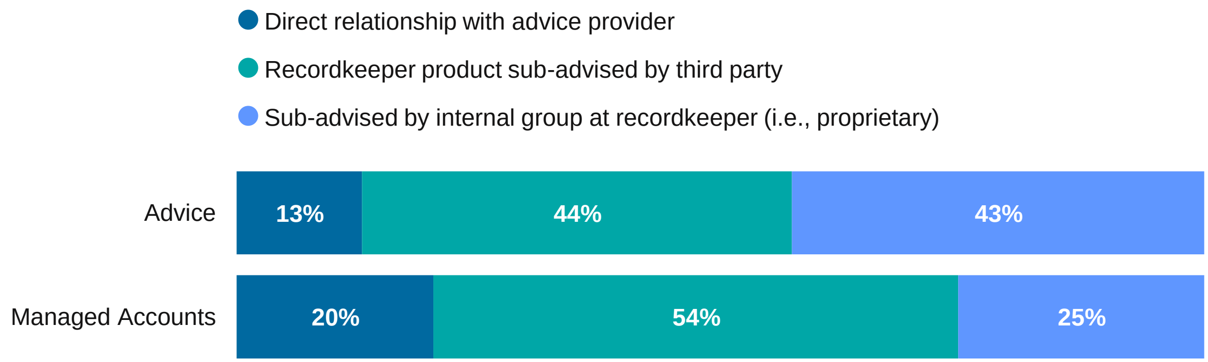
Sub-Advised Relationship
The recordkeeper (or an affiliate) is the adviser and fiduciary; the advice provider serves as a sub-adviser. The recordkeeper supports communications and the call center. It also sets the fees and pays the advice provider a sub-advisory fee.

Direct Relationship with Advice Provider
The advice provider serves as the adviser and fiduciary while providing communications and call center support. It also determines fees and pays the recordkeeper an ongoing fee for data, transactional, web, and operational support.

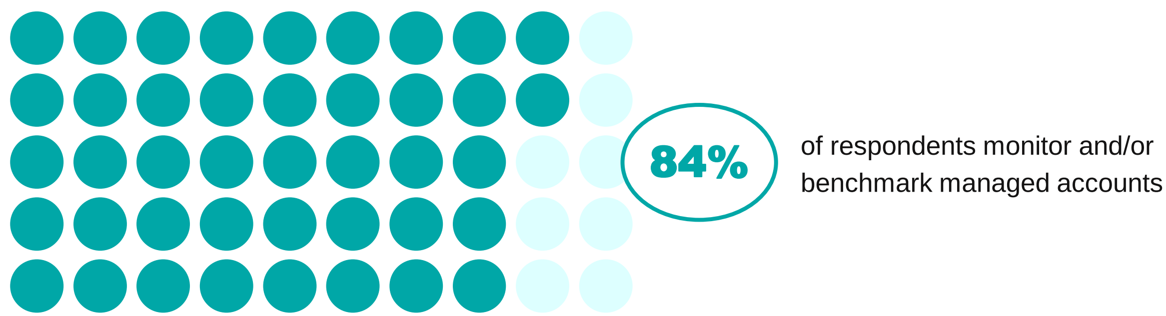
Managed accounts were most commonly offered through a recordkeeper product sub-advised by a third party (54%), with fewer plans using the recordkeeper's proprietary managed account (25%) or a direct relationship (20%).

Over three quarters of plans with managed accounts monitored or benchmarked the outcomes of the service.

Fiduciary relationship of managed accounts services or advice*



Managed accounts services are monitored and/or benchmarked



*Managed account products include an advice component.

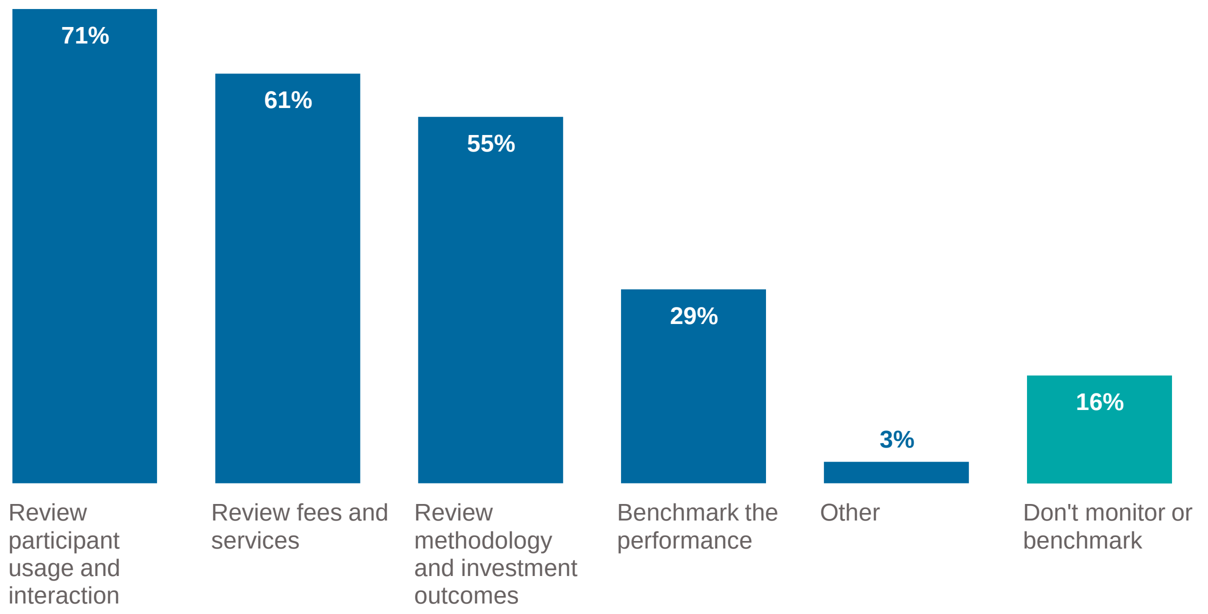
Managed Accounts and Advice: Monitoring

Over 70% of plan sponsors monitored the managed account services by reviewing participant usage and interaction, while just over 60% review fees and services.

Over half review the methodology and investment outcomes. Reviewing the methodology is key when selecting (or confirming the selection of) a managed account provider. This process helps plan fiduciaries understand which elements of "personalization"—retirement age, risk profile, outside assets—impact the actual investment recommendations.

While less than a third of respondents benchmark the performance, this is arguably one of the more beneficial exercises plan fiduciaries can undertake. Managed account services can be difficult to benchmark on an apples-to-apples basis, as varying participant demographics will impact the recommendations. Benchmarking dissimilar individual participant situations is not a reasonable comparison.

Monitor / plan to monitor your advisory or managed accounts service*



*Multiple responses allowed. Note that not all respondents who offer managed accounts responded to this question.

The DOL does not require plan sponsors to provide participants information on managed account performance or offer standard benchmarks, making it difficult for participants to evaluate whether the additional fees for managed accounts are worth paying.

Similarly, plan sponsors may receive limited information from their managed account provider to adequately review and monitor the performance and outcomes.

Managed Accounts: Enrollment and Payment

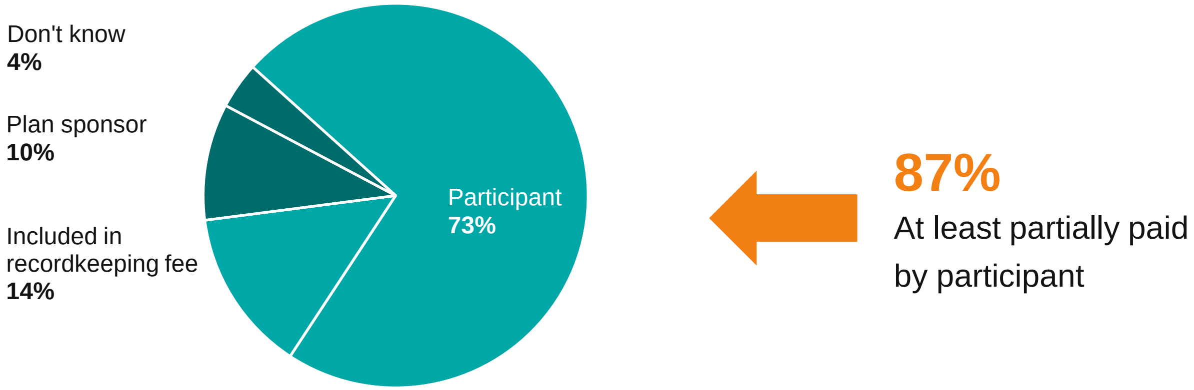
It remained most common for participants to pay for advisory services, either explicitly or as part of the overall recordkeeping fees.

One in 10 plan sponsors paid the full expense of investment advisory services, an increase from prior years.

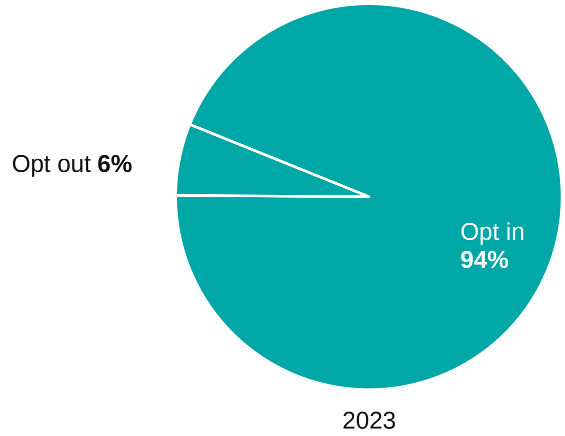
For plans that offered managed accounts, the vast majority (94%) offered them as an opt-in feature whereby participants must affirmatively elect to use the service. By comparison, few plans enrolled participants on an opt-out basis (6%).

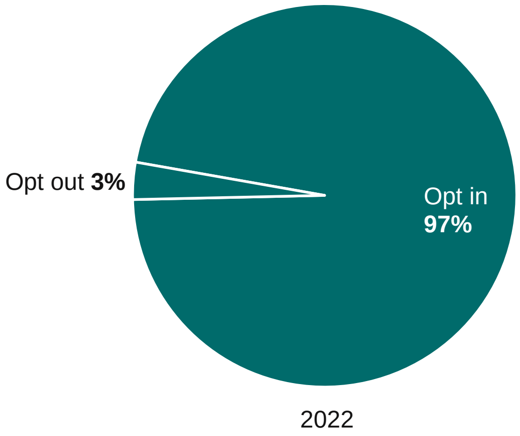
The fees associated with a managed account service are a frequently cited reason for not offering opt-out enrollment. Plan sponsors do have the ability to negotiate the managed account service fees as utilization increases over time, and these fees should be benchmarked at a regular cadence.

Who pays for managed account services?



How are participants enrolled in managed accounts?



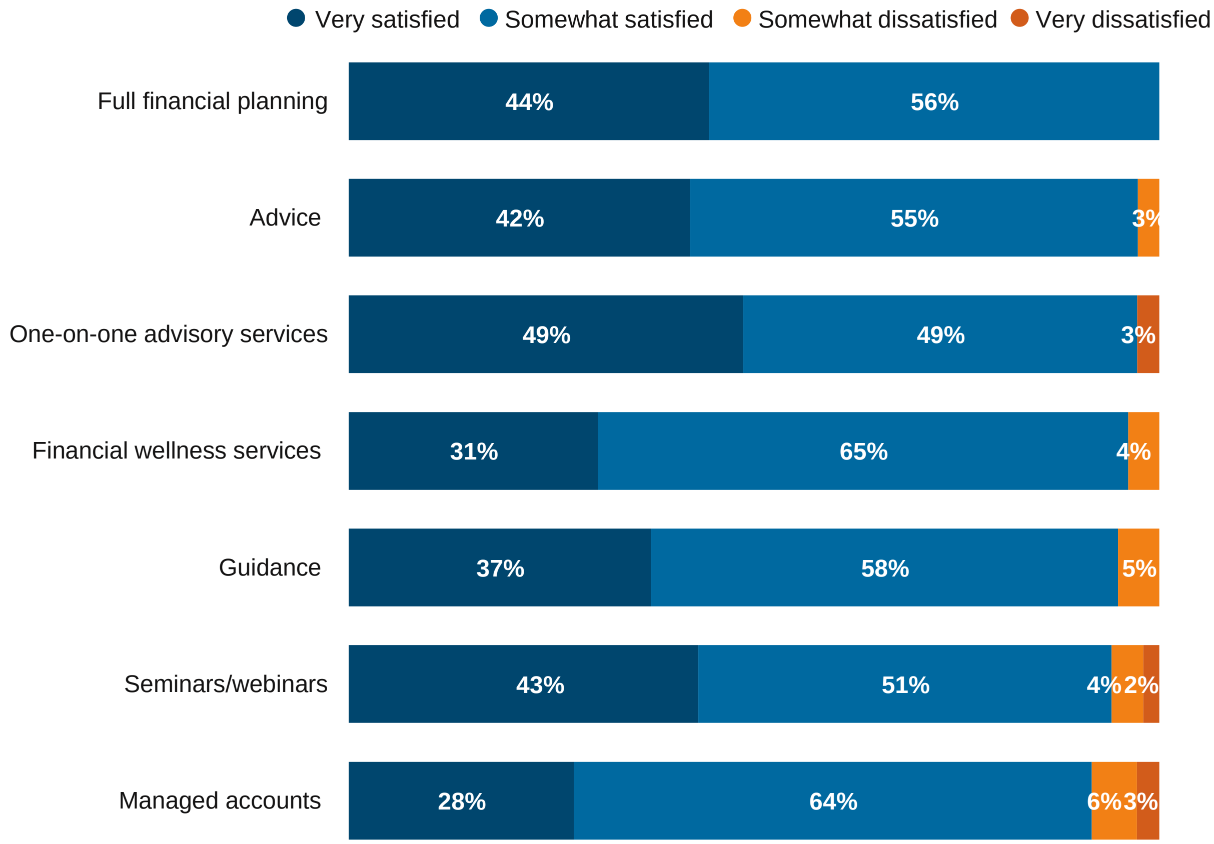


Satisfaction with Advisory Services

Plans reported high levels of satisfaction with investment advisory services. Full financial planning received the highest overall marks, with 100% of respondents very or somewhat satisfied.

The service with the largest percentage of dissatisfied respondents was managed accounts.

Satisfaction ratings for advisory services

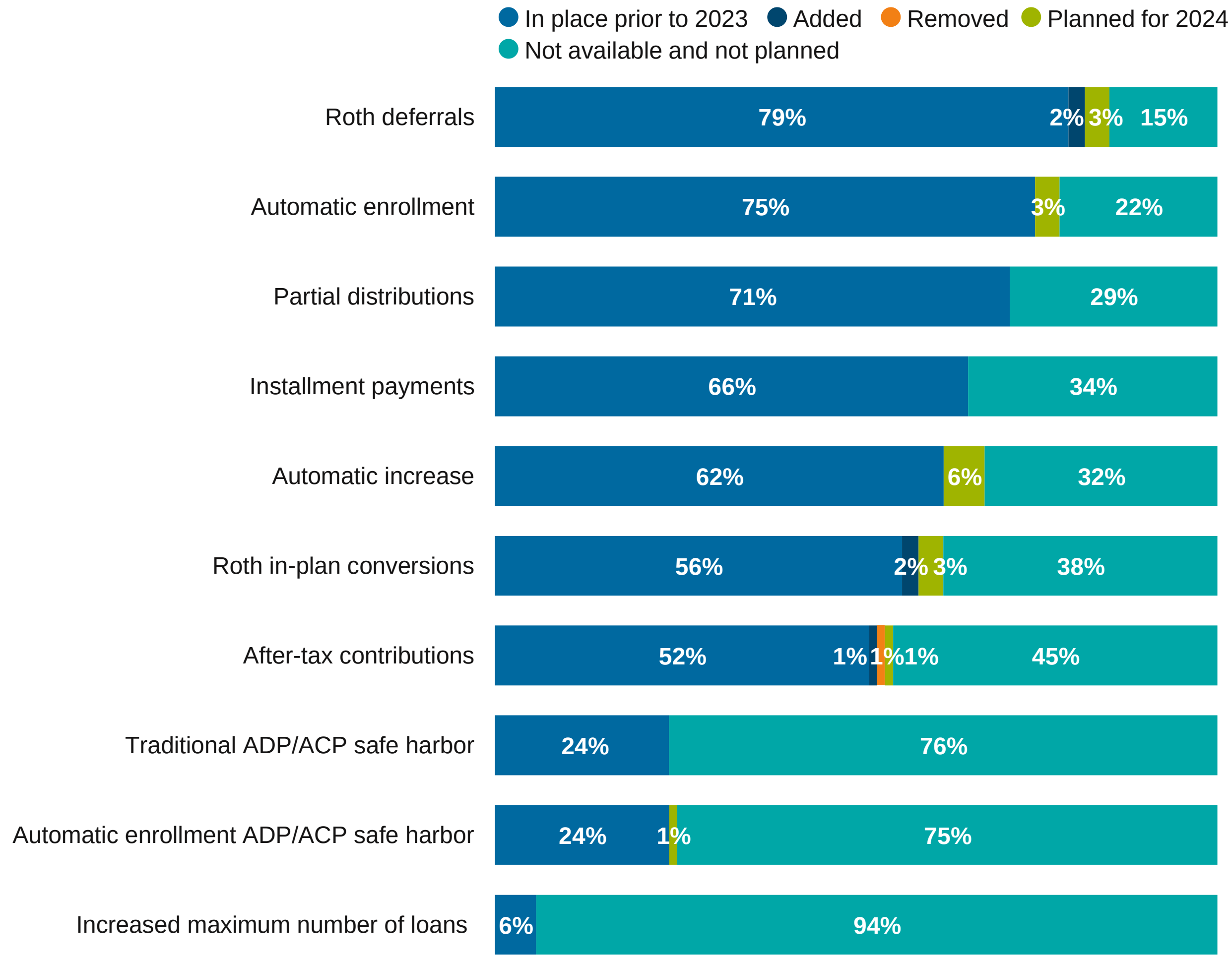


DC Plan Design: Prevalence

Survey respondents noted that Roth deferrals (81%) and automatic enrollment (75%) were the most common enhanced savings features. In 2013, our survey found that only 47% of plan sponsors offered Roth deferrals. Both features were formalized at a federal level by the Pension Protection Act of 2006 (PPA) and have had more than a decade to become majority practice. Traditional after-tax contributions (53%) saw a resurgence due in large part to the availability of Roth in-plan conversions.

The most common planned enhancement for 2024 is automatic increase (6%).

DC plan design changes

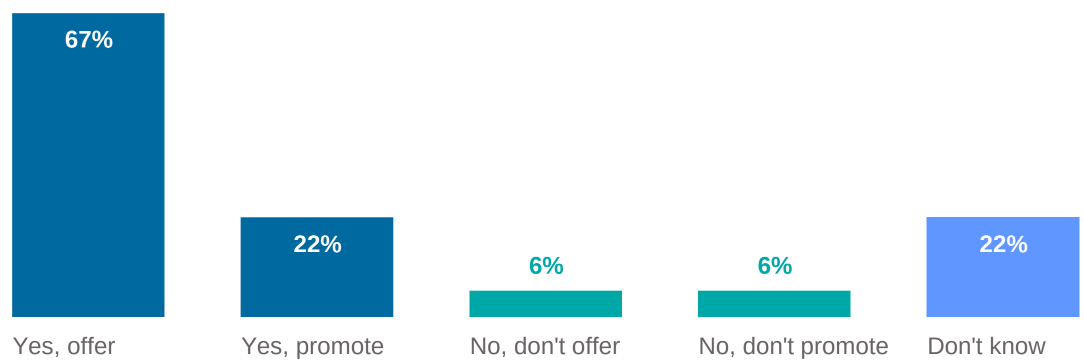


Rolling IN Qualified Assets From Previous Employers

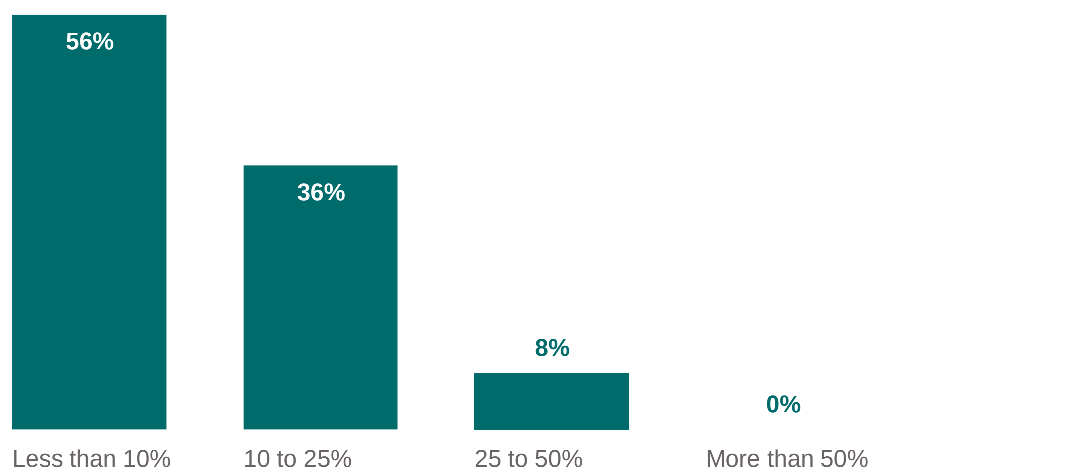
Most plan sponsors reported they offer participants the opportunity to roll in qualified assets from their previous employer. Yet only 22% actively promote this plan feature. Given the amount of employee turnover across the United States, it is very common for most participants to have multiple DC retirement accounts at any given time. This can be a challenge for participants to put together a comprehensive retirement asset-allocation strategy. This is especially true for retirement income solutions that should consider all retirement assets.

Note that 56% of plan sponsors indicated that less than 10% of participants rolled in assets from their previous employers' qualified plan. One benefit to better maximize the current plan features would be to proactively encourage participants to consolidate their qualified DC assets into their current plan.

Offer/promote rolling in qualified assets from previous employers*



Percentage of participants that rolled assets in**



*Multiple responses allowed.
**Of those who offer the ability to roll in assets.

Post-Employment Assets

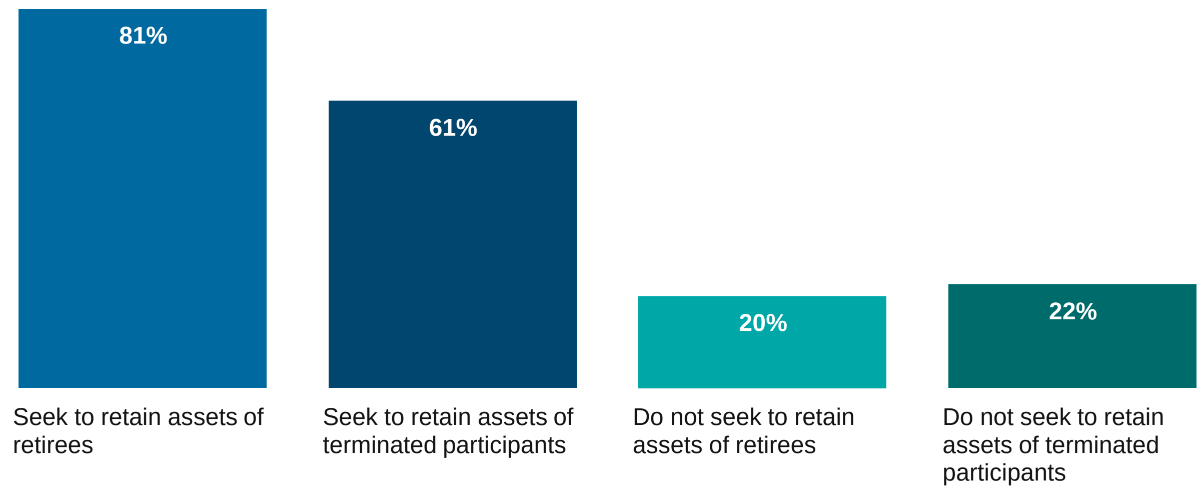
The majority of plan sponsors with a strategy around this issue sought to retain the assets of both retiree and terminated participants, a notable increase from 2015 (44%). More than 8 in 10 plans sought to retain retiree assets, while fewer sought to retain terminated participant assets (61%).

Various rationales can drive the decision to retain assets. For example, retirees often have higher account balances, which can lead to cost efficiencies for the plan. On the other hand, account balances of employees who terminate before retirement can vary widely, as can the length of time before retirement, making these accounts potentially less efficient to retain.

Plan sponsors should weigh cost efficiency benefits against the fiduciary responsibility of retaining assets for participants who are not actively employed with the plan sponsor (e.g., maintain contact information to provide notices, monitor investments).

Over half of respondents do not have a defined strategy on retaining assets.

Strategies to retain retiree / terminated assets*



*Percentages out of those with a stated intent in place. Multiple responses allowed.

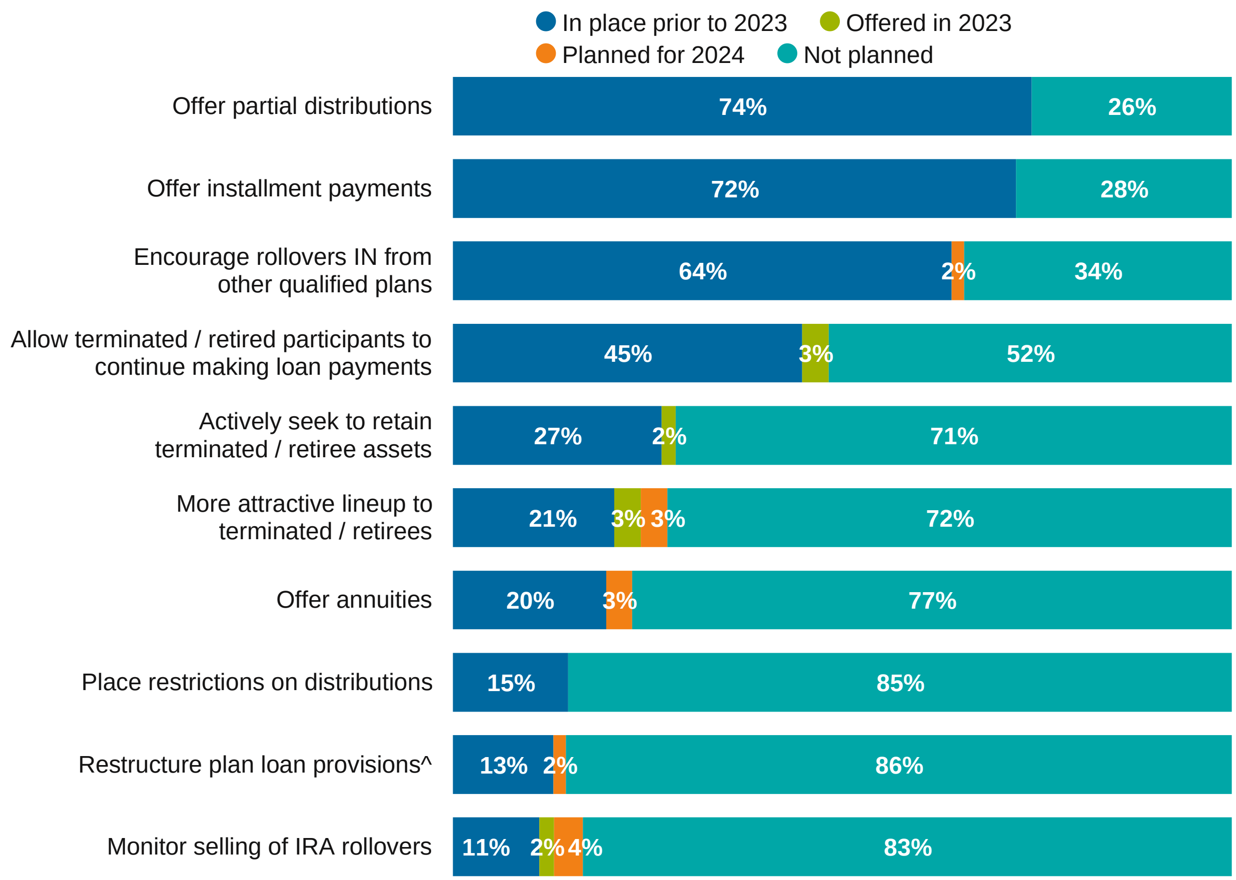
Plan Leakage

Most plan sponsors reported taking steps to prevent plan leakage. Actions included offering partial distributions (74%)†, installment payments (72%), and encouraging rollovers in from other qualified plans (64%). Partial distributions and installments are types of distribution options that can help prevent plan leakage since the participant is not forced to take a total distribution.

Slightly fewer than half of survey respondents allowed terminated participants to continue repaying their DC plan loans.

Among the few respondents anticipating taking additional steps to prevent plan leakage in 2024, the highest rated action is monitoring the selling of IRA rollovers.

Steps taken to prevent plan leakage*



† Note, these percentages may vary from others referenced in the *2024 DC Survey*. The metrics included on this page reflect actions taken specifically to minimize leakage only.

*Multiple responses allowed.

^e.g., reduce number of loans allowed, change loan frequency.

Retirement Income Solutions

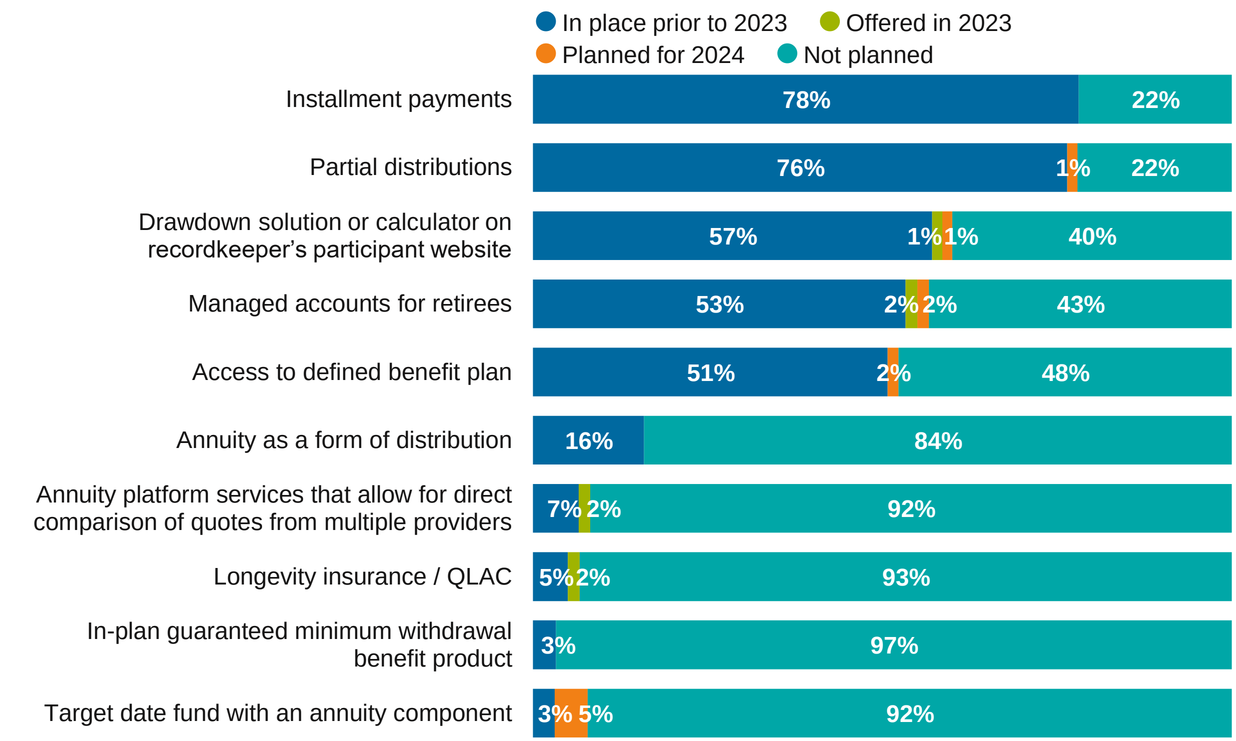
Most plans offered some sort of retirement income solution to employees by 2023. Installment payments (78%) and partial distributions (76%) were the most common solutions. Providing access to a drawdown solution, managed accounts, or a defined benefit plan were the next most common.

Explainer: A drawdown solution is a simplified process on the participant website (e.g., a one-step button) to implement the output from a retirement calculator. It is a more streamlined process for participants to establish a stream of income, who would otherwise have to manually transfer the calculator output into the transactional section of the website.

Only 5% of plan sponsors offered qualified longevity annuity contracts (QLACs) or longevity insurance in their plans despite a 2014 Treasury Department ruling making it easier to do so.

Of those offering a solution, 58% offered one proprietary to the recordkeeper.

Retirement income solutions offered*



Proprietary to the recordkeeper or offered by an external provider

*Percentages out of those with a solution in place. Multiple responses allowed.

Reasons for Not Offering Annuities

Plan sponsors cited a number of reasons to explain why they were unlikely to offer an annuity-type product in the near term. The two most common are: it is unnecessary or not a priority and there is a lack of participant need/demand.

Respondents also noted that they are difficult to communicate and that the fiduciary implications around an annuity-type product can be uncomfortable or unclear, citing these as part of the reason to not offer these products. Being too costly dropped to a lesser area of concern from last year.

Reasons for not offering an annuity-type product

Most important ↑ / Least Important ↓

	Ranking
Unnecessary or not a priority	3.7
No participant need or demand	3.0
Difficult to communicate to participants	2.3
Uncomfortable/unclear about fiduciary implications	2.0
Availability of defined benefit plan	1.9
Too costly to plan sponsor/participants	1.4
Products are not portable	1.4
Uncomfortable with available products	1.2
Too administratively complex	1.1
Lack of product knowledge	1.1
Concerned about insurer risk	0.8
Recordkeeper will not support this product	0.2

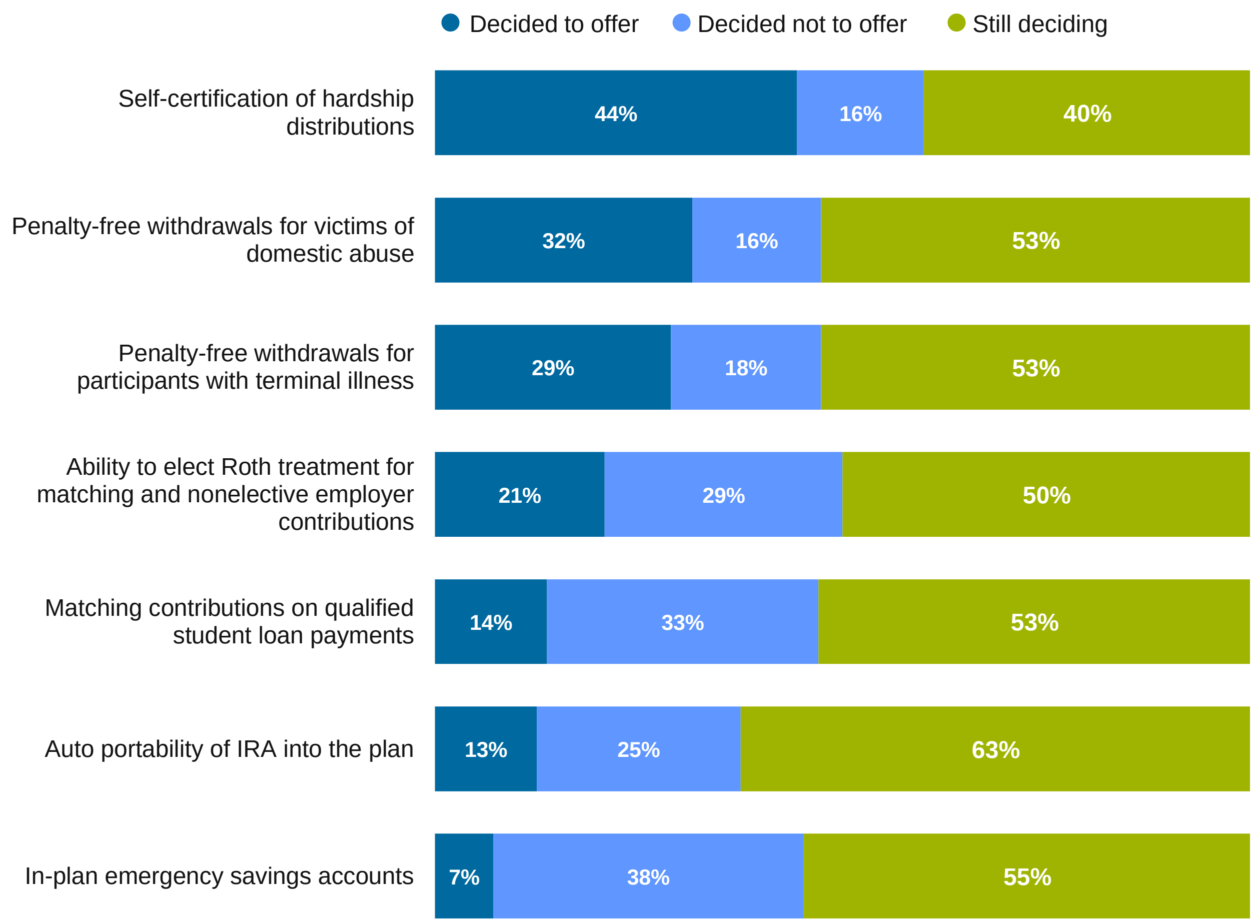
(5=Most important. Total rating is weighted average score.)

SECURE 2.0 Act

There were nearly 100 provisions included in the SECURE 2.0 Act passed in 2022. The most commonly implemented provision was intended to streamline administration—more than 2 out of 5 plans reported implementing self-certification of hardship withdrawals. This is not surprising as the option had been previously formalized in IRS guidance pre-dating the legislation. Also popular were the provisions that liberalized withdrawal availability for victims of domestic abuse and those with a terminal illness. Respondents showed little interest for allowing employers to make employer contributions on a Roth basis (21%) and allowing a match in the DC plan for those repaying student debt (14%).

Notably, nearly 40% of respondents have decided not to offer in-plan emergency savings accounts.

SECURE 2.0 expected adoption of optional provisions



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56 Investment structure evaluations

50 Target date fund suitability

38 Custom projects – governance reviews, managed account suitability evaluation, demographic analysis, plan design evaluation, independent fiduciary searches

Callan's DC Research and Consulting Group complements our investment consultants, providing specialty research and expertise around plan trends, aspects of compliance and administration, behavioral aspects of structure design specific to DC plans, and vendor and fee management. We have a strongly tenured team that works with a wide variety of plan sponsors and recordkeepers, which provides valuable context and expertise to our clients.

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Disclosure

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