



April 11, 2025

**MEMORANDUM**

**TO:** VRS Board of Trustees

**FROM:** Patricia S. Bishop  
Director

**RE:** Agenda Materials for April 16<sup>th</sup> Board Meeting

We are looking forward to the April 16<sup>th</sup> Board meeting beginning at 1:00 p.m. in the VRS Boardroom (Chesapeake conference room) located at 1111 East Main Street, Bank of America - Pavilion Building, 3<sup>rd</sup> floor. Enclosed are the agenda and meeting materials. Boxed lunches will be available at 11:45 a.m. immediately following the Administration, Finance and Talent Management Committee meeting.

Listed below is a recap of the meetings scheduled for next week:

Meeting	Date	Location
Benefits and Actuarial Committee	Wednesday, April 15 <sup>th</sup> , 1:00 p.m.	Bank of America Pavilion, 1111 E. Main St., 3 <sup>rd</sup> floor, Chesapeake Conference Room
Audit and Compliance Committee	Wednesday, April 15 <sup>th</sup> , 3:00 p.m.	Bank of America Pavilion, 1111 E. Main St., 3 <sup>rd</sup> floor, Chesapeake Conference Room
Administration, Finance and Talent Management Committee	Thursday, April 16 <sup>th</sup> , 11:30 a.m.	Bank of America Pavilion, 1111 E. Main St., 3 <sup>rd</sup> floor, Chesapeake Conference Room
Board of Trustees	Thursday, April 16 <sup>th</sup> , 1:00 p.m.	Bank of America Pavilion, 1111 E. Main St., 3 <sup>rd</sup> floor, Chesapeake Conference Room

Again, we look forward to seeing you next week. If you have any questions, please feel free to contact me.

Attachments



**Board of Trustees Meeting**  
**VRS, 1111 E. Main St., 3rd Floor Board Room**  
**Wednesday, 4/16/2025**  
**1:00 - 3:30 PM ET**

**I. Approve Minutes**

- **February 6, 2025**  
*Board Meeting Minutes 2.6.25 - Page 4*
- **March 18, 2025 (Retreat)**  
*Board Retreat Minutes 3.18.25 - Page 10*
- **March 19, 2025 (Retreat)**  
*Board Retreat Minutes 3.19.25 - Page 12*

**II. Election of Vice Chair**

**III. Committee Assignments**

*Proposed Committee Assignments 2025 - Page 15*

**IV. Report of the Investment Advisory Committee**

**V. Report of the Chief Investment Officer**

*CIO Report - April 2025 - Page 17*  
*CIO Quarterly Report - QE December 2024 - Page 31*  
*Performance Summary 2.28.25 - Page 40*  
*Asset Allocation Report - February 2025 - Page 41*  
*Daily Asset Allocation Report 4.9.25 - Page 42*  
*New Investments and Terminations 4.16.25 - Page 43*  
*DIME Quarterly Summary - QE March 2025 - Page 44*  
*External Manager Referral Quarterly Summary - QE March 2025 - Page 51*

**VI. Report of the Defined Contribution Plans Advisory Committee**

*Report of the Defined Contribution Plans Advisory Committee - Page 52*

**VII. Report of the Benefits and Actuarial Committee**

*Report of the Benefits and Actuarial Committee - Page 54*

- **RBA - Experience Study**  
*RBA - Experience Study - Page 55*  
*VRS Experience Study - Board Meeting 4.16.25 - Page 56*

**VIII. Report of the Audit and Compliance Committee**

*Report of the Audit and Compliance Committee - Page 78*

**IX. Report of the Administration, Finance and Talent Management Committee**

*Report of the Administration, Finance and Talent Committee - Page 80*

- **RBA - Approve Revised Pay Plans**  
*RBA - Approve Revised Pay Plans - Page 82*  
*Administrative Pay Plan - 6.10.2025 - Page 84*  
*Administrative Pay Plan - 6.10.2025 redlined - Page 95*  
*Investment Operations and Administrative Pay Plan - 6.10.2025 - Page 106*  
*Investment Operations and Administrative Pay Plan - 6.10.2025 redlined - Page 118*  
*Investment Professionals Pay Plan 6.10.2025 - Page 130*  
*Investment Professionals Pay Plan 6.10.2025 redlined - Page 147*
- **RBA - Reappointment of IAC Members**

*RBA - Reappoint IAC Members - Page 164*

*Thomas Gayner Bio - Page 165*

*Rod Smyth Bio - Page 166*

**X. Custodial and Signature Authorization Resolution**

*Custodial Authorization 4.16.25 - Page 167*

*Custodial Authorization 4.16.25 redline - Page 170*

*Signature Authorization 4.16.25 - Page 173*

*Signature Authorization 4.16.25 redline - Page 176*

**XI. Commending Resolution for Michael P. Disharoon**

*Commending Resolution - Michael Disharoon - Page 179*

**XII. Legislative Update**

*Legislative Update - Page 180*

**XIII. Report of the Director**

*FY 2025 Agency Roadmap Update - March - Page 190*

*Director's Report - Page 192*

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## Minutes

A regular meeting of the Virginia Retirement System Board of Trustees was held on February 6, 2025, in Richmond, Virginia with the following members participating:

Board members:

A. Scott Andrews, Chair  
Michael P. Disharoon, Vice Chair  
Hon. J. Brandon Bell, II  
John M. Bennett  
Lawrence A. Bernert, III  
Susan T. Gooden, Ph.D.  
Jessica L. Hood  
Del. Matthew James  
Lindsey K. Pantele

VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, John Alouf, Rory Badura, Parham Behrooz, Matt Bennett, Erica Billingslea, Jessica Budd, Caroline Cardwell, Warren Chang, Jeanne Chenault, Michael Cooper, Perry Corsello, Juanita Cribbs, Sara Denson, Laurie Fennell, Laura Fields, Antonio Fisher, Kenneth Fleming, Katherine Grawe, JT Grier, Krystal Groff, Mehtab Haleem, Dane Honrado, KC Howell, Robert Irving, Sandy Jack, De'Von Jones, LaShaunda King, Kristina Koutrakos, Chung Ma, Curt Mattson, Scott Mootz, Walker Noland, Greg Oliff, Angela Payne, Vera Pleasants, Matt Priestas, Laura Pugliese, Paula Reid, Mark Rein, Andrew Ringle, Jummai Sarki-Hurd, Dan Schlusser, Kristy Scott, Michael Scott, Amethyst Sloane, Emily Trent, Korey Turner, Leslie Weldon, Dan Whitlock and Steve Woodall.

Guests:

Joe Ebisa, With Intelligence; Alexandra Jansson and Kimberly Sarte, Joint Legislative Audit and Review Commission; Elizabeth Myers, Office of the Attorney General; Thorsten Schier, Insurance Insider US; Bea Snidow, Virginia Education Association; and Nate Weinstein.

The meeting convened at 1:00 p.m.

### Opening Remarks

Mr. Andrews called the meeting to order and welcomed everyone to the February 6, 2025, meeting of the Virginia Retirement System Board of Trustees.

### Approval of Minutes

Following a motion by Mr. Disharoon, with a second by Mr. Bennett, the VRS Board of Trustees approved the minutes from its December 12, 2024, meeting.



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### Report of the Chief Investment Officer

Mr. Junkin provided a market overview and discussed asset allocation, total fund performance and tracking error, concluding that risk measures are within Board-approved levels. Mr. Junkin then discussed the New Investments and Terminations report, the Diverse Investment Manager Engagement (DIME) report and the Quarterly External Investment Manager Referral report.

Mr. Andrews thanked Mr. Junkin for his report.

### Report of the Benefits and Actuarial Committee

The Board received the report of the Benefits and Actuarial Committee and placed it on file.

### APPROVAL OF MINUTES

The Committee approved the minutes of its November 14, 2024, meeting.

### COST OF LIVING ADJUSTMENTS

#### Virginia Sickness and Disability Program

Rory Badura, Senior Staff Actuary, presented the recommendations of Gabriel, Roeder, Smith & Company (GRS), the plan actuary, regarding statutory annual adjustments to Virginia Sickness and Disability Program (VSDP) creditable compensation for members on long-term disability. For VSDP, Mr. Badura advised that the plan actuary recommends an increase in the creditable compensation for VRS pension benefit purposes of 4.00%, effective July 1, 2025. In addition, a cost-of-living adjustment (COLA) in the amount of 2.95% shall be applied to long-term disability (LTD) benefit payments for Plan 1 members vested prior to January 1, 2013. A COLA of 2.48% shall be applied for Plan 1 members not vested prior to January 1, 2013, and all Plan 2 and Hybrid Retirement Plan members who have been recipients of LTD benefits for at least one year.

The calculations were reviewed by VRS staff and Internal Audit.

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

#### **RBA: Approval of July 1, 2025, Increase Relating to VSDP Creditable Compensation and VSDP COLA**

***Request for Board Action 2025-02-1: Effective July 1, 2025, the following increases shall apply:***

- The creditable compensation used in calculating the member's average final compensation at retirement shall be increased in the amount of 4.00% for a Plan 1, Plan 2 or Hybrid member who has been the recipient of long-term disability (LTD) benefits for at least one calendar year under the Virginia Sickness and Disability Program (VSDP); and*
- A cost-of-living adjustment shall be applied to the net LTD benefit payment of 2.95% for Plan 1 members vested prior to January 1, 2013, or 2.48% for Plan 1 members not vested by January 1, 2013, and all Plan 2 and Hybrid members.*

#### Virginia Local Disability Program

Mr. Badura advised that for the Virginia Local Disability Program (VLDP) the plan actuary recommends an increase in the creditable compensation used at retirement of 4.00%, effective July 1, 2025. The VLDP plan does not provide for a COLA on LTD benefits being received.

The calculations for the increase in creditable compensation were reviewed by VRS staff and Internal Audit staff.

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

**RBA: Approval of July 1, 2025, Increase Relating to VLDP Creditable Compensation**

*Request for Board Action 2025-02-2: Effective July 1, 2025, each recipient of LTD benefits under the Virginia Local Disability Program (VLDP) who has been receiving LTD benefits for at least one calendar year, and who ultimately retires directly from LTD, will have their creditable compensation at date of disability increased by an amount set by the Board to be used in determining the member's average final compensation for disability retirement. The recommendation applicable to July 1, 2025, is an increase of 4.00% to be applied to a recipient's creditable compensation.*

INFORMATION ITEMS

2025 COLAs Called for Under Statute Not Requiring Board Approval

Mr. Badura noted that, by statute, VRS cost of living increases are based on the consumer price index for all items, all urban consumers, as published by the Bureau of Labor Statistics of the U.S. Department of Labor. Mr. Badura advised that the COLA increase, effective July 1, 2025, of 2.95% is applicable to eligible Plan 1 members vested prior to January 1, 2013. A COLA increase of 2.48% is applicable to Plan 1 members not vested prior to January 1, 2013, and all Plan 2 and Hybrid Plan members effective July 1, 2025. This figure was calculated by the plan actuary and verified by VRS and Internal Audit staff. The COLA did not require action by the Committee.

Mr. Badura advised the Hazardous Duty supplement is required to be reviewed biennially; at which time it is to be increased by any applicable cost of living adjustments published by the Social Security Administration since the last applicable increase. The annual supplement will increase from \$16,884 to \$17,856 for fiscal year 2025.

The Group Life Insurance Program minimum benefit for members retired with at least 30 years of service is to be increased by the same COLA applicable to VRS Plan 2 members, or 2.48%, effective July 1, 2025. The new minimum life insurance payout, effective July 1, 2025, will be \$9,768. The Group Life Insurance Program minimum did not require action by the Committee. The calculations were reviewed by VRS staff and Internal Audit.

Pension Dashboard Update

Mr. Badura provided an overview and status update on the development of the VRS Pension Dashboard that will consolidate historical measures, display trend information of key indicators and provide

monthly updates of economic cash flow measures that indicate expectations for upcoming valuation results. The dashboard allows access to various pension and OPEB plan measures associated with plan liabilities, employer costs, plan cash flows and demographic information. The dashboard also includes historical information, some year-to-date measures for monthly monitoring, and forecasts.

Mr. Badura advised next steps include converting to Power BI for internal access and exploring options to provide access to VRS Board members.

#### Experience Study Update

Mr. Badura provided an update on the quadrennial experience study being performed by GRS which will be presented to the B&A Committee in April.

#### 2025 Legislative Update

The Committee received a brief overview of VRS-related legislation, and a more detailed presentation will be provided at the meeting of the full Board of Trustees.

Mr. Bennett suggested that the Board receive an actuary presentation focusing on Actuarial Measures and Key Indicators in greater detail two or three times a year.

Mr. Andrews thanked Mr. Bennett for his report.

#### **Legislative Update**

Next, Sandy Jack, Director of Policy, Planning and Compliance, provided the Board with an update on VRS-related legislation in the 2025 General Assembly session.

Ms. Jack provided an overview of legislation recommended by the Volunteer Firefighters' and Rescue Squad Workers' Service Award Fund (VOLSAP) Board that would allow any funds or other property held or payable to a member of the VOLSAP Award Fund that have remained unclaimed for more than five years after such member's forfeiture of his membership or the dissolution of a volunteer emergency medical services agency or volunteer fire department to be presumed abandoned under the Virginia Disposition of Unclaimed Property Act and to escheat to the state treasury.

Ms. Jack also reviewed legislation related to the Virginia Law Officers' Retirement System (VaLORS), the Judicial Retirement System (JRS), the Virginia Local Disability Program, purchase of prior service, return to work, and Virginia Line of Duty Act (LODA).

Ms. Jack provided an overview of introduced budget amendments affecting VRS, salary actions, and Governor appointments, and noted that the General Assembly is expected to adjourn on February 22 and reconvene on April 2 to review the Governor's recommendations and vetoes.

Mr. Andrews thanked Ms. Jack for her presentation.

#### **Commending Resolution for Michael R. Beasley**

Next, Mr. Andrews presented the following commending resolution of service and remembrance for Michael R. Beasley:

WHEREAS, Mr. Michael R. Beasley faithfully served the Virginia Retirement System, its members, and retirees as an esteemed member of the Investment Advisory Committee from 2013 through 2024; and

WHEREAS, Mr. Beasley served as a member of the Committee working in a collegial manner with his fellow Committee members by actively participating in meeting discussions, and candidly sharing his perspectives based on his extensive experience in the financial industry, along with his aptitude regarding investment strategies and initiatives; and

WHEREAS, Mr. Beasley, by virtue of his expert knowledge of the investment industry, shared his wisdom regarding best practices, and actively engaged with and supported staff in discussions about investment initiatives and analysis; and

WHEREAS, the Virginia Retirement System Board of Trustees acknowledges and is grateful for Mr. Beasley's service to his country during the Vietnam War, and is humbled by his demonstrated bravery and valor behind enemy lines, along with his dedication and advocacy for his fellow veterans;

NOW, THEREFORE, BE IT RESOLVED, that on February 6, 2025, we, the members of the Board of Trustees of the Virginia Retirement System, hereby acknowledge and express our remembrance for Mr. Beasley's loyal service to the Board of Trustees, the Virginia Retirement System, its members, retirees, and the Commonwealth of Virginia, and are grateful for his contributions, stewardship, and commitment while a faithful member of the Investment Advisory Committee.

### **Report of the Director**

Trish Bishop, VRS Director, began her report with a review of the FY 2025 VRS Project Portfolio and New Coverage Elections.

Ms. Bishop then made the following announcements to the Board:

- The Annual Financial Reports are now available and online under Publications at [varetire.org](http://varetire.org).
- The NCPERS (National Council on Public Employee Retirement Systems) Pension Communications Summit was held on January 27, 2025, in Washington D.C. Deardrian Carver, Ed.D., VRS Chief Customer Relations Officer, and Melissa Robertson, VRS Retirement Outreach Counseling Manager, represented VRS.

Ms. Bishop presented an overview of Actuarial Measures and Key Indicators for fiscal year 2025. The overview included a comparison of the actual fund market value versus the expected for FY 2025, a comparison of pension cash flows for the first quarter of the fiscal year compared to the prior year, as well as the average increase in CPI year to date. Ms. Bishop noted that, as suggested by Mr. Bennett, this presentation will be added a few times a year to give the Board an in-depth analysis of the Benefits and Actuarial Committee's actuarial measures and key indicators.

Lastly, Ms. Bishop advised the Board of upcoming committee and board meeting dates and noted the Board Retreat will be held March 19-20 in Charlottesville, Virginia.

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Mr. Andrews thanked Ms. Bishop for her report.

**Other Business**

Mr. Andrews reviewed the following meeting schedule:

- Defined Contributions Plan Advisory Committee – March 6 at 1:00 p.m.
- Benefits and Actuarial Committee – April 15 at 1:00 p.m.
- Board of Trustees – April 16 at 1:00 p.m.

**Adjournment**

Following a motion by Mr. Disharoon, with a second by Mr. Bennett, the VRS Board of Trustees agreed to adjourn the meeting.

The meeting concluded at 1:55 p.m.

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Chair

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Secretary

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## Minutes

The Virginia Retirement System Board of Trustees held its annual retreat on March 18, 2025, at the Boar's Head, 200 Ednam Drive, Charlottesville, Virginia with the following members participating:

Board members:

A. Scott Andrews, Chair  
Michael P. Disharoon, Vice-Chair  
Hon. J. Brandon Bell, II  
John M. Bennett  
Lawrence A. Bernert, III  
Susan T. Gooden, Ph.D.  
Jessica L. Hood  
Hon. Matthew James

Investment Advisory Committee:

Hance West, Vice Chair  
Palmer Garson  
Nan G. Leake

Defined Contribution Plans Advisory Committee:

Ravindra Deo

Defined Contribution Plans Advisory Committee Observing Remotely:

Monique Barnes

VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, John Alouf, Parham Behrooz, Brock Bell, Jeanne Chenault, Michael Cooper, Laura Fields, Antonio Fisher, Katie Grawe, JT Grier, Mehtab Haleem, Dane Honrado, KC Howell, Sandy Jack, LaShaunda King, Kristina Koutrakos, Matt Lacy, Chung Ma, Curt Mattson, Scott Mootz, Walker Noland, Greg Oliff, Gregory Salvati, Dan Schlusser, Virginia Sowers, Emily Trent, Scott Weaver, Dan Whitlock and Steve Woodall.

VRS Staff Observing Remotely:

Erica Billingslea, Kevin Bliss, Warren Chang, Perry Corsello, David Cotter, Sara Denson, Curtis Doughtie, Kenneth Fleming, Josh Fox, Dorothy Harmer, Robert Irving, Mengting Kim, Kristy Scott, Michael Scott, Jummai Sarki-Hurd, Amethyst Sloan, Viet Tran and Leslie Weldon.

Guests:

Declan Denehan and Margaret-Anne Hennessy, BNY; Sabrina Esposito and Zim Zelter, Apollo Global Management; Maggie Hansford, Prince William Education Association; Alexandra Jansson and Kimberly Sarte, Joint Legislative Audit and Review Commission; Charles Keady and Michael Mauboussin, Morgan Stanley; and Robert D. Klausner, Klausner Kaufman Jensen & Levinson.

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**Guests Observing Remotely:**

Amruta Binoy, Virginia Department of Planning and Budget, Liz Myers, Office of the Attorney General; Eric Sandridge, Auditor of Public Accounts; Bea Snidow, Virginia Education Association and Stephanie van Hengel, Nikko Asset Management Group.

**Retreat Called to Order**

Scott Andrews, VRS Board Chair, welcomed everyone to the 2025 Virginia Retirement System Board of Trustees Retreat.

**Opening Remarks**

Trish Bishop, VRS Director, and Andrew Junkin, VRS Chief Investment Officer, provided opening remarks and introduced the first guest speaker, Jim Zelter.

**Presentations**Private Credit

Guest speaker, Jim Zelter, Apollo Global Management, President, provided a presentation titled *Private Credit in 2025*.

Next, Ms. Bishop introduced guest speaker Robert D. Klausner.

Fiduciary Education

Guest speaker, Robert D. Klausner, Principal, Klausner Kaufman Jensen & Leinson, provided a presentation titled *Fiduciary Education*.

**Closing Remarks**

Mr. Junkin thanked the speakers and everyone who attended the retreat. He reviewed the reception and dinner activities for the evening. Mr. Junkin noted guest dinner speaker, Michael Mauboussin, Head, Consilient Research Counterpoint Global, Morgan Stanley, would follow the reception with a presentation titled *Decision Making*.

**Adjournment**

The retreat concluded at approximately 5:00 p.m.

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Chair

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Secretary

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## Minutes

The Virginia Retirement System Board of Trustees held its annual retreat on March 19, 2025, at the Boar's Head, 200 Ednam Drive, Charlottesville, Virginia with the following members participating:

Board members:

A. Scott Andrews, Chair  
Michael P. Disharoon, Vice-Chair  
Hon. J. Brandon Bell, II  
Lawrence A. Bernert, III  
Susan T. Gooden, Ph.D.  
Jessica L. Hood  
Hon. Matthew James

Board member observing remotely:

John M. Bennett

Investment Advisory Committee:

Hance West, Vice Chair  
Palmer Garson  
Nan G. Leake

Defined Contribution Plans Advisory Committee:

Ravindra Deo

Defined Contribution Plans Advisory Committee Observing Remotely:

Monique Barnes

VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, John Alouf, Parham Behrooz, Brock Bell, Jeanne Chenault, Michael Cooper, Laura Fields, Antonio Fisher, Katie Grawe, JT Grier, Dane Honrado, KC Howell, Sandy Jack, Ross Kasarda, LaShaunda King, Kristina Koutrakos, Matt Lacy, Chung Ma, Curt Mattson, Scott Mootz, Walker Noland, Greg Oliff, Gregory Salvati, Dan Schlusser, Virginia Sowers, Emily Trent, Scott Weaver, Dan Whitlock and Steve Woodall.

VRS Staff Observing Remotely:

Stephen Adelaar, Erica Billingslea, Kevin Bliss, Warren Chang, Perry Corsello, David Cotter, Sara Denson, Curtis Doughtie, Kenneth Fleming, Josh Fox, Mehtab Haleem, Dorothy Harmer, Robert Irving, Mengting Kim, Vu Le, Kristy Scott, Michael Scott, Jummai Sarki-Hurd, Amethyst Sloan, Viet Tran, Lisa Turner and Leslie Weldon.

Guests:

Matt A'Hearn, Blue Owl; Elizabeth Bell, Hamilton Lane; Sabrina Esposito and Torsten Slok, Apollo Global Management; Alex Hill and Tom Nides, Blackstone; Alexandra Jansson and Kimberly



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Sarte, Joint Legislative Audit and Review Commission; Donna Kampschuur and Dr. Thomas Roberts, Jr., Farallon Capital Management.

Guests Observing Remotely:

Merrill Bajana, Osmosis; Eric Sandridge, Auditor of Public Accounts; and Bea Snidow, Virginia Education Association.

### Opening Remarks

Andrew Junkin, VRS Chief Investment Officer, welcomed the attendees to the second day of the retreat and introduced guest speaker, Torsten Slok.

### Presentations

#### Macro Overview

Guest speaker, Torsten Slok, Partner and Chief Economist, Apollo Global Management, provided a presentation titled *Outlook for Public and Private Markets*.

Next, Mr. Junkin introduced guest speaker, Tom Nides.

#### Geopolitics

Guest speaker, Tom Nides, Vice Chairman, Strategy and Client Relations, Blackstone, provided a presentation on Geopolitics.

Next, Walker Noland, VRS Real Assets Program Director, introduced guest speaker Matt A'Hearn.

#### Data Centers

Guest speaker, Matt A'Hearn, Head, Digital Infrastructure, Blue Owl, KKR, provided a presentation titled *Data Center Industry and Opportunity Overview*.

Next, Mr. Noland introduced guest speaker Elizabeth Bell.

#### Real Estate

Guest speaker, Elizabeth Bell, Co-Head Real Estate, Hamilton Lane, provided a presentation titled *Real Estate Overview*.

Lastly, Mr. Noland introduced guest speaker Dr. Thomas Roberts, Jr.

#### Healthcare

Guest speaker, Dr. Thomas Roberts, Jr., Partner and Vice Chair, Farallon Capital Management, provided a presentation titled *VRS Offsite: Impact of Healthcare Innovation on Life*.

### Closing Remarks

Mr. Junkin thanked the speakers and everyone who attended the retreat.

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**Adjournment**

The retreat concluded at approximately 12:42 p.m.

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Chair

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Secretary

**Proposed VRS Board of Trustees and Committee Assignments  
(Effective April 16, 2025)**

<b>VRS Board of Trustees</b>	
A. Scott Andrews, Chair Lawrence Bernert, III J. Brandon Bell, II John M. Bennett <b>J. Clifford Foster, IV</b> Susan T. Gooden, Ph.D. Jessica L. Hood Matthew James Lindsey K. Pantele	<b>Current</b> A. Scott Andrews, Chair Michael P. Disharoon, Vice Chair J. Brandon Bell, II John M. Bennett Lawrence A. Bernert, III Susan T. Gooden, Ph.D. Jessica L. Hood Matthew James Lindsey K. Pantele
<b>Administration, Finance and Talent Management Committee</b>	
<b>Proposed</b> A. Scott Andrews, Chair Lawrence Bernert, III <b>John Bennett</b>	<b>Current</b> A. Scott Andrews, Chair Michael P. Disharoon, Vice Chair Lawrence A. Bernert, III
<b>Audit and Compliance Committee</b>	
<b>Proposed</b> J. Brandon Bell, II, Chair A. Scott Andrews <b>J. Clifford Foster, IV</b>	<b>Current</b> J. Brandon Bell, II, Chair John M. Bennett, Vice Chair A. Scott Andrews
<b>Benefits and Actuarial Committee</b>	
<b>Proposed (No Change)</b> John M. Bennett, Chair Lindsey K. Pantele Jessica L. Hood	<b>Current</b> John M. Bennett, Chair Lindsey K. Pantele, Vice Chair Jessica L. Hood
<b>Defined Contribution Plans Advisory Committee</b>	
<b>Proposed (No Change)</b> Susan T. Gooden, Ph.D., Chair Matthew James, Vice Chair Monique Barnes Ravindra A. Deo C. Matt Harris Kate Jonas Rick Larson Brenda O. Madden David A. Winter	<b>Current</b> Susan T. Gooden, Ph.D., Chair Matthew James, Vice Chair Monique Barnes Ravindra A. Deo C. Matt Harris Kate Jonas Rick Larson Brenda O. Madden David A. Winter

**Proposed VRS Board of Trustees and Committee Assignments  
(Effective April 16, 2025)**

<b>Investment Policy Committee</b>	
<b>Proposed</b> A. Scott Andrews, Chair Lawrence Bernert, III J. Brandon Bell, II John M. Bennett <b>J. Clifford Foster, IV</b> Susan T. Gooden, Ph.D. Jessica L. Hood Matthew James Lindsey K. Pantele	<b>Current</b> A. Scott Andrews, Chair Michael Disharoon, Vice Chair Lawrence Bernert, III J. Brandon Bell, II John M. Bennett Susan T. Gooden, Ph.D. Jessica L. Hood Matthew James Lindsey K. Pantele
<b>Investment Advisory Committee</b>	
<b>Proposed (No Change)</b> Lawrence E. Kochard, Ph.D., Chair William “Hance” West, Vice Chair Theodore Economou Palmer P. Garson Thomas S. Gayner Nancy G. Leake W. Bryan Lewis Rod Smyth Vacant	<b>Current</b> Lawrence E. Kochard, Ph.D., Chair William “Hance” West, Vice Chair Theodore Economou Palmer P. Garson Thomas S. Gayner Nancy G. Leake W. Bryan Lewis Rod Smyth Vacant

**Notes:**

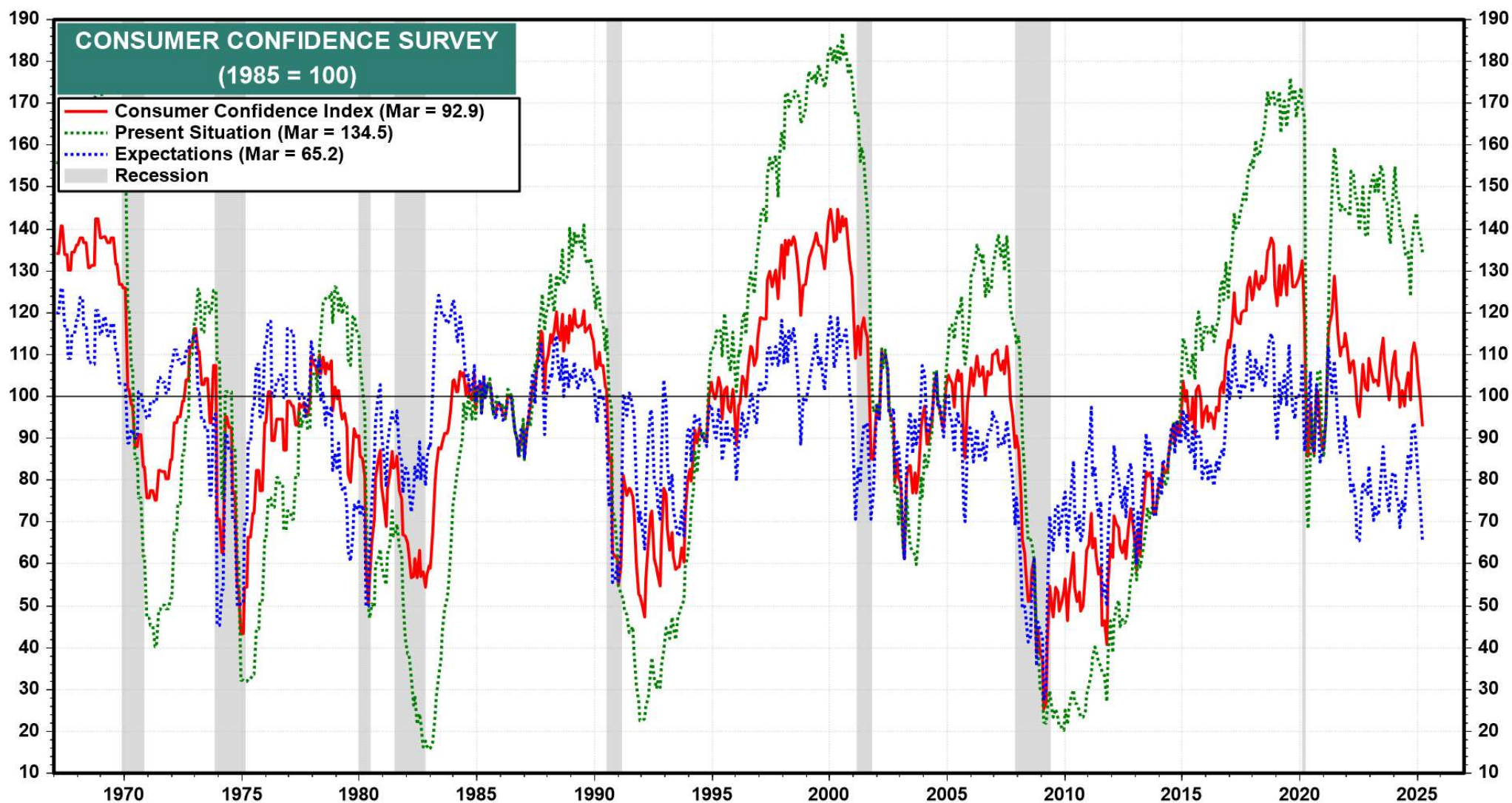
1. *By charter, the Board chair appoints Board members to each committee, subject to approval by the Board.*
2. *By charter, the Board chair and vice chair shall serve in the respective position for the Administration, Finance and Talent Management Committee and Investment Policy Committee. Vice Chair will be elected at the April 16, 2025, meeting.*
3. *For all committees other than the Administration, Finance and Talent Management Committee and Investment Policy Committee, the committee chair is appointed by the Board chair, subject to approval by the Board.*
4. *For all committees other than the Administration, Finance and Talent Management Committee Defined Contribution Plans Advisory Committee and Investment Policy Committee, the vice chair is elected by the committee members.*
5. *For the Defined Contribution Plans Advisory Committee, the Board member on the committee who is not appointed as chair shall serve as the vice chair.*



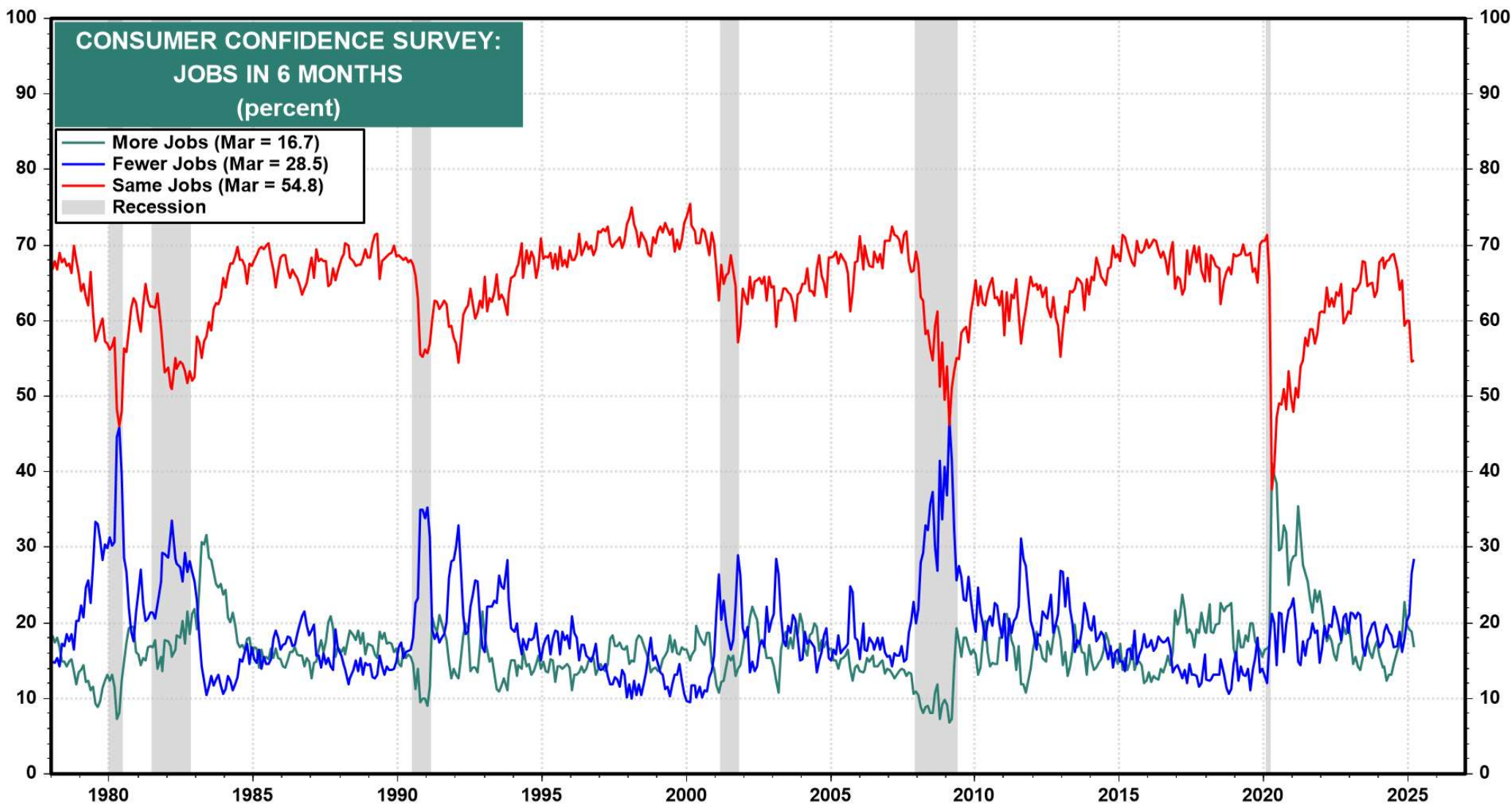
# Chief Investment Officer Report

Market Review – April 2025  
Andrew Junkin

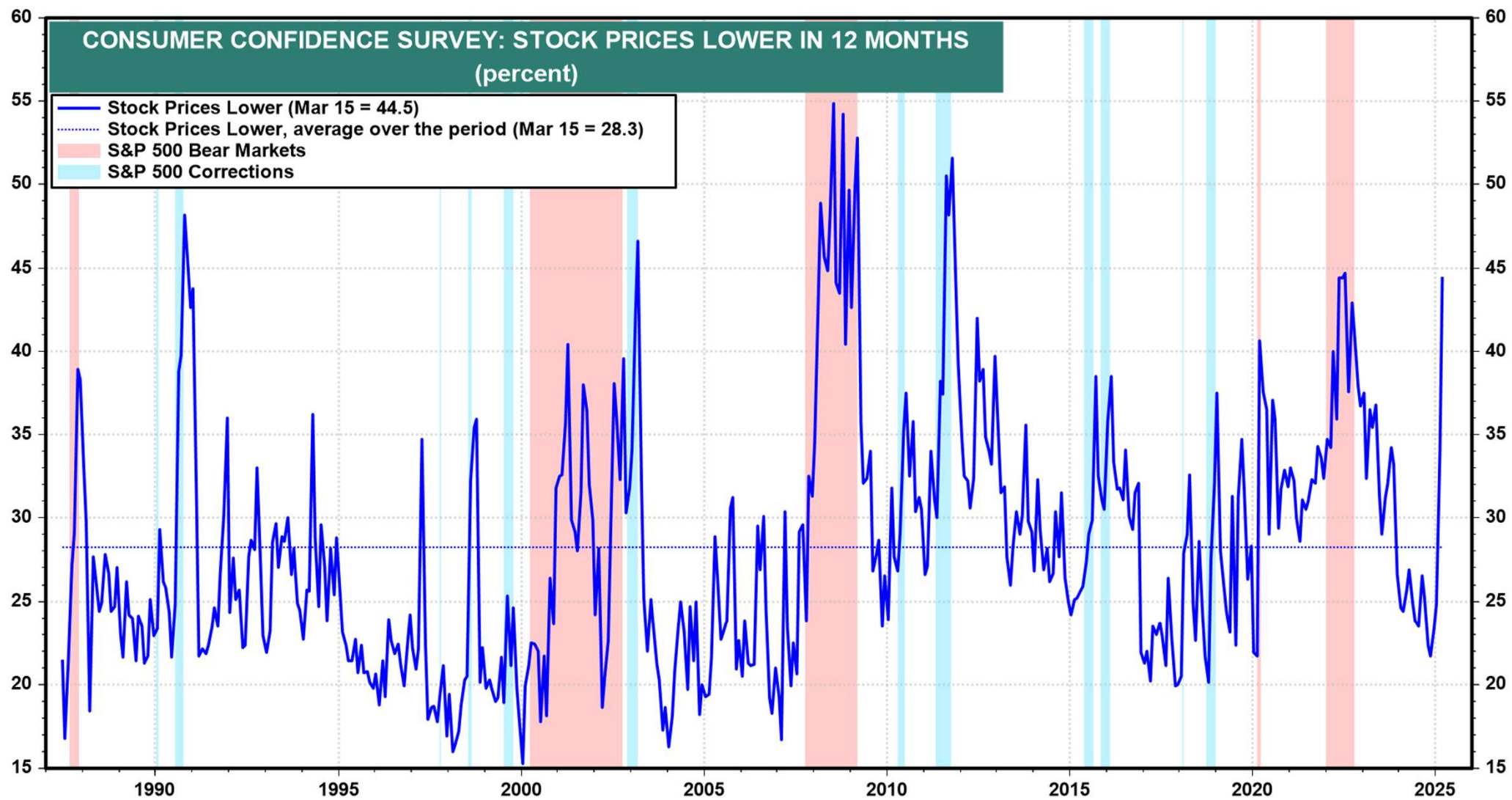




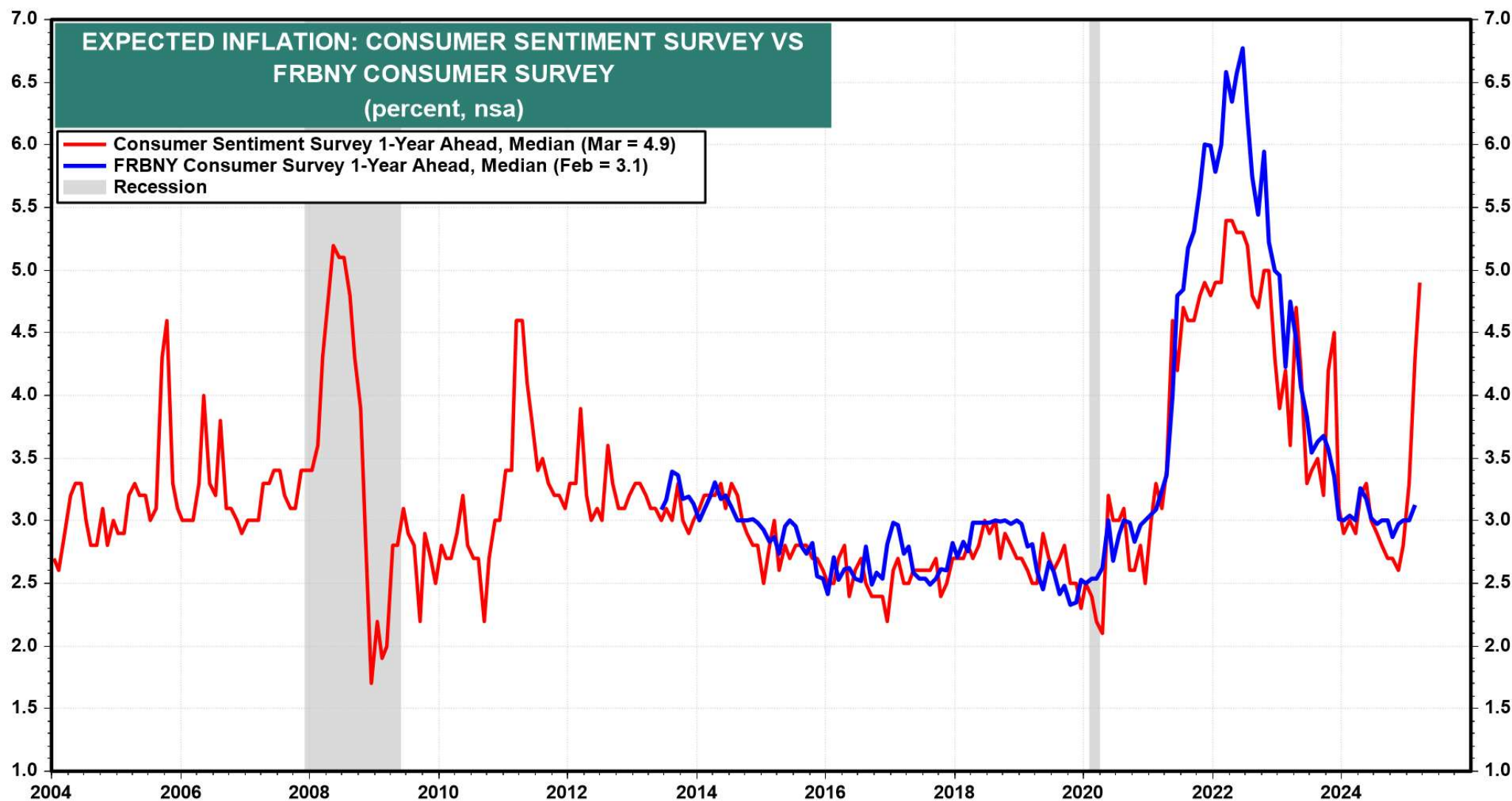
Source: LSEG Datastream and © Yardeni Research, and The Conference Board.



Source: LSEG Datastream and © Yardeni Research, and The Conference Board.



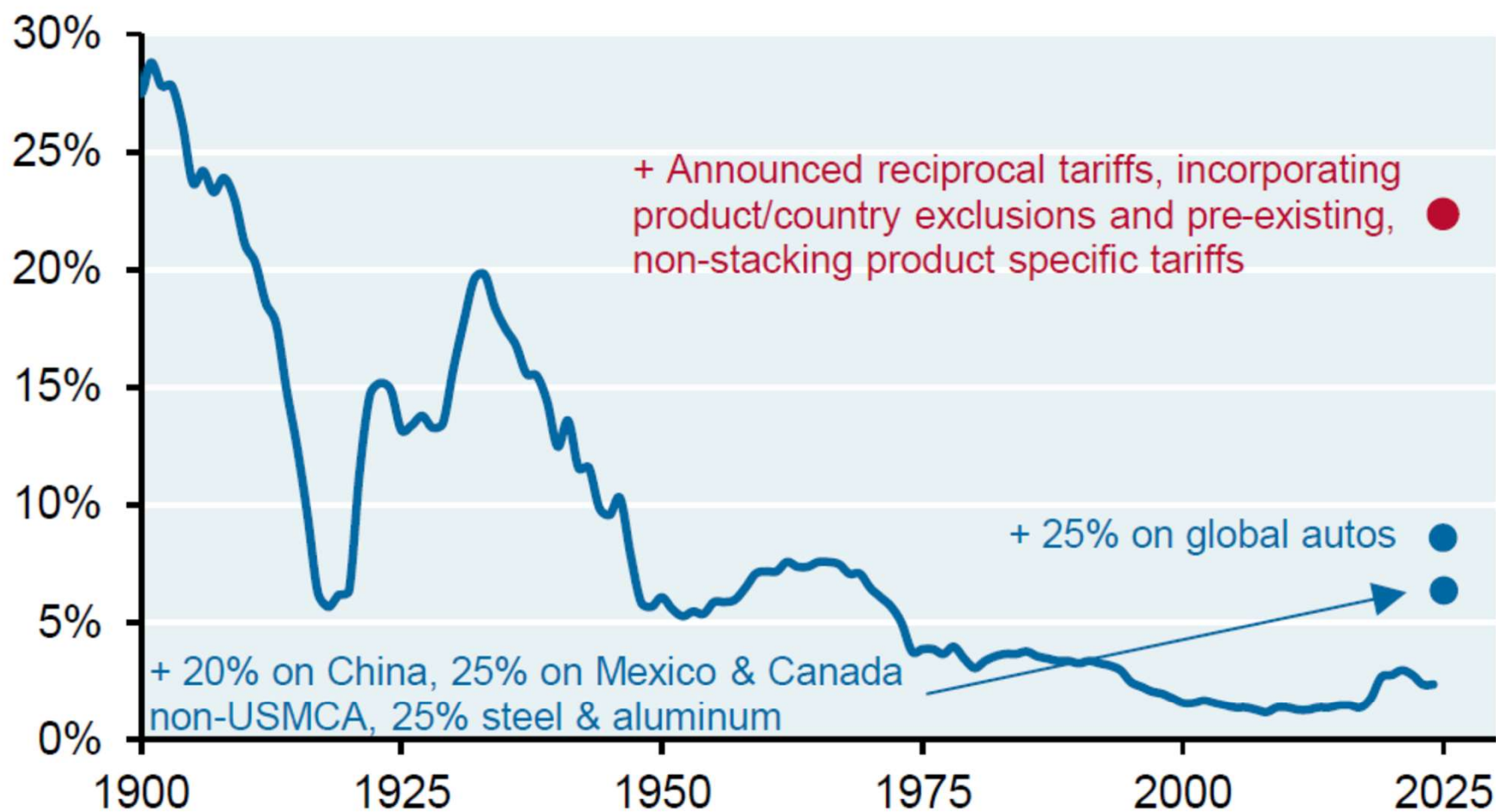




Source: LSEG Datastream and © Yardeni Research. Survey Research Center & Federal Reserve Bank of New York.

## Average tariff rate on all US imports

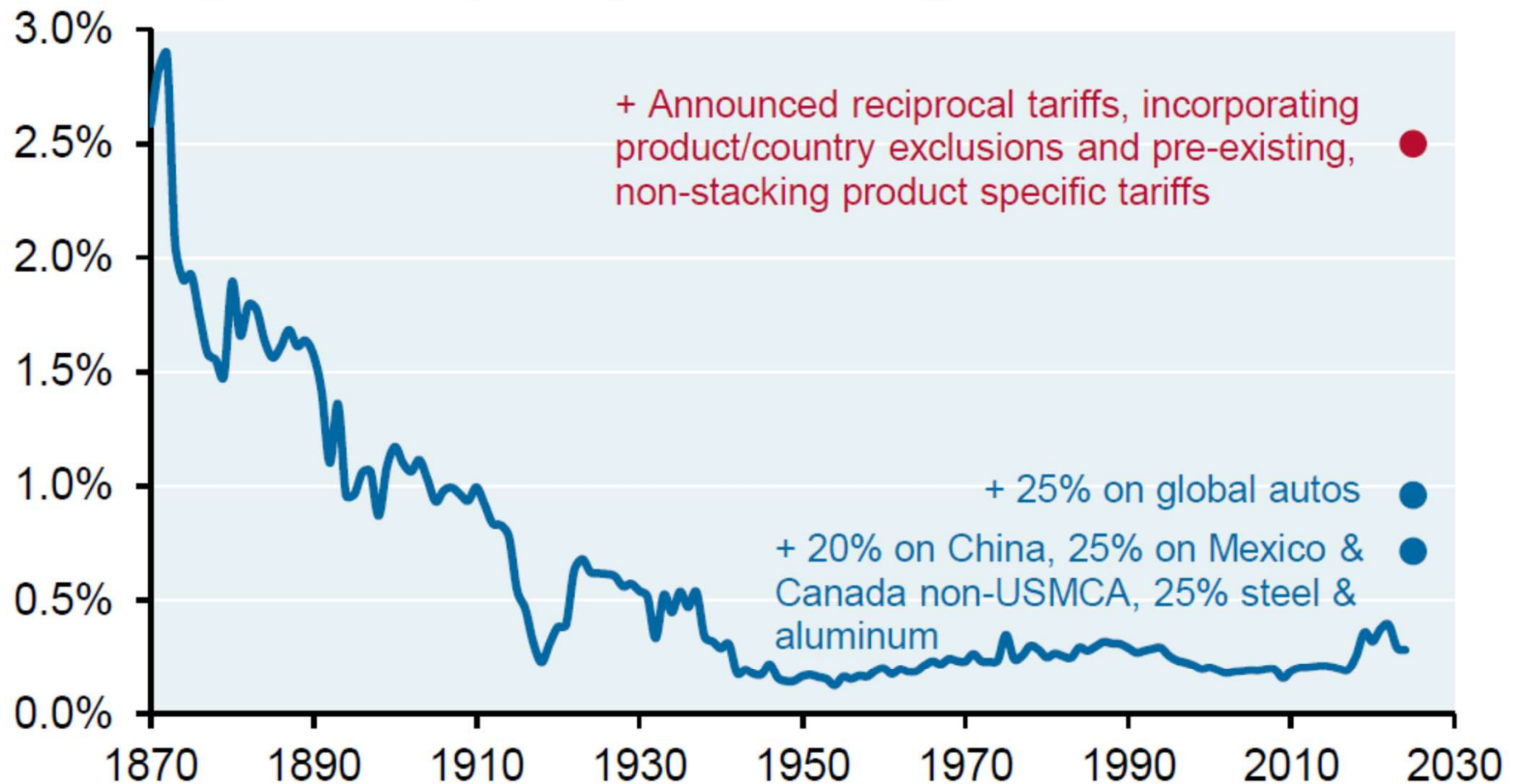
Assuming no elasticity of imports due to higher tariff rates



Source: Tax Foundation, JPM Global Economics, GS Global Investment Research, JPMAM, April 4, 2025

## Tariff duty share of GDP since the Civil War

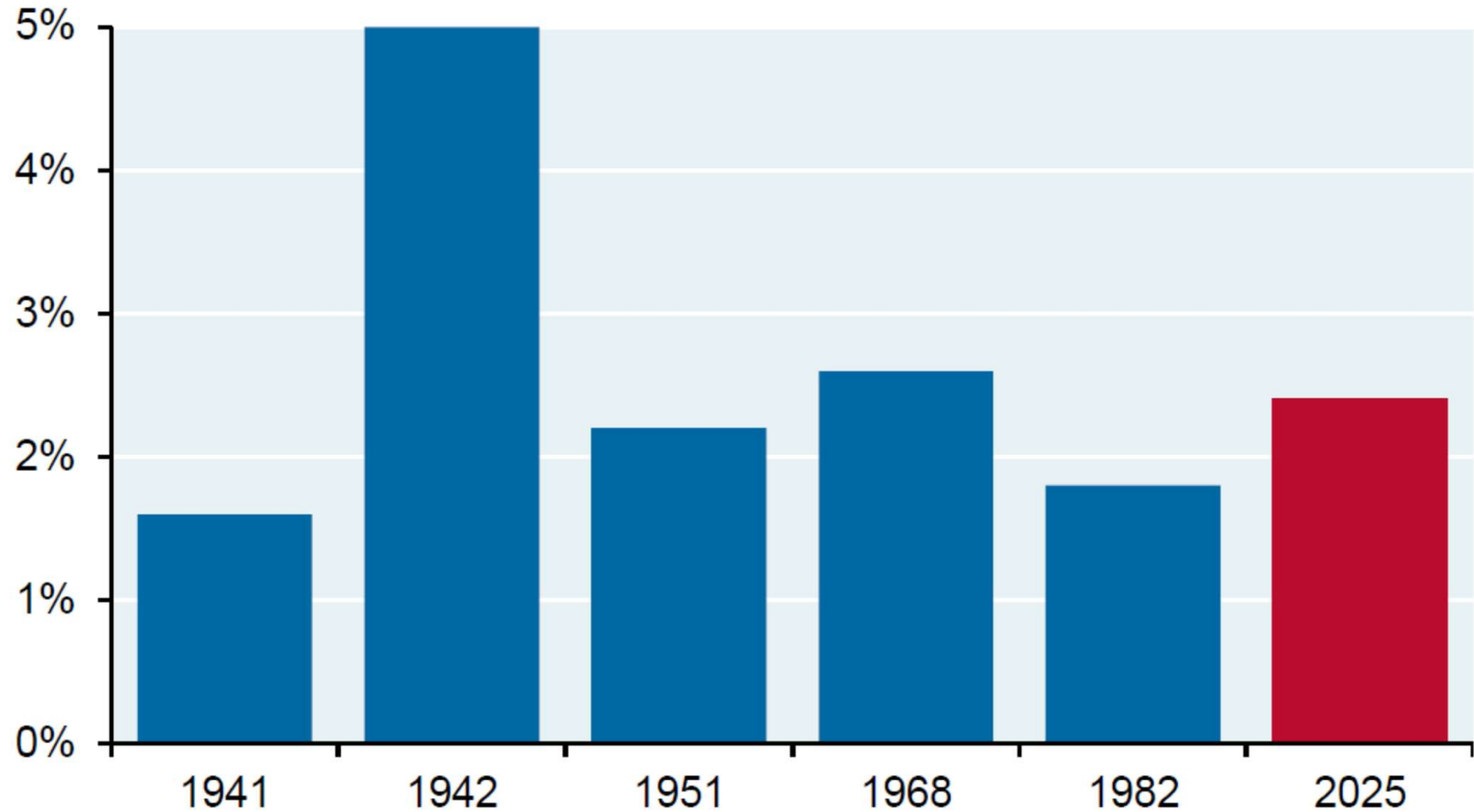
Assuming no elasticity of imports due to higher tariff rates



Source: Tax Foundation, JPM Global Economics, GS Global Investment Research, BEA, Macrohistory, JPMAM, April 4, 2025

## Large US tax hikes

Percent of GDP

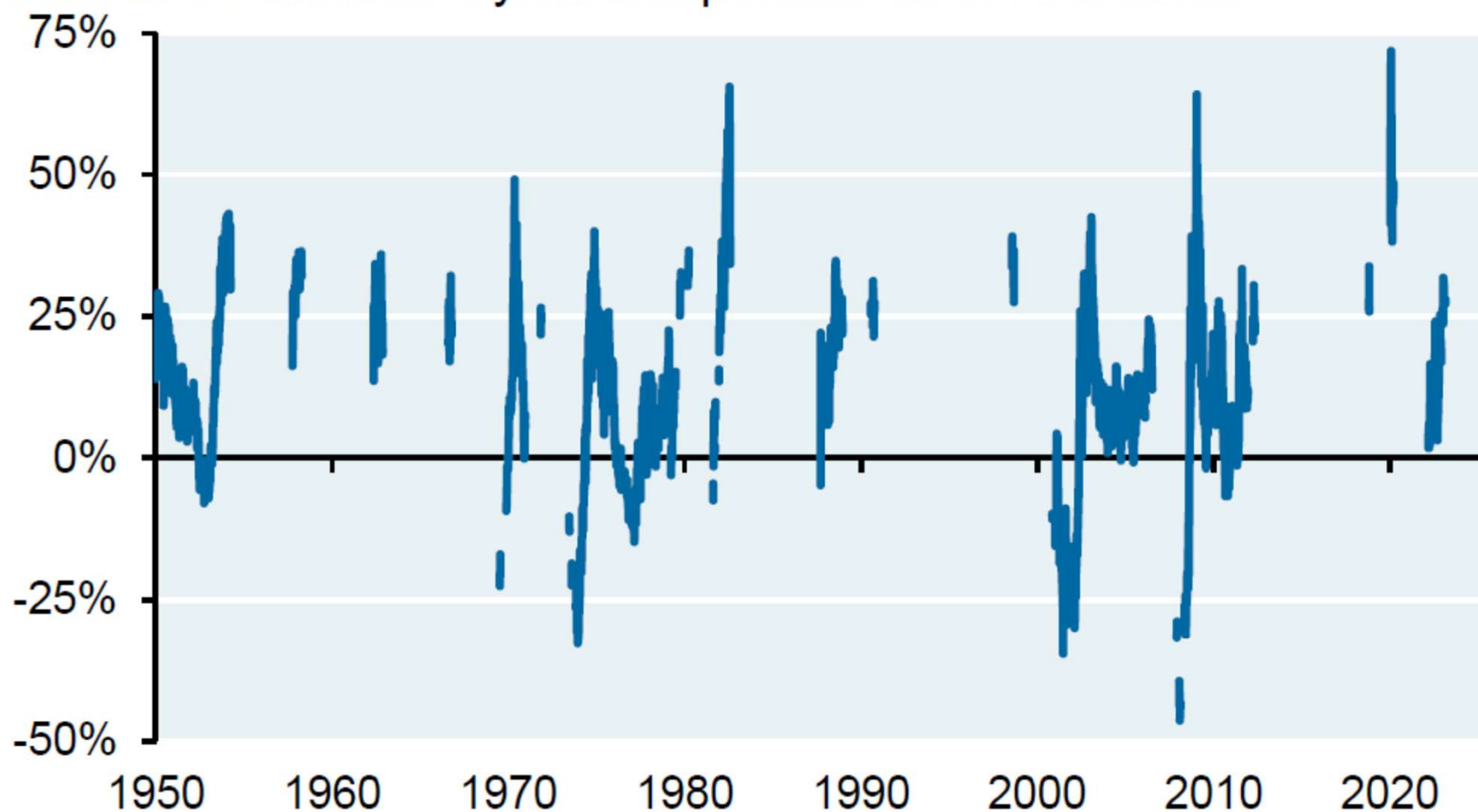


Source: Tax Foundation, J.P. Morgan, April 2025



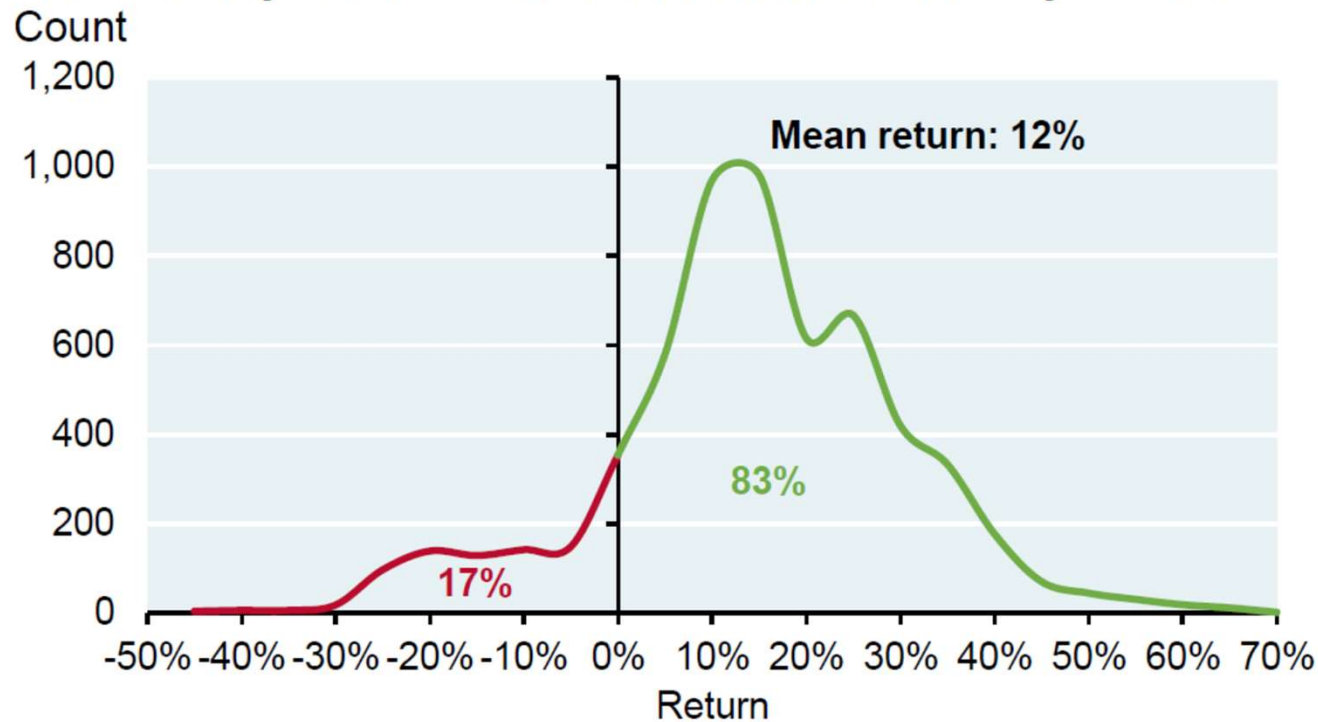
## Realized return by investing in the S&P 500 on each day after a 15% drawdown has already occurred

Percent return after 1 year has passed since drawdown



Source: Bloomberg, JPMAM, April 1, 2025

## Distribution of 1yr returns from investing in the S&P 500 on each day after a 15% drawdown has already occurred



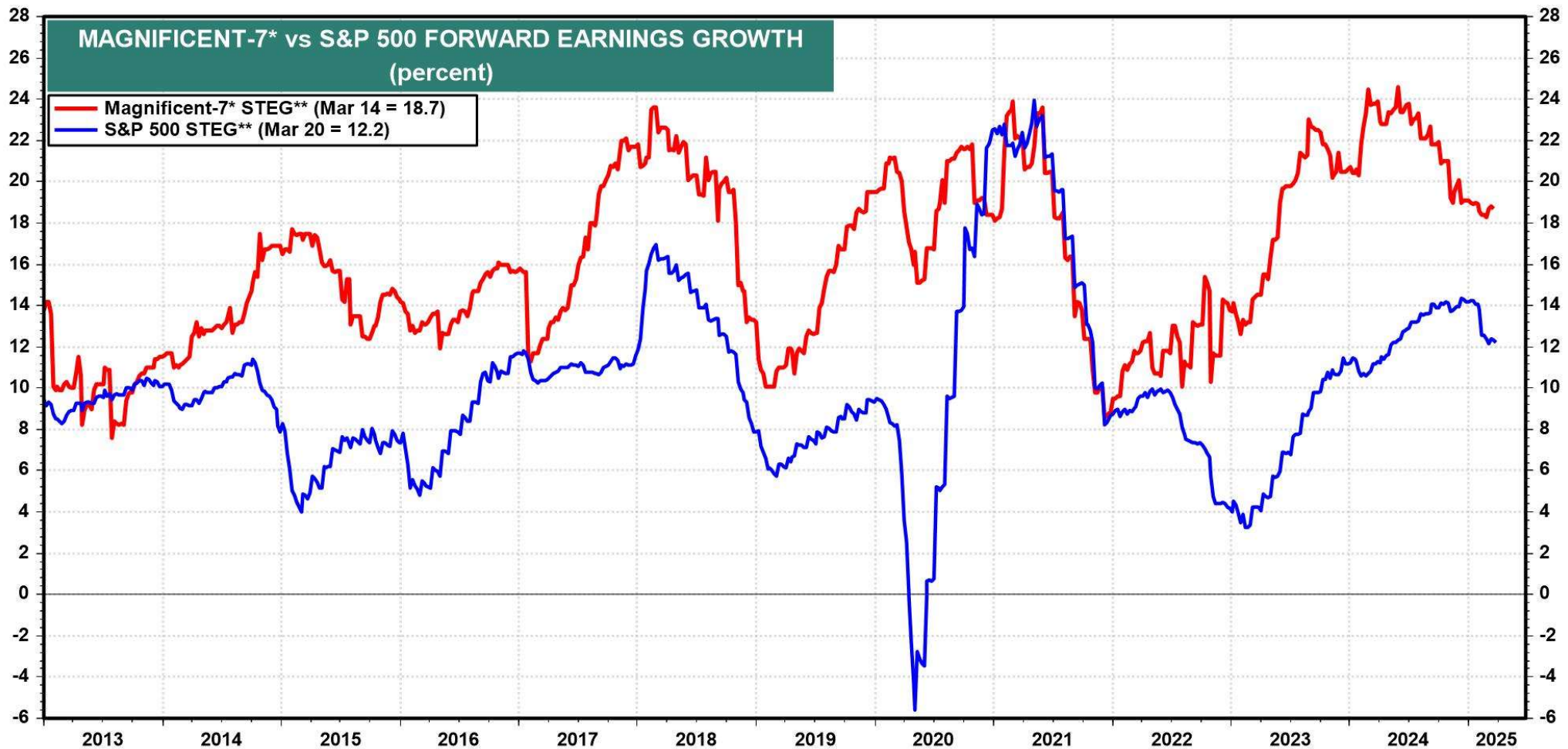
Source: Bloomberg, JPMAM, April 1, 2025

Success Rate	Drawdown
• 83%	15%
• 87%	20%
• 93%	25%



Source: LSEG Datastream and © Yardeni Research. Standard & Poor's.

\* Magnificent-7 stocks include Alphabet (Google), Amazon, Apple, Meta (Facebook), Microsoft, NVIDIA, and Tesla. Both classes of Alphabet are included.

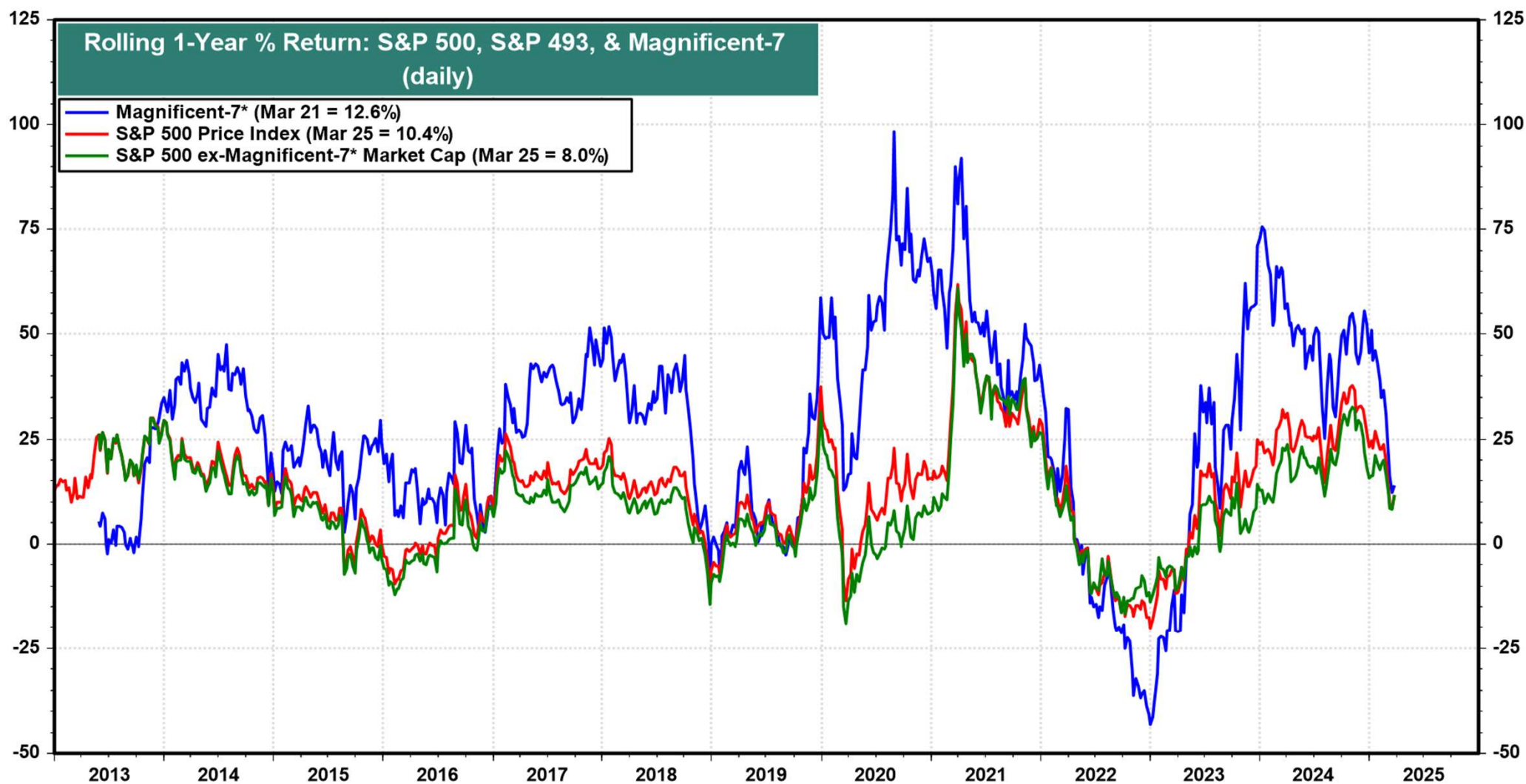


Source: LSEG Datastream and © Yardeni Research. LSEG I/B/E/S.

\* Magnificent-7 stocks include Alphabet (Google), Amazon, Apple, Meta (Facebook), Microsoft, Nvidia, and Tesla. Both classes of Alphabet are included.

\*\* Analysts' consensus expected short-term earnings growth rate over the next 52 weeks.

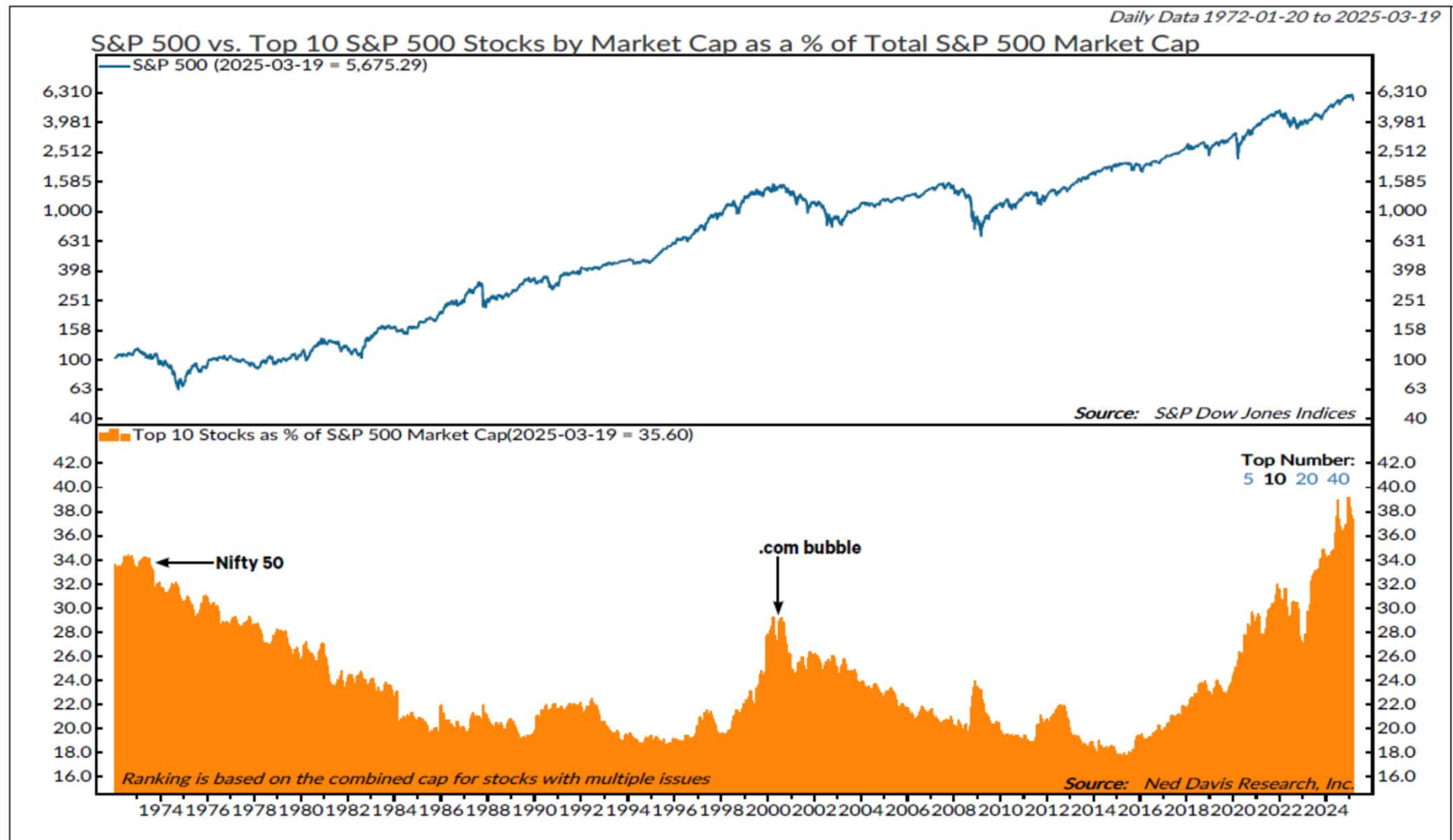




Source: LSEG Datastream and © Yardeni Research. Standard & Poor's.

\* Magnificent-7 stocks include Alphabet (Google), Amazon, Apple, Meta (Facebook), Microsoft, NVIDIA, and Tesla. Both classes of Alphabet are included.

Trees don't grow to the sky.

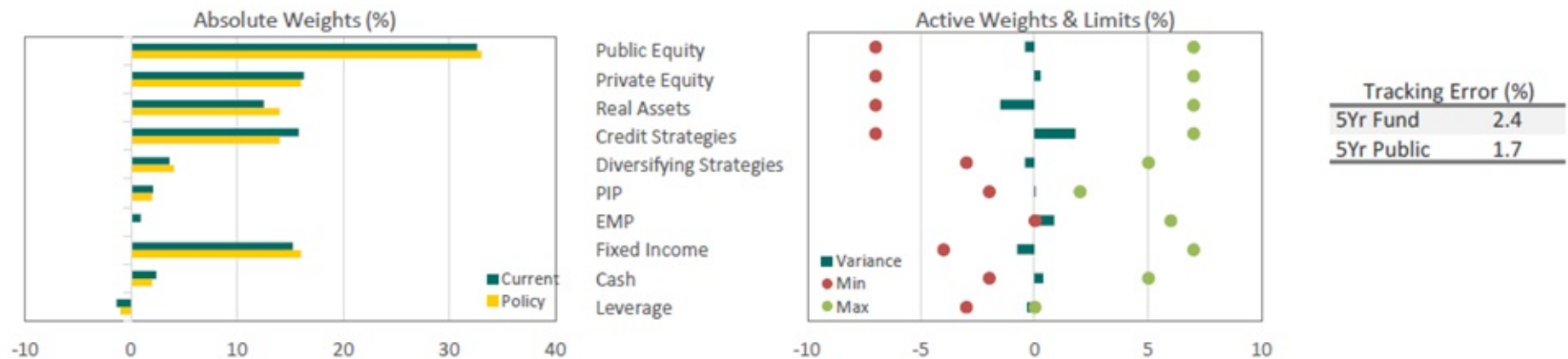


Customized version of [S259A](#)



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# Asset Allocation - December 31, 2024



Asset Class	Billions (\$)	Weights (%)					
		Current	Policy	Variance	Min	Max	Internal
Public Equity	38.1	32.6	33.0	-0.4	26	40	50
Private Equity	19.0	16.3	16.0	0.3	9	23	12
Real Assets	14.6	12.5	14.0	-1.5	7	21	17
Credit Strategies	18.5	15.8	14.0	1.8	7	21	4
Diversifying Strategies	4.2	3.6	4.0	-0.4	1	9	0
Private Investment Partnerships (PIP)	2.4	2.0	2.0	0.0	0	4	0
Exposure Management Portfolio (EMP)	1.0	0.9	0.0	0.9	0	6	0
Fixed Income	17.8	15.2	16.0	-0.8	12	23	95
Cash	2.8	2.4	2.0	0.4	0	7	0
Leverage	-1.6	-1.3	-1.0	-0.3	-3	0	0
<b>Total Fund (Net Market Value)</b>	<b>116.9</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>	<b>n.a.</b>	<b>n.a.</b>	<b>36</b>
<b>Total Fund (Gross Market Value)</b>	<b>118.5</b>	<b>101.3</b>	<b>101.0</b>	<b>0.3</b>	<b>n.a.</b>	<b>n.a.</b>	<b>0</b>

<b>Exposures by Policy Groups</b>							
Public + Private Equity	57.1	48.9	49	-0.1	39	59	n.a.
Fixed Income + Cash	20.6	17.6	18	-0.4	12	27	n.a.

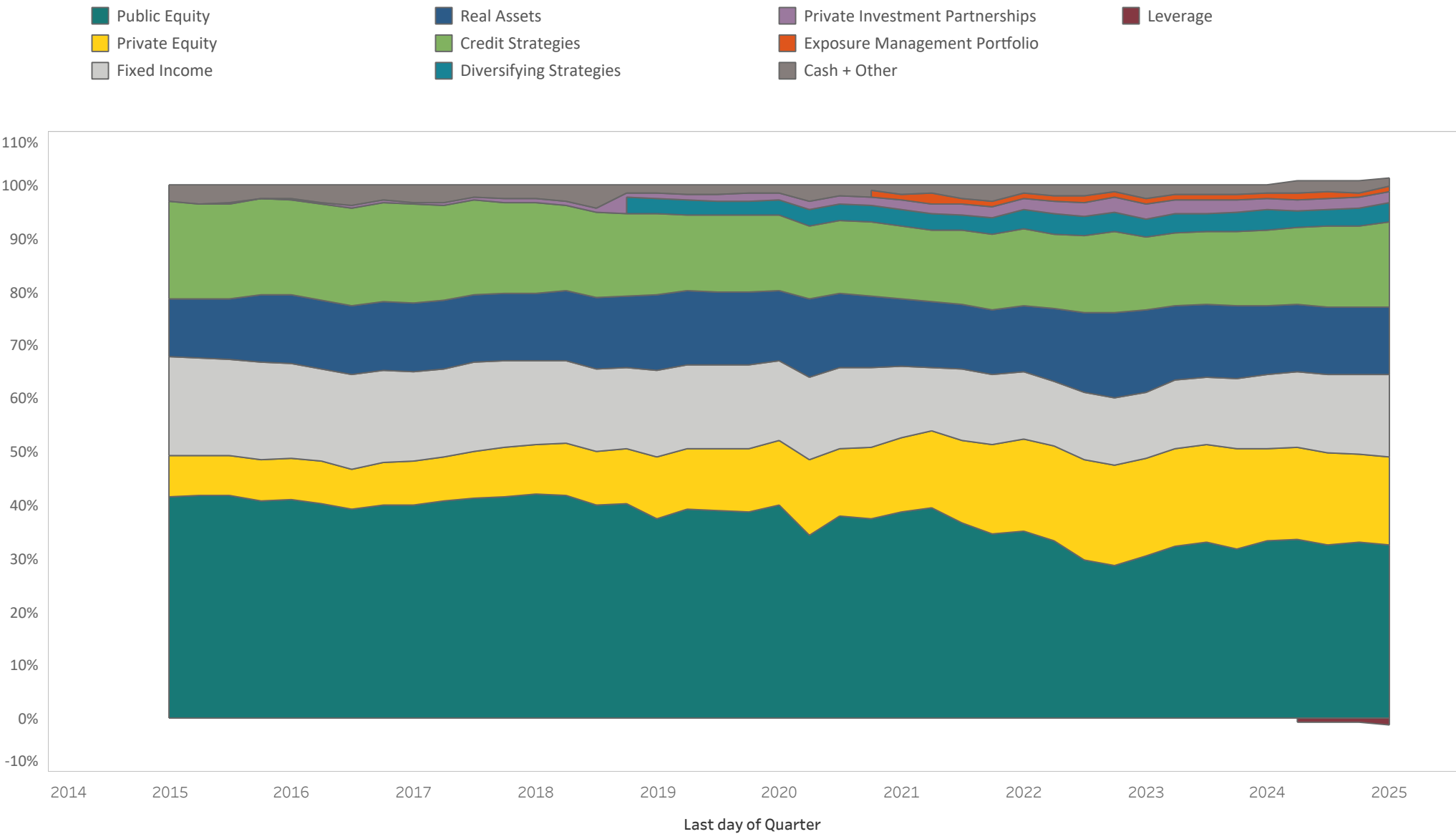
Total Fund includes the following amount held by the Treasurer of VA: \$482 million

The values shown for each asset class on this report may reflect adjustments related to derivative positions in the Rebalance Account, pending transactions and certain accruals, in order to provide a more descriptive representation of the true economic exposure to each asset class (0 adjustments applied)

The VRS Defined Benefit Plan Investment Policy Statement established the total fund tracking error range as the allowable observed tracking error calculated quarterly using 5 years of history as of 12/31/2024.

Differences in totals are due to rounding

# Asset Allocation Rolling 10-Year



As of December 31, 2024



# Performance - December 31, 2024

	(Net of Fees)						Fiscal	Cal	Market Value
	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	YTD	YTD	(\$MM)
<b>Total Public Equity</b>	<b>9.1</b>	<b>10.1</b>	<b>6.2</b>	<b>17.7</b>	<b>-0.8</b>	<b>-3.0</b>	<b>5.7</b>	<b>17.7</b>	<b>38,102</b>
<i>Benchmark</i>	9.1	10.0	5.1	16.0	-1.6	-3.0	5.8	16.0	
<b>Total Private Equity</b>	<b>14.0</b>	<b>14.6</b>	<b>4.2</b>	<b>6.3</b>	<b>1.8</b>	<b>2.1</b>	<b>2.3</b>	<b>6.3</b>	<b>19,029</b>
<i>Benchmark</i>	12.1	13.1	8.2	32.6	6.6	1.9	9.4	32.6	
<b>Total Real Assets</b>	<b>7.7</b>	<b>5.7</b>	<b>3.4</b>	<b>-1.0</b>	<b>0.8</b>	<b>0.7</b>	<b>1.5</b>	<b>-1.0</b>	<b>14,621</b>
<i>Benchmark</i>	5.6	3.3	0.7	-3.3	0.4	0.2	0.5	-3.3	
<b>Total Credit Strategies</b>	<b>6.7</b>	<b>7.7</b>	<b>6.5</b>	<b>10.6</b>	<b>2.6</b>	<b>1.8</b>	<b>5.2</b>	<b>10.6</b>	<b>18,498</b>
<i>Benchmark</i>	5.4	5.0	5.1	8.0	1.1	0.0	4.3	8.0	
<b>Total Diversifying Strategies</b>	<b>n/a</b>	<b>5.0</b>	<b>3.4</b>	<b>6.6</b>	<b>1.3</b>	<b>0.9</b>	<b>1.0</b>	<b>6.6</b>	<b>4,193</b>
<i>Benchmark</i>	n/a	5.3	2.7	7.8	1.8	0.6	3.7	7.8	
<b>Total Private Investment Partnerships</b>	<b>8.7</b>	<b>10.1</b>	<b>7.1</b>	<b>10.9</b>	<b>3.9</b>	<b>3.8</b>	<b>6.2</b>	<b>10.9</b>	<b>2,384</b>
<i>Benchmark</i>	7.6	7.8	5.1	11.1	2.6	0.7	4.6	11.1	
<b>Total Fixed Income</b>	<b>2.3</b>	<b>1.0</b>	<b>-1.6</b>	<b>2.4</b>	<b>-2.8</b>	<b>-1.6</b>	<b>2.4</b>	<b>2.4</b>	<b>17,828</b>
<i>Benchmark</i>	1.5	-0.1	-2.1	1.8	-2.9	-1.6	2.2	1.8	
<b>Total Fund</b>	<b>7.8</b>	<b>8.3</b>	<b>4.4</b>	<b>8.9</b>	<b>0.2</b>	<b>-0.4</b>	<b>3.8</b>	<b>8.9</b>	<b>116,927</b>
<i>VRS Custom Benchmark</i>	7.1	7.1	4.0	11.6	0.4	-0.9	4.7	11.6	

Effective July 2013, the VRS Custom Benchmark is a blend of the Asset Class Benchmarks at policy weights.

Effective January 2024, the Total Fund includes leverage.

The VRS Cash Account, the Treasurer Short-Term Investment Account, the VRS Rebalancing Account, transition activity and accounts with market values of less than \$1 million are included in the Total Fund's market value. Differences in market value totals are due to rounding.

The Performance Report may differ from the VRS Annual Comprehensive Financial Report (ACFR) due to each report's requirements and objectives.

## Leverage Cost Measurement Information

(Information provided for purposes of monitoring the cost effectiveness of leverage implementation.)

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal	Cal	Market Value
							YTD	YTD	(\$MM)
<b>Leverage</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>1.4</b>	<b>0.4</b>	<b>2.9</b>	<b>n/a</b>	<b>(1,555)</b>
<i>Benchmark</i>	n/a	n/a	n/a	n/a	1.3	0.4	2.8	n/a	

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

# Performance Attribution

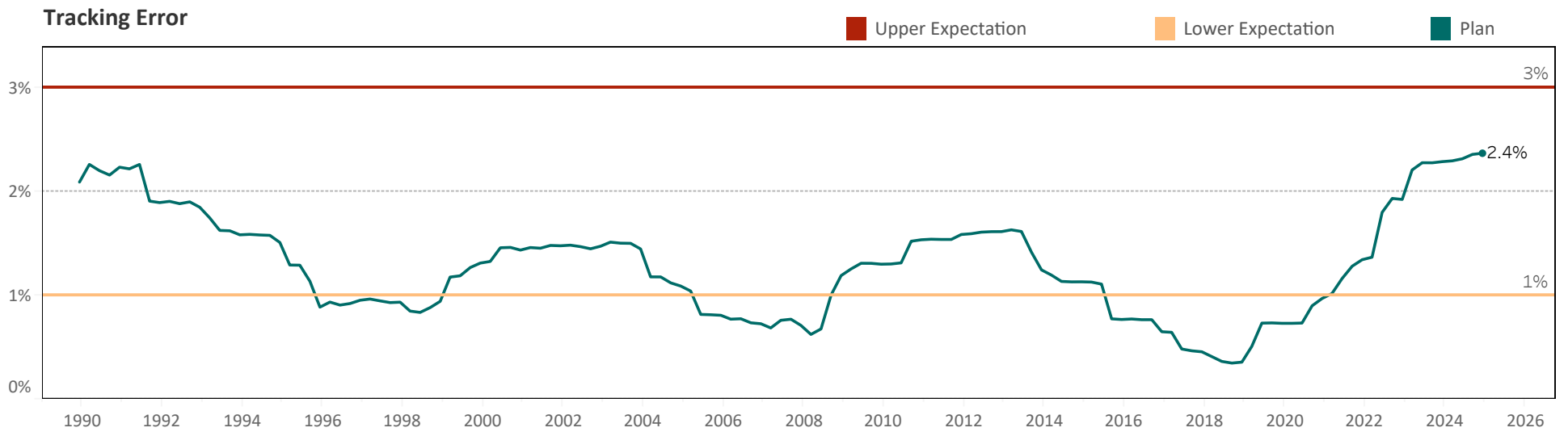
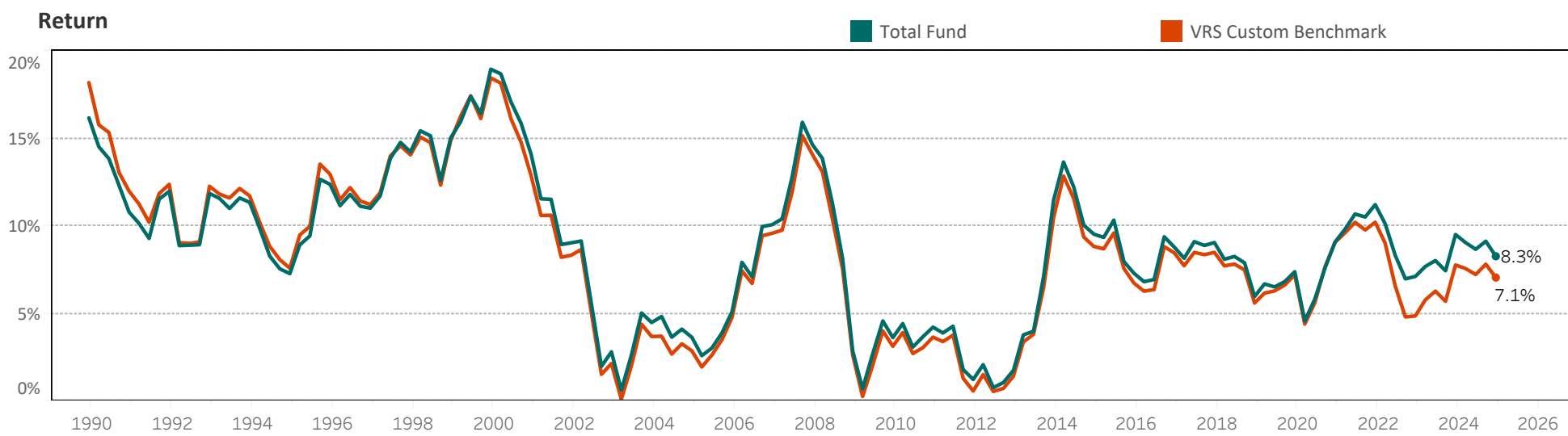
Fiscal Year-To-Date, ending December 31, 2024

	Portfolio		Policy		Attribution		
	Weight	Return	Weight	Return	Allocation	Selection	Total
TOTAL	100.0	3.8	100.0	4.8	0.0	-1.0	-1.0
Public Equity	33.2	5.7	33.0	5.8	0.0	0.0	0.0
Private Equity	16.4	2.3	16.0	9.4	0.0	-1.2	-1.2
Real Assets	12.5	1.5	14.0	0.5	0.1	0.1	0.2
Credit Strategies	15.2	5.2	14.0	4.3	0.0	0.1	0.1
Diversifying Strategies	3.4	1.0	4.0	3.8	0.0	-0.1	-0.1
Private Investment Partnerships	2.1	6.2	2.0	4.6	0.0	0.0	0.0
Exposure Management Portfolio	0.9	-2.0	0.0		-0.1	0.0	-0.1
Fixed Income	15.1	2.4	16.0	2.2	0.0	0.0	0.1
Cash	1.0	0.2	2.0	2.6	0.0	0.0	0.0
Other	1.0	2.3			0.0	0.0	0.0
Leverage	-0.7	2.9	-1.0	2.8	0.0	0.0	0.0

Differences in totals are due to rounding.

In return attribution, **allocation** refers to the value added by having different asset class weights in the portfolio than the asset class weights in the benchmark. **Selection** refers to the value added by holding individual securities or instruments within the asset class in different than benchmark weights.

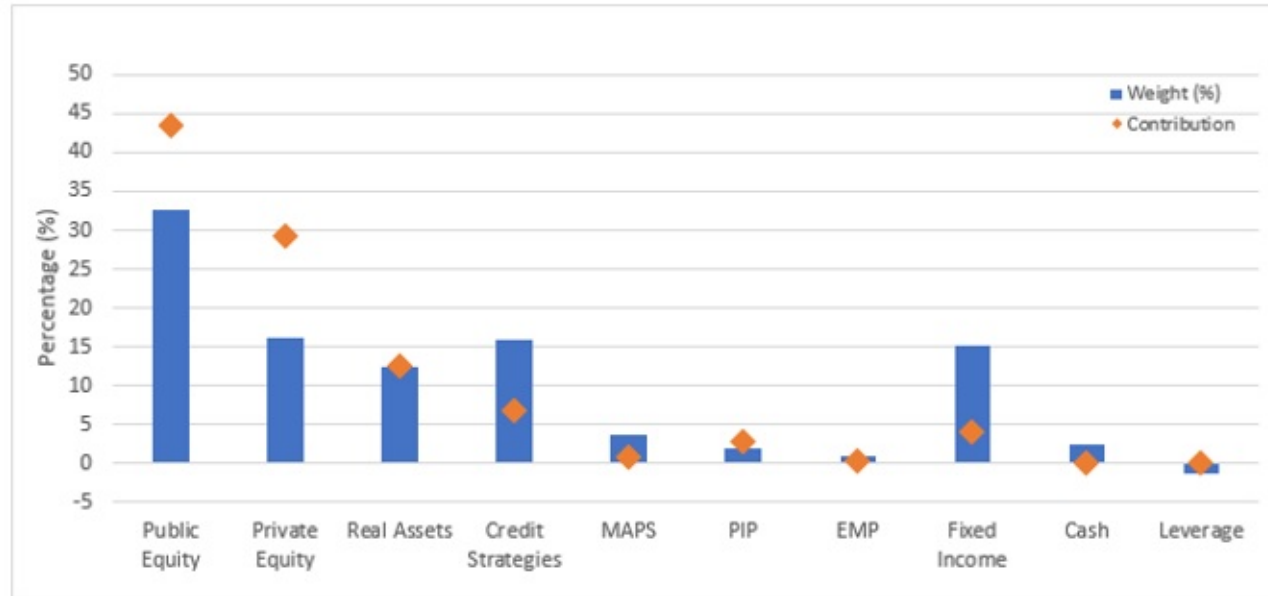
# Total Fund Rolling 5-Year



As of December 31, 2024

The VRS Defined Benefit Plan Investment Policy Statement established the total fund tracking error range as the allowable observed tracking error calculated quarterly using 5 years of history.

# Projected Volatility and Risk Contribution - December 31, 2024

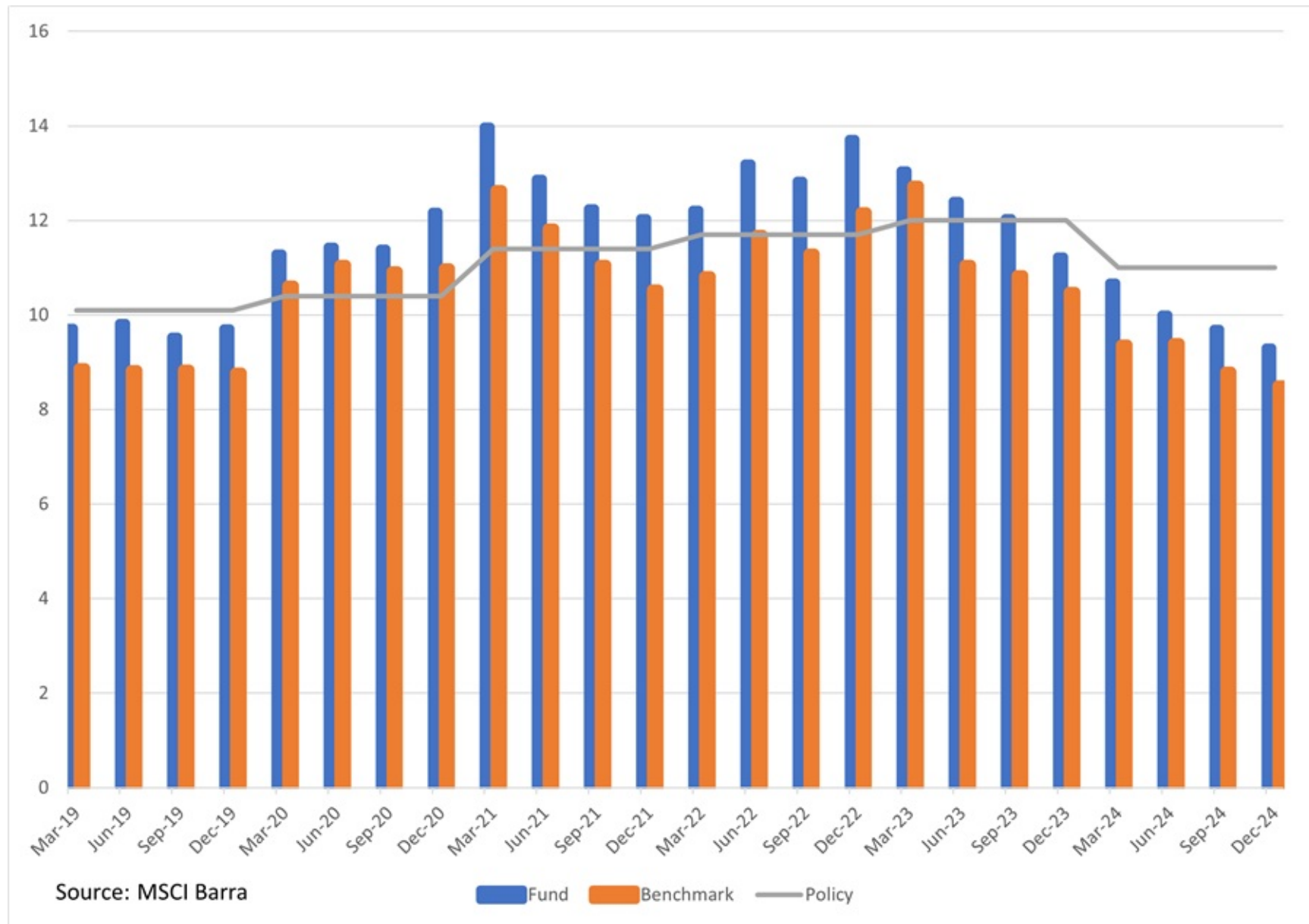


Asset Class	Market Value		Volatility (%)	
	Billions (\$)	Weight (%)	Projected	Contribution
Public Equity	38.1	32.6	13.4	43.4
Private Equity	19.0	16.3	19.0	29.3
Real Assets	14.6	12.5	12.0	12.5
Credit Strategies	18.5	15.8	5.0	6.7
Diversifying Strategies	4.2	3.6	2.5	0.7
Private Investment Partnership (PIP)	2.4	2.0	14.0	2.9
Exposure Management Portfolio (EMP)	1.0	0.9	16.1	0.4
Fixed Income	17.8	15.2	7.0	4.0
Cash	2.8	2.4	0.8	0.1
Leverage	-1.6	-1.3	0.0	0.0
<b>Total Fund (Net Market Value)</b>	<b>116.9</b>	<b>100.0</b>	<b>9.3</b>	<b>100.0</b>

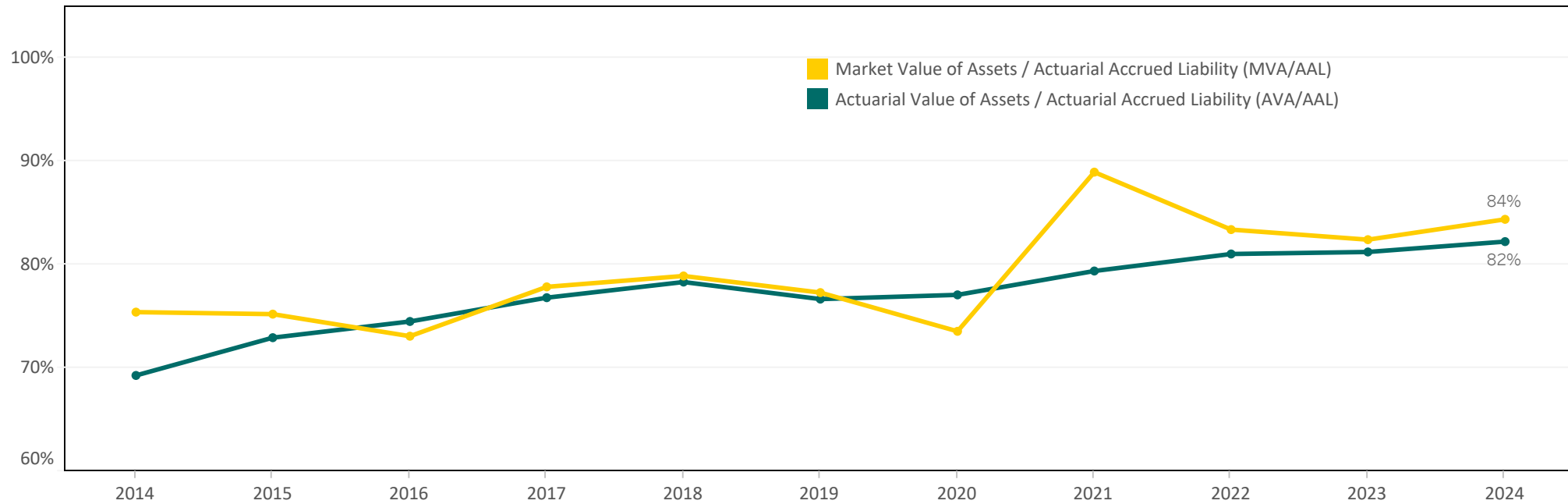
Source: BNY Mellon, MSCI Barra



# VRS Fund Projected Volatility - December 31, 2024



# Funded Status - Assets/Liabilities



As of end of fiscal year.

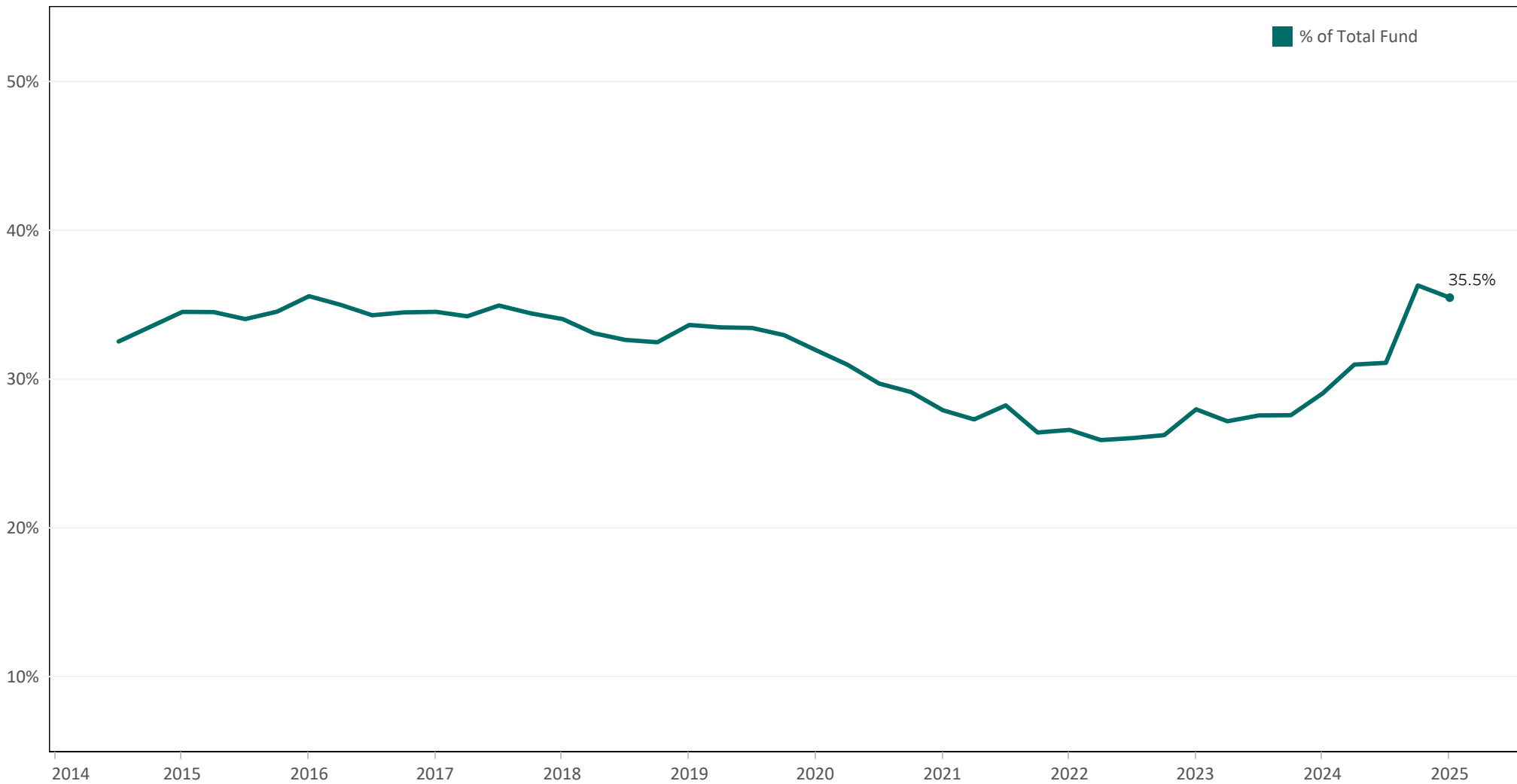
Market Value of Assets (MVA) - The value at which assets could be traded on the market.

Actuarial Value of Assets (AVA) - VRS generally uses a smoothed value of assets for actuarial value. The smoothed value phases-in investment gains and losses over a five year period to reduce volatility.

Actuarial Accrued Liability (AAL) - represents the portion of the Present Value of Future Projected Benefits attributable to service earned (or accrued) as of the valuation date.

Funded Status - The ratio of a plan's current assets to the actuarial accrued liability (AAL). In financial reporting of public pension plans, funded status is reported using the MVA and the liabilities as of the reporting date. When referring to funding of the plan, the funded status equals the actuarial value of assets divided by the actuarial accrued liability as of the valuation date.

# Internally Managed Assets



As of 9/30/2024, the percentage includes both internally managed Public Market Assets and Private Market Assets where VRS has full discretion.

**PERFORMANCE SUMMARY**  
**Rolling Periods Ending**  
**February 28, 2025**



**TOTAL FUND PERFORMANCE**  
*(Net of Fees)*

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
<b>Total Public Equity</b>	<b>9.0</b>	<b>13.1</b>	<b>10.1</b>	<b>15.8</b>	<b>0.8</b>	<b>-0.1</b>	<b>9.8</b>	<b>3.9</b>	<b>37,996</b>
<i>Benchmark</i>	9.0	12.8	8.9	14.8	0.0	-0.2	9.1	3.1	
<b>Total Private Equity</b>	<b>14.2</b>	<b>14.6</b>	<b>4.2</b>	<b>6.5</b>	<b>2.2</b>	<b>0.0</b>	<b>2.4</b>	<b>0.0</b>	<b>19,093</b>
<i>Benchmark</i>	12.0	12.5	8.3	28.1	4.5	4.6	12.1	2.5	
<b>Total Real Assets</b>	<b>7.6</b>	<b>5.9</b>	<b>3.6</b>	<b>-0.9</b>	<b>0.7</b>	<b>0.0</b>	<b>1.5</b>	<b>0.0</b>	<b>14,861</b>
<i>Benchmark</i>	5.5	3.5	0.0	-0.6	0.8	0.3	1.2	0.7	
<b>Total Credit Strategies</b>	<b>6.6</b>	<b>7.8</b>	<b>7.1</b>	<b>10.5</b>	<b>2.4</b>	<b>0.3</b>	<b>5.8</b>	<b>0.6</b>	<b>18,860</b>
<i>Benchmark</i>	5.3	5.4	6.1	8.5	1.4	0.4	5.8	1.4	
<b>Total Diversifying Strategies</b>	<b>n/a</b>	<b>6.3</b>	<b>4.7</b>	<b>5.3</b>	<b>2.7</b>	<b>0.9</b>	<b>2.8</b>	<b>1.7</b>	<b>4,686</b>
<i>Benchmark</i>	n/a	6.0	4.4	7.6	1.7	0.5	4.9	1.1	
<b>Total Private Investment Partnerships</b>	<b>8.7</b>	<b>10.1</b>	<b>7.1</b>	<b>10.9</b>	<b>3.8</b>	<b>0.0</b>	<b>6.2</b>	<b>0.0</b>	<b>2,335</b>
<i>Benchmark</i>	7.8	7.6	5.2	11.2	2.2	1.8	6.3	1.6	
<b>Total Fixed Income</b>	<b>2.5</b>	<b>0.9</b>	<b>0.6</b>	<b>6.9</b>	<b>1.4</b>	<b>2.3</b>	<b>5.5</b>	<b>3.0</b>	<b>18,365</b>
<i>Benchmark</i>	1.6	-0.2	0.0	6.1	1.1	2.1	5.0	2.7	
<b>Total Fund</b>	<b>7.8</b>	<b>9.4</b>	<b>6.1</b>	<b>9.1</b>	<b>1.4</b>	<b>0.4</b>	<b>5.7</b>	<b>1.9</b>	<b>118,196</b>
<i>VRS Custom Benchmark</i>	7.1	8.1	5.7	11.8	1.4	1.1	7.1	2.2	

Effective July 2013, the VRS Custom Benchmark is a blend of the Asset Class Benchmarks at policy weights.

Effective January 2024, the Total Fund includes leverage.

The VRS Cash Account, the Treasurer Short-Term Investment Account, the VRS Rebalancing Account, transition activity and accounts with market values of less than \$1 million are included in the Total Fund's market value. Differences in market value totals are due to rounding.

The Performance Report may differ from the VRS Annual Comprehensive Financial Report (ACFR) due to each report's requirements and objectives.

**Leverage Cost Measurement Information**

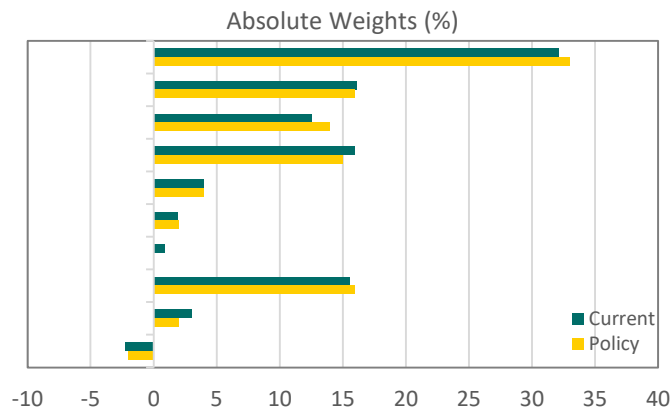
*(Information provided for purposes of monitoring the cost effectiveness of leverage implementation.)*

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
<b>Leverage</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>5.9</b>	<b>1.3</b>	<b>0.4</b>	<b>3.8</b>	<b>0.9</b>	<b>(2,658)</b>
<i>Benchmark</i>	n/a	n/a	n/a	5.7	1.2	0.4	3.7	0.8	

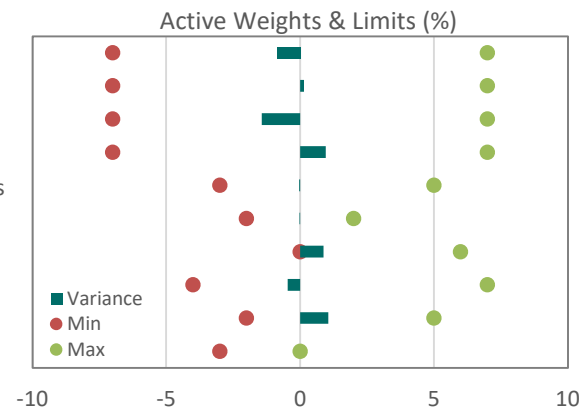
Effective January 2024, the Leverage Custom Benchmark is the Secured Overnight Financing Rate (SOFR) plus 50 basis points per annum.

# Asset Allocation Report

February 28, 2025



Public Equity  
Private Equity  
Real Assets  
Credit Strategies  
Diversifying Strategies  
PIP  
EMP  
Fixed Income  
Cash  
Leverage



Tracking Error (%)	
5Yr Fund	2.4
5Yr Public	1.7

Asset Class	Billions (\$)	Weights (%)					
		Current	Policy	Variance	Min	Max	Internal
Public Equity	38.0	32.1	33.0	-0.9	26	40	51
Private Equity	19.1	16.2	16.0	0.2	9	23	12
Real Assets	14.9	12.6	14.0	-1.4	7	21	16
Credit Strategies	18.9	16.0	15.0	1.0	8	22	4
Diversifying Strategies	4.7	4.0	4.0	0.0	1	9	0
Private Investment Partnerships (PIP)	2.3	2.0	2.0	0.0	0	4	0
Exposure Management Portfolio (EMP)	1.0	0.9	0.0	0.9	0	6	0
Fixed Income	18.4	15.5	16.0	-0.5	12	23	95
Cash	3.6	3.1	2.0	1.1	0	7	0
Leverage	-2.7	-2.2	-2.0	-0.2	-3	0	0
<b>Total Fund (Net Market Value)</b>	<b>118.2</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>	<b>n.a.</b>	<b>n.a.</b>	<b>36</b>
Total Fund (Gross Market Value)	120.9	102.2	102.0	0.2	n.a.	n.a.	0

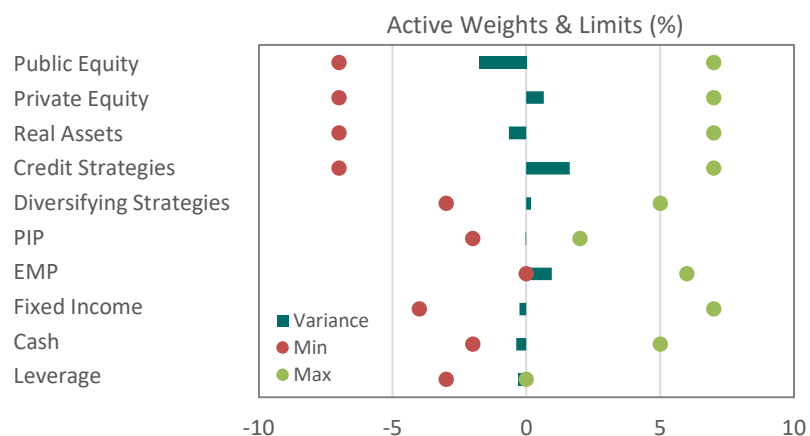
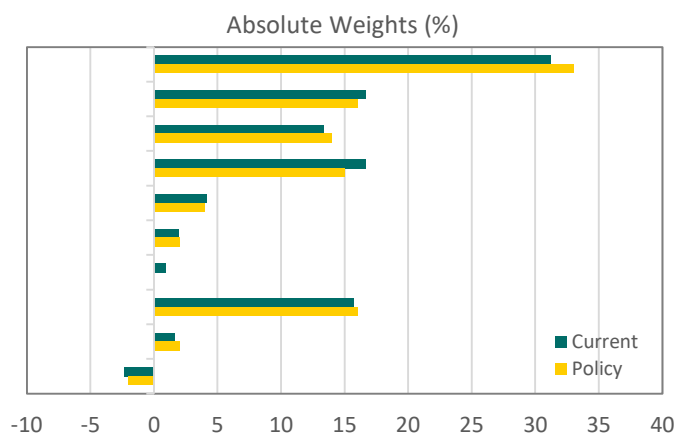
## Exposures by Policy Groups

Public + Private Equity	57.1	48.3	49	-0.7	39	59	n.a.
Fixed Income + Cash	22.0	18.6	18	0.6	12	27	n.a.

- Total Fund includes the following amount held by the Treasurer of VA: \$ 73 million
- The values shown for each asset class on this report may reflect adjustments related to derivative positions in the Rebalance Account, pending transactions and certain accruals, in order to provide a more descriptive representation of the true economic exposure to each asset class (0 adjustments applied)
- The VRS Defined Benefit Plan Investment Policy Statement established the total fund tracking error range as the allowable observed tracking error calculated quarterly using 5 years of history as of 12/31/2024.
- Differences in totals are due to rounding

# Daily Asset Allocation Report

April 9, 2025



Tracking Error (%)	
5Yr Fund	2.4
5Yr Public	1.7

Asset Class	Billions (\$)	Weights (%)					
		Current	Policy	Variance	Min	Max	Internal
Public Equity	36.0	31.2	33.0	-1.8	26	40	52
Private Equity	19.2	16.7	16.0	0.7	9	23	12
Real Assets	15.4	13.4	14.0	-0.6	7	21	17
Credit Strategies	19.1	16.6	15.0	1.6	7	21	5
Diversifying Strategies	4.8	4.2	4.0	0.2	1	9	0
Private Investment Partnerships (PIP)	2.3	2.0	2.0	0.0	0	4	0
Exposure Management Portfolio (EMP)	1.1	0.9	0.0	0.9	0	6	0
Fixed Income	18.1	15.7	16.0	-0.3	12	23	96
Cash	1.9	1.6	2.0	-0.4	0	7	0
Leverage	-2.7	-2.3	-2.0	-0.3	-3	0	0
<b>Total Fund (Net Market Value)</b>	<b>115.2</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>	<b>n.a.</b>	<b>n.a.</b>	<b>36</b>
Total Fund (Gross Market Value)	117.9	102.3	102.0	0.3	n.a.	n.a.	0

## Exposures by Policy Groups

Public + Private Equity	55.2	47.9	49	-1.1	39	59	n.a.
Fixed Income + Cash	20.0	17.4	18	-0.6	12	27	n.a.

- Total Fund includes the following amount held by the Treasurer of VA: \$ 107 million
- The values shown for each asset class on this report may reflect adjustments related to derivative positions in the Rebalance Account, pending transactions and certain accruals, in order to provide a more descriptive representation of the true economic exposure to each asset class (0 adjustments applied)
- The VRS Defined Benefit Plan Investment Policy Statement established the total fund tracking error range as the allowable observed tracking error calculated quarterly using 5 years of history as of 12/31/2024
- Differences in totals are due to rounding

Program	Action	Effective Date	Commitment/ Current Value	Funding/ Defunding Period	Description
Private Equity	Hired	01/29/2025	€140 Million	6 years	<b>CVC Strategic Opportunities III</b> – A longer term private equity fund focused on stable, compounding businesses with lower targeted risk and return than traditional buyout funds.
Private Equity	Hired	02/13/2025	\$225 Million	5 years	<b>Bain Capital XIV</b> – A primarily US focused large market buyout fund concentrated on complex situations in five primary sectors: consumer, financial & business services, healthcare, industrials, and technology.
Private Equity	Hired	03/28/2025	\$200 Million	3 years	<b>Audax Private Equity Solutions SMA</b> – A mid-hold equity hybrid strategy of investing in existing private equity backed companies looking for additional capital to accelerate growth.
Real Assets	Hired	02/28/2025	\$250 Million	3 years	<b>Hamilton Lane VA Real Estate SMA</b> – A separate account focused on investing with smaller, real estate fund managers on a global basis.
Real Assets	Hired	04/07/2025	\$100 Million	5 years	<b>True Green Capital Fund V, LP</b> – A closed-end infrastructure fund investing in renewable energy assets in the US and Europe.
Credit Strategies	Hired	12/24/2024	\$275 Million	4 years	<b>Ares Special Opportunities Fund III</b> – A fund that will provide middle market companies with flexible capital solutions, primarily in the form of debt and structured equity.
Credit Strategies	Hired	02/07/2025	\$200 Million	4 years	<b>HPS Asset Value III</b> – A fund that will provide equipment lease financing on mission critical assets in Europe and the US.
Credit Strategies	Hired	04/03/2025	\$275 Million	4 years	<b>HPS SIP VI</b> – A fund that will provide mezzanine and other subordinate financing to large corporate borrowers.

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

Investment Program	Activity	Manager Name	Description	VRS Action
Public Equity	On-Going Monitoring of Current VRS Manager	Ariel Global (minority and women-owned firm) <sup>1</sup>	Current VRS global equity manager.	Staff performed on-going due diligence and monitoring of current VRS manager during the quarter.
Public Equity	Manager Meeting	Nipun Capital (minority and women-owned firm) <sup>1</sup>	Manager focused on emerging market strategies.	Staff had an update call to discuss their company and strategy.
Public Equity	Manager Meeting	RTW (minority and women-owned firm) <sup>1</sup>	Manager focused on multiple strategies within the healthcare market.	Staff had an introductory meeting to discuss their company and strategy.
Public Equity and Credit Strategies	Periodic Update Communication with Consultant	N/A	Aon Hewitt Investment Consulting is the consultant used by these two investment programs.	Staff had periodic communication to review the DIME monitoring activity done on behalf of VRS as well as industry trends.
Credit Strategies	Communication with Manager	Amateras AEA (minority and women-owned firm) <sup>1</sup>	Manager is raising first private credit fund focused on junior debt and equity.	Staff reviewed materials associated with the company fundraise.
Credit Strategies	Communication with Manager	Clearlake Capital (minority-owned firm) <sup>1</sup>	Manager is a structured credit investing platform focused on subordinated debt.	Staff reviewed materials associated with the fund.
Credit Strategies	Communication with Manager	Corsair (minority-owned firm) <sup>1</sup>	Manager focused on asset-backed credit strategies.	Staff reviewed materials associated with the strategy.
Credit Strategies	Communication with Manager	Hudson Cove Capital Management (minority-owned firm) <sup>1</sup>	Manager is raising an opportunistic credit fund.	Staff reviewed materials associated with the fund.

April 16, 2025 Board Meeting



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

Investment Program	Activity	Manager Name	Description	VRS Action
Credit Strategies	Communication with Manager	I Squared Capital (minority-owned firm) <sup>1</sup>	Manager is raising a global infrastructure credit fund.	Staff reviewed materials associated with the fund.
Credit Strategies	Communication with Manager	Stillwater Asset (women-owned firm) <sup>1</sup>	Manager is raising a fund focused on real estate lending.	Staff had a meeting to discuss the company strategy.
Credit Strategies	Communication with Manager	SVP Global (minority-owned firm) <sup>1</sup>	Manager is raising a special situations/distressed fund.	Staff reviewed materials associated with the fund.
Credit Strategies	Communication with Manager	Sycamore Tree Capital Partners (minority-owned firm) <sup>1</sup>	Manager is raising the second vintage of their CLO fund.	Staff reviewed materials associated with the fund.
Credit Strategies	Communication with Manager	TerraCotta Group (minority and women-owned firm) <sup>1</sup>	Manager focused on middle-market distressed CRE credit opportunities.	Staff reviewed materials and received updates from manager.
Credit Strategies	Communication with Manager	Tetragon Credit Partners (women-owned firm) <sup>1</sup>	Manager is a structured credit investing platform focused on CLOs and CLO equity.	Staff reviewed materials related to the manager.
Credit Strategies	Communication with Manager	TLG Capital (minority-owned firm) <sup>1</sup>	Manager is raising an impact investing fund focused in Africa.	Staff reviewed materials associated with the fund.
Credit Strategies	Communication with Manager	VWH Capital Management (minority and women-owned firm) <sup>1</sup>	Manager is raising a fund focused on residential mortgages.	Staff had communication with manager and received an update.

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

Investment Program	Activity	Manager Name	Description	VRS Action
Credit Strategies and Diversifying Strategies	Periodic Communication with Fund-of-Funds Manager	N/A	Aksia is the consultant used by these two investment programs.	Staff had periodic communication to review DIME and other emerging managers along with other opportunities more broadly.
Fixed Income	On-Going Monitoring of Current VRS Manager	Payden & Rygel (women-owned firm) <sup>1</sup>	Current VRS emerging market debt manager.	Staff had various interactions with the manager during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Artemis Real Estate Partners (women-owned firm) <sup>1</sup>	Current VRS real estate manager.	Staff performed on-going due diligence and monitoring during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Capri EGM (minority-owned firm) <sup>1</sup>	Current VRS real estate manager.	Staff performed on-going due diligence and monitoring during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Grain Management (minority-owned firm) <sup>1</sup>	Current VRS infrastructure manager.	Staff performed on-going due diligence and monitoring during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Pantheon Ventures	Current VRS infrastructure and natural resource fund-of-funds manager.	Staff had periodic communication with the manager to discuss potential DIME firms in their market.
Real Assets	On-Going Monitoring of Current VRS Manager	Pritzker Realty Group (women-owned firm) <sup>1</sup>	Current VRS real estate manager.	Staff performed on-going due diligence and monitoring during the quarter.

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

Investment Program	Activity	Manager Name	Description	VRS Action
Real Assets	On-Going Monitoring of Current VRS Manager	Sheridan Production Partners (women-owned firm) <sup>1</sup>	Current VRS natural resources manager.	Staff performed on-going due diligence and monitoring during the quarter.
Real Assets	Virtual Manager Meeting	Ambrose Property Group (minority-owned firm) <sup>1</sup>	Manager focused on industrial real estate development in the U.S.	Staff held an update meeting with this manager.
Real Assets	Virtual Manager Meeting	AoRa Development (minority-owned firm) <sup>1</sup>	Manager focused on sustainable investing in office to multifamily/mixed-use conversions primarily in New York and San Francisco.	Staff held and update meeting with this manager.
Real Assets	Virtual Manager Meeting	Brasa Capital Management (minority-owned firm) <sup>1</sup>	A western U.S. focused opportunistic real estate manager.	Staff held an update meeting with this manager.
Real Assets	Manager Meeting	Charger Ventures (women-owned firm) <sup>1</sup>	Manager focused on multifamily investments in the Mid-Atlantic and Northeast U.S.	Staff held an update meeting with this manager.
Real Assets	Virtual Manager Meeting	Palistar Digital (minority-owned firm) <sup>1</sup>	North American focused, middle-market digital infrastructure firm.	Staff held an update meeting with this manager.
Private Equity	Virtual Manager Meeting	Bharcap Partners (minority-owned firm) <sup>1</sup>	A private equity firm investing in businesses across the financial services sector.	Staff had communication with the manager during the quarter.

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

Investment Program	Activity	Manager Name	Description	VRS Action
Private Equity	Virtual Manager Meeting	Bregal Sagemount (minority-owned firm) <sup>1</sup>	Manager focused on debt of small enterprises.	Staff had communication with the manager during the quarter.
Private Equity	Virtual Manager Meeting	K1 Investment (minority-owned firm) <sup>1</sup>	Manager focused on enterprise software companies.	Staff had communication with the manager during the quarter.
Private Equity	Virtual Manager Meeting	Palistar Capital (minority-owned firm) <sup>1</sup>	North American focused, middle market digital infrastructure firm.	Staff had communication with the manager during the quarter.
Private Equity	Virtual Manager Meeting	Riverwood Capital (minority-owned firm) <sup>2</sup>	Growth firm investing in technology and technology-enabled companies seeking to scale globally.	Staff had communication with the manager during the quarter.
Private Equity	Virtual Manager Meeting	WndrCo (minority-owned firm) <sup>1</sup>	A venture capital investment firm focused on future of work software, consumer technology, and cybersecurity.	Staff had communication with the manager during the quarter.
Private Equity	Virtual Manager Meeting	Invictus Growth Management (minority owned firm) <sup>1</sup>	A growth fund investing in cloud software, financial technology, and cybersecurity.	Staff had communication with the manager during the quarter.
Private Equity	Virtual Manager Meeting	IMB Partners (minority owned firm) <sup>1</sup>	Firm focused on acquiring growth middle market companies concentrating on government contracting and utility/infrastructure services.	Staff had communication with the manager during the quarter.
Private Equity	Manager Meeting	K1 Investment Management (minority-owned firm) <sup>1</sup>	Firm investing in enterprise software companies.	Staff had a meeting with the manager during the quarter.

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

Investment Program	Activity	Manager Name	Description	VRS Action
Private Equity	Manager Meeting	Palladium Equity Partners (minority-owned firm) <sup>1</sup>	A middle market buyout fund investing in founder owned rollups with Hispanic themes.	Staff had a meeting with the manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Asia Alternatives (minority and women-owned firm) <sup>1</sup>	A fund of funds manager focusing on alternative investments in Asia.	Staff had a meeting with the manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Clearlake Capital Partners (minority-owned firm) <sup>1</sup>	Large market buyout fund targeting companies across various industry sectors.	Staff had a meeting with the manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	MBK Partners (minority-owned firm) <sup>1</sup>	A North Asia private equity firm.	Staff had a meeting with the manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Veritas Capital (minority-owned firm) <sup>2</sup>	Middle market buyout fund targeting primarily technology or technology-enabled solutions to government.	Staff had a meeting with the manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Vista Equity Partners (minority-owned firm) <sup>1</sup>	Large market buyout fund targeting enterprise software companies.	Staff had a meeting with the manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	SIRIS Capital (minority-owned firm) <sup>1</sup>	A middle market buyout firm making control investments in data/telecommunications, technology, and technology-enabled business service companies in North America.	Staff had a meeting with the manager during the quarter.

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

Investment Program	Activity	Manager Name	Description	VRS Action
Private Equity	On-Going Monitoring of Current VRS Manager	Sycamore Partners (minority-owned firm) <sup>1</sup>	Middle market buyout fund targeting consumer and retail companies.	Staff had a meeting with the manager during the quarter.
Private Equity	Periodic Update Communication with Consultant	N/A	Grosvenor Capital Management Customized Fund Investment Group is the consultant used by Private Equity.	Staff had periodic communication to review the DIME monitoring activity done on behalf of VRS as well as industry trends.

Index:

1 – The manager is considered Diverse Investment Management Engagement (DIME) under the Commonwealth of Virginia definition, which defines ownership threshold of 51% or more.

2 – The manager is considered DIME under the definition that considers industry best practices and defines an ownership threshold of greater than or equal to 33% and less than 51% of firm ownership or carry.



VRS Investment Department  
Quarterly External Investment Manager Referral Report  
Activity for Quarter Ending March 31, 2025

Investment Program	Type of Contact	Investment Manager Name	Official Making Referral	VRS Action
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No activity to report this quarter.

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## Report

The Defined Contribution Plans Advisory Committee (DCPAC) convened on March 6, 2025, at 1:00 p.m. and took up the following matters:

### **WELCOME AND INTRODUCTION**

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

### **APPROVAL OF MINUTES**

The Committee approved the minutes of its December 5, 2024, meeting.

### **ADMINISTRATION**

#### **DC Plans Overview**

Staff provided an overview of the DC Plans, as well as an update on administrative reports for the fourth quarter of 2024. An overview of assets and accounts across the various defined contribution plans. Staff advised the Committee that total Plan accounts have increased 1% since September and assets have surpassed \$10 billion.

Staff provided an update on the federal SECURE 2.0 legislation. Specifically, staff covered Section 603, which requires that age-based catch-up contributions made by employees earning wages greater than \$145,000 in the previous year be made as Roth contributions. This provision will be effective in January 2026. Staff also provided an update on Unforeseen Emergency Withdrawals (UEW). UEW provisions were added to the Hybrid 457 Plan with self-certification, and self-certification provisions were also added to the Commonwealth 457 plan.

Staff provided an overview of ORPHE plans for the fourth quarter of 2024. Total Plan accounts increased slightly and assets were down 1%. Staff also provided a preview of upcoming ORPHE events.

#### **DC Plans Recordkeeper Transition Update**

Staff confirmed the completion of the transition to Voya, which occurred in early January. Voya staff provided statistics on the transition including balances, record counts, participant and employer contact, and communications. Voya staff also provided an update on January 2025 activity. This included milestones, participant contact, advice activity, plan balances, and distributions. Voya acknowledged that like in any complex transition, some employers and participants encountered certain challenges, specifically response times related to higher-than-normal call volume and timeliness with employer postings. Voya's senior leadership acknowledged the difficulties and committed to correcting these areas. VRS staff will continue to closely monitor participant and employer experience. An update on the status of VOYA's corrective actions will be provided at the next DCPAC meeting.

## **INVESTMENTS**

### Performance Reports

Staff provided an overview of the December 31, 2024, performance reports to the DCPAC, including the unbundled DC plans investment options and the bundled TIAA investment menu for ORPHE.

## **OTHER BUSINESS**

### State Legislative Update

Staff provided an overview of VRS-related legislation presented during the 2025 regular session of the General Assembly. Staff noted that the General Assembly reconvenes on April 2<sup>nd</sup> to address the Governor's vetoes and amendments.

## **DISCUSSION OF NEW IDEAS**

No new ideas were brought before the Committee.

## **2025 MEETINGS**

Dr. Gooden confirmed the remaining DCPAC meeting dates in 2025, all at 1:00 p.m.:

- Thursday, May 15<sup>th</sup>
- Thursday, September 11<sup>th</sup>
- Thursday, December 4<sup>th</sup>

There was no other business to come before the Committee.

Submitted to the Board of Trustees on April 16, 2025.

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Susan T. Gooden, Chair  
Defined Contribution Plans Advisory Committee

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## Report

The VRS Benefits and Actuarial Committee met on April 15, 2025, and took up the following matters:

### **APPROVAL OF MINUTES**

The Committee approved the minutes of its February 6, 2025, meeting.

### **EXPERIENCE STUDY**

The study is required by statute to be performed at least once every four years to validate assumptions and make necessary adjustments based on a comparison of actual VRS experience to the expected experience based on current assumptions. The study reviews economic and demographic assumptions, actuarial methods, and funding policies providing gain/loss analysis over the prior four years as well as cost impact analysis of any proposed changes. In addition, the study considers recommendations made in the quadrennial actuarial audit conducted by the Joint Legislative Audit and Review Commission's actuary.

Becky Stouffer, Jim Anderson and Jennifer Cagasan from the VRS plan actuary, Gabriel, Roeder, Smith & Company presented the results from the Experience Study and provided recommendations and cost impacts associated with the proposed changes.

GRS will provide an abbreviated presentation of the recommendations to the Board of Trustees.

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

***Request for Board Action:*** *The VRS Board of Trustees approves its plan actuary's recommendations as presented in the Experience Study (7/1/2020 to 06/30/2024) to change various assumptions, including: certain demographic assumptions regarding mortality rates, retirement rates, withdrawal rates, disability rates, salary increases and total payroll growth; method changes regarding the determination of normal cost; and various other post-employment benefits (OPEB) specific assumptions related to the Line of Duty Plan, Health Insurance Credit program, and the VSDP and VLDP disability programs.*

Submitted to the Board of Trustees on April 16, 2025.

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John M. Bennett, Chair  
Benefits and Actuarial Committee



## Approval of Actuarial Assumptions based on July 1, 2020, to June 30, 2024, Experience Study.

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### Requested Action

The VRS Board of Trustees approves its plan actuary's recommendations as presented in the Experience Study (7/1/2020 to 6/30/2024) to change various assumptions, including: certain demographic assumptions regarding mortality rates, retirement rates, withdrawal rates, disability rates, salary increases and total payroll growth; method changes regarding the determination of normal cost; and various other post-employment benefits (OPEB) specific assumptions related to the Line of Duty Plan, Health Insurance Credit program, and the VSDP and VLDP disability programs.

### Description/Background

The *Code of Virginia* requires the Board to cause an actuarial investigation to be made of the actual experience under the Retirement System at least once in each four-year period. The Board is also required to cause actuarial gain/loss analyses to be made in conjunction with each actuarial valuation of the System. Finally, pursuant to such investigations and analyses, the Board is required to periodically revise the actuarial assumptions used in the computation of employer contribution rates.

Accordingly, following its review of the findings of the Experience Study for the period of July 1, 2020, to June 30, 2024, the Board approves the assumption changes for various retirement and OPEB programs administered by VRS recommended by Gabriel, Roeder, Smith & Company, the VRS plan actuary.

The experience study for the period of July 1, 2020, to June 30, 2024, was conducted as required by the provisions of *Code of Virginia* § 51.1-124.22(A)(4). A copy of the Experience Study Summary is attached.

### Rationale for Requested Action

The *Code of Virginia* requires the Board to obtain an actuarial experience study every four years. The VRS plan actuary, Gabriel, Roeder, Smith & Company, conducted the study and recommended assumption changes based on the findings of the July 1, 2020, to June 30, 2024, Experience Study.

### Authority for Requested Action

The Board's authority for this action is contained in *Code of Virginia* § 51.1-124.22(A)(4).

The above action is approved.

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A. Scott Andrews, Chair  
VRS Board of Trustees

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Date



## July 1, 2020 – June 30, 2024 Experience Study Results

**Presented by: Becky Stouffer, ASA, MAAA, FCA; Jennifer Cagasan, EA, MAAA  
Jim Anderson, FSA, EA, MAAA, FCA**

April 16, 2025





# EXECUTIVE SUMMARY



# Experience Study Overview

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- Industry best practice
- Part of VRS' fiduciary duty and GRS' actuarial duty
- Reviews actual experience vs. actuarial assumptions
- VRS Statute (§ 51.1-124.22.A.4) requires preparation of an experience study at least once every four years
  - Current study covers the period 7/1/2020 – 6/30/2024

# Experience Study Overview (Concluded)

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- As part of the study, VRS and GRS review:
  - Economic assumptions, such as the investment rate of return, price inflation and wage inflation
  - Demographic assumptions, such as mortality, rate of retirement, disability, etc.
  - Plan specific assumptions relating to GLI, HIC, LODA, VSDP and VLDP
  - VRS Funding and Amortization Policies

# Experience Study Process

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## Analysis

- Based upon experience during 2020-2024
- Compared trends with prior studies
- Some assumptions were set using “liability weighting” – instead of counting people to set assumptions, we counted liabilities

## Philosophy

### **Do not overreact to results from any single experience period**

- It is better to make a series of small changes in the right direction, rather than a single large change that could turn out, in hindsight, to be in the wrong direction

## Assumptions

- Demographic assumptions typically recommended by actuary and adopted by Board
- Economic assumptions – actuary recommends range of reasonable economic alternatives and Board adopts based on input from VRS Investment team, actuary and advisors

# Setting Assumptions in Light of COVID

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- All analysis is based on data through June 30, 2024
  - (COVID impacts nearly all study years)
- Generally two schools of thought:

COVID is a one-time shock and things will return to ‘normal’

- Future long-term trends and assumptions will align with prior trends

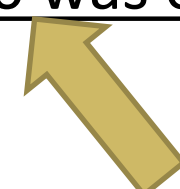
COVID will have a long-lasting impact for many years to come

- Will need several years of data to collect relevant information
- Could have an impact on all actuarial assumptions (not just mortality), but trends will emerge over time

# Setting Mortality Assumptions in Light of COVID

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- General recommendation – do not overreact, wait until we have better information
- Too early to tell long-term mortality impacts
  - Some arguments for shorter lifespans
  - Some arguments for longer lifespans
  - Wait for additional data to discern COVID impact
- January 2025: Society of Actuaries releases Pub-2016 tables
  - In light of COVID, data contributed for calendar year 2020 was excluded from the study (used only 2013-2019)
  - PUB-2016 tables are not finalized or published yet





# Setting Demographic Assumptions in Light of COVID

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- Other demographic assumptions
- COVID impacted every aspect of life
  - Dramatic change to the workplace
    - The “Great Resignation” impacted retirements, terminations and disabilities
    - Remote work arrangements
    - Other
- In general, due to COVID influence, GRS moved about 25% (vs. usual 50%) of the way to the observed experience for most assumptions

# Magnitude of Plan Cost Impact

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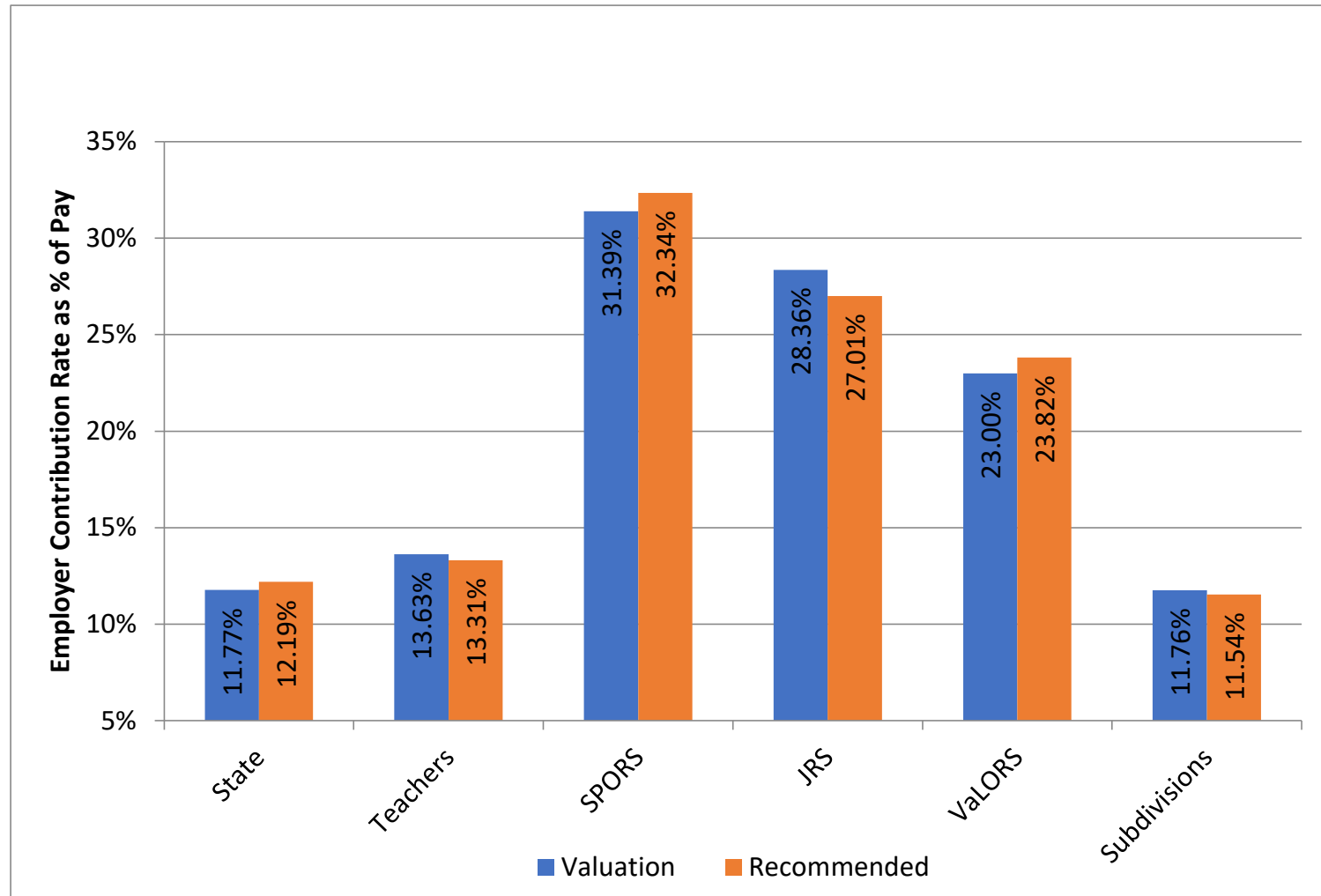
- This experience study investigates countless assumptions for VRS Plans
  - Pension: State, Teachers, VaLORS, SPORS, JRS, Political Subdivisions
  - HIC: State, Teachers, Pol. Subs, Constit. Officers, Social Services, Registrars
  - VSDP: State, SPORS, VaLORS
  - VLDP: Teachers, Political Subdivisions
  - LODA: State, VaLORS, SPORS, Political Subdivisions
- Major assumptions driving plan costs: Investment and Mortality
  - No change to investment return recommended
  - Minor changes to mortality projection scale
- As a result: The cost impact – normal cost, accrued liabilities, contribution – is very minor compared to prior experience studies



# EFFECT ON VALUATION RESULTS



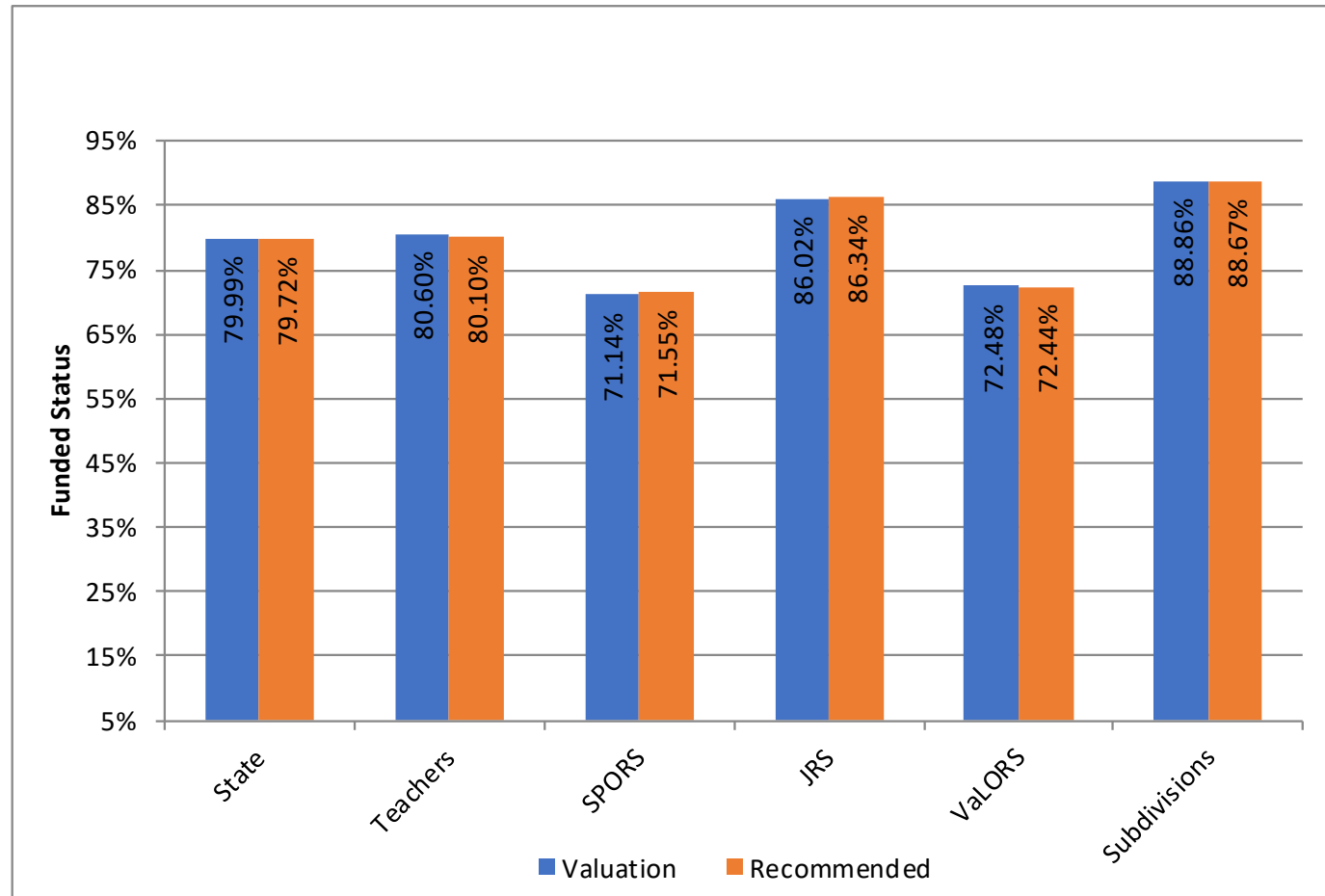
# Actuarially Determined Employer Contribution Rates – Pension Plans



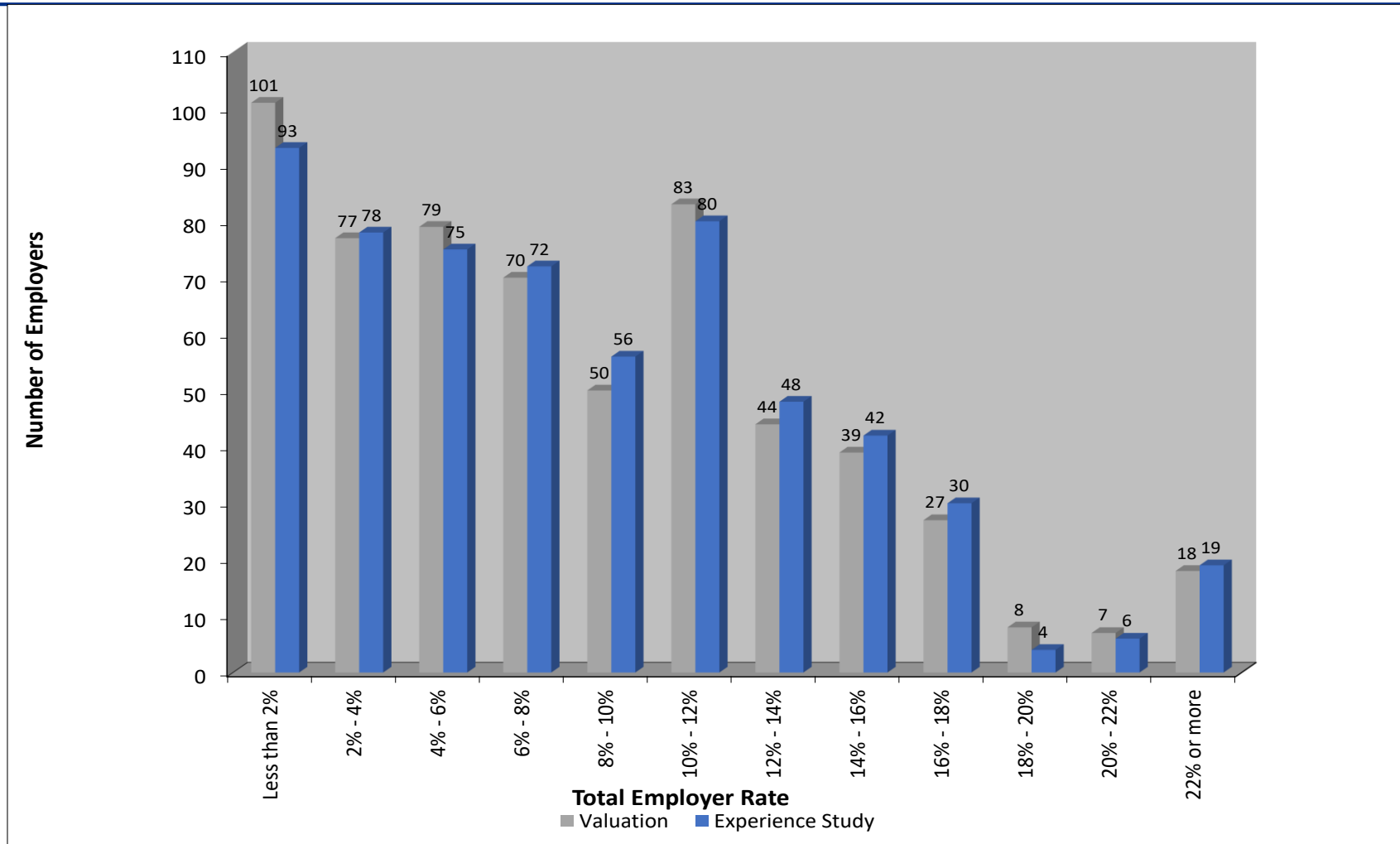
Recommended Experience Study ADEC Rates are illustrative.



# Funded Status – Pension Plans

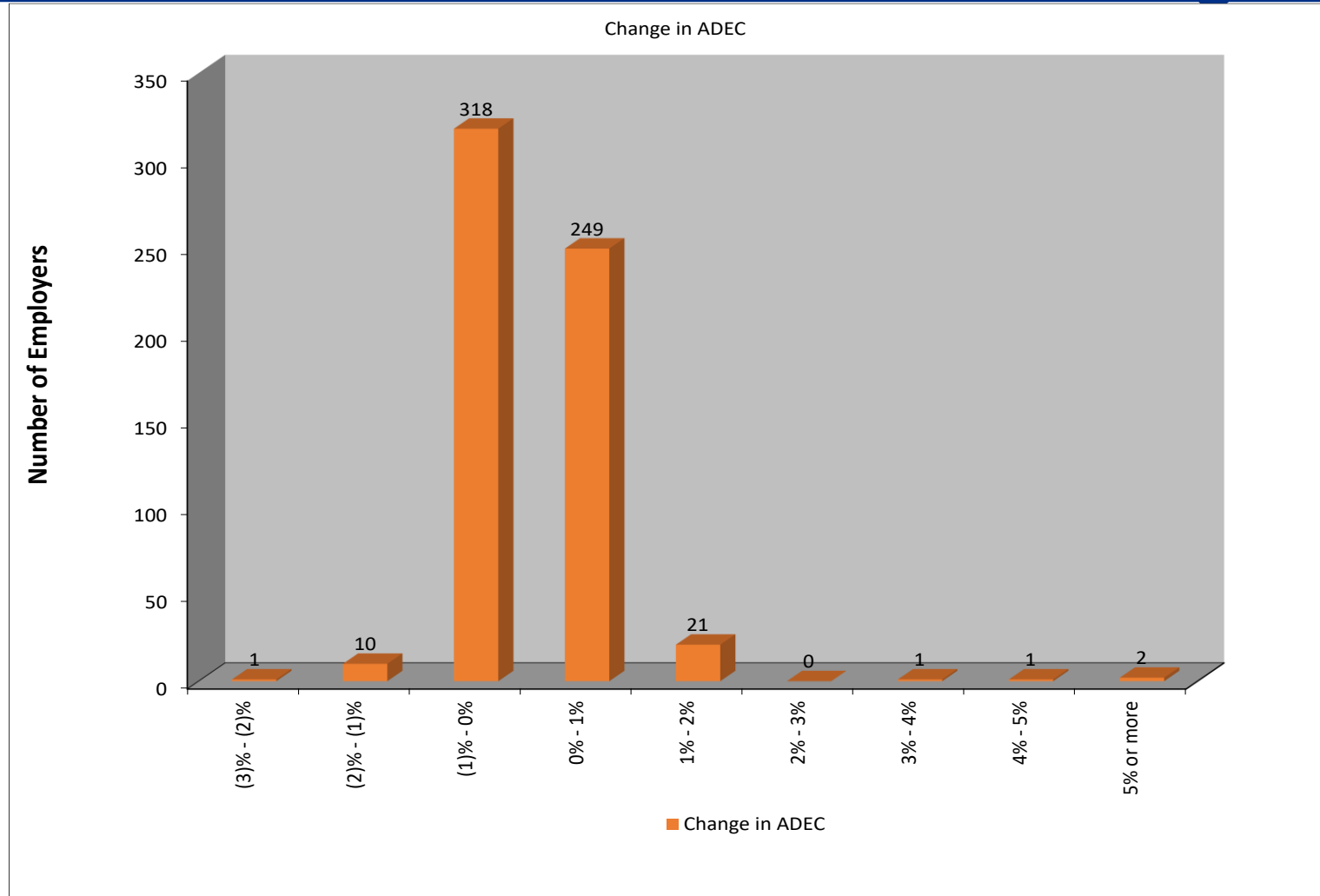


# Actuarially Determined Employer Contribution Rates – Political Subdivision Pension Plans



The chart above shows 603 employers; employers with 0 actives are excluded. Experience Study ADEC Rates are illustrative.

# Actuarially Determined Employer Contribution Rates – Political Subdivision Pension Plans: Changes in Rates



Change in contribution rates due to experience study largely fall in -1% to 1% range



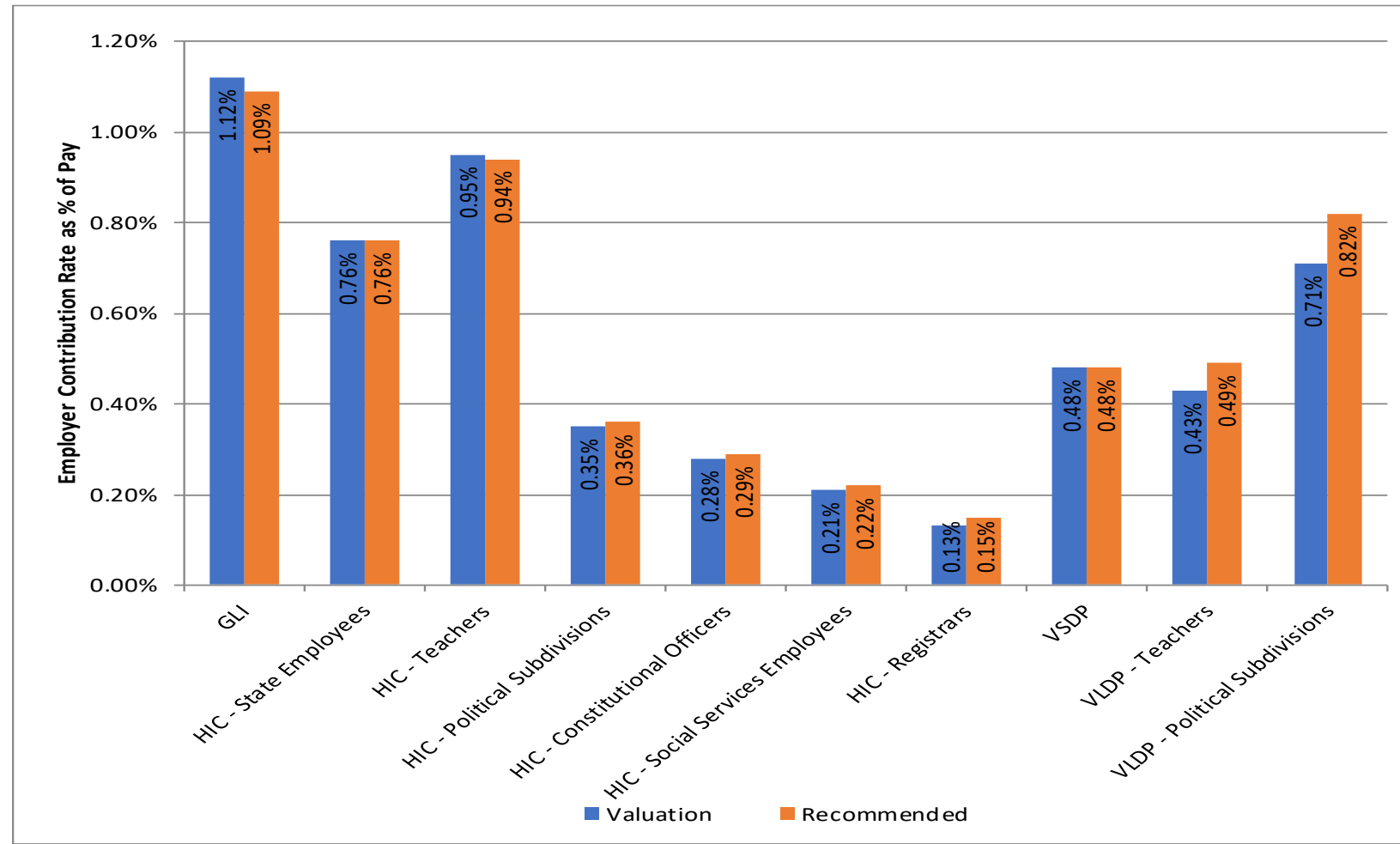
# How Updates Impacted Pension Contribution Rates

	State	Teachers	SPORS	VaLORS	JRS
<b>2024 Valuation Contribution Rate</b>	<b>11.77%</b>	<b>13.63%</b>	<b>31.39%</b>	<b>23.00%</b>	<b>28.36%</b>
Mortality	0.11%	0.08%	0.10%	0.09%	0.16%
Retirement	-0.02%	-0.04%	-0.15%	-0.02%	N/A
Termination	0.28%	-0.12%	0.05%	-0.34%	N/A
Disability	-0.04%	-0.13%	-0.02%	-0.24%	N/A
Salary	0.31%	0.36%	0.50%	0.53%	N/A
Normal Cost Method	0.11%	-0.16%	0.47%	0.27%	-0.78%
Projected Pay Change Plan 1/2 Normal Cost	-0.31%	-0.31%	N/A	N/A	-0.73%
Payroll Growth Change for UAL	N/A	N/A	N/A	0.53%	N/A
<b>Final Experience Study Contribution Rate*</b>	<b>12.19%</b>	<b>13.31%</b>	<b>32.34%</b>	<b>23.82%</b>	<b>27.01%</b>

\*Illustrative, new assumptions will first impact the 2025 valuations



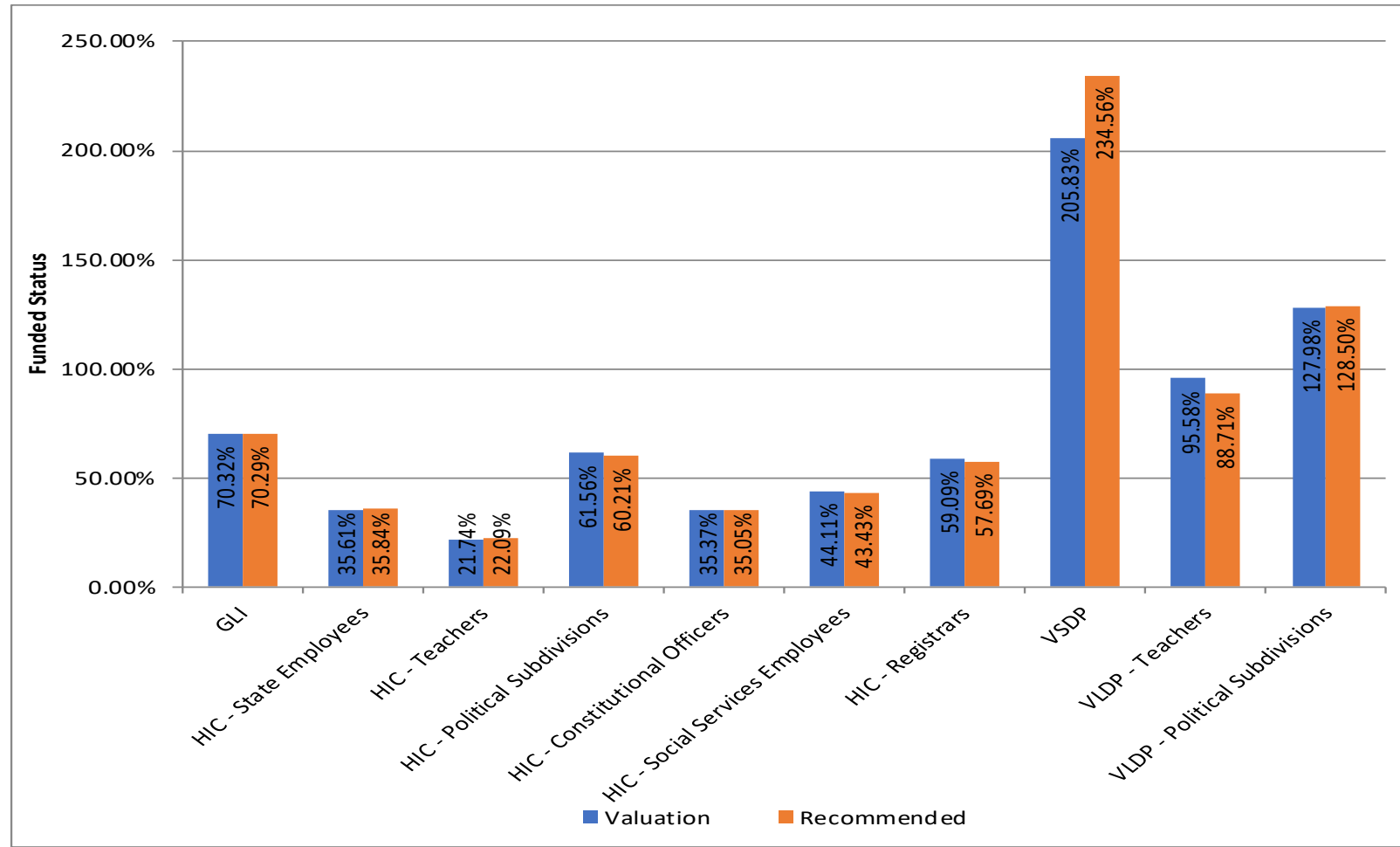
# Actuarially Determined Employer Contribution Rates – OPEB Plans



Generally small changes  
- especially GLI and HIC

VLDP increase due to  
demographic update  
(disability increase, pay  
increase) and lower  
assumed recovery rates

# Funded Status – OPEB Plans



# LODA: Full-Time Equivalent (FTE) Weightings

- The impact of updating the FTE weightings on FY 2024 active member counts is shown below:

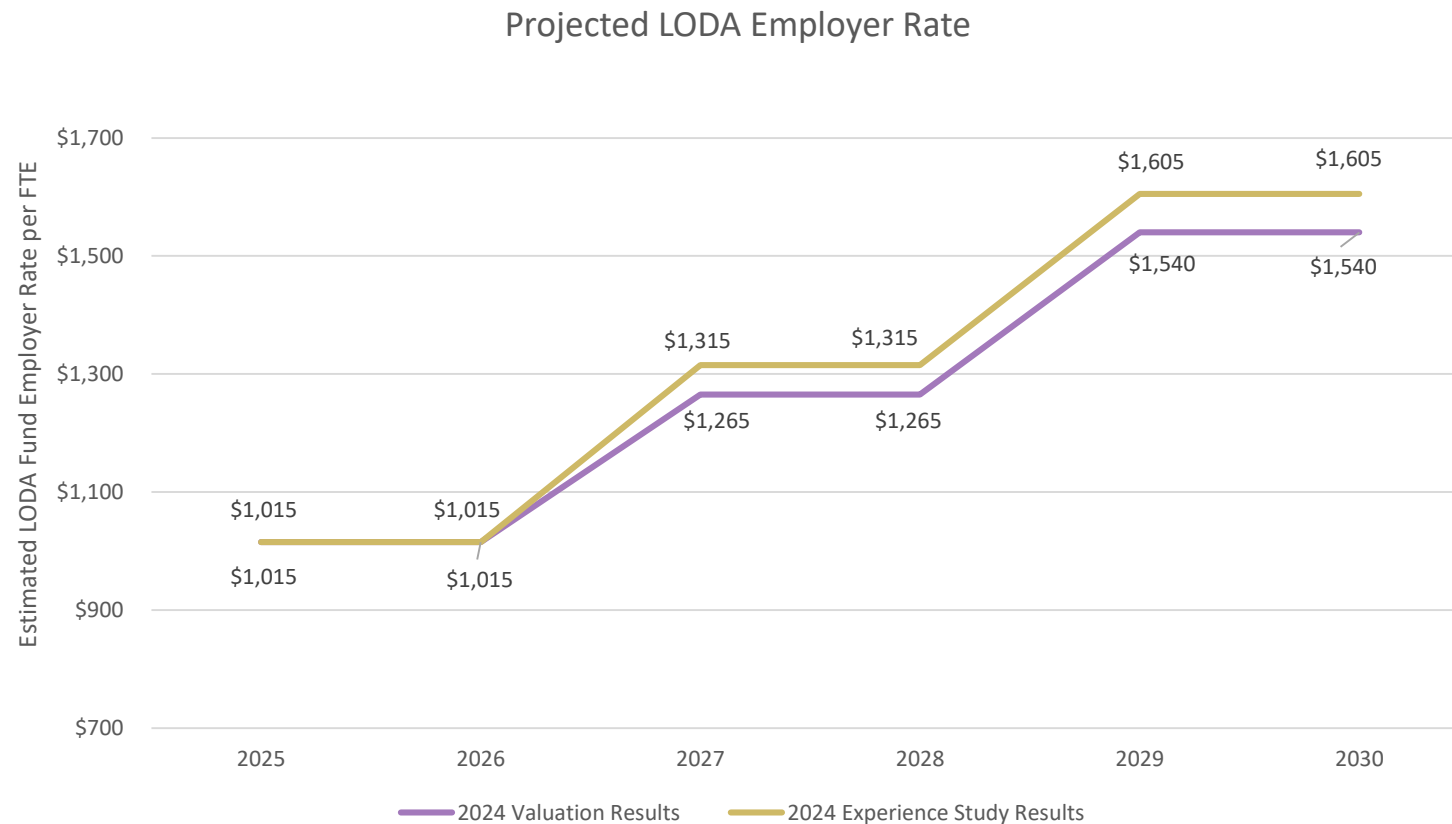
Employer Group	Current Weighting		Proposed Weighting	
	Weight	FY 2024 Counts	Weight	FY 2024 Counts
State/VaLORS/SPORS Full-Time	100%	8,731	100%	8,316
State/VaLORS/SPORS Part-Time	100%	n/a	50%	208
National Guard				
Full-Time	100%	961	75%	721
Part-Time	10%	711	5%	355
<b>Total State &amp; National Guard</b>		10,403		9,600
Participating Political Subdivisions				
Full-Time	100%	7,119	100%	6,694
Part-Time	100%	n/a	50%	213
Volunteers	25%	484	20%	387
<b>Total Pol. Sub. Employees</b>		7,603		7,293
<b>Aggregated Total</b>		18,005		16,893

Decrease from weighting update = 1,112



# LODA: Projected Employer Rate

- Impact of the proposed changes shown below include the update of FTE weighting
- Note that, without the reduction in the count of FTE Employees, the overall impact of the proposed changes would have reduced the Projected Employer Rates



# APPENDIX



# Pension Plans – Change in UAL, Funded Status, ADC

(\$ In Thousands)

System		Before Assumption/Method Change	After Assumption/Method Change	Change
State Employees	Unfunded Accrued Liability	\$ 6,051,719	\$ 6,155,616	\$ 103,897
	Funded Status	79.99%	79.72%	(0.27)%
	DB Employer Contribution Rate	11.77%	12.19%	0.42%
Teachers	Unfunded Accrued Liability	\$ 12,022,101	\$ 12,410,719	\$ 388,618
	Funded Status	80.60%	80.10%	(0.50)%
	DB Employer Contribution Rate	13.63%	13.31%	(0.32)%
State Police	Unfunded Accrued Liability	\$ 458,924	\$ 449,750	\$ (9,174)
	Funded Status	71.14%	71.55%	0.41%
	DB Employer Contribution Rate	31.39%	32.34%	0.95%
Judicial	Unfunded Accrued Liability	\$ 113,497	\$ 110,514	\$ (2,983)
	Funded Status	86.02%	86.34%	0.32%
	DB Employer Contribution Rate	28.36%	27.01%	(1.35)%
Virginia Law Officers	Unfunded Accrued Liability	\$ 768,647	\$ 770,166	\$ 1,519
	Funded Status	72.48%	72.44%	(0.04)%
	DB Employer Contribution Rate	23.00%	23.82%	0.82%
Political Subdivisions	Unfunded Accrued Liability	\$ 3,601,170	\$ 3,671,811	\$ 70,641
	Funded Status	88.86%	88.67%	(0.19)%
	DB Employer Contribution Rate	11.76%	11.54%	(0.22)%



# OPEB Plans – Change in UAL, Funded Status, ADC

(\$ In Thousands)

System		Before Assumption/Method Change	After Assumption/Method Change	Change
GLI	Unfunded Accrued Liability	\$ 1,260,597	\$ 1,262,201	\$ 1,604
	Funded Status	70.32%	70.29%	(0.03)%
	DB Employer Contribution Rate	1.12%	1.09%	(0.03)%
HIC - State Employees	Unfunded Accrued Liability	\$ 691,541	\$ 684,686	\$ (6,855)
	Funded Status	35.61%	35.84%	0.23%
	DB Employer Contribution Rate	0.76%	0.76%	0.00%
HIC - Teachers	Unfunded Accrued Liability	\$ 1,145,675	\$ 1,122,542	\$ (23,133)
	Funded Status	21.74%	22.09%	0.35%
	DB Employer Contribution Rate	0.95%	0.94%	(0.01)%
HIC - Political Subdivions	Unfunded Accrued Liability	\$ 29,409	\$ 31,129	\$ 1,720
	Funded Status	61.56%	60.21%	(1.35)%
	DB Employer Contribution Rate	0.35%	0.36%	0.01%
HIC - Constitutional Officers	Unfunded Accrued Liability	\$ 25,888	\$ 26,259	\$ 371
	Funded Status	35.37%	35.05%	(0.32)%
	DB Employer Contribution Rate	0.28%	0.29%	0.01%
HIC - Social Servcies Employees	Unfunded Accrued Liability	\$ 8,264	\$ 8,496	\$ 232
	Funded Status	44.11%	43.43%	(0.68)%
	DB Employer Contribution Rate	0.21%	0.22%	0.01%
HIC - Registrars	Unfunded Accrued Liability	\$ 226	\$ 240	\$ 14
	Funded Status	59.09%	57.69%	(1.40)%
	DB Employer Contribution Rate	0.13%	0.15%	0.02%
VSDP	Unfunded Accrued Liability	\$ (347,574)	\$ (387,794)	\$ (40,220)
	Funded Status	205.83%	234.56%	28.72%
	DB Employer Contribution Rate	0.48%	0.48%	0.00%
VLDP - Teachers	Unfunded Accrued Liability	\$ 623	\$ 1,717	\$ 1,094
	Funded Status	95.58%	88.71%	(6.88)%
	DB Employer Contribution Rate	0.43%	0.49%	0.06%
VLDP - Political Subdivisions	Unfunded Accrued Liability	\$ (3,391)	\$ (3,441)	\$ (50)
	Funded Status	127.98%	128.50%	0.53%
	DB Employer Contribution Rate	0.71%	0.82%	0.11%



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## Report

The Audit and Compliance Committee met on April 15, 2025. Senator Bell welcomed committee members, Board members, agency officials, representatives from stakeholder groups and other members of the public joining in person and through electronic means. The committee discussed the following:

### **APPROVAL OF MINUTES**

The committee approved the minutes of its December 12, 2024, meeting.

### **ANNUAL REPORT ON CODE OF ETHICS**

The chief operating officer and the regulatory and legal officer provided annual reports on their respective processes for communicating VRS' Code of Ethics and Conduct and for monitoring compliance, as required by the Audit and Compliance Committee Charter. Both indicated compliance with the reporting and certification requirements for their respective programs.

### **AUDIT PLAN PROGRESS AS OF DECEMBER 31, 2024**

The internal audit director reported on the progress on the fiscal year 2025 annual audit plan as of December 31, 2024, the mid-point of the fiscal year. During her report, the internal audit director acknowledged, one project has been shifted to a later period in the long-range plan and one project has been brought forward to fiscal year 2025 to accommodate operational activities of the organization.

### **MISCELLANEOUS UPDATES**

The committee received the following miscellaneous updates:

#### **Quarterly Report on Fraud, Waste and Abuse Hotline Cases**

There were no Fraud, Waste and Abuse Hotline complaints reported to Internal Audit via the Office of the State Inspector General or other sources during the period of November 1, 2024, through January 31, 2025.

#### **Internal Audit's Review of Cost of Living Adjustments**

Internal audit noted its review of the proposed "Cost of Living Adjustments" as calculated by VRS' actuary, Gabriel, Roeder, Smith & Company, was completed and the results were provided to the Benefits and Actuarial Committee and Board of Trustees at their respective meetings in February 2025.

#### **Management's Quarterly Travel Expense and Per Diem Report**

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

### **AUDIT REPORTS**

The committee received two audit reports.

- The review of the *Real Assest Program* determined VRS provides adequate oversight and monitoring of the program. There were no formal recommendations as a result of this review.
- The committee went into closed session to receive the report on *VNAV Application Controls*.

Upon returning to the open meeting, the committee accepted both reports.

### **NEXT COMMITTEE MEETING DATE**

The committee's next meeting is scheduled for Tuesday, June 17, 2025, at 1 p.m.

Respectfully submitted to the Board of Trustees on April 16, 2025.

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

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## Report

The Administration, Finance and Talent Management Committee met on April 16, 2025, and discussed the following:

### **APPROVAL OF MINUTES**

The Committee approved the minutes of its September 18, 2024, meeting.

### **APPROVE AMENDED PAY PLANS**

Paula Reid, Human Resources Director, reviewed the proposed amendments to the Administrative Pay Plan, Investment Operations and Administration Staff Pay Plan and Investment Professionals' Pay Plan. The changes include adjustments to the salary scales, consistent with the changes being made to the Commonwealth's Classified Compensation Plan, based on the 2025 amendments to the 2024 Appropriation Act. Other changes include clarification that pay actions implemented to be consistent with the provisions of the Appropriation Act include both salary adjustments and bonuses.

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

***Request for Board Action:*** *The VRS Board of Trustees approves an amended Administrative Pay Plan, Investment Operations and Administration Staff Pay Plan, and Investment Professionals' Pay Plan, effective June 10, 2025.*

### **REAPPOINTMENT OF INVESTMENT ADVISORY COMMITTEE (IAC) MEMBERS**

Andrew Junkin, Chief Investment Officer, informed the committee that two IAC members are due for reappointment. Mr. Junkin indicated that Thomas Gayner and Rod Smyth have been active and engaged participants of the IAC, and both are willing to continue their service on the IAC.

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

***Request for Board Action:*** *The Board reappoints Thomas Gayner to the Investment Advisory Committee (IAC) for a two-year term ending February 19, 2027, and reappoints Rod Smyth to the IAC for a two-year term ending June 20, 2027.*

### **BUDGET UPDATE**

Jon Farmer, Budget and Reporting Manager, presented the quarterly budget update, explaining that through February 28, 2025, VRS has expended approximately \$82 million in appropriations. Staff estimates a projected year-end total of approximately \$126 million in expenditures, a variance of 7.5% of the agency's approximately \$136 million budget.

Submitted to the Board of Trustees on April 16, 2025.



Virginia  
Retirement  
System

**Administration, Finance and Talent  
Management Committee  
Committee Report to the Board of Trustees  
April 16, 2025  
Page 2 of 2**

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



**Approve amended Administrative Pay Plan,  
Investment Operations and Administration Staff Pay Plan,  
and Investment Professionals' Pay Plan**

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**Requested Action**

The VRS Board of Trustees approves an amended Administrative Pay Plan, Investment Operations and Administration Staff Pay Plan, and Investment Professionals' Pay Plan, effective June 10, 2025.

**Description/Background**

The VRS Board of Trustees approved the current Administrative Pay Plan, the current Investment Operations and Administration Staff Pay Plan and the current Investment Professionals' Pay Plan on April 18, 2024. Item 469 of House Bill 1600 (the 2025 Amendments to the 2024 Appropriation Act) requires the Department of Human Resource Management (DHRM) to increase by 3% the minimum and maximum of each of the salary bands in the Commonwealth's Classified Compensation Plan, effective June 10, 2025. Generally, the VRS Board of Trustees also adjusts the salary scales in its pay plans in accordance with the requirements of the Appropriation Act. An increase to the minimum and maximum of each grade of the salary scales of the Administrative Pay Plan, the Investment Operations and Administration Staff Pay Plan and the Investment Professionals' Pay Plan of 3%, effective June 10, 2025, is consistent with changes to be made to the Commonwealth's Classified Compensation Plan.

However, if, subsequent to the approval of this action, the final version of House Bill 1600 enacted during 2025 provides for a change to the Commonwealth's Classified Compensation Plan other than the 3% increase, then the minimum and maximum of each grade of the salary scales of the Administrative Pay Plan, the Investment Operations and Administration Staff Pay Plan, and the Investment Professionals' Pay Plan shall be amended in an amount consistent with the changes made to the Commonwealth's Classified Compensation Plan in House Bill 1600 as of the effective date of the changes specified in such legislation.

The amendments to the Administrative Pay Plan, the Investment Operations and Administration Staff Pay Plan, and the Investment Professionals' Pay Plan also clarify that pay actions implemented to be consistent with the provisions of the Appropriation Act includes both salary adjustments and bonuses.

**Rationale for Requested Action**

The amendments to the Administrative Pay Plan, Investment Operations and Administration Staff Pay Plan, and Investment Professionals' Pay Plan are made pursuant to the provisions of the 2025 Appropriation Act and are in keeping with the salary band adjustments made to the Commonwealth's Classified Compensation Plan.

**Authority for Requested Action**

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

The above action is approved.

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A. Scott Andrews, Chair  
VRS Board of Trustees

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Date





VIRGINIA RETIREMENT SYSTEM  
HUMAN RESOURCES POLICIES AND PROCEDURES

**Title:** ADMINISTRATIVE PAY PLAN

**Policy Number:** 3.10

**Supersedes:** 06/10/2024

**Effective Date:** 06/10/2025

**I. Authority**

The Director is authorized under the Appropriation Act to use agency funds or funds appropriated, if any, to implement the provisions of new or existing performance-based pay plans.

**II. Purpose**

The purpose of the Administrative Pay Plan (Plan) is to attract, motivate and retain skilled employees within a compensation framework that is competitive with the external market, internally equitable and performance based. VRS is committed to providing a total rewards package tied to the attainment of individual and team results and the achievement of organizational goals.

**III. Policy**

The Plan applies to all full and part-time (non-wage) employees who work under the administrative and audit authorities of VRS. Wage employees' pay complies with the provisions of the state classification and pay plan. The Plan ensures that agency salaries are competitive with the market average of a mix of public and private sector organizations. Comparative market salary data is typically reviewed every two (2) years to ensure competitiveness of the salary structure.

The Plan includes 16 salary grades for general classifications and 14 salary grades for technology classifications as identified in Appendix 1.

There is a broad span between the minimum and maximum salary of each salary grade to allow, in most cases, for salary growth or other possible adjustments over an employee's span of employment.

**IV. Procedure**

**A. Job Placement**

Placement of jobs in each grade is determined by measuring the degree of expertise and accountability required for each position in four areas:

1. **Knowledge and Expertise** measures the amount and depth of knowledge, experience and skills necessary for functioning effectively in a specified role. This expertise may be in technical disciplines, procedures specific to the organization, ability to use certain equipment, and/or management responsibility for planning, organizing and integrating the work of others.

2. ***Complexity and Conceptual Thinking*** measures the amount of analytical and problem-solving skills required in the position to evaluate and diagnose differing situations and devise new approaches relating to the organization as a whole and/or its business strategies.
3. ***Contribution and Impact*** measures the breadth of the position's contribution to the advancement of VRS' vision, "To be the trusted leader in the delivery of benefits and services to those we serve." This ranges from improving work processes in the work unit to influencing agency-wide results.
4. ***Effective Communication*** measures the position's requirements for interacting with and/or influencing coworkers, team members, contacts in other units/departments, members, retirees or contacts outside the organization.

Each job is evaluated in objective terms, not only to ascertain its demands on the individual, but also to determine its worth in comparison to other jobs in the agency and its importance to VRS' success.

Salary ranges are established for all grades by recognizing the level of education, knowledge, skill, and experience needed to perform each job. The salary range demonstrates the interrelationships of the jobs used by the agency in addition to comparing salaries paid for similar classifications in private and public sectors. The salary range for a job includes a minimum, midpoint and maximum salary.

- **Minimum** is the lowest salary paid for a position within the salary grade.
- **Midpoint** is the median salary for the grade.
- **Maximum** is the highest salary paid for a position within the salary grade.

Individual performance, time in the position, previous related work experience, and other factors can influence earnings that are higher or lower than the midpoint.

The expectation is that employees with salaries closer to the maximum for their position are more tenured, have been a consistently exceptional performer, or have more work experience.

During the job placement process, Fair Labor Standards Act (FLSA) exemption statuses (exempt or non-exempt) are determined based on the FLSA job duties test.

## **B. Starting Salary**

The respective member of the Director's Executive Committee (DEC) approves the hiring salary range when the recruitment is formally requested. Hiring supervisors and second line supervisors recommend the starting salary for new employees and the respective member of the DEC approves the starting salary, in coordination with the human resources director.

The salaries paid to employees in the department; the candidate's education, skills, work experience; and salary history are typically considered when determining the appropriate salary to offer a candidate. Starting salaries typically do not exceed the salary grade midpoint. Additional justification is required to support offering salaries above the midpoint.

## **C. Salary Adjustments**

### **1. Introductory Increases**

The introductory period for new employees is 12 months from the date of hire. The introductory period serves as an adjustment period for employees to establish a working relationship with their supervisors, to acclimate to their new job duties and to learn about VRS. When employees successfully complete the introductory period, they typically receive a pay increase of 2% if they are at least meeting expectations.

The Performance Management Policy outlines details.

### **2. Promotions**

A promotion occurs when an employee transitions to a different position assigned to a higher salary grade. A promotion can be competitive (selected through a recruitment and hiring process) or non-competitive (i.e., through the career development process).

When employees compete and are hired into a job in a higher grade, they are typically eligible for a salary increase between 5% and 15%. Any exception requires additional justification, an internal equity review and approval of the appropriate DEC member and the director of human resources.

For non-competitive promotions, the salary will be subject to review to ensure internal equity. Promotional salaries must be at or above the minimum of the new salary grade. Promotional pay cannot place an employee's salary above the maximum of the salary grade.

### **3. Lateral**

A lateral occurs when an employee moves into a position with a different job title and classification which is in the same salary grade. This movement constitutes a lateral move or a transfer.

For a competitive (posted and selected) lateral move/transfer, a salary increase may be considered only if duties of the new position are substantially different. If an increase is approved the increase amount shall not exceed 5%, provided the increase does not exceed the maximum salary range. Any exception to this guideline requires additional justification, an internal equity review and approval of the appropriate DEC member and the director of human resources.

### **4. Downward Assignments (Voluntary or Involuntary)**

Downward assignments occur when an employee transitions to a position within a salary grade lower than the current grade.

- **Voluntary** – An employee-initiated request to transition to a position within a lower salary grade.
- **Involuntary** – A management-initiated request to transition an employee to a position within a lower salary grade, typically due to performance, corrective action or restructuring. A downward assignment would typically result in the salary being placed at any pay rate within the lower classification, not to exceed the maximum or fall below the minimum of the new salary range.

Any exception to this guideline will require additional justification, an internal equity review and approval of the appropriate DEC member and the director of human resources.

In unique situations, such as job abolishment or agency reorganization, an employee's salary may exceed the maximum of the lower grade and the salary remain unchanged. Salaries remain frozen until market adjustments allow additional increases (red-circle). These employees remain eligible to receive applicable performance or gainsharing bonus awards if performance criteria are met.

## 5. Job Reclassifications

Job reclassifications occur when the employee's duties and responsibilities change substantially, which may result in a different pay grade. Reclassification is based on job content and not the performance of the incumbent. Job studies are performed by human resources, with input by management.

- **Reclassification Upward:** Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within a higher salary grade.
- Employees typically receive salary increases between 2% and 15%. Reclassification increases are approved by the appropriate DEC member, in coordination with the human resources director. Salaries must be at or above the minimum of the new pay grade.
- **Reclassification Laterally:** Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within the same salary grade. No salary increase is awarded. Any exception to this guideline will require additional justification, an internal equity review, and approval of the appropriate DEC member, in coordination with the human resources director.
- **Reclassification Downward:** Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within a lower salary grade.

## 6. Regrade

Regrades occur when the classification is determined to warrant a different pay grade. This is typically determined by a market analysis or internal classification review, performed by HR in coordination with the DEC member.

Employees typically receive salary increases between 2% and 15%. Regrade increases are approved by the appropriate DEC member, in coordination with human resources. Salaries must be at or above the minimum of the new pay grade.

## 7. Acting Pay

Acting pay is provided when an employee is temporarily assigned to assume the responsibilities of a position in a higher salary grade.

- **Less Than Two Years Duration:** The employee will receive at least a 5% salary adjustment while serving in an acting position. If the 5% increase does not place the employee at the minimum salary of the acting position, the salary must be increased to the minimum of the acting range. The acting amount shall not exceed the maximum of the acting range. When the employee returns to the former position, his or her salary will be reduced by the dollar amount received while performing the “acting” job responsibilities.
- **Beyond Two Years Duration:** When employees are deemed to be “acting” by performing the full duties of a position for more than two years, the supervisor may choose to promote the individual without going through a competitive process. If the employee is promoted, the employee is eligible for a promotional increase. Otherwise, the position will be open for recruitment. The permanent filling of the position may involve no change in current salary or could include a pay increase, depending upon the circumstances and available budget.

If an employee is acting in a position that is the same salary grade, acting pay would not be provided unless there is sufficient justification to support that the duties of the acting position are substantially different.

## 8. In-grade

In-grade salary adjustments occur when employees receive an increase in base pay to ensure competitiveness, retention, and to recognize increased skills, abilities, knowledge, or responsibilities outside of the position classification process. These adjustments should only be provided once per fiscal year. Listed below are the categories and descriptions of in-grade salary adjustments.

- **Market adjustment:** Warranted in cases where external market forces exist due to high demand for a particular skill or position which may result in significantly higher turnover. Market adjustments may also occur if it is determined that an individual’s salary is significantly lower than market study findings. Salary adjustments can apply to an individual or classification of employees to ensure competitiveness and retention of staff. An in-grade adjustment of 1% to 10% of salary is typically provided.
- **Internal alignment adjustment:** Warranted when employees’ salaries are unusually low or out of comparability with other employees in the work unit. Factors considered include experience, education, knowledge, skills and abilities. An in-grade adjustment of 1% to 10% of salary is typically provided.
- **Individual accomplishment adjustment:** May be awarded to recognize the attainment of a higher level of expertise through professional certification requiring continuing education credits (CEUs). In- grade adjustments are awarded at the time of the original certification. If the certification does not require CEUs, an in-grade adjustment will not be provided; however, a bonus may be considered. Additionally, an in-grade adjustment for completion of a degree that relates to a current or career path position may be provided. Other similar situations may be considered as justification for an individual accomplishment adjustment. An in-grade adjustment of 1% to 10% of salary is typically provided.

- **Skill acquisition and application adjustment:** May be awarded to recognize the acquisition and application of relevant, pre-defined, job-based skills, resulting in increased value to the organization. Typically, an Individual Development Plan identifies the needed skills and the skill acquisition plan. Formal assessments, through testing or demonstration of the skills acquired and applied to the job, may result in an in-grade adjustment. An in-grade adjustment of 1% to 4% of salary is typically provided.
- **Change in job duties adjustment:** May be awarded to an employee who assumes new higher-level duties and responsibilities that are critical to the operations of the agency. An in-grade adjustment of 1% to 10% of salary is typically provided.
- **Retention adjustment:** May be granted to prevent employees from seeking employment outside the agency including:
  - Employees in occupations that have high value in the labor market when salaries have not been competitive with the marketplace. In such cases, the adjustment is normally granted to all employees in a particular occupation or functional area to avoid turnover.
  - Individual employees who are assigned to key functions.

An in-grade adjustment of 1% to 10% of salary is typically provided.

The employee's supervisor must request the in-grade adjustment in writing and include documentation supporting the need for a pay adjustment. The respective DEC member approves in-grade adjustments, in coordination with the human resources director.

When an employee's salary is at or above the salary maximum for his/her job grade, a bonus payment may be awarded. The respective member of the DEC approves the bonus, in coordination with the human resources director.

## 9. Competitive

A competitive pay increase is an option available to supervisors to retain top performers, who have received an external job offer, when the loss is determined to be detrimental to the organization. Employees must furnish a copy of the respective job offer.

The supervisor requests, in writing, a competitive pay increase and includes documentation supporting the need for an adjustment and justification for the increase. The respective member of the DEC approves the increase, in coordination with the human resources director.

Competitive pay increases apply to base salary and may not exceed the salary maximum for the salary range. In extraordinary circumstances, when an employee's base salary is at maximum, a bonus is an option. In these situations, the respective member of the DEC, in coordination with the human resources director, submits the request for agency director approval.

## 10. Increases Governed by the Appropriations Act

VRS will implement pay actions consistent with the provisions of the Appropriation Act.

## **D. Bonuses**

### **1. Sign-on**

Sign-on bonuses may be provided to qualified external candidates when the position is determined to be hard-to-fill, or when there is a demonstrated need to provide supplemental pay to compete with the market.

The amount of the sign-on bonus will vary depending on the position and the supply of candidates. The amount of the bonus typically ranges from 1% to 20% of the midpoint of the salary range.

Fifty percent of the sign-on bonus will be paid in the first paycheck with the remainder of the bonus being paid following the successful completion of the one-year introductory period.

Refer to the **Employee Sign-on Bonus Program Policy**.

### **2. Referral**

Referral bonuses may be provided to full and part-time employees who refer a candidate hired into a full-time position.

The amount of the referral bonus is \$1,000. Fifty percent is paid in the paycheck following the referred employee's first full pay cycle with the remainder of the bonus being paid following the successful completion of the referred employee's introductory period.

Refer to the **Employee Referral Program Policy**.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with the preceding paragraph, payment of performance bonuses under this plan is not guaranteed.

### **3. Performance**

Performance bonuses are provided agency wide following the annual review process.

Subject to the approval of the VRS Board of Trustees, eligible employees who receive an overall rating of "exceptional" will receive a 4% bonus and employees who receive an overall rating of "exceeds" will receive a 2% bonus, based on their salary as of June 30. Employees who receive an overall "meets," "does not meet" or "needs improvement" rating will not receive a performance bonus. The performance cycle and thus, bonus payments, align with the fiscal year, July 1 through June 30.

The **Performance Management Policy** outlines details.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with the preceding paragraph, payment of performance bonuses under this plan is not guaranteed.

#### **4. Gainsharing**

Gainsharing bonuses are provided when it is determined the agency has successfully attained the Agency Performance Outcomes (APO) and Operational Measures (OM).

Subject to the approval of the VRS Board of Trustees, attainment of the APOs and OM's may result in eligible employees receiving a lump-sum bonus of 2.5%, or other amount determined by the Board, based on their salary as of June 30.

The **Performance Management Policy** outlines details.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances. Consistent with the preceding paragraph, payment of gainsharing bonuses under this plan is not guaranteed.

#### **5. Employee Recognition Bonus**

Employee recognition bonuses may be provided to full and part-time employees for individual or team accomplishments typically associated with special projects, process improvements, innovation or other outstanding accomplishments.

Bonuses range from \$50 to \$5,000 depending upon the value of individual or team accomplishments.

Bonuses up to and including \$1,000 require approval by the appropriate DEC member. Special Recognition Bonuses, above \$1,000 through \$5,000, require approval by the DEC member and Agency Director, Chief Investment Officer, or Internal Audit Director.

The fiscal year bonus cap is \$5,000 per employee.

The **Recognition and Awards Program Policy** outlines details.

#### **6. Bonuses Governed by the Appropriation Act**

VRS will implement pay actions consistent with the provisions of the Appropriation Act.



## V. Additional Information

### A. VRS Pay Plans

In addition to the Administrative Pay Plan, VRS maintains several other pay plans to meet specific employment and compensation needs. These plans are as follows:

- **Investment Professionals' Pay Plan** - This pay plan is separate from the administrative plan and includes its own salary and classification structure as well as incentive pay guidelines.
- **Investment Operations and Administration Staff Pay Plan** - This pay plan is separate from the administrative plan and includes its own salary and classification structure.
- **Executive Pay Plan** – This pay plan provides the annual salary and bonus amounts provided to the Agency Director, Chief Investment Officer and Audit Director by the VRS Board of Trustees.

### B. Key Terms

**FLSA** - The Fair Labor Standards Act

**Exempt** – Employees who are not covered by or are exempted from the minimum wage and overtime provisions of the Fair Labor Standards Act

**Non-exempt** – Employees who are subject to the minimum wage and overtime provisions of the Fair Labor Standards Act

**Salary grade** – A series of specific pay rates assigned to a classification as the compensation for that classification

**Pay rate** – A specific dollar amount, expressed as either an annual or hourly rate

**Red-circle** – A designation for salaries that exceed the maximum of a specified salary range. Employees are not eligible for further base pay increases until the range maximum surpasses the employee's salary.

**APPENDIX 1 – PAY RANGES**

<b>Administrative SALARY RANGES</b>			
<b>Grade</b>	<b>Min</b>	<b>Mid</b>	<b>Max</b>
1	\$43,747	\$52,495	\$61,246
2	\$48,121	\$57,745	\$67,369
3	\$52,933	\$63,520	\$74,107
4	\$58,227	\$69,872	\$81,517
5	\$64,050	\$76,860	\$89,670
6	\$70,454	\$84,547	\$98,636
7	\$75,918	\$93,001	\$110,082
8	\$83,509	\$102,301	\$121,090
9	\$91,862	\$112,531	\$133,200
10	\$99,026	\$123,783	\$148,539
11	\$108,929	\$136,162	\$163,394
12	\$122,545	\$153,182	\$183,818
13	\$137,864	\$172,329	\$206,796
14	\$155,434	\$198,179	\$240,924
15	\$178,750	\$227,906	\$277,063
16	\$205,562	\$262,092	\$318,622

<b>Technology SALARY GRADES</b>			
<b>Grade</b>	<b>Min</b>	<b>Mid</b>	<b>Max</b>
T1	\$59,636	\$71,564	\$83,492
T2	\$65,600	\$78,721	\$91,840
T3	\$72,162	\$86,593	\$101,025
T4	\$79,377	\$95,252	\$111,128
T5	\$87,314	\$104,778	\$122,240
T6	\$96,045	\$115,255	\$134,463
T7	\$103,495	\$126,781	\$150,068
T8	\$113,844	\$139,460	\$165,074
T9	\$125,228	\$153,405	\$181,582
T10	\$134,996	\$168,746	\$202,495
T11	\$148,496	\$185,620	\$222,745
T12	\$163,346	\$204,182	\$245,019
T13	\$179,680	\$224,600	\$269,520
T14	\$193,772	\$247,060	\$300,348



VIRGINIA RETIREMENT SYSTEM  
HUMAN RESOURCES POLICIES AND PROCEDURES

**Title:** ADMINISTRATIVE PAY PLAN

**Policy Number:** 3.10

**Supersedes:** ~~12/10/2023~~06/10/2024

**Effective Date:** 06/10/~~2024~~2025

**I. Authority**

The Director is authorized under the Appropriation Act to use agency funds or funds appropriated, if any, to implement the provisions of new or existing performance-based pay plans.

**II. Purpose**

The purpose of the Administrative Pay Plan (Plan) is to attract, motivate and retain skilled employees within a compensation framework that is competitive with the external market, internally equitable and performance based. VRS is committed to providing a total rewards package tied to the attainment of individual and team results and the achievement of organizational goals.

**III. Policy**

The Plan applies to all full and part-time (non-wage) employees who work under the administrative and audit authorities of VRS. Wage employees' pay complies with the provisions of the state classification and pay plan. The Plan ensures that agency salaries are competitive with the market average of a mix of public and private sector organizations. Comparative market salary data is typically reviewed every two (2) years to ensure competitiveness of the salary structure.

The Plan includes 16 salary grades for general classifications and 14 salary grades for technology classifications as identified in Appendix 1.

There is a broad span between the minimum and maximum salary of each salary grade to allow, in most cases, for salary growth or other possible adjustments over an employee's span of employment.

**IV. Procedure**

**A. Job Placement**

Placement of jobs in each grade is determined by measuring the degree of expertise and accountability required for each position in four areas:

1. **Knowledge and Expertise** measures the amount and depth of knowledge, experience and skills necessary for functioning effectively in a specified role. This expertise may be in technical disciplines, procedures specific to the organization, ability to use certain equipment, and/or management responsibility for planning, organizing and integrating the work of others.

2. ***Complexity and Conceptual Thinking*** measures the amount of analytical and problem-solving skills required in the position to evaluate and diagnose differing situations and devise new approaches relating to the organization as a whole and/or its business strategies.
3. ***Contribution and Impact*** measures the breadth of the position's contribution to the advancement of VRS' vision, "To be the trusted leader in the delivery of benefits and services to those we serve." This ranges from improving work processes in the work unit to influencing agency-wide results.
4. ***Effective Communication*** measures the position's requirements for interacting with and/or influencing coworkers, team members, contacts in other units/departments, members, retirees or contacts outside the organization.

Each job is evaluated in objective terms, not only to ascertain its demands on the individual, but also to determine its worth in comparison to other jobs in the agency and its importance to VRS' success.

Salary ranges are established for all grades by recognizing the level of education, knowledge, skill, and experience needed to perform each job. The salary range demonstrates the interrelationships of the jobs used by the agency in addition to comparing salaries paid for similar classifications in private and public sectors. The salary range for a job includes a minimum, midpoint and maximum salary.

- **Minimum** is the lowest salary paid for a position within the salary grade.
- **Midpoint** is the median salary for the grade.
- **Maximum** is the highest salary paid for a position within the salary grade.

Individual performance, time in the position, previous related work experience, and other factors can influence earnings that are higher or lower than the midpoint.

The expectation is that employees with salaries closer to the maximum for their position are more tenured, have been a consistently exceptional performer, or have more work experience.

During the job placement process, Fair Labor Standards Act (FLSA) exemption statuses (exempt or non-exempt) are determined based on the FLSA job duties test.

## **B. Starting Salary**

The respective member of the Director's Executive Committee (DEC) approves the hiring salary range when the recruitment is formally requested. Hiring supervisors and second line supervisors recommend the starting salary for new employees and the respective member of the DEC approves the starting salary, in coordination with the human resources director.

The salaries paid to employees in the department; the candidate's education, skills, work experience; and salary history are typically considered when determining the appropriate salary to offer a candidate. Starting salaries typically do not exceed the salary grade midpoint. Additional justification is required to support offering salaries above the midpoint.

## **C. Salary Adjustments**

### **1. Introductory Increases**

The introductory period for new employees is 12 months from the date of hire. The introductory period serves as an adjustment period for employees to establish a working relationship with their supervisors, to acclimate to their new job duties and to learn about VRS. When employees successfully complete the introductory period, they typically receive a pay increase of 2% if they are at least meeting expectations.

The Performance Management Policy outlines details.

### **2. Promotions**

A promotion occurs when an employee transitions to a different position assigned to a higher salary grade. A promotion can be competitive (selected through a recruitment and hiring process) or non-competitive (i.e., through the career development process).

When employees compete and are hired into a job in a higher grade, they are typically eligible for a salary increase between 5% and 15%. Any exception requires additional justification, an internal equity review and approval of the appropriate DEC member and the director of human resources.

For non-competitive promotions, the salary will be subject to review to ensure internal equity. Promotional salaries must be at or above the minimum of the new salary grade. Promotional pay cannot place an employees' salary above the maximum of the salary grade.

### **3. Lateral**

A lateral occurs when an employee moves into a position with a different job title and classification which is in the same salary grade. This movement constitutes a lateral move or a transfer.

For a competitive (posted and selected) lateral move/transfer, a salary increase may be considered only if duties of the new position are substantially different. If an increase is approved the increase amount shall not exceed 5%, provided the increase does not exceed the maximum salary range. Any exception to this guideline requires additional justification, an internal equity review and approval of the appropriate DEC member and the director of human resources.

### **4. Downward Assignments (Voluntary or Involuntary)**

Downward assignments occur when an employee transitions to a position within a salary grade lower than the current grade.

- **Voluntary** – An employee- initiated request to transition to a position within a lower salary grade.
- **Involuntary** – A management- initiated request to transition an employee to a position within a lower salary grade, typically due to performance, corrective action or restructuring. A downward assignment would typically result in the salary being placed at any pay rate within the lower classification, not to exceed the maximum or fall below the minimum of the new salary range.

Any exception to this guideline will require additional justification, an internal equity review and approval of the appropriate DEC member and the director of human resources.

In unique situations, such as job abolishment or agency reorganization, an employee's salary may exceed the maximum of the lower grade and the salary remain unchanged. Salaries remain frozen until market adjustments allow additional increases (red-circle). These employees remain eligible to receive applicable performance or gainsharing bonus awards if performance criteria are met.

## 5. Job Reclassifications

Job reclassifications occur when the employee's duties and responsibilities change substantially, which may result in a different pay grade. Reclassification is based on job content and not the performance of the incumbent. Job studies are performed by human resources, with input by management.

- **Reclassification Upward:** Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within a higher salary grade.
- Employees typically receive salary increases between 2% and 15%. Reclassification increases are approved by the appropriate DEC member, in coordination with the human resources director. Salaries must be at or above the minimum of the new pay grade.
- **Reclassification Laterally:** Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within the same salary grade. No salary increase is awarded. Any exception to this guideline will require additional justification, an internal equity review, and approval of the appropriate DEC member, in coordination with the human resources director.
- **Reclassification Downward:** Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within a lower salary grade.

## 6. Regrade

Regrades occur when the classification is determined to warrant a different pay grade. This is typically determined by a market analysis or internal classification review, performed by HR in coordination with the DEC member.

Employees typically receive salary increases between 2% and 15%. Regrade increases are approved by the appropriate DEC member, in coordination with human resources. Salaries must be at or above the minimum of the new pay grade.

## 7. Acting Pay

Acting pay is provided when an employee is temporarily assigned to assume the responsibilities of a position in a higher salary grade.

- **Less Than Two Years Duration:** The employee will receive at least a 5% salary adjustment while serving in an acting position. If the 5% increase does not place the employee at the minimum salary of the acting position, the salary must be increased to the minimum of the acting range. The acting amount shall not exceed the maximum of the acting range. When the employee returns to the former position, his or her salary will be reduced by the dollar amount received while performing the “acting” job responsibilities.
- **Beyond Two Years Duration:** When employees are deemed to be “acting” by performing the full duties of a position for more than two years, the supervisor may choose to promote the individual without going through a competitive process. If the employee is promoted, the employee is eligible for a promotional increase. Otherwise, the position will be open for recruitment. The permanent filling of the position may involve no change in current salary or could include a pay increase, depending upon the circumstances and available budget.

If an employee is acting in a position that is the same salary grade, acting pay would not be provided unless there is sufficient justification to support that the duties of the acting position are substantially different.

## 8. In-grade

In-grade salary adjustments occur when employees receive an increase in base pay to ensure competitiveness, retention, and to recognize increased skills, abilities, knowledge, or responsibilities outside of the position classification process. These adjustments should only be provided once per fiscal year. Listed below are the categories and descriptions of in-grade salary adjustments.

- **Market adjustment:** Warranted in cases where external market forces exist due to high demand for a particular skill or position which may result in significantly higher turnover. Market adjustments may also occur if it is determined that an individual’s salary is significantly lower than market study findings. Salary adjustments can apply to an individual or classification of employees to ensure competitiveness and retention of staff. An in-grade adjustment of 1% to 10% of salary is typically provided.
- **Internal alignment adjustment:** Warranted when employees’ salaries are unusually low or out of comparability with other employees in the work unit. Factors considered include experience, education, knowledge, skills and abilities. An in-grade adjustment of 1% to 10% of salary is typically provided.
- **Individual accomplishment adjustment:** May be awarded to recognize the attainment of a higher level of expertise through professional certification requiring continuing education credits (CEUs). In- grade adjustments are awarded at the time of the original certification. If the certification does not require CEUs, an in-grade adjustment will not be provided; however, a bonus may be considered. Additionally, an in-grade adjustment for completion of a degree that relates to a current or career path position may be provided. Other similar situations may be considered as justification for an individual accomplishment adjustment. An in-grade adjustment of 1% to 10% of salary is typically provided.



- **Skill acquisition and application adjustment:** May be awarded to recognize the acquisition and application of relevant, pre-defined, job-based skills, resulting in increased value to the organization. Typically, an Individual Development Plan identifies the needed skills and the skill acquisition plan. Formal assessments, through testing or demonstration of the skills acquired and applied to the job, may result in an in-grade adjustment. An in-grade adjustment of 1% to 4% of salary is typically provided.
- **Change in job duties adjustment:** May be awarded to an employee who assumes new higher-level duties and responsibilities that are critical to the operations of the agency. An in-grade adjustment of 1% to 10% of salary is typically provided.
- **Retention adjustment:** May be granted to prevent employees from seeking employment outside the agency including:
  - Employees in occupations that have high value in the labor market when salaries have not been competitive with the marketplace. In such cases, the adjustment is normally granted to all employees in a particular occupation or functional area to avoid turnover.
  - Individual employees who are assigned to key functions.

An in-grade adjustment of 1% to 10% of salary is typically provided.

The employee's supervisor must request the in-grade adjustment in writing and include documentation supporting the need for a pay adjustment. The respective DEC member approves in-grade adjustments, in coordination with the human resources director.

When an employee's salary is at or above the salary maximum for his/her job grade, a bonus payment may be awarded. The respective member of the DEC approves the bonus, in coordination with the human resources director.

## 9. Competitive

A competitive pay increase is an option available to supervisors to retain top performers, who have received an external job offer, when the loss is determined to be detrimental to the organization. Employees must furnish a copy of the respective job offer.

The supervisor requests, in writing, a competitive pay increase and includes documentation supporting the need for an adjustment and justification for the increase. The respective member of the DEC approves the increase, in coordination with the human resources director.

Competitive pay increases apply to base salary and may not exceed the salary maximum for the salary range. In extraordinary circumstances, when an employee's base salary is at maximum, a bonus is an option. In these situations, the respective member of the DEC, in coordination with the human resources director, submits the request for agency director approval.

## 10. Increases Governed by the Appropriations Act

VRS will implement pay actions consistent with the provisions of the Appropriation Act.

## **D. Bonuses**

### **1. Sign-on**

Sign-on bonuses may be provided to qualified external candidates when the position is determined to be hard-to-fill, or when there is a demonstrated need to provide supplemental pay to compete with the market.

The amount of the sign-on bonus will vary depending on the position and the supply of candidates. The amount of the bonus typically ranges from 1% to 20% of the midpoint of the salary range.

Fifty percent of the sign-on bonus will be paid in the first paycheck with the remainder of the bonus being paid following the successful completion of the one-year introductory period.

Refer to the **Employee Sign-on Bonus Program Policy**.

### **2. Referral**

Referral bonuses may be provided to full and part-time employees who refer a candidate hired into a full-time position.

The amount of the referral bonus is \$1,000. Fifty percent is paid in the paycheck following the referred employee's first full pay cycle with the remainder of the bonus being paid following the successful completion of the referred employee's introductory period.

Refer to the **Employee Referral Program Policy**.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with the preceding paragraph, payment of performance bonuses under this plan is not guaranteed.

### **3. Performance**

Performance bonuses are provided agency wide following the annual review process.

Subject to the approval of the VRS Board of Trustees, eligible employees who receive an overall rating of "exceptional" will receive a 4% bonus and employees who receive an overall rating of "exceeds" will receive a 2% bonus, based on their salary as of June 30. Employees who receive an overall "meets," "does not meet" or "needs improvement" rating will not receive a performance bonus. The performance cycle and thus, bonus payments, align with the fiscal year, July 1 through June 30.

The **Performance Management Policy** outlines details.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with the preceding paragraph, payment of performance bonuses under this plan is not guaranteed.

#### **4. Gainsharing**

Gainsharing bonuses are provided when it is determined the agency has successfully attained the Agency Performance Outcomes (APO) and Operational Measures (OM).

Subject to the approval of the VRS Board of Trustees, attainment of the APOs and OM's may result in eligible employees receiving a lump-sum bonus of 2.5%, or other amount determined by the Board, based on their salary as of June 30.

The **Performance Management Policy** outlines details.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances. Consistent with the preceding paragraph, payment of gainsharing bonuses under this plan is not guaranteed.

#### **5. Employee Recognition Bonus**

Employee recognition bonuses may be provided to full and part-time employees for individual or team accomplishments typically associated with special projects, process improvements, innovation or other outstanding accomplishments.

Bonuses range from \$50 to \$5,000 depending upon the value of individual or team accomplishments.

Bonuses up to and including \$1,000 require approval by the appropriate DEC member. Special Recognition Bonuses, above \$1,000 through \$5,000, require approval by the DEC member and Agency Director, Chief Investment Officer, or Internal Audit Director.

The fiscal year bonus cap is \$5,000 per employee.

The **Recognition and Awards Program Policy** outlines details.

#### **6. Bonuses Governed by the Appropriation Act**

VRS will implement pay actions consistent with the provisions of the Appropriation Act.

## V. Additional Information

### A. VRS Pay Plans

In addition to the Administrative Pay Plan, VRS maintains several other pay plans to meet specific employment and compensation needs. These plans are as follows:

- **Investment Professionals' Pay Plan** - This pay plan is separate from the administrative plan and includes its own salary and classification structure as well as incentive pay guidelines.
- **Investment Operations and Administration Staff Pay Plan** - This pay plan is separate from the administrative plan and includes its own salary and classification structure.
- **Executive Pay Plan** – This pay plan provides the annual salary and bonus amounts provided to the Agency Director, Chief Investment Officer and Audit Director by the VRS Board of Trustees.

### B. Key Terms

**FLSA** - The Fair Labor Standards Act

**Exempt** – Employees who are not covered by or are exempted from the minimum wage and overtime provisions of the Fair Labor Standards Act

**Non-exempt** – Employees who are subject to the minimum wage and overtime provisions of the Fair Labor Standards Act

**Salary grade** – A series of specific pay rates assigned to a classification as the compensation for that classification

**Pay rate** – A specific dollar amount, expressed as either an annual or hourly rate

**Red-circle** – A designation for salaries that exceed the maximum of a specified salary range. Employees are not eligible for further base pay increases until the range maximum surpasses the employee's salary.

## APPENDIX 1 – PAY RANGES

Administrative SALARY RANGES			
Grade	Min	Mid	Max
1	<u>\$43,747</u> \$ 42,473	<u>\$52,495</u> \$ 50,966	<u>\$61,246</u> \$ 59,462
2	<u>\$48,121</u> \$46,719	<u>\$57,745</u> \$56,063	<u>\$67,369</u> \$ 65,407
3	<u>\$52,933</u> \$51,391	<u>\$63,520</u> \$ 61,670	<u>\$74,107</u> \$ 71,949
4	<u>\$58,227</u> \$ 56,531	<u>\$69,872</u> \$ 67,837	<u>\$81,517</u> \$79,143
5	<u>\$64,050</u> \$ 62,184	<u>\$76,860</u> \$74,621	<u>\$89,670</u> \$ 87,058
6	<u>\$70,454</u> \$ 68,402	<u>\$84,547</u> \$ 82,084	<u>\$98,636</u> \$95,763
7	<u>\$75,918</u> \$73,707	<u>\$93,001</u> \$ 90,292	<u>\$110,082</u> \$106,876
8	<u>\$83,509</u> \$81,077	<u>\$102,301</u> \$99,321	<u>\$121,090</u> \$ 117,563
9	<u>\$91,862</u> \$ 89,186	<u>\$112,531</u> \$109,253	<u>\$133,200</u> \$129,320
10	<u>\$99,026</u> \$ 96,142	<u>\$123,783</u> \$120,178	<u>\$148,539</u> \$144,213
11	<u>\$108,929</u> \$105,756	<u>\$136,162</u> \$132,196	<u>\$163,394</u> \$158,635
12	<u>\$122,545</u> \$118,976	<u>\$153,182</u> \$148,720	<u>\$183,818</u> \$178,464
13	<u>\$137,864</u> \$133,849	<u>\$172,329</u> \$ 167,310	<u>\$206,796</u> \$200,773
14	<u>\$155,434</u> \$150,907	<u>\$198,179</u> \$192,407	<u>\$240,924</u> \$233,907
15	<u>\$178,750</u> \$ 173,544	<u>\$227,906</u> \$221,268	<u>\$277,063</u> \$ 268,993
16	<u>\$205,562</u> \$ 199,575	<u>\$262,092</u> \$ 254,458	<u>\$318,622</u> \$309,342

Technology SALARY GRADES			
Grade	Min	Mid	Max
T1	<del>\$59,636</del> <del>\$57,899</del>	<del>\$71,564</del> <del>\$69,480</del>	<del>\$83,492</del> <del>\$81,060</del>
T2	<del>\$65,600</del> <del>\$63,689</del>	<del>\$78,721</del> <del>\$76,428</del>	<del>\$91,840</del> <del>\$89,165</del>
T3	<del>\$72,162</del> <del>\$70,060</del>	<del>\$86,593</del> <del>\$84,071</del>	<del>\$101,025</del> <del>\$98,083</del>
T4	<del>\$79,377</del> <del>\$77,065</del>	<del>\$95,252</del> <del>\$92,478</del>	<del>\$111,128</del> <del>\$107,891</del>
T5	<del>\$87,314</del> <del>\$84,771</del>	<del>\$104,778</del> <del>\$101,726</del>	<del>\$122,240</del> <del>\$118,680</del>
T6	<del>\$96,045</del> <del>\$93,248</del>	<del>\$115,255</del> <del>\$111,898</del>	<del>\$134,463</del> <del>\$130,547</del>
T7	<del>\$103,495</del> <del>\$100,481</del>	<del>\$126,781</del> <del>\$123,088</del>	<del>\$150,068</del> <del>\$145,697</del>
T8	<del>\$113,844</del> <del>\$110,528</del>	<del>\$139,460</del> <del>\$135,398</del>	<del>\$165,074</del> <del>\$160,266</del>
T9	<del>\$125,228</del> <del>\$121,581</del>	<del>\$153,405</del> <del>\$148,937</del>	<del>\$181,582</del> <del>\$176,293</del>
T10	<del>\$134,996</del> <del>\$131,064</del>	<del>\$168,746</del> <del>\$163,831</del>	<del>\$202,495</del> <del>\$196,597</del>
T11	<del>\$148,496</del> <del>\$144,171</del>	<del>\$185,620</del> <del>\$180,214</del>	<del>\$222,745</del> <del>\$216,257</del>
T12	<del>\$163,346</del> <del>\$158,588</del>	<del>\$204,182</del> <del>\$198,235</del>	<del>\$245,019</del> <del>\$237,883</del>
T13	<del>\$179,680</del> <del>\$174,447</del>	<del>\$224,600</del> <del>\$218,058</del>	<del>\$269,520</del> <del>\$261,670</del>
T14	<del>\$193,772</del> <del>\$188,128</del>	<del>\$247,060</del> <del>\$239,864</del>	<del>\$300,348</del> <del>\$291,600</del>

**Supersedes:** 06/10/2024

**Effective Date:** 06/10/2025

## I. Purpose

The pay plan (the “Plan”) applies to all full and part-time (non-wage) Investment Department operations and administration staff and associated positions. This includes all Investment Department employees who are not included in the Investment Professionals’ Pay Plan. Wage employees’ pay complies with the provisions of the state classification and pay plan. The Plan recognizes that Investment Department supervisors and managers are in the best position to assess, appraise and reward the performance of individuals under their supervision. The objective of the Plan is to compensate employees reasonably and equitably, to encourage constructive individual and team effort, and to recognize that these positions require specialized experience and expertise.

The Plan ensures that Investment Department operations and administration salaries are competitive with the market average of a mix of public and private sector organizations. Human Resources (HR) contracts for comparative market salary data about every two years, to ensure competitiveness of the salary structure.

## II. Policy

The salary for each position has a minimum, midpoint and maximum:

- **Minimum** is the lowest salary paid for a position within the salary grade.
- **Midpoint** represents the target market salary paid to employees who are fully qualified and meet all competencies required to fulfill each of the position’s responsibilities.
- **Maximum** is the highest salary paid for a position within the salary grade.

The midpoint of each grade is set equal to the market average. Individual performance, time in the position, previous related work experience, and other factors can influence earnings that are higher or lower than the midpoint.

The expectation is that employees with salaries closer to the maximum for their position are more tenured, have been a consistently exceptional performer or have more work experience.

During the job placement process, Fair Labor Standards Act (FLSA) exemption statuses (exempt or non-exempt) are determined based on the FLSA job duties test.

See Salary Ranges and Position Titles and Salary Grades tables in the Appendix.

**Performance Assessment**

Investment Department operations and administration staff will receive a formal performance assessment annually, using the following five-point rating scale: “Does Not Meet Expectations,” “Needs Improvement,” “Meets Expectations,” “Exceeds Expectations,” and “Exceptional,” based on the criteria described in employees’ position descriptions.

However, the VRS expects supervisors and managers to give informal performance feedback at least quarterly and more frequently to co-workers who are inexperienced in their position or who are not meeting the performance expectations of their supervisor or manager. In the latter case, the feedback must be in writing to employees.

**The Rating Scale definitions are as follows.**

- **Does Not Meet Expectations** - Performance must improve substantially within a reasonable period if the individual is to remain in this position. The employee is not meeting the job requirements. The person consistently fails to meet the objective(s) described in the goal area.
- **Needs Improvement** - Performance is noticeably less than expected. The employee generally meets most job requirements, but struggles to meet them all. The need for further development and improvement is clearly recognized.
- **Meets Expectations** - Performance clearly and fully meets all the requirements of the position in terms of quality, timeliness, and quantity of work. The assessment is a good, solid performance. While minor deviations may occur, the overall level of performance meets all position requirements. The person consistently meets and may occasionally exceed the objective(s) described in the goal area. Employees that attain and maintain this rating are performing their jobs as expected, meeting deadlines, and delivering good quality results.
- **Exceeds Expectations** - Performance frequently exceeds job requirements. Accomplishments are regularly above expected levels. Performance is sustained and uniformly high with thorough and on-time results. Tasks assigned are consistently completed with good quality and on time or ahead of schedule, and the tasks are sometimes completed even if they are not directly assigned. The person will often perform tasks that fall outside their job description.
- **Exceptional** - Performance levels and accomplishments far exceed normal expectations. This category is for the employee who truly stands out and clearly and consistently demonstrates exceptional accomplishments in terms of quality and quantity of work that is easily recognized, as truly exceptional by others. This rating is very difficult to achieve in the regular execution of one’s job. An opportunity has to present itself and the person needs to identify it and take full advantage of it. It is difficult to define the precise criteria on a performance plan that will allow a person to achieve an exceptional rating, but “you will know it when you see it.”



**Starting Salary**

The VRS Chief Investment Officer (CIO) approves a position's grade and salary range when signing the VRS Position Approval form. Hiring supervisors and second-line supervisors recommend the starting salary for new employees, with the final approval by the CIO, in coordination with HR. When making salary offers, consider salaries presently paid to employees in the department and the candidate's education, skills and work experience. Starting salaries typically do not exceed the salary grade midpoint of the job. Additional justification is required to support offering salaries above the midpoint.

**Salary Adjustments****A. Introductory Period**

The introductory period for new employees is normally six months from the date of hire but can be up to a year for selected positions. This is the adjustment period for employees to establish a working relationship with their supervisors and to acclimate to their new job duties.

When employees successfully complete the introductory period, they typically receive a pay increase of 2% if they are at least meeting expectations. The VRS may discharge employees with or without cause at any time during the introductory period.

In situations that warrant additional time to evaluate employees' performance, skill level or suitability for the job, VRS may extend the introductory period up to an additional six months. Supervisors will communicate the extension of the introductory period in writing to the employee and HR prior to the conclusion of the employee's initial introductory period. Communications should include reasons for the extension and improvements needed by the employee to meet performance expectations successfully during the extended introductory period. VRS expects these employees to improve their performance to "Meets" or they face termination, demotion, or transfer to a suitable job, if such an opportunity exists.

**B. Promotions**

A promotion occurs when an employee transitions to a different position assigned to a higher salary grade. A promotion can be competitive (selected through a recruitment and hiring process) or non-competitive (i.e., through the career development process).

When employees compete and are hired into a job in a higher grade, they are typically eligible for a salary increase between 5% and 15%. For non-competitive promotions, the salary will be subject to review to ensure internal equity. Promotional salaries must be at or above the minimum of the new salary grade. Promotional pay cannot place an employees' salary above the maximum of the salary grade.

### **C. Lateral**

A lateral occurs when an employee moves into a position with a different job title and classification which is in the same salary grade. This movement constitutes a lateral move or a transfer.

For a competitive (posted and selected) lateral move/transfer, a salary increase may be considered only if duties of the new position are substantially different. If an increase is approved the increase amount shall not exceed 5%, provided the increase does not exceed the maximum salary range. Any exception to this guideline requires additional justification, an internal equity review and approval of the CIO in coordination with HR.

### **D. Downward Assignments (Voluntary or Performance Related)**

Downward assignments occur when an employee transitions to a position within a salary grade lower than the current grade.

- **Voluntary** – An employee-initiated request to transition to a position within a lower salary grade.
- **Involuntary** – A management-initiated request to transition an employee to a position within a lower salary grade, typically due to performance, corrective action or restructuring.

A downward assignment would typically result in the salary being placed at any pay rate within the lower classification, not to exceed the maximum or fall below the minimum of the new salary range. Any exception to this guideline will require additional justification, an internal equity review and approval of the CIO in coordination with HR.

In unique situations, such as job abolishment or agency reorganization, an employee's salary may exceed the maximum of the lower grade and the salary remain unchanged. Salaries remain frozen until market adjustments allow additional increases. These employees remain eligible to receive applicable performance or gainsharing bonus awards if performance criteria are met.

### **E. Job Reclassifications**

Job reclassifications occur when the employee's duties and responsibilities change substantially, which may result in a different pay grade. Reclassification is based on job content and not the performance of the incumbent. Job studies are performed by HR, with input by management.

- **Reclassification Upward:** Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within a higher salary grade. Employees typically receive salary increases between 2% and 15%. Reclassification increases are approved by the CIO, in coordination with HR. Salaries must be at or above the minimum of the new pay grade.

- **Reclassification Laterally:** Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within the same salary grade. No salary increase is awarded. Any exception to this guideline will require additional justification, an internal equity review, and approval of the CIO, in coordination with HR.
- **Reclassification Downward:** Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within a lower salary grade.

This will result in the salary being placed at any pay rate within the lower classification, not to exceed the maximum or fall below the minimum of the new salary range. Any exception to this guideline will require additional justification, an internal equity review and approval of the CIO, in coordination with HR.

## **F. Regrade**

Regrades occur when the classification is determined to warrant a different pay grade. This is typically determined by a market analysis or internal classification review, performed by HR in coordination with the CIO. Employees typically receive salary increases between 2% and 15%. Regrade increases are approved by the CIO, in coordination with HR. Salaries must be at or above the minimum of the new pay grade.

## **G. Acting Pay**

Acting pay is provided when an employee is temporarily assigned to assume the responsibilities of a position in a higher salary grade.

- **Less Than Two Years Duration:** The employee will receive at least a 5% salary adjustment while serving in an acting position. If the 5% increase does not place the employee at the minimum salary of the acting position, the salary must be increased to the minimum of the acting range. The acting amount shall not exceed the maximum of the acting range. When the employee returns to the former position, his or her salary will be reduced by the dollar amount received while performing the "acting" job responsibilities.
- **Beyond Two Years Duration:** When employees are deemed to be "acting" by performing the full duties of a position for more than two years, the supervisor may choose to promote the individual without going through a competitive process. If the employee is promoted, the employee is eligible for a promotional increase. Otherwise, the position will be open for recruitment. The permanent filling of the position may involve no change in current salary or could include a pay increase, depending upon the circumstances and available budget. If an employee is acting in a position that is the same salary grade, acting pay would not be provided unless there is sufficient justification to support that the duties of the acting position are substantially different.

## H. In-grade Adjustments

In-grade salary adjustments occur when employees receive an increase in base pay to ensure competitiveness, retention, and to recognize increased skills, abilities, knowledge, or responsibilities outside of the position classification process. These adjustments should only be provided once per fiscal year. Listed below are the categories and descriptions of in-grade salary adjustments.

- **Market adjustment:** Warranted in cases where external market forces exist due to high demand for a particular skill or position which may result in significantly higher turnover. Market adjustments may also occur if it is determined that an individual's salary is significantly lower than market study findings. Salary adjustments can apply to an individual or classification of employees to ensure competitiveness and retention of staff. An in-grade adjustment of 1% to 10% of salary is typically provided.
- **Internal alignment adjustment:** Warranted when employees' salaries are unusually low or out of comparability with other employees in the work unit. Factors considered include experience, education, knowledge, skills and abilities. An in-grade adjustment of 1% to 10% of salary is typically provided.
- **Individual accomplishment adjustment:** May be awarded to recognize the attainment of a higher level of expertise through professional certification requiring continuing education credits (CEUs). In-grade adjustments are awarded at the time of the original certification. If the certification does not require CEUs, an in-grade adjustment will not be provided; however, a bonus may be considered. Additionally, an in-grade adjustment for completion of a degree that relates to a current or career path position may be provided. Other similar situations may be considered as justification for an individual accomplishment adjustment. An in-grade adjustment of 1% to 10% of salary is typically provided.
- **Skill acquisition and application adjustment:** May be awarded to recognize the acquisition and application of relevant, pre-defined, job-based skills, resulting in increased value to the organization. Typically, an Individual Development Plan identifies the needed skills and the skill acquisition plan. Formal assessments, through testing or demonstration of the skills acquired and applied to the job, may result in an in-grade adjustment. An in-grade adjustment of 1% to 4% of salary is typically provided.

The employee's supervisor must request the in-grade adjustment in writing and include documentation supporting the need for a pay adjustment. The CIO approves in-grade adjustments, in coordination with HR.

When an employee's salary is at or above the salary maximum for his/her job grade, a bonus payment may be awarded. The CIO approves the bonus, in coordination with HR.

## **I. Competitive Pay Increases**

A competitive pay increase is an option available to supervisors to retain top performers, who have received an external job offer, when the loss is determined to be detrimental to the organization. Employees must furnish a copy of the respective job offer.

The supervisor requests, in writing, a competitive pay increase and includes documentation supporting the need for an adjustment and justification for the increase. The CIO approves the increase, in coordination with HR.

Competitive pay increases apply to base salary and may not exceed the salary maximum for the salary range. In extraordinary circumstances, when an employee's base salary is at maximum, a bonus is an option. In these situations, the CIO approves the action, in coordination with HR.

## **J. Increases Governed by the Appropriation Act**

VRS will implement pay actions consistent with the provisions of the Appropriation Act.

### **Bonuses**

#### **A. Sign-on**

Sign-on bonuses may be provided to qualified external candidates when the position is determined to be hard-to-fill, or when there is a demonstrated need to provide supplemental pay to compete with the market.

The amount of the sign-on bonus will vary depending on the position and the supply of candidates. The amount of the bonus typically ranges from 1% to 20% of the midpoint of the salary range.

Fifty percent of the sign-on bonus will be paid in the first paycheck with the remainder of the bonus being paid following the successful completion of the introductory period.

Refer to the Employee Sign-on Bonus Program Policy.

#### **B. Referral**

Referral bonuses may be provided to full and part-time employees who refer a candidate hired into a full-time position. The amount of the referral bonus is \$1,000. Fifty percent is paid in the paycheck following the referred employee's first full pay cycle with the remainder of the bonus being paid following the successful completion of the referred employee's introductory period.

Refer to the Employee Referral Program Policy.

### **C. Performance**

Performance bonuses, where applicable, are provided to the Investment operations and administration staff following the annual review process.

Subject to the approval of the VRS Board of Trustees, eligible employees who receive an overall rating of “exceptional” will receive a 4% bonus and employees who receive an overall rating of “exceeds” will receive a 2% bonus, based on their salary as of June 30.

Employees who receive an overall “meets,” “does not meet” or “needs improvement” rating will not receive a performance bonus.

The performance cycle and thus, bonus payments, align with the fiscal year, July 1 through June 30. While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with preceding paragraph, payment of performance bonuses under this plan is not guaranteed.

### **D. Gainsharing**

The Investment Department’s operations and administration staff employees may receive a lump-sum bonus equal to 2.5% of salary if their performance “meets expectations”, “exceeds expectations” or is “exceptional”, as rated in their annual performance assessment and the employee consistently works, as a team member, to accomplish the goals of the Investment Department.

Additionally, Investment Department’s operations and administration staff employees are eligible to be recognized and rewarded under the provisions of the VRS Recognition and Awards Program.

While the VRS Board of Trustees remains mindful of the value that staff adds to the organization and supportive of the pay plan, the VRS Board of Trustees also specifically reserves the right to cancel, reduce, or delay the amount of any bonuses payable under this plan when, in the sole discretion of the VRS Board of Trustees, extreme budgetary pressures, economic, market or other conditions are such that the VRS Board of Trustees deems such action necessary under the circumstances.

Consistent with the preceding paragraph, payment of gainsharing bonuses under this plan is not guaranteed.

## **E. Bonuses Governed by the Appropriation Act**

VRS will implement pay actions consistent with the provisions of the Appropriation Act.

### **Other VRS Pay Plans**

In addition to the Investment Operations and Administration Staff Pay Plan, VRS maintains several other pay plans to meet specific employment and compensation needs. These plans are as follows:

- **Administrative Pay Plan** - This pay plan is separate from the investment operations and administration staff pay plan and includes its own salary and classification structure.
- **Investment Professionals' Pay Plan** - This pay plan is separate from the administrative plan and includes its own salary and classification structure as well as incentive pay guidelines.
- **Executive Pay Plan** – This pay plan provides the annual salary and bonus amounts provided to the Agency Director, Chief Investment Officer and Audit Director by the VRS Board of Trustees.

### Salary Ranges

Grade	Minimum	Midpoint	Maximum
1	\$48,793	\$60,990	\$73,189
2	\$54,893	\$68,614	\$82,336
3	\$61,752	\$77,191	\$92,629
4	\$69,596	\$86,994	\$104,393
5	\$78,432	\$98,040	\$117,649
6	\$88,375	\$110,469	\$132,562
7	\$99,421	\$124,276	\$149,133
8	\$111,574	\$139,467	\$167,360
9	\$125,935	\$157,416	\$188,901
10	\$141,397	\$176,751	\$212,101
11	\$159,075	\$198,844	\$238,611
12	\$178,959	\$223,697	\$268,439
Minimum is 80% of midpoint. Maximum is 120% of midpoint.			
Bandwidth is 50%.			
Difference between grades is 10-15%.			



**Administrative Policies**

**Policy Title:** Investment Operations and Administration Staff Pay Plan

**Appendix**



**Position Titles and Salary Grades**

Group	Title	Grade
Executive	Chief Administrative Officer	12
Executive	Deputy Chief Administrative Officer	11
Regulatory and Legal	Regulatory and Legal Officer	10
Regulatory and Legal	Regulatory and Legal Lead Senior Analyst	9
Regulatory and Legal	Regulatory and Legal Analyst III	8
Regulatory and Legal	Regulatory and Legal Analyst II	6
Regulatory and Legal	Regulatory and Legal Analyst I	4
Regulatory and Legal	Office Administrator	6
Compliance	Compliance Officer	10
Compliance	Compliance Lead Senior Analyst	9
Compliance	Compliance Analyst III	8
Compliance	Compliance Analyst II	6
Compliance	Compliance Analyst I	5
Operations	Operations Manager	10
Operations	Operations Lead Senior Analyst	9
Operations	Operations Analyst III	8
Operations	Operations Analyst II	6
Operations	Operations Analyst I	4
Systems	Decision Systems Manager	10
Systems	Decision Systems Principal	10
Systems	Decision Systems Analyst III	9
Systems	Decision Systems Analyst II	8
Systems	Decision Systems Analyst I	7
Systems	Decision Data Analyst II	6
Systems	Decision Data Analyst I	4
Admin	Portfolio Assistant	3
Admin	Executive Assistant	3
Admin	Administrative Assistant	1

**Supersedes:**12/10/202306/10/2024**Effective Date:** 06/10/20242025**I. Purpose**

The pay plan (the “Plan”) applies to all full and part-time (non-wage) Investment Department operations and administration staff and associated positions. This includes all Investment Department employees who are not included in the Investment Professionals’ Pay Plan. Wage employees’ pay complies with the provisions of the state classification and pay plan. The Plan recognizes that Investment Department supervisors and managers are in the best position to assess, appraise and reward the performance of individuals under their supervision. The objective of the Plan is to compensate employees reasonably and equitably, to encourage constructive individual and team effort, and to recognize that these positions require specialized experience and expertise.

The Plan ensures that Investment Department operations and administration salaries are competitive with the market average of a mix of public and private sector organizations. Human Resources (HR) contracts for comparative market salary data about every two years, to ensure competitiveness of the salary structure.

**II. Policy**

The salary for each position has a minimum, midpoint and maximum:

- **Minimum** is the lowest salary paid for a position within the salary grade.
- **Midpoint** represents the target market salary paid to employees who are fully qualified and meet all competencies required to fulfill each of the position’s responsibilities.
- **Maximum** is the highest salary paid for a position within the salary grade.

The midpoint of each grade is set equal to the market average. Individual performance, time in the position, previous related work experience, and other factors can influence earnings that are higher or lower than the midpoint.

The expectation is that employees with salaries closer to the maximum for their position are more tenured, have been a consistently exceptional performer or have more work experience.

During the job placement process, Fair Labor Standards Act (FLSA) exemption statuses (exempt or non-exempt) are determined based on the FLSA job duties test.

See Salary Ranges and Position Titles and Salary Grades tables in the Appendix.

**Performance Assessment**

Investment Department operations and administration staff will receive a formal performance assessment annually, using the following five-point rating scale: “Does Not Meet Expectations,” “Needs Improvement,” “Meets Expectations,” “Exceeds Expectations,” and “Exceptional,” based on the criteria described in employees’ position descriptions.

However, the VRS expects supervisors and managers to give informal performance feedback at least quarterly and more frequently to co-workers who are inexperienced in their position or who are not meeting the performance expectations of their supervisor or manager. In the latter case, the feedback must be in writing to employees.

**The Rating Scale definitions are as follows.**

- **Does Not Meet Expectations** - Performance must improve substantially within a reasonable period if the individual is to remain in this position. The employee is not meeting the job requirements. The person consistently fails to meet the objective(s) described in the goal area.
- **Needs Improvement** - Performance is noticeably less than expected. The employee generally meets most job requirements, but struggles to meet them all. The need for further development and improvement is clearly recognized.
- **Meets Expectations** - Performance clearly and fully meets all the requirements of the position in terms of quality, timeliness, and quantity of work. The assessment is a good, solid performance. While minor deviations may occur, the overall level of performance meets all position requirements. The person consistently meets and may occasionally exceed the objective(s) described in the goal area. Employees that attain and maintain this rating are performing their jobs as expected, meeting deadlines, and delivering good quality results.
- **Exceeds Expectations** - Performance frequently exceeds job requirements. Accomplishments are regularly above expected levels. Performance is sustained and uniformly high with thorough and on-time results. Tasks assigned are consistently completed with good quality and on time or ahead of schedule, and the tasks are sometimes completed even if they are not directly assigned. The person will often perform tasks that fall outside their job description.
- **Exceptional** - Performance levels and accomplishments far exceed normal expectations. This category is for the employee who truly stands out and clearly and consistently demonstrates exceptional accomplishments in terms of quality and quantity of work that is easily recognized, as truly exceptional by others. This rating is very difficult to achieve in the regular execution of one’s job. An opportunity has to present itself and the person needs to identify it and take full advantage of it. It is difficult to define the precise criteria on a performance plan that will allow a person to achieve an exceptional rating, but “you will know it when you see it.”

**Starting Salary**

The VRS Chief Investment Officer (CIO) approves a position's grade and salary range when signing the VRS Position Approval form. Hiring supervisors and second-line supervisors recommend the starting salary for new employees, with the final approval by the CIO, in coordination with HR. When making salary offers, consider salaries presently paid to employees in the department and the candidate's education, skills and work experience. Starting salaries typically do not exceed the salary grade midpoint of the job. Additional justification is required to support offering salaries above the midpoint.

**Salary Adjustments****A. Introductory Period**

The introductory period for new employees is normally six months from the date of hire but can be up to a year for selected positions. This is the adjustment period for employees to establish a working relationship with their supervisors and to acclimate to their new job duties.

When employees successfully complete the introductory period, they typically receive a pay increase of 2% if they are at least meeting expectations. The VRS may discharge employees with or without cause at any time during the introductory period.

In situations that warrant additional time to evaluate employees' performance, skill level or suitability for the job, VRS may extend the introductory period up to an additional six months. Supervisors will communicate the extension of the introductory period in writing to the employee and HR prior to the conclusion of the employee's initial introductory period. Communications should include reasons for the extension and improvements needed by the employee to meet performance expectations successfully during the extended introductory period. VRS expects these employees to improve their performance to "Meets" or they face termination, demotion, or transfer to a suitable job, if such an opportunity exists.

**B. Promotions**

A promotion occurs when an employee transitions to a different position assigned to a higher salary grade. A promotion can be competitive (selected through a recruitment and hiring process) or non-competitive (i.e., through the career development process).

When employees compete and are hired into a job in a higher grade, they are typically eligible for a salary increase between 5% and 15%. For non-competitive promotions, the salary will be subject to review to ensure internal equity. Promotional salaries must be at or above the minimum of the new salary grade. Promotional pay cannot place an employees' salary above the maximum of the salary grade.

### **C. Lateral**

A lateral occurs when an employee moves into a position with a different job title and classification which is in the same salary grade. This movement constitutes a lateral move or a transfer.

For a competitive (posted and selected) lateral move/transfer, a salary increase may be considered only if duties of the new position are substantially different. If an increase is approved the increase amount shall not exceed 5%, provided the increase does not exceed the maximum salary range. Any exception to this guideline requires additional justification, an internal equity review and approval of the CIO in coordination with HR.

### **D. Downward Assignments (Voluntary or Performance Related)**

Downward assignments occur when an employee transitions to a position within a salary grade lower than the current grade.

- **Voluntary** – An employee-initiated request to transition to a position within a lower salary grade.
- **Involuntary**– A management-initiated request to transition an employee to a position within a lower salary grade, typically due to performance, corrective action or restructuring.

A downward assignment would typically result in the salary being placed at any pay rate within the lower classification, not to exceed the maximum or fall below the minimum of the new salary range. Any exception to this guideline will require additional justification, an internal equity review and approval of the CIO in coordination with HR.

In unique situations, such as job abolishment or agency reorganization, an employee's salary may exceed the maximum of the lower grade and the salary remain unchanged. Salaries remain frozen until market adjustments allow additional increases. These employees remain eligible to receive applicable performance or gainsharing bonus awards if performance criteria are met.

### **E. Job Reclassifications**

Job reclassifications occur when the employee's duties and responsibilities change substantially, which may result in a different pay grade. Reclassification is based on job content and not the performance of the incumbent. Job studies are performed by HR, with input by management.

- **Reclassification Upward:** Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within a higher salary grade. Employees typically receive salary increases between 2% and 15%. Reclassification increases are approved by the CIO, in coordination with HR. Salaries must be at or above the minimum of the new pay grade.

- **Reclassification Laterally:** Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within the same salary grade. No salary increase is awarded. Any exception to this guideline will require additional justification, an internal equity review, and approval of the CIO, in coordination with HR.
- **Reclassification Downward:** Occurs when it is determined that an individual's job duties and responsibilities have changed significantly enough to transition the position into a different classification within a lower salary grade.

This will result in the salary being placed at any pay rate within the lower classification, not to exceed the maximum or fall below the minimum of the new salary range. Any exception to this guideline will require additional justification, an internal equity review and approval of the CIO, in coordination with HR.

#### **F. Regrade**

Regrades occur when the classification is determined to warrant a different pay grade. This is typically determined by a market analysis or internal classification review, performed by HR in coordination with the CIO. Employees typically receive salary increases between 2% and 15%. Regrade increases are approved by the CIO, in coordination with HR. Salaries must be at or above the minimum of the new pay grade.

#### **G. Acting Pay**

Acting pay is provided when an employee is temporarily assigned to assume the responsibilities of a position in a higher salary grade.

- **Less Than Two Years Duration:** The employee will receive at least a 5% salary adjustment while serving in an acting position. If the 5% increase does not place the employee at the minimum salary of the acting position, the salary must be increased to the minimum of the acting range. The acting amount shall not exceed the maximum of the acting range. When the employee returns to the former position, his or her salary will be reduced by the dollar amount received while performing the "acting" job responsibilities.
- **Beyond Two Years Duration:** When employees are deemed to be "acting" by performing the full duties of a position for more than two years, the supervisor may choose to promote the individual without going through a competitive process. If the employee is promoted, the employee is eligible for a promotional increase. Otherwise, the position will be open for recruitment. The permanent filling of the position may involve no change in current salary or could include a pay increase, depending upon the circumstances and available budget. If an employee is acting in a position that is the same salary grade, acting pay would not be provided unless there is sufficient justification to support that the duties of the acting position are substantially different.

## H. In-grade Adjustments

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- **Market adjustment:** Warranted in cases where external market forces exist due to high demand for a particular skill or position which may result in significantly higher turnover. Market adjustments may also occur if it is determined that an individual's salary is significantly lower than market study findings. Salary adjustments can apply to an individual or classification of employees to ensure competitiveness and retention of staff. An in-grade adjustment of 1% to 10% of salary is typically provided.
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When an employee's salary is at or above the salary maximum for his/her job grade, a bonus payment may be awarded. The CIO approves the bonus, in coordination with HR.



## **I. Competitive Pay Increases**

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### **Bonuses**

#### **A. Sign-on**

Sign-on bonuses may be provided to qualified external candidates when the position is determined to be hard-to-fill, or when there is a demonstrated need to provide supplemental pay to compete with the market.

The amount of the sign-on bonus will vary depending on the position and the supply of candidates. The amount of the bonus typically ranges from 1% to 20% of the midpoint of the salary range.

Fifty percent of the sign-on bonus will be paid in the first paycheck with the remainder of the bonus being paid following the successful completion of the introductory period.

Refer to the Employee Sign-on Bonus Program Policy.

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Referral bonuses may be provided to full and part-time employees who refer a candidate hired into a full-time position. The amount of the referral bonus is \$1,000. Fifty percent is paid in the paycheck following the referred employee's first full pay cycle with the remainder of the bonus being paid following the successful completion of the referred employee's introductory period.

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- **Executive Pay Plan** – This pay plan provides the annual salary and bonus amounts provided to the Agency Director, Chief Investment Officer and Audit Director by the VRS Board of Trustees.

## Salary Ranges

Grade	Minimum	Midpoint	Maximum
1	<u>\$48,793</u> <del>\$47,372</del>	<u>\$60,990</u> <del>\$59,214</del>	<u>\$73,189</u> <del>\$71,057</del>
2	<u>\$54,893</u> <del>\$53,294</del>	<u>\$68,614</u> <del>\$66,616</del>	<u>\$82,336</u> <del>\$79,938</del>
3	<u>\$61,752</u> <del>\$59,953</del>	<u>\$77,191</u> <del>\$74,943</del>	<u>\$92,629</u> <del>\$89,931</del>
4	<u>\$69,596</u> <del>\$67,569</del>	<u>\$86,994</u> <del>84,460</del>	<u>\$104,393</u> <del>\$101,352</del>
5	<u>\$78,432</u> <del>\$76,148</del>	<u>\$98,040</u> <del>\$95,184</del>	<u>\$117,649</u> <del>114,222</del>
6	<u>\$88,375</u> <del>\$85,801</del>	<u>\$110,469</u> <del>\$107,251</del>	<u>\$132,562</u> <del>\$128,701</del>
7	<u>\$99,421</u> <del>\$96,525</del>	<u>\$124,276</u> <del>\$120,656</del>	<u>\$149,133</u> <del>\$144,789</del>
8	<u>\$111,574</u> <del>\$108,324</del>	<u>\$139,467</u> <del>\$135,405</del>	<u>\$167,360</u> <del>\$162,485</del>
9	<u>\$125,935</u> <del>\$122,267</del>	<u>\$157,416</u> <del>\$152,831</del>	<u>\$188,901</u> <del>\$183,399</del>
10	<u>\$141,397</u> <del>\$137,279</del>	<u>\$176,751</u> <del>\$171,603</del>	<u>\$212,101</u> <del>\$205,923</del>
11	<u>\$159,075</u> <del>\$154,442</del>	<u>\$198,844</u> <del>\$193,052</del>	<u>\$238,611</u> <del>\$231,661</del>
12	<u>\$178,959</u> <del>\$173,747</del>	<u>\$223,697</u> <del>\$217,182</del>	<u>\$268,439</u> <del>\$260,620</del>
Minimum is 80% of midpoint. Maximum is 120% of midpoint.			
Bandwidth is 50%.			
Difference between grades is 10-15%.			

**Administrative Policies**

**Policy Title:** Investment Operations and Administration Staff Pay Plan

**Appendix**



**Position Titles and Salary Grades**

Group	Title	Grade
Executive	Chief Administrative Officer	12
Executive	Deputy Chief Administrative Officer	11
Regulatory and Legal	Regulatory and Legal Officer	10
Regulatory and Legal	Regulatory and Legal Lead Senior Analyst	9
Regulatory and Legal	Regulatory and Legal Analyst III	8
Regulatory and Legal	Regulatory and Legal Analyst II	6
Regulatory and Legal	Regulatory and Legal Analyst I	4
Regulatory and Legal	Office Administrator	6
Compliance	Compliance Officer	10
Compliance	Compliance Lead Senior Analyst	9
Compliance	Compliance Analyst III	8
Compliance	Compliance Analyst II	6
Compliance	Compliance Analyst I	5
Operations	Operations Manager	10
Operations	Operations Lead Senior Analyst	9
Operations	Operations Analyst III	8
Operations	Operations Analyst II	6
Operations	Operations Analyst I	4
Systems	Decision Systems Manager	10
Systems	Decision Systems Principal	10
Systems	Decision Systems Analyst III	9
Systems	Decision Systems Analyst II	8
Systems	Decision Systems Analyst I	7
Systems	Decision Data Analyst II	6
Systems	Decision Data Analyst I	4
Admin	Portfolio Assistant	3
Admin	Executive Assistant	3
Admin	Administrative Assistant	1



**VIRGINIA RETIREMENT SYSTEM  
INVESTMENT PROFESSIONALS'  
PAY PLAN  
Effective June 10, 2025**

## **OVERVIEW & PAY PHILOSOPHY**

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

This Plan includes three core elements:

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

Overall, this Plan is designed to:

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

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

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

### **I. Base Salary**

#### **SALARY RANGES**

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

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



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Each position's salary range includes a defined:

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

Grade	Position	Salary Range (\$ Thousands)		
		Min (\$)	Mid (\$)	Max (\$)
11	Chief Investment Officer	\$395,716	\$528,328	\$659,880
10	Deputy Chief Investment Officer	\$358,584	\$477,405	\$597,287
9	Managing Director	\$328,086	\$435,458	\$542,832
8	Program Director	\$280,364	\$375,807	\$471,250
7	Director – Strategy, Research, Risk and/or Investment Decision Support	\$244,572	\$328,086	\$ 411,597
6	Senior Portfolio Manager	\$244,572	\$328,086	\$411,597
5	Portfolio Manager	\$190,886	\$256,503	\$322,120
4	Senior Investment Officer	\$161,060	\$214,747	\$268,718
3	Investment Officer	\$125,269	\$167,025	\$208,782
2	Senior Investment Analyst	\$95,443	\$125,269	\$155,095
1	Investment Analyst	\$77,548	\$101,409	\$125,269

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

- **Market Pay Reviews:** The VRS normally conducts a comparative market total pay study generally every two to three years to ensure competitiveness of the salary and incentive structures. Typically, the VRS conducts the study in the 1st quarter of the calendar year with an effective date of July 1 (the

## **Investment Professionals' Pay Plan**

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beginning of the fiscal year).

- **Changes in Salary Ranges:** The Board must approve changes to the salary scale and incentive structure.

### **Salary Adjustments**

#### **Oversight & Administration**

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

#### **Merit Increases**

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

#### **Starting Salaries**

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

#### **Reallocation**

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

#### **In-grade Adjustments**

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

#### **Promotions**

Promotions occur when an individual moves into a position in a higher job class. Promotions can be competitive (selected through a recruitment and hiring process) or non-competitive (through a job reclassification or reallocation). Unless the CIO approves an exception, promotions will not exceed a 15% increase. However, the individual's salary will always be at least at the minimum of the range of the new job, regardless of the amount of the increase.

#### **Downward Assignment**

Downward adjustment occurs when an employee changes positions whether voluntarily, or because of unsatisfactory performance, resulting in a downward change in job class. A reduction in salary may occur

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based on a review of the salary and range and the circumstances associated with the downward move. In downward assignments, an individual's salary cannot exceed the maximum of the new salary range.

**II. Incentive Pay PLAN****ADMINISTRATION**

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

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

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

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

### PLAN ELIGIBILITY

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

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

Chief Investment Officer

Deputy Chief Investment Officer

Managing Director – Portfolio Solutions Group

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

Managing Director – Public Market Assets

Program Director

Director – Strategy, Research, Risk and/or Investment Decision Support

Senior Portfolio Manager

Portfolio Manager

Senior Investment Officer

Investment Officer

Senior Investment Analyst

Investment Analyst

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

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

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

### OVERALL INCENTIVE PLAN MECHANICS

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

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

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

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

### INCENTIVE OPPORTUNITIES

Incentive opportunities will vary by position based on multiple criteria:

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

Actual awards can vary based on performance.

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

Incentive Levels	
VRS Position	Incentive <sup>1</sup> (% Salary)
Chief Investment Officer	70 <sup>2</sup>
Deputy Chief Investment Officer	65 <sup>2</sup>
Managing Director – Portfolio Solutions Group	65 <sup>2</sup>
Managing Director – Private Market Assets and DC Plans	65 <sup>2</sup>
Managing Director – Public Market Assets	65 <sup>2</sup>
Program Director	60 <sup>2</sup>
Director – Strategy, Research, Risk and/or Investment Decision Support	50
Senior Portfolio Manager	50
Portfolio Manager	40
Senior Investment Officer	30
Investment Officer	30
Senior Investment Analyst	20
Investment Analyst	10

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

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

#### **INCENTIVE WEIGHTINGS**

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

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

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

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

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

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

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

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

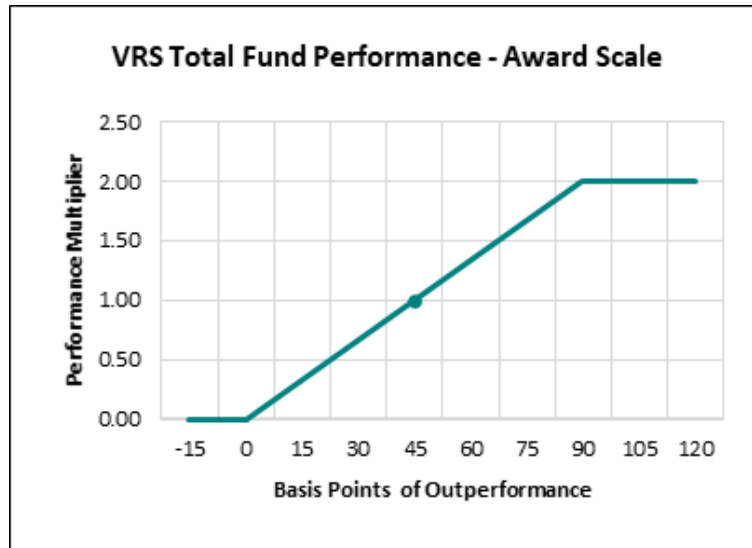
#### QUANTITATIVE PLAN COMPONENTS

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

For purposes of this Plan:

- Measurement of relative investment performance is net of third-party fees, which consist of investment management fees and performance fees paid to investment managers, custodian fees, legal fees, internal investment staff administrative expenses, and miscellaneous fees.
- A performance-award scale defines the linkage between relative investment performance and a corresponding Performance Multiplier. Illustrating this approach at the Total Fund level, when VRS' relative investment performance:
  - Equals zero or less (i.e., no relative value added), then the VRS Performance Multiplier will equal zero and there will be no incentive payouts under this Plan component.
  - Equals 45 bps, then the VRS Performance Multiplier will equal 1.00 and there will be a 100% payout of this Plan component.
  - Equals 90 bps or more, then the VRS Performance Multiplier will equal 2.00 and there will be a 200% payout of this Plan component.
  - Is anywhere between zero and 90 bps, then the VRS Performance Multiplier is determined on an interpolated, straight-line basis.

Note: The Board approved the Verus recommended excess return objective (45 basis points) for the Total Fund at the June 15, 2020 meeting with an effective date of July 1, 2020. For implementation purposes, the Total Fund excess return objective will be a blend of the former excess return objective (30 basis points) to be used until June 30, 2020, and the new excess return objective (45 basis points) to be used from July 1, 2020 onward.



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

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

#### QUALITATIVE PLAN COMPONENT

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

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

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



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#### DETERMINING PRELIMINARY AWARDS

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

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

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

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

Preliminary Award **\$91,200**

#### DETERMINING FINAL AWARDS

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

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

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

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

Final Award **\$91,200**

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

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

**Preliminary Award \$91,200**

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

**Final Award \$93,936**

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

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

**Preliminary Award \$91,200**

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

**Final Award \$77,520**

**PAYING OUT FINAL AWARDS**

**Board Review**

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

**Final Award Payout**

Final awards will be paid out as follows:

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

**Timing of Cash Payouts**

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

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**INCENTIVE PLAN PROVISIONS**

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

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

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

**AMOUNTS SUBJECT TO ANNUAL DEFERRAL**

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

**INVESTMENT RETURN**

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

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

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

#### **DISTRIBUTIONS**

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

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

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

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

#### **TAXATION**

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

### **IV. Other Compensation Plan Information**

#### **Competitive Pay Increases**

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

#### **Sign-on Bonuses**

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

#### **Relocation Expenses**

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

#### **Employment at Will**

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

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

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### **409A Compliance**

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

### **CLASS STRUCTURE**

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

#### **Chief Investment Officer**

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

#### **Deputy Chief Investment Officer**

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

#### **Managing Director**

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

#### **Program Director**

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

#### **Director - Strategy, Research, Risk and/or Investment Decision Support**

**Strategy** – The position within Strategy identifies and evaluates relative value-based tilt opportunities that have the potential to 1) improve the fund's return without materially increasing the risk, 2) reduce the fund's risk without materially reducing the return, or 3) some combination of these objectives. In addition, staff within Strategy 1) review and evaluate the implications of macro-economic conditions, 2) analyze current conditions and opportunities within major asset classes and key asset class subsectors, 3) monitor and evaluate the tactical and strategic tilts of key VRS investment partners, and 4) identify strategy ideas including risk and return expectations for

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base case and alternative scenarios.

Research – The position within Research has responsibility to support both basic and applied research efforts for all VRS investment staff. This effort includes monitoring, coordinating, facilitating, and implementing current best practices and methods to ensure optimal investment performance and risk management at both the program and plan level.

Risk – The position within Risk has responsibility in the design, implementation, and management of the risk management program including project management (solicitation and queueing of projects from clients), guidance and coordination within the group, mathematical and statistical analysis of empirical problems, risk management, and high-level programming. Additionally, staff within Risk assist with the design and implementation of a diverse collection of strategies designed to have low or negative correlation to other VRS asset classes.

Investment Decision Support – The position within Investment Decision Support has responsibility for the design and delivery of investment program, risk management, strategy, and research analytic systems. As a component of this, staff is responsible for all investments data as well as the design, development, and implementation of the quantitative infrastructure for the VRS investment programs. This includes a data warehouse, various data retrieval tools, quantitative analysis tools, program level reporting tools and support applications that retrieve, consolidate and report information.

#### **Senior Portfolio Manager**

The Senior Portfolio Manager positions have responsibility for multiple portfolio strategies and/or may supervise one or more Senior Investment Officers or Portfolio Managers. The Senior Portfolio Manager positions provide a potential career progression ladder for Portfolio Managers over time, considering the contributions, experience, and sustained performance for the incumbents.

#### **Portfolio Manager**

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

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

#### **Senior Investment Officer**

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

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**Investment Officer**

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

**Senior Investment Analyst**

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

**Investment Analyst**

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



**VIRGINIA RETIREMENT SYSTEM**  
**INVESTMENT PROFESSIONALS'**  
**PAY PLAN**  
**Effective June 10, ~~2024~~2025**



## OVERVIEW & PAY PHILOSOPHY

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

This Plan includes three core elements:

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

Overall, this Plan is designed to:

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

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

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

### I. Base Salary

#### SALARY RANGES

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

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

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Each position's salary range includes a defined:

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

Grade	Position	Salary Range (\$ Thousands)		
		Min (\$)	Mid (\$)	Max (\$)
11	Chief Investment Officer	<u>\$395,716</u> <del>\$384,190</del>	<u>\$528,328</u> <del>\$512,940</del>	<u>\$659,880</u> <del>\$640,660</del>
10	Deputy Chief Investment Officer	<u>\$358,584</u> <del>\$348,140</del>	<u>\$477,405</u> <del>\$463,500</del>	<u>\$597,287</u> <del>\$579,890</del>
9	Managing Director	<u>\$328,086</u> <del>\$318,530</del>	<u>\$435,458</u> <del>\$422,775</del>	<u>\$542,832</u> <del>\$527,021</del>
8	Program Director	<u>\$280,364</u> <del>\$272,198</del>	<u>\$375,807</u> <del>\$364,861</del>	<u>\$471,250</u> <del>\$457,524</del>
7	Director – Strategy, Research, Risk and/or Investment Decision Support	<u>\$244,572</u> <del>\$237,449</del>	<u>\$328,086</u> <del>\$318,530</del>	<u>\$411,597</u> <del>\$399,609</del>
6	Senior Portfolio Manager	<u>\$244,572</u> <del>\$237,449</del>	<u>\$328,086</u> <del>\$318,530</del>	<u>\$411,597</u> <del>\$399,609</del>
5	Portfolio Manager	<u>\$190,886</u> <del>\$185,326</del>	<u>\$256,503</u> <del>\$249,032</del>	<u>\$322,120</u> <del>\$312,738</del>
4	Senior Investment Officer	<u>\$161,060</u> <del>\$156,369</del>	<u>\$214,747</u> <del>\$208,492</del>	<u>\$268,718</u> <del>\$260,891</del>
3	Investment Officer	<u>\$125,269</u> <del>\$121,620</del>	<u>\$167,025</u> <del>\$162,160</del>	<u>\$208,782</u> <del>\$202,701</del>
2	Senior Investment Analyst	<u>\$95,443</u> <del>\$92,663</del>	<u>\$125,269</u> <del>\$121,620</del>	<u>\$155,095</u> <del>\$150,578</del>
1	Investment Analyst	<u>\$77,548</u> <del>\$75,289</del>	<u>\$101,409</u> <del>\$98,455</del>	<u>\$125,269</u> <del>\$121,620</del>

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

- **Market Pay Reviews:** The VRS normally conducts a comparative market total pay study generally every two to three years to ensure competitiveness of the salary and incentive structures. Typically, the VRS conducts the study in the 1st quarter of the calendar year with an effective date of July 1 (the

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beginning of the fiscal year).

- **Changes in Salary Ranges:** The Board must approve changes to the salary scale and incentive structure.

### Salary Adjustments

#### Oversight & Administration

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

#### Merit Increases

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

#### Starting Salaries

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

#### Reallocation

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

#### In-grade Adjustments

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

#### Promotions

Promotions occur when an individual moves into a position in a higher job class. Promotions can be competitive (selected through a recruitment and hiring process) or non-competitive (through a job reclassification or reallocation). Unless the CIO approves an exception, promotions will not exceed a 15% increase. However, the individual's salary will always be at least at the minimum of the range of the new job, regardless of the amount of the increase.

#### Downward Assignment

Downward adjustment occurs when an employee changes positions whether voluntarily, or because of unsatisfactory performance, resulting in a downward change in job class. A reduction in salary may occur

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based on a review of the salary and range and the circumstances associated with the downward move. In downward assignments, an individual's salary cannot exceed the maximum of the new salary range.

**II. Incentive Pay PLAN****ADMINISTRATION**

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

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

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

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

### PLAN ELIGIBILITY

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

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

Chief Investment Officer

Deputy Chief Investment Officer

Managing Director – Portfolio Solutions Group

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

Managing Director – Public Market Assets

Program Director

Director – Strategy, Research, Risk and/or Investment Decision Support

Senior Portfolio Manager

Portfolio Manager

Senior Investment Officer

Investment Officer

Senior Investment Analyst

Investment Analyst

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

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

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

### OVERALL INCENTIVE PLAN MECHANICS

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

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

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

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

#### **INCENTIVE OPPORTUNITIES**

Incentive opportunities will vary by position based on multiple criteria:

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

Actual awards can vary based on performance.

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

Incentive Levels	
VRS Position	Incentive <sup>1</sup> (% Salary)
Chief Investment Officer	70 <sup>2</sup>
Deputy Chief Investment Officer	65 <sup>2</sup>
Managing Director – Portfolio Solutions Group	65 <sup>2</sup>
Managing Director – Private Market Assets and DC Plans	65 <sup>2</sup>
Managing Director – Public Market Assets	65 <sup>2</sup>
Program Director	60 <sup>2</sup>
Director – Strategy, Research, Risk and/or Investment Decision Support	50
Senior Portfolio Manager	50
Portfolio Manager	40
Senior Investment Officer	30
Investment Officer	30
Senior Investment Analyst	20
Investment Analyst	10

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

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

#### **INCENTIVE WEIGHTINGS**

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

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

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

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

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

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

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

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

### QUANTITATIVE PLAN COMPONENTS

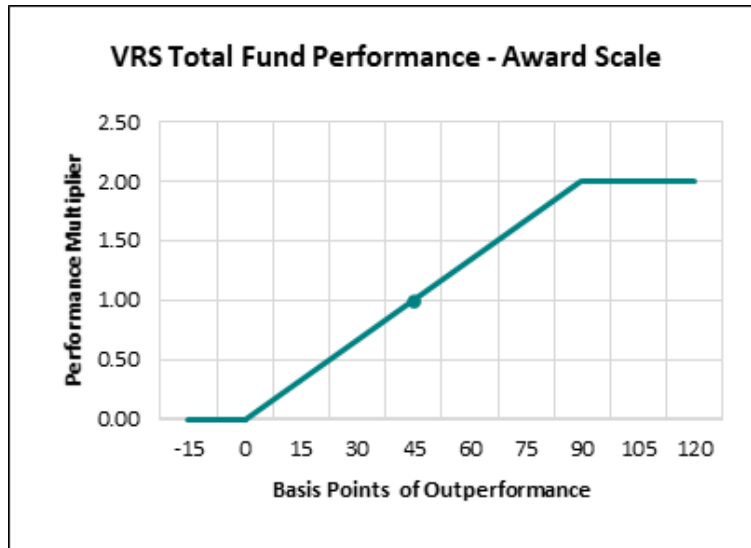
These Plan components link participants' incentive compensation to relative investment performance or, more specifically, the extent by which the Total Fund and/or Asset Class performance exceeds passive benchmarks (indices) as measured over trailing three- and five-year annualized periods (each weighted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

For purposes of this Plan:

- Measurement of relative investment performance is net of third-party fees, which consist of investment management fees and performance fees paid to investment managers, custodian fees, legal fees, internal investment staff administrative expenses, and miscellaneous fees.
- A performance-award scale defines the linkage between relative investment performance and a corresponding Performance Multiplier. Illustrating this approach at the Total Fund level, when VRS' relative investment performance:
  - Equals zero or less (i.e., no relative value added), then the VRS Performance Multiplier will equal zero and there will be no incentive payouts under this Plan component.
  - Equals 45 bps, then the VRS Performance Multiplier will equal 1.00 and there will be a 100% payout of this Plan component.
  - Equals 90 bps or more, then the VRS Performance Multiplier will equal 2.00 and there will be a 200% payout of this Plan component.
  - Is anywhere between zero and 90 bps, then the VRS Performance Multiplier is determined on an interpolated, straight-line basis.



Note: The Board approved the Verus recommended excess return objective (45 basis points) for the Total Fund at the June 15, 2020 meeting with an effective date of July 1, 2020. For implementation purposes, the Total Fund excess return objective will be a blend of the former excess return objective (30 basis points) to be used until June 30, 2020, and the new excess return objective (45 basis points) to be used from July 1, 2020 onward.



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

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

#### QUALITATIVE PLAN COMPONENT

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

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

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

## Investment Professionals' Pay Plan

Effective June 10, **20242025**

### DETERMINING PRELIMINARY AWARDS

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

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

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

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

Preliminary Award **\$91,200**

### DETERMINING FINAL AWARDS

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

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

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

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

Final Award **\$91,200**

## Investment Professionals' Pay Plan

Effective June 10, ~~2024~~2025

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

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

Preliminary Award    \$91,200

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

Less Assumed Rate of Return                      103%

Final Award    \$93,936

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

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

Preliminary Award    \$91,200

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

Final Award    \$77,520

## PAYING OUT FINAL AWARDS

### Board Review

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

### Final Award Payout

Final awards will be paid out as follows:

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

### Timing of Cash Payouts

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

## Investment Professionals' Pay Plan

Effective June 10, ~~2024~~2025

### INCENTIVE PLAN PROVISIONS

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

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

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

#### AMOUNTS SUBJECT TO ANNUAL DEFERRAL

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

#### INVESTMENT RETURN

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

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

## Investment Professionals' Pay Plan

Effective June 10, ~~2024~~2025

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

### DISTRIBUTIONS

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

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

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

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

### TAXATION

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

## IV. Other Compensation Plan Information

### Competitive Pay Increases

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

### Sign-on Bonuses

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

### Relocation Expenses

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

### Employment at Will

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

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

## Investment Professionals' Pay Plan

Effective June 10, ~~2024~~2025

### **409A Compliance**

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

### **CLASS STRUCTURE**

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

#### **Chief Investment Officer**

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

#### **Deputy Chief Investment Officer**

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

#### **Managing Director**

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

#### **Program Director**

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

#### **Director - Strategy, Research, Risk and/or Investment Decision Support**

**Strategy** – The position within Strategy identifies and evaluates relative value-based tilt opportunities that have the potential to 1) improve the fund's return without materially increasing the risk, 2) reduce the fund's risk without materially reducing the return, or 3) some combination of these objectives. In addition, staff within Strategy 1) review and evaluate the implications of macro-economic conditions, 2) analyze current conditions and opportunities within major asset classes and key asset class subsectors, 3) monitor and evaluate the tactical and strategic tilts of key VRS investment partners, and 4) identify strategy ideas including risk and return expectations for

## Investment Professionals' Pay Plan

Effective June 10, ~~2024~~2025

base case and alternative scenarios.

Research – The position within Research has responsibility to support both basic and applied research efforts for all VRS investment staff. This effort includes monitoring, coordinating, facilitating, and implementing current best practices and methods to ensure optimal investment performance and risk management at both the program and plan level.

Risk – The position within Risk has responsibility in the design, implementation, and management of the risk management program including project management (solicitation and queueing of projects from clients), guidance and coordination within the group, mathematical and statistical analysis of empirical problems, risk management, and high-level programming. Additionally, staff within Risk assist with the design and implementation of a diverse collection of strategies designed to have low or negative correlation to other VRS asset classes.

Investment Decision Support – The position within Investment Decision Support has responsibility for the design and delivery of investment program, risk management, strategy, and research analytic systems. As a component of this, staff is responsible for all investments data as well as the design, development, and implementation of the quantitative infrastructure for the VRS investment programs. This includes a data warehouse, various data retrieval tools, quantitative analysis tools, program level reporting tools and support applications that retrieve, consolidate and report information.

### **Senior Portfolio Manager**

The Senior Portfolio Manager positions have responsibility for multiple portfolio strategies and/or may supervise one or more Senior Investment Officers or Portfolio Managers. The Senior Portfolio Manager positions provide a potential career progression ladder for Portfolio Managers over time, considering the contributions, experience, and sustained performance for the incumbents.

### **Portfolio Manager**

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

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

### **Senior Investment Officer**

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

## **Investment Professionals' Pay Plan**

Effective June 10, ~~2024~~2025

### **Investment Officer**

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

### **Senior Investment Analyst**

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

### **Investment Analyst**

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



**Reappoint IAC members**

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**Requested Action**

The Board reappoints Thomas Gayner to the Investment Advisory Committee (IAC) for a two-year term ending February 19, 2027, and reappoints Rod Smyth to the IAC for a two-year term ending June 20, 2027.

**Rationale for Requested Action**

Thomas Gayner and Rod Smyth currently serve on the IAC and are willing to be reappointed for another two-year term.

Mr. Gayner has been the Chief Executive Officer of Markel Group, a Fortune 500 company, since 2023 and served as the Co-Chief Executive Officer prior to that since 2016. Mr. Gayner joined Markel Group in 1990 and oversees all investment activities. In addition, Mr. Gayner is responsible for Markel Ventures, which acquires controlling interests in manufacturing, technology, and service companies. Mr. Gayner is a graduate of the University of Virginia and the Lawrenceville School.

Mr. Smyth is a founding partner and Chairman of the Board at Riverfront Investment Group. Mr. Smyth has nearly 40 years of investment experience both as a portfolio manager and investment strategist. Previously, Mr. Smyth worked for Wachovia Securities and its predecessor firms, serving as the Chief Investment Strategist for eight years and as a portfolio manager for its Global Asset Allocation portfolios. Mr. Smyth has a MA in Economics from Dundee University.

**Authority for Requested Action**

*Code of Virginia* § 51.1-124.26 requires the Board to appoint an Investment Advisory Committee to provide the Board with sophisticated, objective, and prudent investment advice, which will further assist the Board in fulfilling its fiduciary duty as trustee of the funds of the Retirement System.

The above action is approved.

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A. Scott Andrews, Chair  
VRS Board of Trustees

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Date



**Thomas "Tom" Gayner** has served as Chief Executive Officer of Markel Group since the start of 2023 and was co-Chief Executive Officer prior to that since 2016. Markel Group is a holding company with operations in insurance, services, and industrial operations. Markel Group is listed on the Fortune 500 and is headquartered in Richmond, Virginia, with more than 70 offices in 16 countries.

Tom joined Markel Group in 1990 and oversees all investing activities. He is also responsible for Markel Ventures, a wholly owned subsidiary which acquires controlling interests in manufacturing, technology, and service companies.

Prior to joining Markel Group, Tom served as Vice President of Davenport & Company LLC of Virginia and as a certified public accountant with PricewaterhouseCoopers LLP.

Tom serves as Chairman of the Board of the Davis Series Mutual Funds and on the boards of Graham Holdings, The Coca-Cola Company, and Markel Group. He is a member of the Investment Advisory Committee of the Virginia Retirement System.

Tom is a graduate of the University of Virginia and The Lawrenceville School.



## Rod Smyth

### Chairman of the Board

Rod is one of RiverFront's four Founding Partners. Rod has been an important contributor to our investment decisions since our strategies were inception and serves as the Chairman of our Board of Directors. He has also become a mentor to our investment team members, bringing his experience and wisdom to their decision-making processes. Rod has nearly 40 years of investment experience both as a portfolio manager and investment strategist. Rod began working with many members of the RiverFront team in 1995, when he moved to Richmond to work for Wachovia Securities after working in the investment industry overseas. At Wachovia Securities, and its predecessor firms, Rod served as the firm's Chief Investment Strategist for eight years and as a portfolio manager for its Global Asset Allocation portfolios.

Rod has been a regular contributor over the years on financial news channels (CNBC, Fox Business and Bloomberg) and is frequently quoted in the financial press.

Rod earned an MA in Economics from Dundee University in Scotland.

Whether as an investment strategist or on stage, Rod is a performer. He comes by it naturally, as his mother was a trained singer and his father an amateur conductor. His talents range from singing in a choir to performing in front of television cameras as a strategist. Rod's youngest son, an accomplished actor, recently said that he also wanted to study business so he could be a "financial actor" like his dad.

✉ [rsmyth@riverfrontig.com](mailto:rsmyth@riverfrontig.com)

☎ 804-549-4802

### COMMUNITY INVOLVEMENT

"I love the mission at RiverFront to support one local charity with a major gift each year, where associates can get involved in person. I am proud that, as a small firm, we are a major donor in the city of Richmond. When we started the firm, we promised ourselves that if we were successful, we would be generous; I believe we are fulfilling that promise."

***R E S O L U T I O N***  
***FOR MASTER CUSTODIAL SERVICES***

Pursuant to the authority vested in the Board of Trustees of the Virginia Retirement System by *Code of Virginia* § 51.1-149, on this 16<sup>th</sup> day of April 2025, it is HEREBY

PREVIOUS DESIGNATIONS REVOKED

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

VRS ASSET TRANSFERS AND ACCOUNT PAYMENTS

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

VRS ACCOUNT ADMINISTRATIVE MATTERS

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

PROXIES

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

COMPLIANCE

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

**ATTEST:**

---

A. Scott Andrews, Chair  
VRS Board of Trustees

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Patricia S. Bishop  
Secretary to the VRS Board of Trustees

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

---

Patricia S. Bishop  
Director

---

Andrew H. Junkin  
Chief Investment Officer

---

Leslie B. Weldon  
Chief Financial Officer

---

Mark A. Rein  
Chief Technology and Security Officer

---

Michael P. Cooper  
Chief Operating Officer

---

Robert L. Irving  
Customer Services Director

---

Curtis M. Mattson  
Chief Administrative Officer - Investments

---

David Porter  
Controller

---

Laurie Fennell  
Investments Compliance Officer

---

Abida W. Arezo  
Investment Accounting Manager

---

Danita R. Barnes  
Investments Office Administrator

---

Curtis Doughtie  
Deputy Chief Financial Officer

**COMMONWEALTH OF VIRGINIA  
CITY OF RICHMOND, TO-WIT:**

The foregoing instrument was acknowledged before me this 16<sup>th</sup> day of April 2025 by A. Scott Andrews, Patricia S. Bishop, Andrew H. Junkin, Mark A. Rein, Michael P. Cooper, Robert L. Irving, Curtis M. Mattson, Leslie B. Weldon, Laurie Fennell, Abida W. Arezo, David Porter, Danita R. Barnes, and Curtis Doughtie.

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LaShaunda B. King, Notary Public

My commission expires September 30, 2026.

***RESOLUTION  
FOR MASTER CUSTODIAL SERVICES***

Pursuant to the authority vested in the Board of Trustees of the Virginia Retirement System by *Code of Virginia* § 51.1-149, on this ~~12th~~ 16<sup>th</sup> day of ~~December 2024~~ April 2025, it is HEREBY

PREVIOUS DESIGNATIONS REVOKED

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

VRS ASSET TRANSFERS AND ACCOUNT PAYMENTS

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

VRS ACCOUNT ADMINISTRATIVE MATTERS

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

PROXIES

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

COMPLIANCE

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

**ATTEST:**

---

A. Scott Andrews, Chair  
VRS Board of Trustees

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Patricia S. Bishop  
Secretary to the VRS Board of Trustees



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

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Patricia S. Bishop  
Director

---

Andrew H. Junkin  
Chief Investment Officer

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Leslie B. Weldon  
Chief Financial Officer

---

Mark A. Rein  
Chief Technology and Security Officer

---

Michael P. Cooper  
Chief Operating Officer

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Customer Services Director

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Curtis M. Mattson  
Chief Administrative Officer - Investments

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David Porter  
Controller

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Laurie Fennell  
Investments Compliance Officer

---

Abida W. Arezo  
Investment Accounting Manager

---

Danita R. Barnes  
Investments Office Administrator

---

Curtis Doughtie  
Deputy Chief Financial Officer

**COMMONWEALTH OF VIRGINIA  
CITY OF RICHMOND, TO-WIT:**

The foregoing instrument was acknowledged before me this ~~12<sup>th</sup>~~ 16<sup>th</sup> day of ~~December 2024~~ April 2025 by A. Scott Andrews; Patricia S. Bishop; Andrew H. Junkin; Mark A. Rein; Michael P. Cooper; Robert L. Irving; Curtis M. Mattson; Leslie B. Weldon; Laurie Fennell, Abida W. Arezo; David Porter ~~and~~ Danita R. Barnes, and Curtis Doughtie.

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LaShaunda B. King, Notary Public

My commission expires September 30, 2026.

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

Pursuant to the authority vested in the Board of Trustees of the Virginia Retirement System by *Code of Virginia* § 51.1-149, on this 16<sup>th</sup> day of April 2025 it is hereby

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

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

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

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

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

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

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

**ATTEST:**

---

A. Scott Andrews  
Chairman, VRS Board of Trustees

---

Patricia S. Bishop  
Secretary to the VRS Board of Trustees

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

\_\_\_\_\_  
Patricia S. Bishop, Director

\_\_\_\_\_  
Mark A. Rein, Chief Technology and Security  
Officer

\_\_\_\_\_  
Leslie B. Weldon, Chief Financial Officer

\_\_\_\_\_  
Andrew H. Junkin, Chief Investment Officer

\_\_\_\_\_  
Michael P. Cooper, Chief Operating Officer

\_\_\_\_\_  
Robert L. Irving, Customer Services Director

\_\_\_\_\_  
Curtis M. Mattson, Chief Administrative  
Officer – Investments

\_\_\_\_\_  
Robert G. Robinson, Procurement Manager

\_\_\_\_\_  
Richard E. Budaji, General Services  
Administrator

\_\_\_\_\_  
Curtis Doughtie, Deputy Chief Financial Officer

COMMONWEALTH OF VIRGINIA  
CITY OF RICHMOND, TO-WIT:

The foregoing instrument was acknowledged before me this 16<sup>th</sup> day of April 2025 by A. Scott Andrews; Patricia S. Bishop; Mark A. Rein; Leslie B. Weldon; Andrew H. Junkin; Michael P. Cooper; Robert L. Irving; Curtis M. Mattson; Robert G. Robinson, Richard E. Budaji, and Curtis Doughtie.

\_\_\_\_\_  
LaShaunda B. King, Notary Public

My commission expires September 30, 2026.

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

Pursuant to the authority vested in the Board of Trustees of the Virginia Retirement System by *Code of Virginia* § 51.1-149, on this ~~12<sup>th</sup>~~ 16<sup>th</sup> day of ~~December 2024~~ April 2025 it is hereby

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

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

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

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

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

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

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

**ATTEST:**

---

A. Scott Andrews  
Chairman, VRS Board of Trustees

---

Patricia S. Bishop  
Secretary to the VRS Board of Trustees

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

\_\_\_\_\_  
Patricia S. Bishop, Director

\_\_\_\_\_  
Mark A. Rein, Chief Technology and Security  
Officer

\_\_\_\_\_  
Leslie B. Weldon, Chief Financial Officer

\_\_\_\_\_  
Andrew H. Junkin, Chief Investment Officer

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Michael P. Cooper, Chief Operating Officer

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Robert L. Irving, Customer Services Director

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Curtis M. Mattson, Chief Administrative  
Officer – Investments

\_\_\_\_\_  
Robert G. Robinson, Procurement Manager

\_\_\_\_\_  
Richard E. Budaji, General Services  
Administrator

\_\_\_\_\_  
~~Melissa Ryan, Senior Procurement Specialist~~  
~~Curtis Doughtie, Deputy Chief Financial Officer~~

COMMONWEALTH OF VIRGINIA  
CITY OF RICHMOND, TO-WIT:

The foregoing instrument was acknowledged before me this ~~12<sup>th</sup>~~ 16<sup>th</sup> day of ~~December 2024~~ April 2025  
by A. Scott Andrews; Patricia S. Bishop; Mark A. Rein; Leslie B. Weldon; Andrew H. Junkin; Michael P.  
Cooper; Robert L. Irving; Curtis M. Mattson; Robert G. Robinson, Richard E. Budaji, and ~~Melissa Ryan~~  
Curtis Doughtie.

\_\_\_\_\_  
LaShaunda B. King, Notary Public

My commission expires September 30, 2026.



Virginia  
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System®

## *Resolution of Appreciation*

PRESENTED TO

**Michael P. Disharoon**

*W*HEREAS, Michael P. Disharoon was appointed to serve on the Virginia Retirement System Board of Trustees for a term beginning March 2020 and concluding February 2025; and

*W*HEREAS, Mr. Disharoon was elected to serve as the Vice Chair of the Board of Trustees in April 2024, serving in that position with distinction until the conclusion of his term while providing valuable guidance to the Board, sharing his comprehensive understanding of investment best practices, and fully engaging in Board discussions; and

*W*HEREAS, Mr. Disharoon served in a variety of roles on various Board committees, including Vice Chair and Member of the Benefits and Actuarial Committee; Vice Chair and Member of the Investment Policy Committee; and Vice Chair and Member of the Administration, Finance, and Talent Management Committee, serving in these roles with distinction by contributing his vast experience in investment and financial matters to committee discussions and decision making; and

*W*HEREAS, Mr. Disharoon also served as a Member of the Chief Investment Officer Search Committee, applying his expertise to the evaluation of candidates for the skills that are needed to sustain the system in the future; and

*W*HEREAS, Mr. Disharoon served the members and retirees of the system with steady leadership, and the system benefited from his willingness to generously share his extensive knowledge of the investment and financial industries, which greatly contributed to its success;

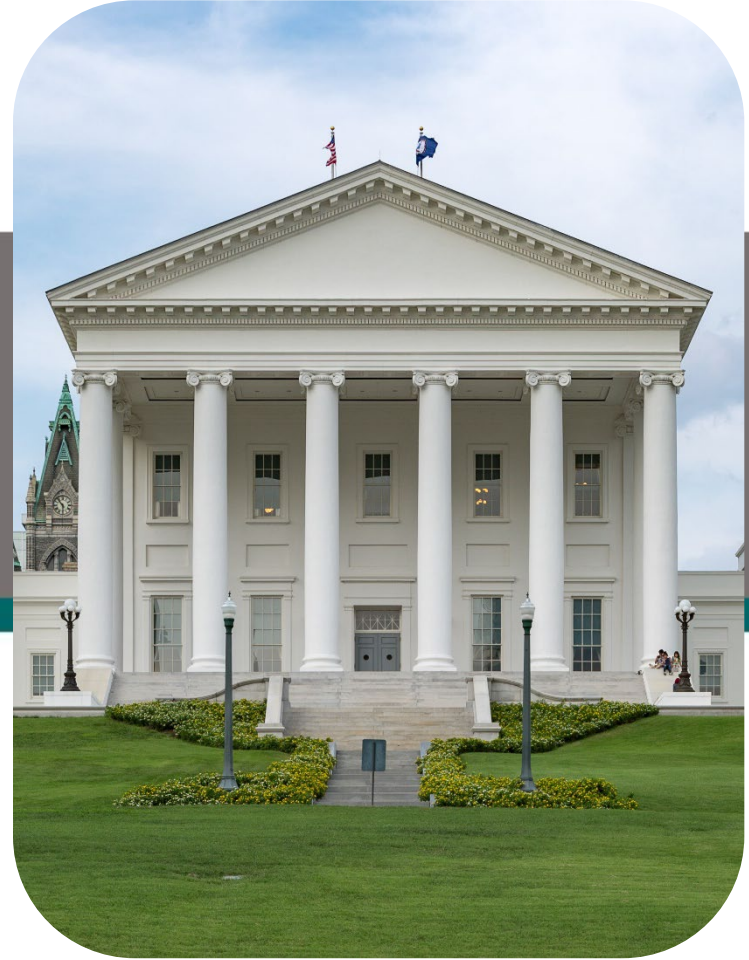
*N*OW, THEREFORE, BE IT RESOLVED, that on April 16, 2025, we, the members of the Board of Trustees of the Virginia Retirement System, hereby acknowledge Mr. Disharoon's loyal and faithful service to the Virginia Retirement System, its members, retirees, and the Commonwealth of Virginia, and are grateful for his contributions, stewardship, and commitment as a member of the Board of Trustees.

---

A. SCOTT ANDREWS, CHAIR



# 2025 Legislation\*



- The General Assembly convened on January 8 and adjourned on February 22.
- The General Assembly reconvened on April 2 for the “veto session” after the Governor took action on bills that passed the General Assembly during the session.

# 2025 VOLSAP Bill

Bill Number	Patron	Description
SB 934	Craig	Provides that any funds or other property held or payable to a member of the Volunteer Firefighters' and Rescue Squad Workers' Service Award Fund that have remained unclaimed for more than five years after such member's forfeiture of his membership or the dissolution of a volunteer emergency medical services agency or volunteer fire department shall be presumed abandoned for the purposes of the Virginia Disposition of Unclaimed Property Act.

# 2025 VRS-Related Bills

## VaLORS

Bill Number	Patron	Description
SB 1201	Deeds	Extends membership in the Virginia Law Officers' Retirement System (VaLORS) to conservation officers of the Department of Conservation and Recreation. The bill provides that such membership would apply only to service earned on or after July 1, 2025.

# 2025 VRS-Related Bills

## VLDP

Bill Number	Patron	Description
HB 1705	Bulova	<p>Requires that, beginning July 1, 2026, emergency dispatchers who are not members of the hybrid retirement program become participants in the disability program for hybrid retirement plan members. The employers of such dispatchers shall provide the costs required for funding participation in such program.</p> <p><i>Item 484 #1c: \$76,000 NGF in FY 25 and \$685,400 NGF in FY 2026 for implementation of HB 1705, HB 1815/SB1142, and SB 950.</i></p>

Bill Number	Patron	Description
SB 950	McDougle	<p>Provides that a judge appointed or elected to an original term commencing on or after July 1, 2026, who was at least 55 years old at the time he was appointed or elected to such original term, shall have his service retirement allowance determined under the provisions of the Virginia Retirement System that apply to a judge appointed or elected to an original term prior to January 1, 2013, and who was vested on or before January 1, 2013. Under current law, the service retirement allowance for judges appointed or elected to an original term commencing on or after January 1, 2014, are determined under hybrid retirement plan.</p> <p><i>Item 484 #1c: \$76,000 NGF in FY 25 and \$685,400 NGF in FY 2026 for implementation of HB 1705, HB 1815/SB1142, and SB 950.</i></p>

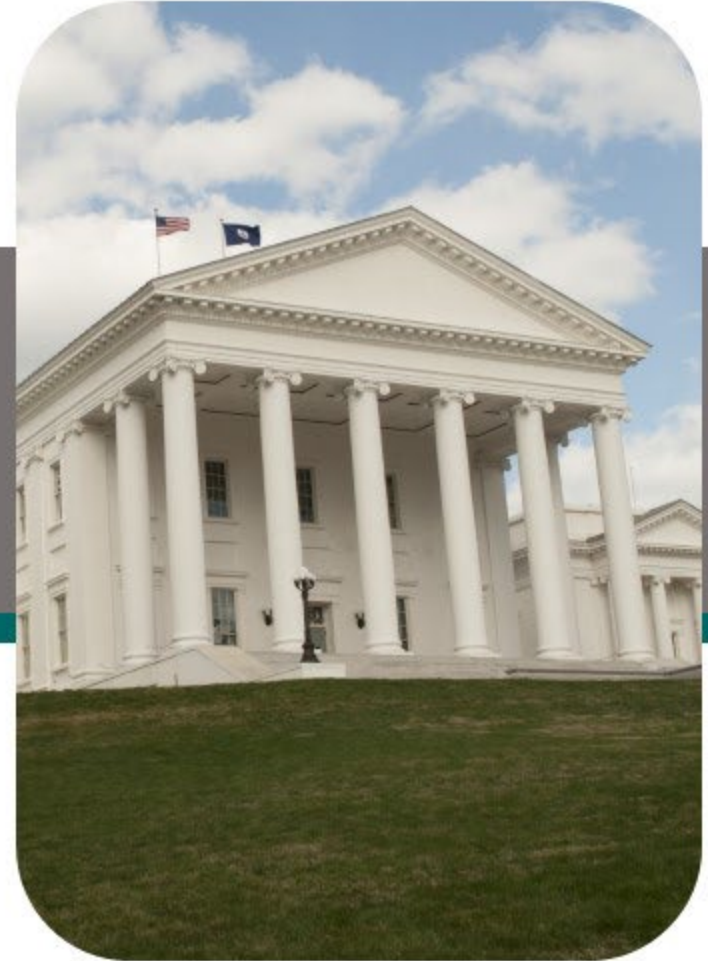
# 2025 LODA Bills

Bill Number	Patron	Description
HB 1815	Campbell	Provides employees of contributing nonprofit private institutions of higher education and contributing private police departments with the benefits granted to employees of participating employers under the Line of Duty Act.  <i>Item 484 #1c: \$76,000 NGF in FY 25 and \$685,400 NGF in FY 2026 for implementation of HB 1705, HB 1815/SB1142, and SB 950.</i>
SB 1142	Obenshain	



Virginia  
Retirement  
System

# Budget Amendments





# 2025 Budget Amendments

Bill Number	Description
Item 74 #2c	<p>DHRM's biennial report on employee compensation shall include an evaluation of total compensation, including retirement benefits, for VaLORS members. The report will be with support of VRS.</p> <p>DHRM and VRS will complete an analysis to determine if the elimination of the defined benefit plan has affected recruitment and retention of state employees.</p> <p>DHRM will solicit separately from VRS an assessment of whether the elimination of the defined benefit plan has affected recruitment and retention of teachers.</p>
Item 469 #1c	<p>Provides a one-time bonus of 1.5% for executive branch employees, higher education employees and state supported local positions. Bonus provided on June 16, 2025. For executive branch employees, they must have a rating of at least contributor in the last year to receive the bonus.</p>

# 2025 VRS-Related Bills

## LODA/VaLORS Bills

Bill Number	Patron	Description
SB 797	Head	<p>Permits the Board of Visitors of the Virginia School for the Deaf and the Blind to establish a campus police department, in compliance with the provisions of law relating to campus police departments established by institutions of higher education, and to employ campus police officers therein.</p> <p><i>Item 116 #1s provides \$75,000 for the Secretary of Education to review the feasibility of VSDB establishing a campus police department. It requires that the report include a list of past and current staff who would be eligible for VaLORS and LODA if a campus police department is established. The review must be completed by August 15, 2025.</i></p> <p><i>Governor's Amendment 42 removes the requirement to review the feasibility of establishing a campus police department. The funding to support the cost of the study is struck in amendment 42 and is added back to support the cost of benefits under Governor's Amendment 62, which permits VSDP to establish a campus police department essentially identical to the language of the bills.</i></p>
HB 2507	Runion	

		Status Indicator												
		<div></div>	Proceeding as planned											
		<div></div>	Off plan, mitigation in place											
		<div></div>	Off plan, mitigation needed											
		<div></div>	Completed											
		<div></div>	Project timeline											
		N/S	Not started											

Agency Performance Objectives (APOs)	Strategic Alignment	Status	2024						2025					
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Customer Experience Enhancements: Call Management System (CMS) - Phase 2	Member, Retiree and Employer Education, Outreach and Partnership	<div></div>												
Data Quality Enhancements - Phase 1	Member, Retiree and Employer Education, Outreach and Partnership	<div></div>												
Identity Proofing Initiative - Phase 1	Digital Transformation and Secure Service Delivery	<div></div>												
VNAV Enhancements	Superior Governance and Long-Term Financial Health	<div></div>												
Human Resource Information System (HRIS) Implementation – Phase 2	Organization Strength Culture and Engagement	<div></div>												

Agency Initiatives		Status	2024						2025					
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Network upgrade - BofA and Pavilion	Technology Infrastructure	N/S												
Implement Secure and Remote Support Solution (Remote Access and Privileged Access Management)	Technology Infrastructure	<div></div>												
Database Automation	Technology Infrastructure	<div></div>												
New Visitor Badging System	Technology Infrastructure	<div></div>												
Windows 11 upgrade	Technology Infrastructure	<div></div>												
Conduct data backup solution proof of concept and initiate implementation	Digital Transformation and Secure Service Delivery	<div></div>												
Conduct Transition Activities to New DC/Hybrid Record Keeping Service Business Partner	Superior Governance and Long-Term Financial Health	<div></div>												
Lease Space Transition	Superior Governance and Long-Term Financial Health	<div></div>												
Initiate ECM Solution Implementation	Digital Transformation and Secure Service Delivery	<div></div>												
Update VRS Optional Form Factors and Review Early Retirement Reduction Factors	Superior Governance and Long-Term Financial Health	<div></div>												

Legislation		Status	2024						2025					
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
HB 70/SB 458 VRS Bills		<div></div>												
HB 321/SB 649 LODA Death Benefit		<div></div>												
HB 1312 VaLORS for DCR Conservation Officers		<div></div>												
HB 1401 VaLORS for Dept of Military Affairs firefighters		<div></div>												
HB 1433 LODA Eligible Dependent		<div></div>												

Operational/Ongoing Activities		Status	2024						2025					
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
COLA 2024		<div></div>												
FYE 2024		<div></div>												
EDGE		<div></div>												
Retirement Wave 2024		<div></div>												
Teacher Contracts		<div></div>												
MBPs		<div></div>												
Annual Code of Ethics Training		<div></div>												
Annual Security Awareness Training		<div></div>												
FOIA Training		N/S												
ACFR		<div></div>												
PAFR		<div></div>												
LODA Annual Report		<div></div>												
GASB 67		<div></div>												
GASB 68		<div></div>												
GASB 74		<div></div>												
GASB 75		<div></div>												
Actuarial Valuations		<div></div>												
myVRS Annual Updates		<div></div>												
Update Contribution Rates in VNAV		<div></div>												
1099/W2		<div></div>												

Operational/Ongoing Activities		Status	2024						2025					
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Annual Roadmap Review		N/S												
FYE 2025		N/S												
Retirement Wave 2025		N/S												
Commonwealth Bond Disclosure		N/S												
ORPHE Surcharge Billing for FY 2024		N/S												
Data Fixes		N/S												
ALM Backlog Prioritization		N/S												
Employer VNAV Security Review		N/S												
VRS Fund Sensitivity and Stress Testing Report for GA		N/S												
Legislation FY 2025		N/S												

#### Yellow Status Items

Item	Due Date	Comments
Human Resource Information System (HRIS) Implementation – Phase 2	6/30/2025	Procurement of software licenses has caused a delay in the initial project schedule. Mitigation efforts are underway and the project is expected to be completed on time.
Implement Secure and Remote Support Solution (Remote Access and Privileged Access Management)	TBD	Privileged Access Management component has been delayed. Corrective action is underway and a revised project schedule will be implemented.
Database Automation	TBD	Delays in the configuration process have caused an adjustment to the project schedule. Remediation is underway.
New Visitor Badging System	TBD	The initial vendor refused to comply with requirements. A new vendor has been selected and an updated project schedule will be implemented accordingly.

#### Red Status Items

Item	Due Date	Comments
N/A		

#### Realignments/Adjustments

Item	Due Date	Comments
N/A		



# Director's Report

April 16, 2025

Trish Bishop, VRS Director

# New Employer Coverage

Coverage Elected	Details
Enhanced Hazardous Duty 1.85% Multiplier	▪ Alleghany County, effective February 1, 2025
Virginia Law Officers Retirement System (VaLORS) for Campus Police	▪ Patrick & Henry Community College (City of Martinsville), effective March 1, 2013

# Certificate of Transparency

- VRS has received the Certificate of Transparency from the National Conference on Public Employee Retirement Systems (NCPERS)
- VRS was recognized for furthering open disclosure, increasing available data, and encouraging the public's understanding of public retirement systems



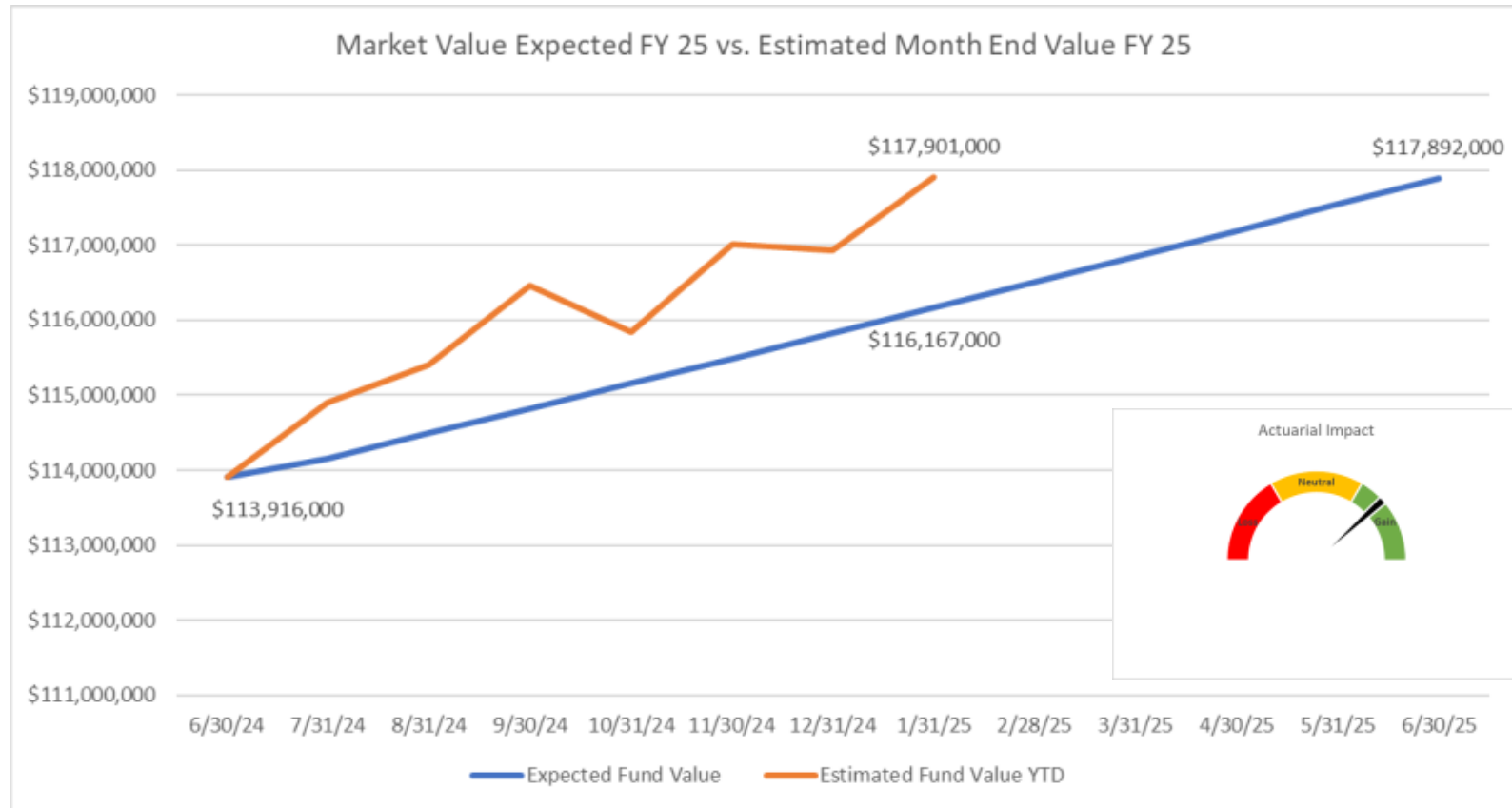


# Actuarial Measures Key Indicators



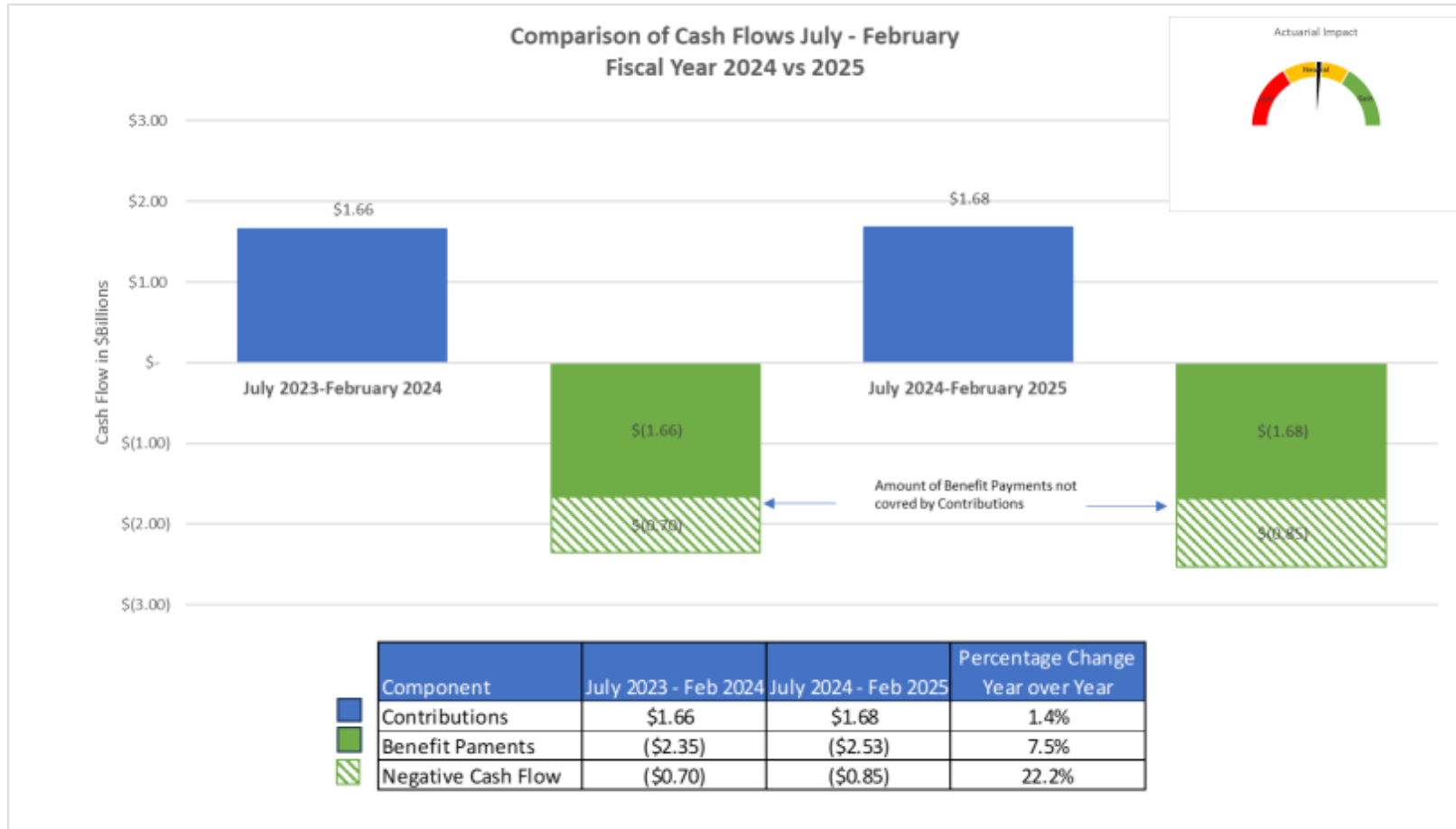


# Fund Market Value Actual vs Expected – FY 2025



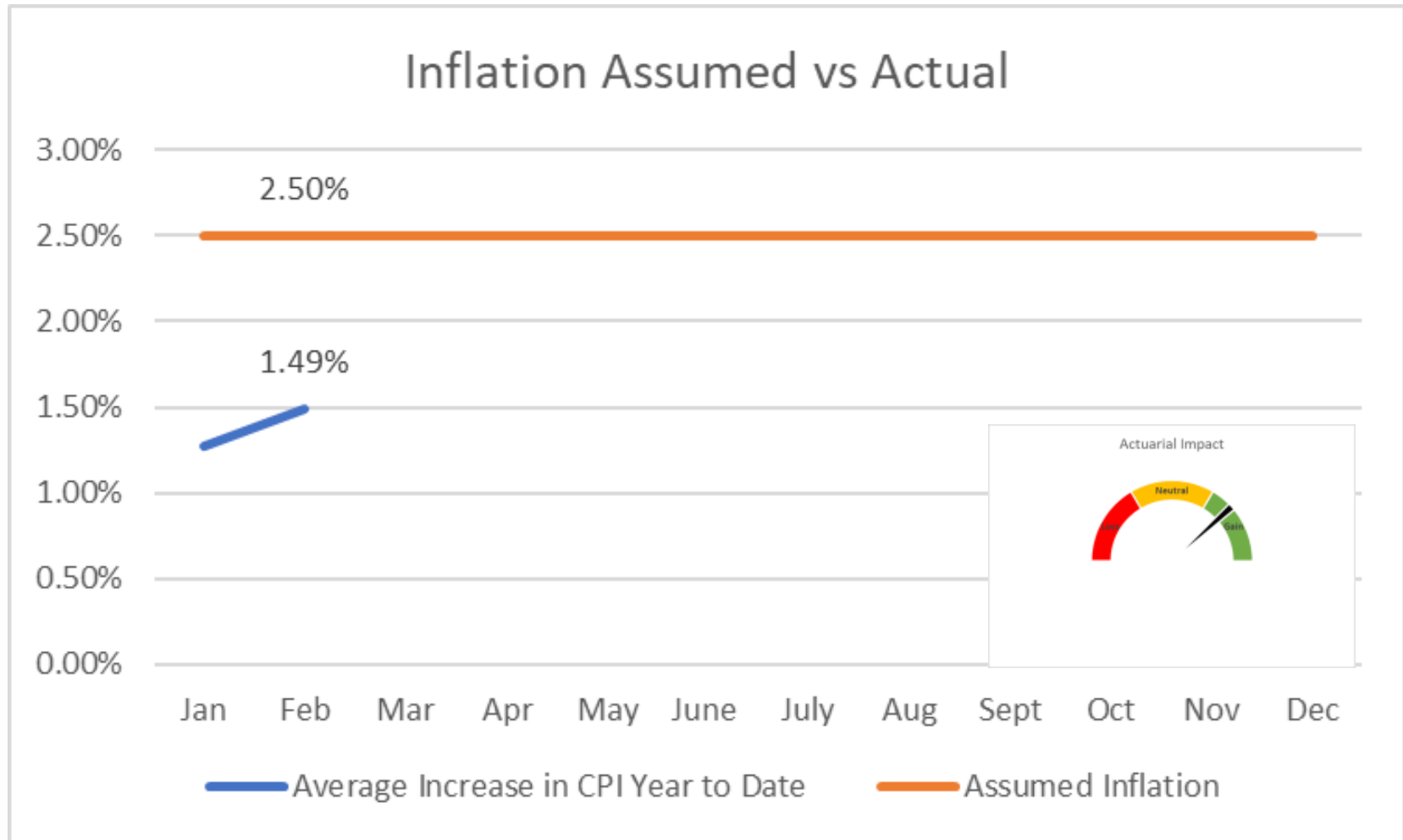
- Through first seven months of FY 2025 the estimated fund value is trending higher than expected based on an assumed rate of return of 6.75%.

# Pension Cash Flow – Expected vs Observed



- Pension cash flow for first eight months of Fiscal year 2025 is slightly more negative than was observed in first eight months of Fiscal year 2024.
- Increase in benefit payments over last couple of months is outpacing increase in contributions.

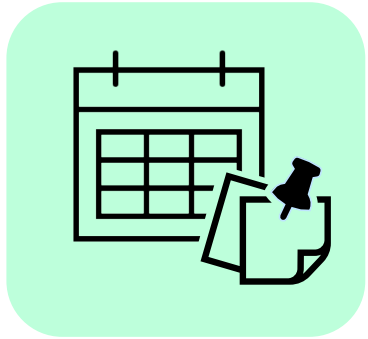
# Inflation – Average Increase in CPI Year to Date





# Preview of Upcoming Board Meetings

# Preview: May-June 2025



## May

- ✦ TBD – Administration, Finance and Talent Management Committee
- ✦ 15 – Defined Contribution Plans Advisory Committee

## June

- ✦ 9 – Benefits and Actuarial Committee
- ✦ 17 – Administration, Finance and Talent Management Committee
- ✦ 17 – Audit and Compliance Committee
- ✦ 18 – Board of Trustees