Board of Trustees Meeting

VRS, 1111 E. Main St., 3rd Floor Board Room

Wednesday, 6/18/2025
1:00 - 3:30 PM ET

I. Approve Minutes

- **April 16, 2025**
  4.16.25 Board Meeting Minutes - Page 3

II. Report of the Chief Investment Officer

CIO Report - June 2025 - Page 12
CIO Quarterly Report - QE March 2025 - Page 25
Performance Summary 4.30.25 - Page 34
Asset Allocation Report - April 2025 - Page 35
Daily Asset Allocation Report 6.9.25 - Page 37
New Investments and Terminations 6.18.25 - Page 38

- **RBA – FY26 DB Plan Asset Allocation**
  RBA - Approve FY26 DB Plan Asset Allocation - Page 39
- **RBA – Approve VRS Foreign Adversaries Policy**
  RBA - Approve VRS Foreign Adversaries Policy - Page 41
  VRS Foreign Adversaries Policy - Page 42
- **RBA – Approve Benchmarks for Public Equity, Private Equity, and PIP**
  RBA - Approve Benchmarks for Public Equity Private Equity and PIP - Page 43
- **RBA – Approve Revised DB Plan Investment Policy Statement**
  RBA - Approve Revised Defined Benefit Plan Investment Policy Statement - Page 45
  VRS Defined Benefit Plan Investment Policy Statement - red line - Page 46
  VRS Defined Benefit Plan Investment Policy Statement - clean - Page 50

III. Report of the Defined Contribution Plans Advisory Committee

Report of the Defined Contribution Plans Advisory Committee - Page 54

IV. Report of the Benefits and Actuarial Committee

Report of the Benefits and Actuarial Committee - Page 57

- **RBA – Approve updated rates for purchase of prior service for Plan 1, Plan 2 and Hybrid Plan members, effective July 1, 2025**
  RBA - Approve PPS Rates - Page 60
  New Proposed PPS Rates 2025 - Page 62
- **RBA – Approve Updates to Funding Policy**
  RBA - Approve Updates to Funding Policy - Page 63
  VRS Funding Policy 6.18.25 redlined - Page 64
  VRS Funding Policy 6.18.25 clean - Page 78

V. Reports of the Administration, Finance and Talent Committee

Report of the Administration, Finance and Talent Committee 6.17.25 - Page 92
Report of the Administration, Finance and Talent Committee 5.20.25 - Page 93

- **RBA – Approve FY26 APOs and OMs**
  RBA Approve FY26 APOs and OMs - Page 95
  FY26 APOs - Page 97
  FY26 Operational Measures - Page 102

Minutes

A regular meeting of the Virginia Retirement System Board of Trustees was held on April 16, 2025, in Richmond, Virginia with the following members participating:

Board members:
A. Scott Andrews, Chair
Hon. J. Brandon Bell, II
John M. Bennett
J. Clifford Foster, IV
Susan T. Gooden, Ph.D.
Jessica L. Hood
Hon. Matthew James

Investment Advisory Committee:
Lawrence E. Kochard, Ph.D., Chair

VRS Staff:

Patricia Bishop, Jennifer Schreck, Andrew Junkin, Advait Apte, John Alouf, Rory Badura, Parham Behrooz, Matt Bennett, Valerie Brown, Caroline Cardwell, Jeanne Chenault, Perry Corsello, Michael Cooper, David Cotter, Juanita Cribbs, Sara Denson, Curtis Doughtie, Jon Farmer, Laura Fields, Antonio Fisher, Josh Fox, JT Grier, Greg Hines, Dane Honrado, KC Howell, Robert Irving, Sandy Jack, LaShaunda King, Matt Lacy, Chung Ma, Curt Mattson, Kidus Molla, Scott Mootz, Teresa Nguyen, Walker Noland, Greg Oliff, Matt Priestas, Laura Pugliese, Paula Reid, Gregory Salvati, Jummai Sarki-Hurd, Dan Schlussler, Michael Scott, Richard Slate, Amethyst Sloan, Virginia Sowers, Emily Trent, Leslie Weldon, Dan Whitlock and Steve Woodall.

Guests:

Lauren Albanese, Financial Investment News; Jim Anderson, Jennifer Cagaran and Becky Stouffer, Gabriel, Roeder, Smith & Company; Valentina Baez, FT Specialist; Merrill Bajana, Osmosis; Kevin Balaod and Cyril Espanil, With Intelligence; Jeremy R. Bennett, Virginia Association of Counties; Alexandra Jansson and Kimberly Sarte, Joint Legislative Audit and Review Commission; Georgi Korovski, PeakLoad; Elizabeth Myers, Office of the Attorney General; and Bea Snidow, Virginia Education Association.

The meeting convened at 1:00 p.m.

Opening Remarks

Mr. Andrews called the meeting to order and welcomed everyone to the April 16, 2025, meeting of the Virginia Retirement System Board of Trustees. Mr. Andrews introduced the newest member of the Board, Clifford Foster, and advised that the Board will be adopting a resolution of appreciation for Mr. Disharoon recognizing his service on the VRS Board of Trustees.

Approval of Minutes

Following a motion by Mr. Bennett, and a second by Senator Bell, the VRS Board of Trustees unanimously approved the minutes from its February 6, 2025, meeting, as well as minutes of the March 18, 2025, and March 19, 2025, annual retreat.

Election of Board Vice Chair

Dr. Gooden nominated Lawrence Bernert, III, to serve as Vice Chair. The election closed with no other nominations. Following a motion by Mr. Bennett, and a second by Senator Bell, the VRS Board of Trustees unanimously approved the nomination of Mr. Bernert to serve as Vice Chair.

Committee Assignments

Next, Mr. Andrews advised that, in accordance with the Governance Policy, the Board needed to update its committee assignments.

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

Report of the Investment Advisory Committee

Lawrence Kochard, Chair of the Investment Advisory Committee (IAC), began his report by noting the IAC met on April 2, 2025, and approved the minutes from its August 14, 2024, and November 6, 2024, meetings. The Committee received the Chief Investment Officer's (CIO) report that included an update on the current market.

Following the CIO report, staff provided a portfolio diversification update, which included the proposed policy weight changes for the next fiscal year. The Committee was supportive of the proposed changes. Next, staff provided a review of the Public Equity and Fixed Income programs. Lastly, Mr. Junkin concluded the meeting by providing an update on the investment team's work toward mitigating investment exposure to those countries who have been designated as foreign adversaries by the Office of the Secretary of Commerce.

Mr. Andrews thanked Mr. Kochard for his report.

Report of the Chief Investment Officer

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

Mr. Andrews thanked Mr. Junkin for his report.

Report of the Defined Contribution Plans Advisory Committee

The VRS Board of Trustees received the report of the Defined Contribution Plans Advisory Committee following its meeting on March 6, 2025, and placed it on file.

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 2nd 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 15th
- Thursday, September 11th
- Thursday, December 4th

Mr. Andrews thanked Dr. Gooden for her report.

Report of the Benefits and Actuarial Committee

The VRS Board of Trustees received the report of the Benefits and Actuarial Committee following its meeting on April 15, 2025, and placed it on file.

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 provided an abbreviated presentation of the recommendations to the Board of Trustees.

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

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

Request for Board Action 2025-04-03: *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.*

Mr. Andrews thanked Mr. Bennett for his report.

Report of the Audit and Compliance Committee

The VRS Board of Trustees received the report of the Audit and Compliance Committee following its meeting on April 15, 2025, and placed it on file.

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 Asset 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*.

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.

Mr. Andrews thanked Senator Bell for his report.

Report of the Administration, Finance and Talent Committee

The VRS Board of Trustees received the report of the Administration, Finance and Talent Committee following its meeting on April 16, 2025, and placed it on file.

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.

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

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

Request for Board Action 2025-04-04: *The Board 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.

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

RBA: Reappointment of IAC Members

Request for Board Action 2025-04-05: *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.*

Mr. Andrews concluded the Report of the Administration, Finance and Talent Committee.

Custodial and Signature Authorization Resolutions

Trish Bishop, VRS Director, presented an amendment for consideration to the Resolution for Master Custodial Services to add the Deputy Chief Financial Officer to those permitted to open and close accounts. Further, Ms. Bishop presented an amendment to the Resolution for Payment of Retirement System Funds in the State Treasury and Signing Official Documents to remove the Senior Procurement Specialist to sign purchase orders or contracts not exceeding $30,000.00 as the position is vacant. Technical amendments to both resolutions were also presented for consideration. Upon a motion by Dr. Gooden, with a second by Delegate James, the VRS Board of Trustees approved the amendments as presented to the Resolution for Master Custodial Services and the Resolution for Payment of Retirement System Funds in the State Treasury and Signing Official Documents.

Commending Resolution for Michael P. Disharoon

Mr. Andrews presented the following commending resolution of service of Michael P. Disharoon:

WHEREAS, Michael P. Disharoon was appointed to serve on the Virginia Retirement System Board of Trustees for a term beginning in March 2020 and concluding February 2025; and

WHEREAS, 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

WHEREAS, 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

WHEREAS, 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;

NOW, 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 Board of Trustees, 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.

Upon a motion by Senator Bell, with a second by Dr. Gooden, the VRS Board of Trustees approved the resolution.

Legislative Update

Sandy Jack, Director of Policy, Planning and Compliance, provided a 2025 legislative session update advising the Board that the General Assembly adjourned on February 22, 2025, and reconvened on April 2, 2025, to consider the Governor’s amendments and vetoes. Ms. Jack presented an overview of the following bills that passed during the 2025 regular session of the General Assembly that affect the Virginia Retirement System:

- Senate Bill 934 - Unclaimed Volunteer Firefighters’ and Rescue Squad Workers’ Service Award Funds: 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 the member’s forfeiture of membership or the dissolution of the volunteer EMS agency or volunteer fire department shall be presumed abandoned for the purposes of the Virginia Disposition of Unclaimed Property Act.
- Senate Bill 1201 - Conservation Officers Become Members of VaLORS: Extends membership in the Virginia Law Officers’ Retirement System (VaLORS) to conservation officers of the Department of Conservation and Recreation. VaLORS membership applies only to service earned starting July 1, 2025.
- House Bill 1705 - Disability Benefits for Certain Emergency Dispatchers: Beginning July 1, 2026, emergency dispatchers who are not members of the Hybrid Retirement Plan will become participants in the Virginia Local Disability Program (VLDP) for hybrid plan members, or the comparable disability program provided by their employer. Employers will cover the costs required for funding dispatchers’ participation in the disability program. Dispatchers in service before July 1, 2025, will be given a one-time opportunity to elect to remain in their existing disability program. They will have until March 31, 2026, to make their election.
- House Bill 1815 Senate Bill 1142 - Line of Duty Act Benefits for Campus and Private Police Officers: Provides employees of contributing nonprofit private institutions of higher education and contributing private police departments, as defined in the bill, with the benefits granted to employees of participating employers under the Line of Duty Act (LODA).

Mr. Andrews thanked Ms. Jack for her report.

Report of the Director

Ms. Bishop, Director, began her report with an update on the agency road map for FY 2025, noting all projects are progressing as planned, as well as a review of New Coverage Elections.

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

- VRS 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.

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 market value based on plan assumption for FY 2025, a comparison of pension cash flows for fiscal year 2024 versus 2025, as well as the average increase in CPI year to date.

Ms. Bishop noted an Administrative Finance and Talent Management Committee meeting would be scheduled for May to discuss Succession Management, Lease Space and Agency Performance Outcomes.

Mr. Andrews thanked Ms. Bishop for her report.

Other Business

Lastly, Mr. Andrews reviewed the following meeting schedule:

- Administration, Finance and Talent Management Committee – May 2025, date to be determined.
- Defined Contribution Plans Advisory Committee – May 15 at 1:00 p.m.
- Benefits and Actuarial Committee – June 9 at 1:00 p.m.
- Administration, Finance and Talent Management Committee – June 17 at 10:30 a.m.
- Audit and Compliance Committee – June 17 at 1:00 p.m.
- Board of Trustees – June 18 at 1:00 p.m.

Adjournment

There being no further business and following a motion by Senator Bell, with a second by Delegate James, the VRS Board of Trustees agreed to adjourn the meeting at 2:18 p.m.

__________________________ __________________________

Chair Secretary

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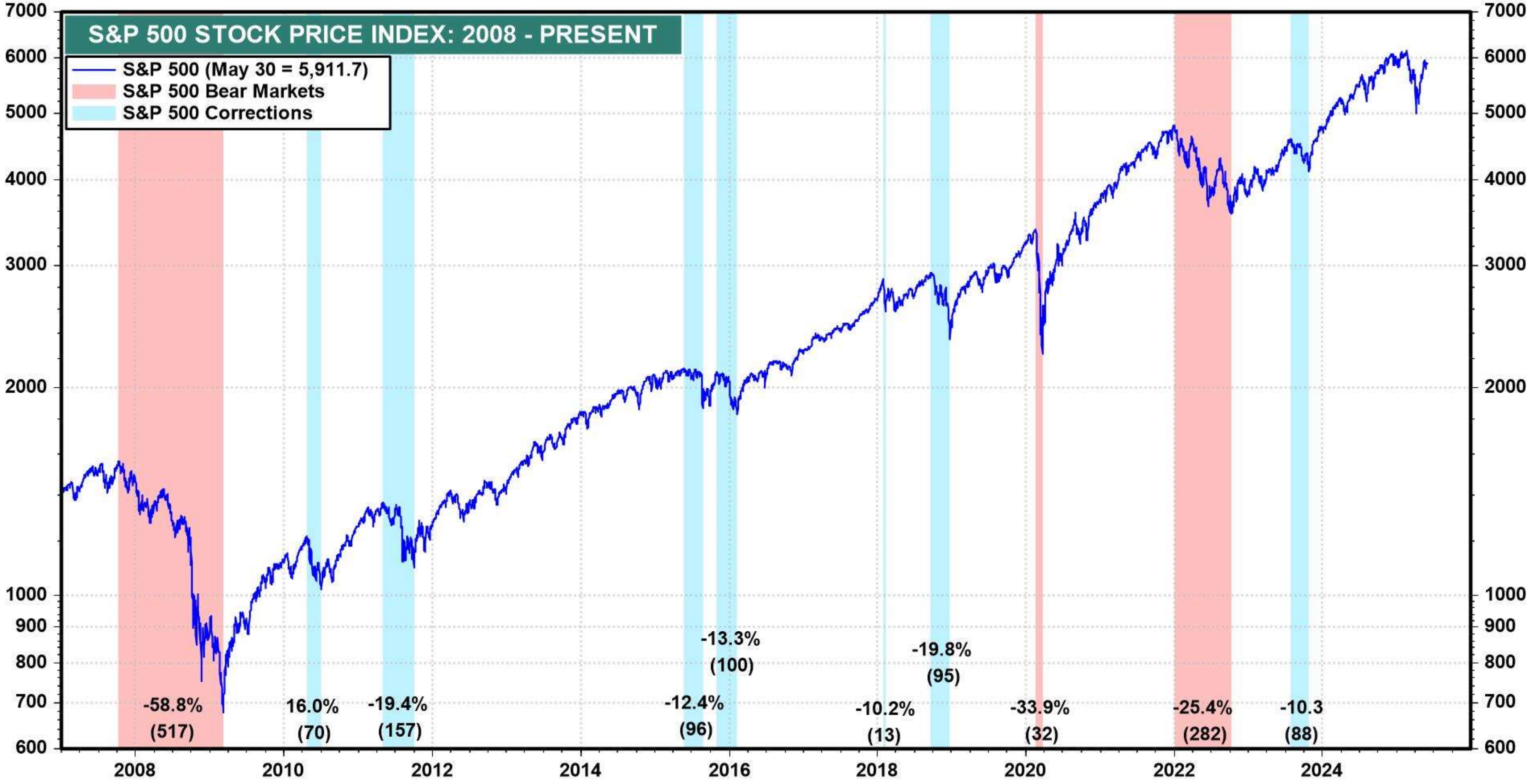
Chief Investment Officer Report

Market Review – June 2025

Andrew Junkin

US Stock Market Returns



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

* Ratio scale. Corrections are declines of 10% or more (blue shades). Bear markets are declines of 20% or more (red shades). Number of days in parentheses.

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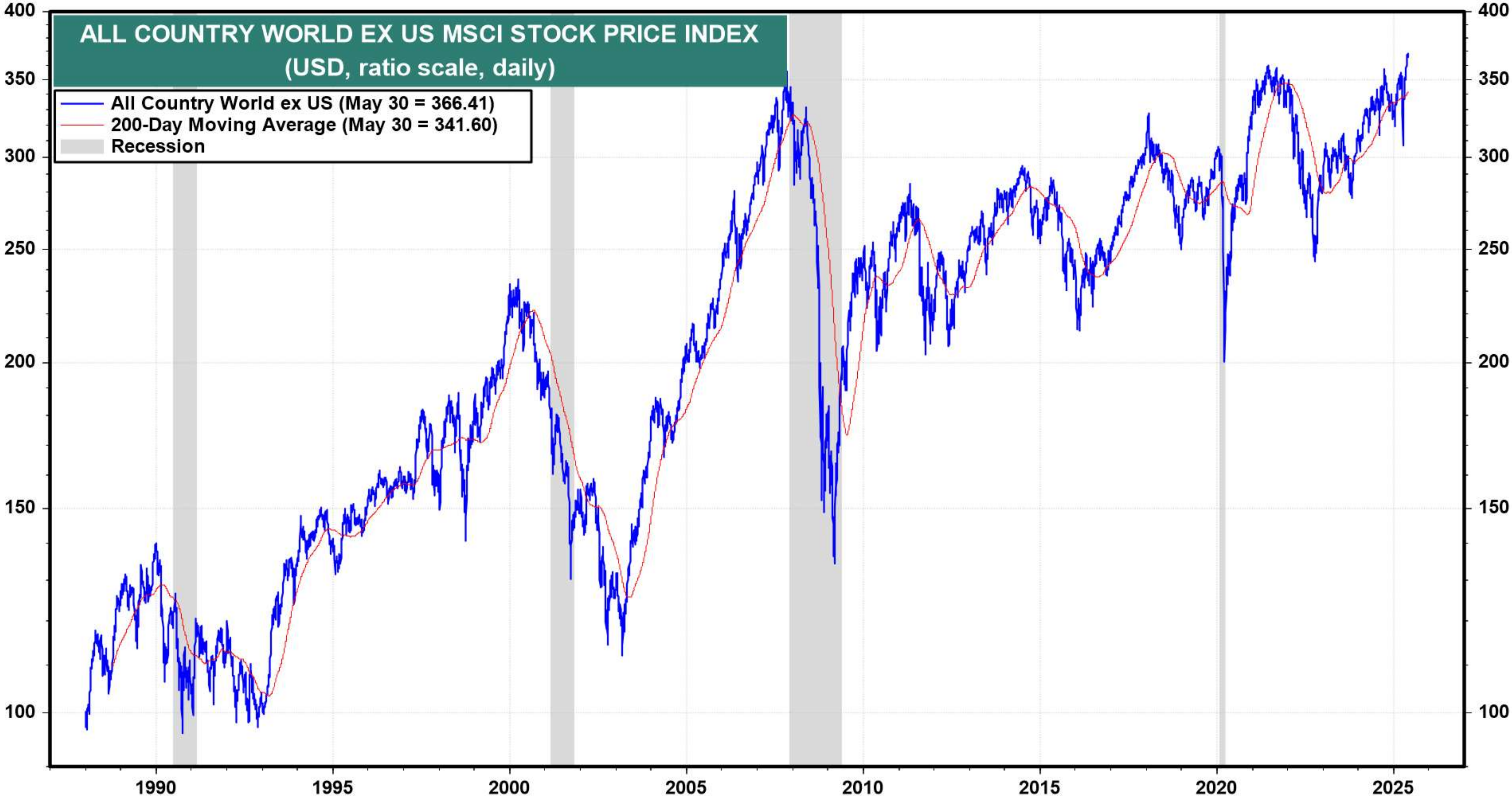
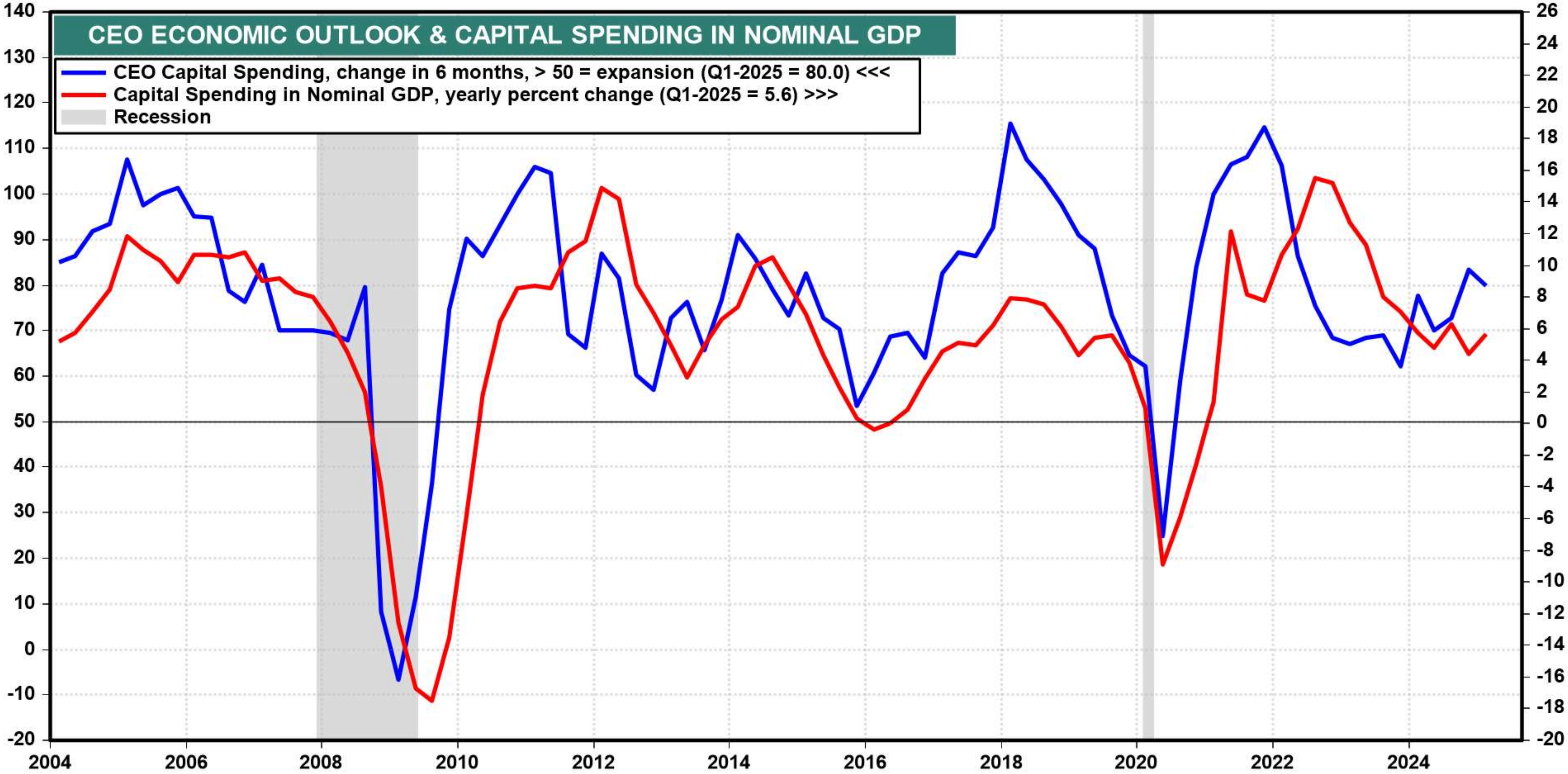
International Stock Market Returns



Source: LSEG Datastream and © Yardeni Research.

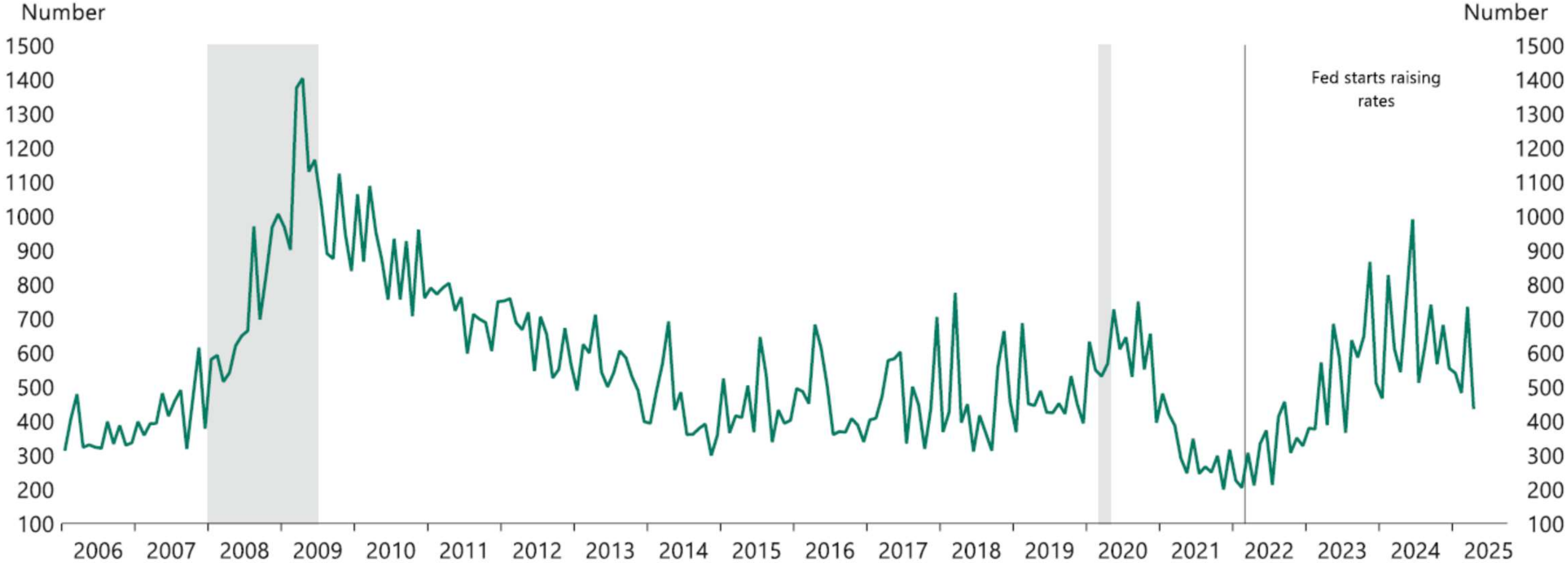
Corporate Capital Spending



Source: LSEG Datastream and © Yardeni Research.
Business Roundtable and Bureau of Economic Analysis.
* Private Nonresidential Fixed Investment.

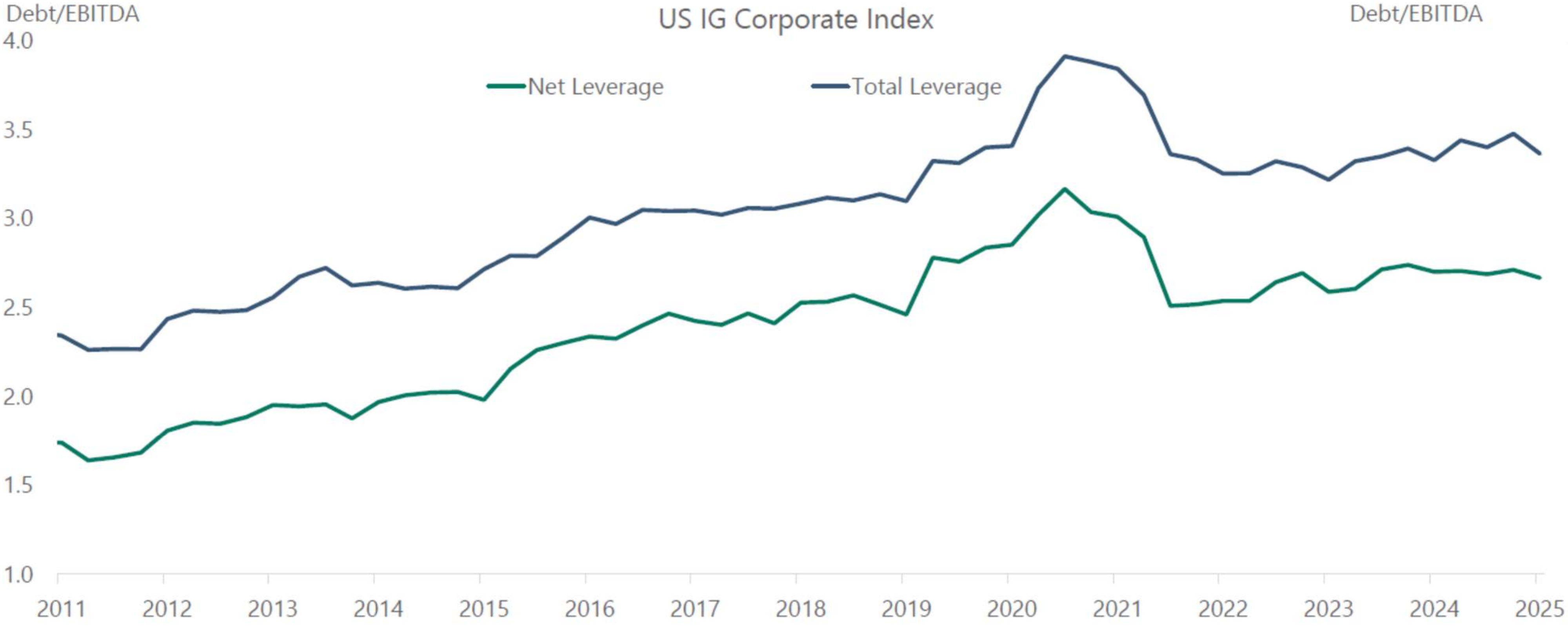
Bankruptcy Filings Declining

Chapter 11 Commercial bankruptcy filings



Source: The American Bankruptcy Institute, Macrobond, Apollo Chief Economist

Corporate Leverage Levels Steady



Source: ICE BofA, Bloomberg, Apollo Chief Economist. Note: Index used C0A0 Index

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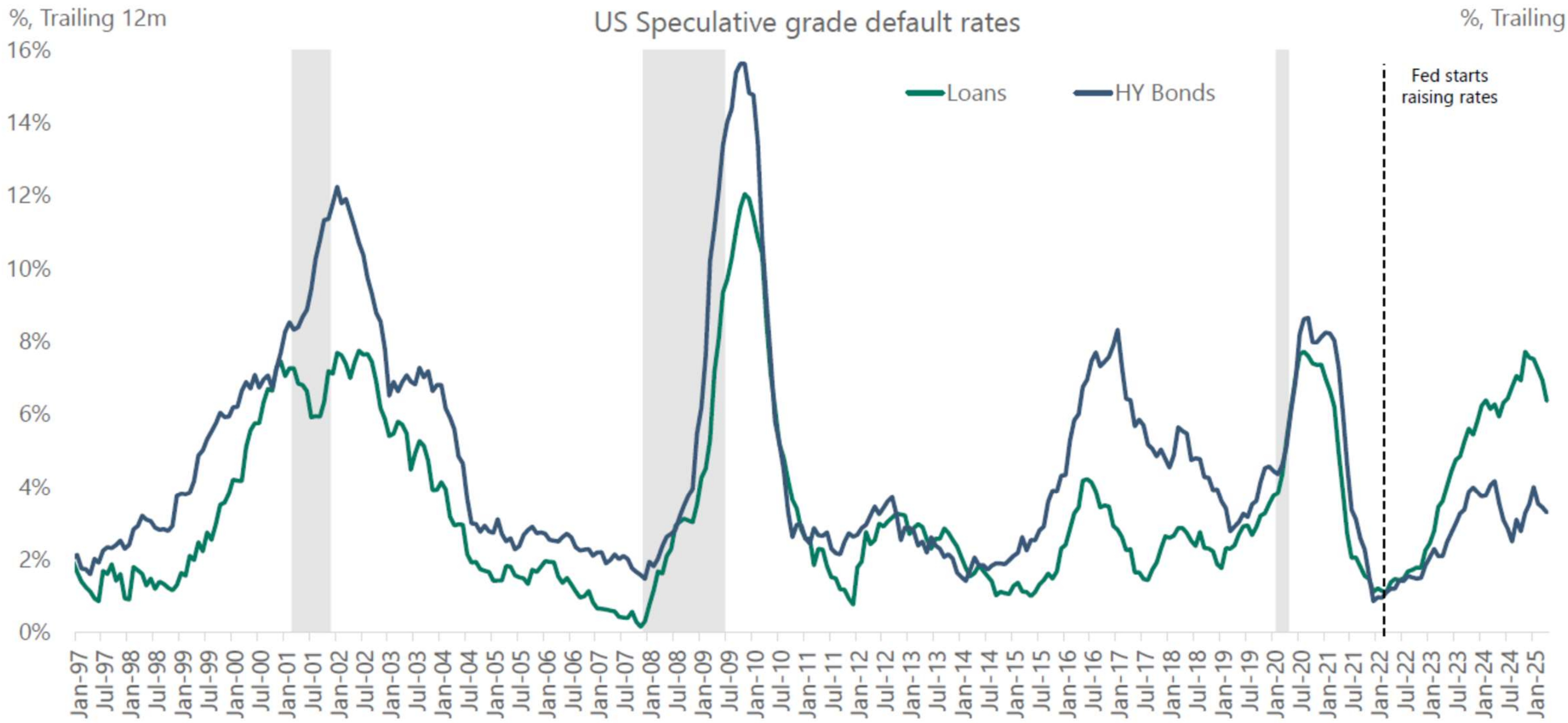
Bond Defaults Declining



Source: Moody's Analytics, Apollo Chief Economist

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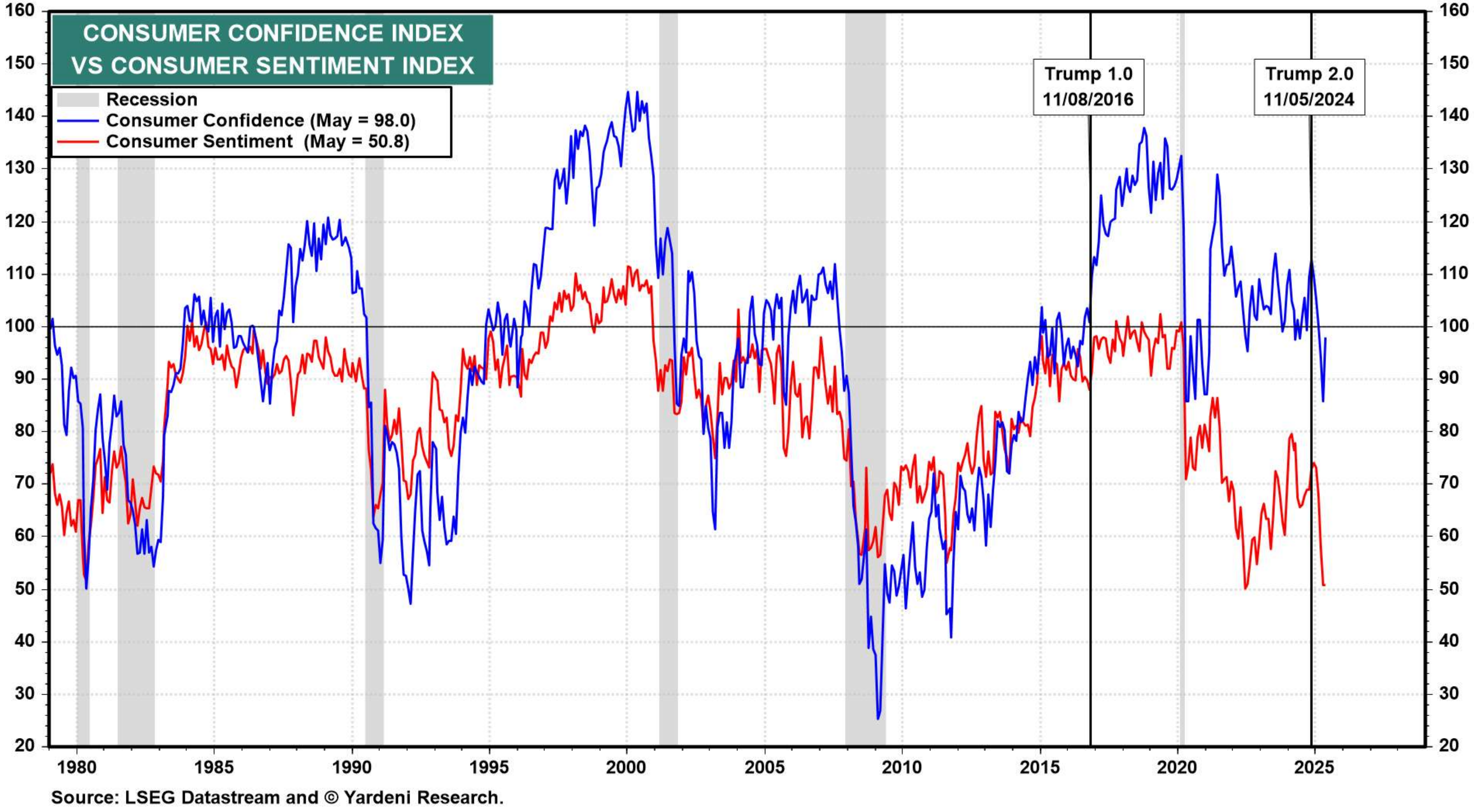
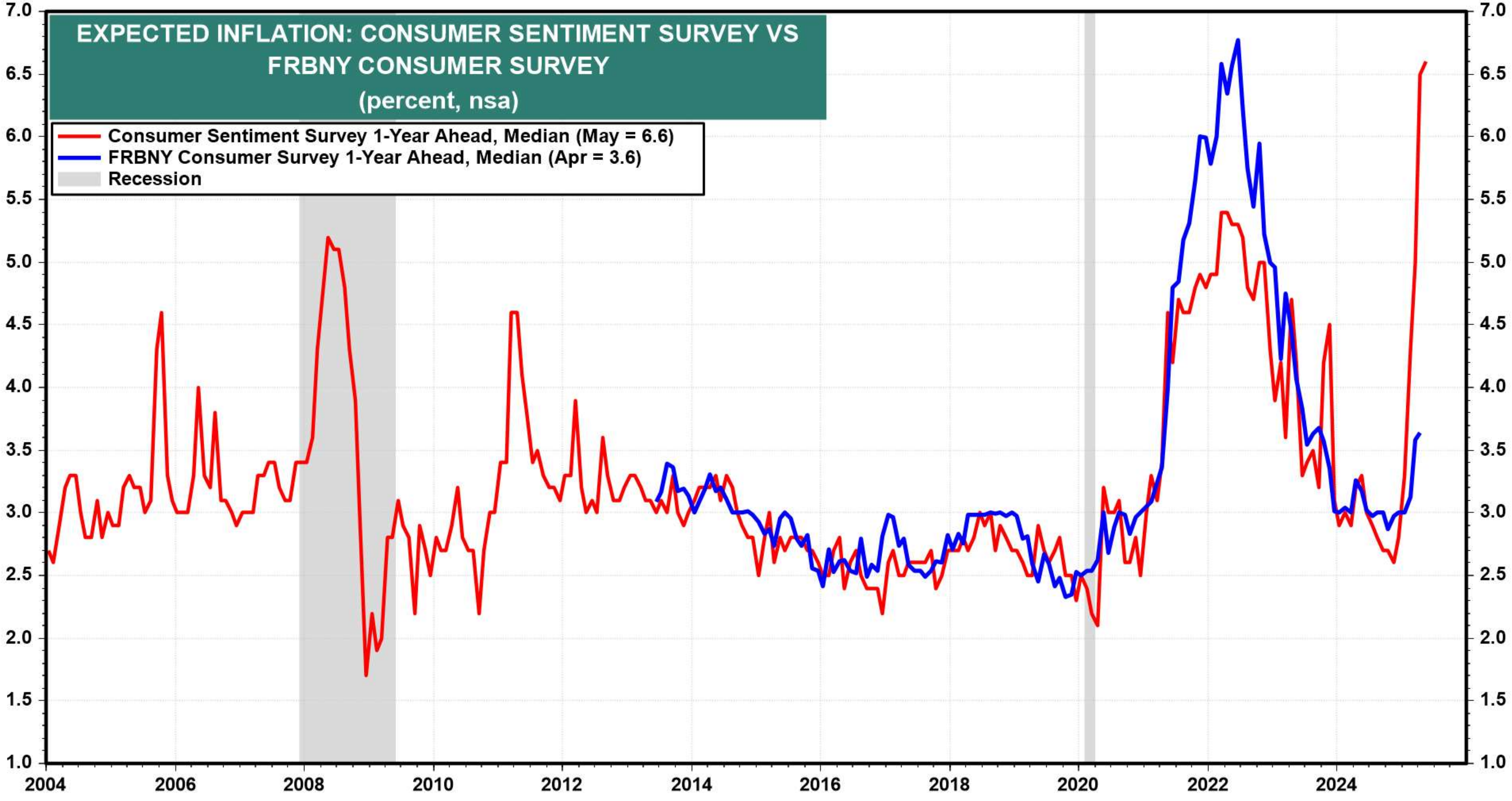
Consumers Fearful?



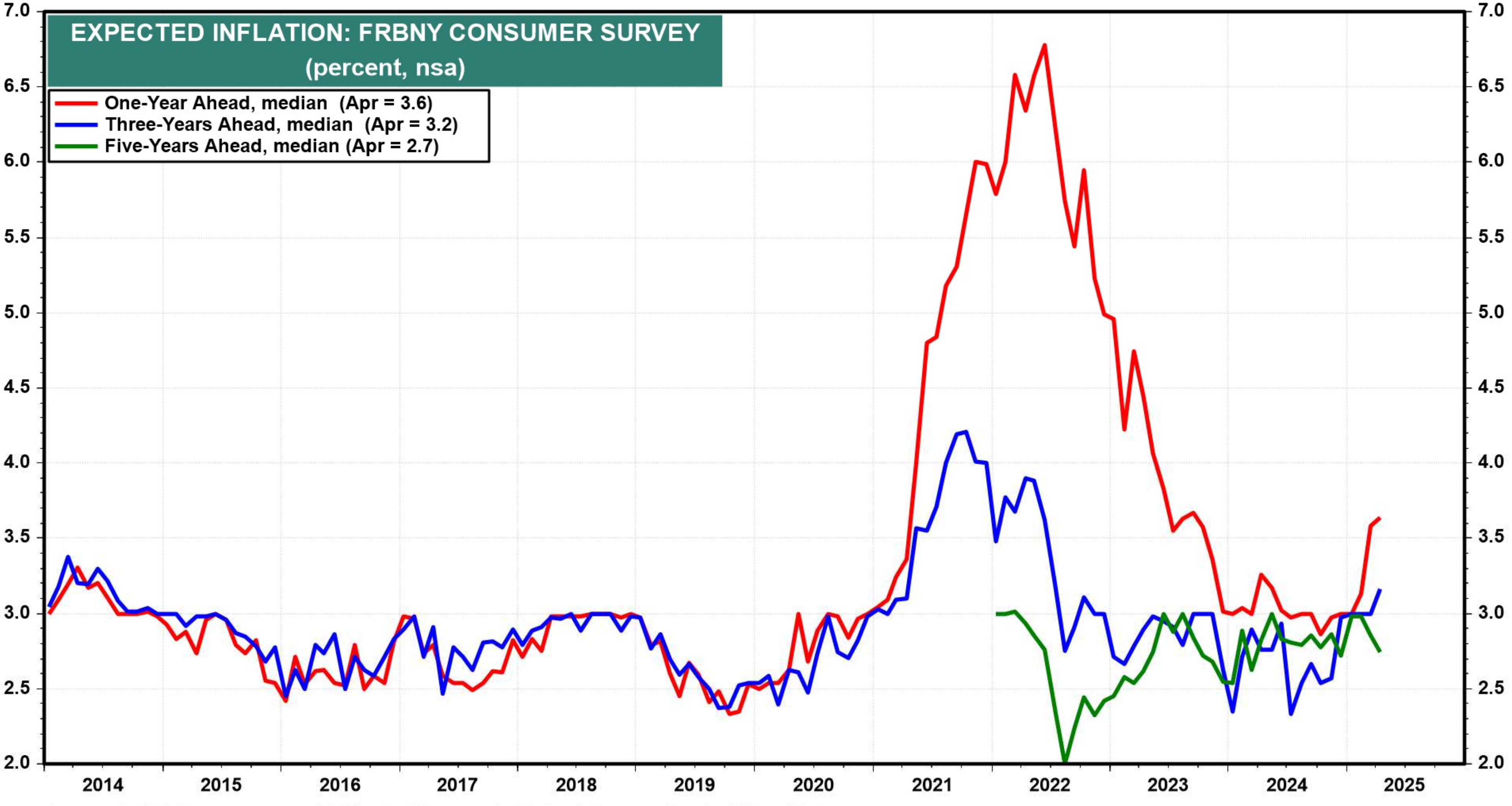
Source: LSEG Datastream and © Yardeni Research.

Expected Inflation on the Rise



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

Longer Term Inflation Expectations



Source: LSEG Datastream and © Yardeni Research, Federal Reserve Bank of New York.

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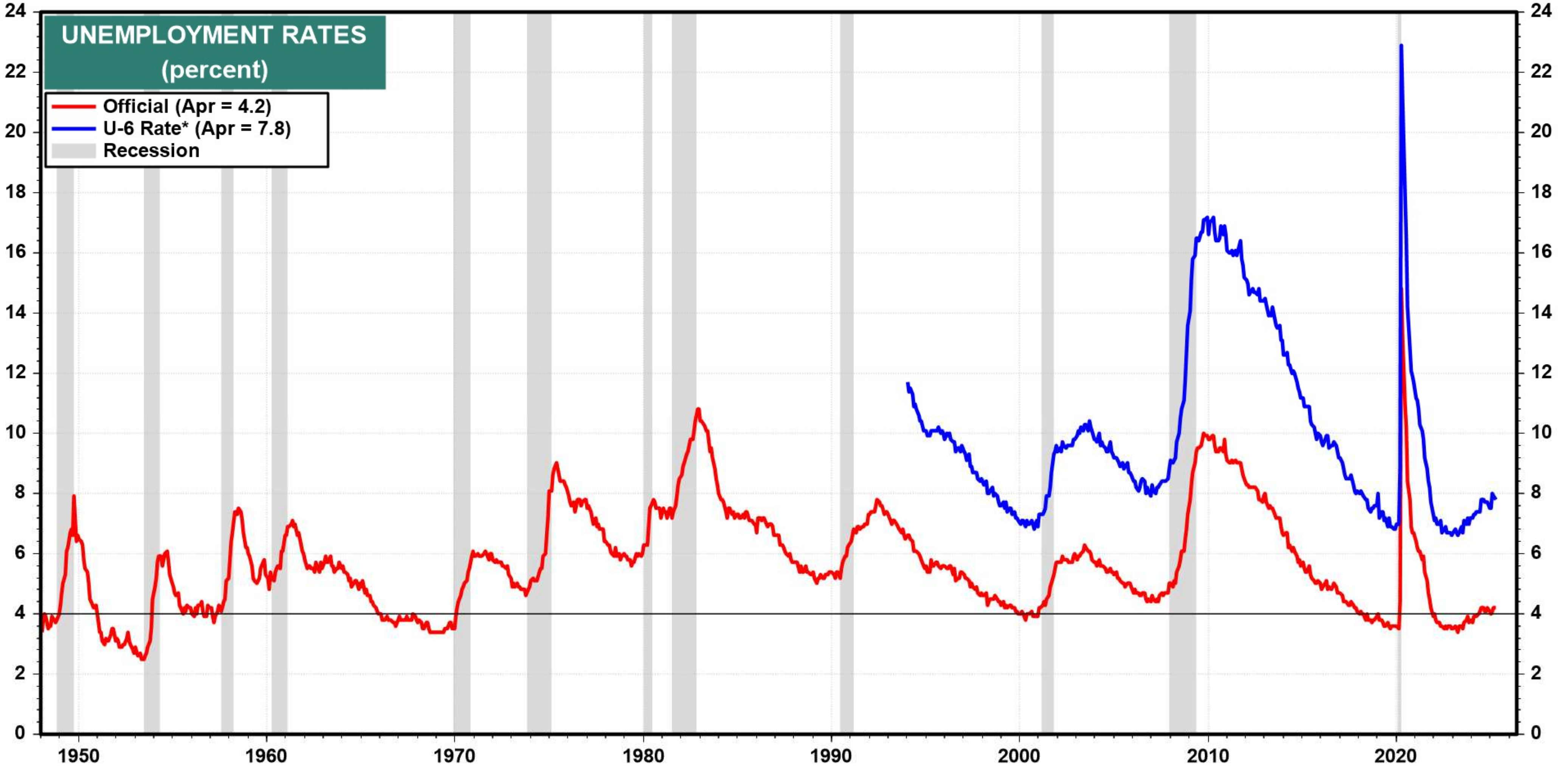
Unemployment Steady



Source: LSEG Datastream and © Yardeni Research. Bureau of Labor Statistics.

* Total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force.

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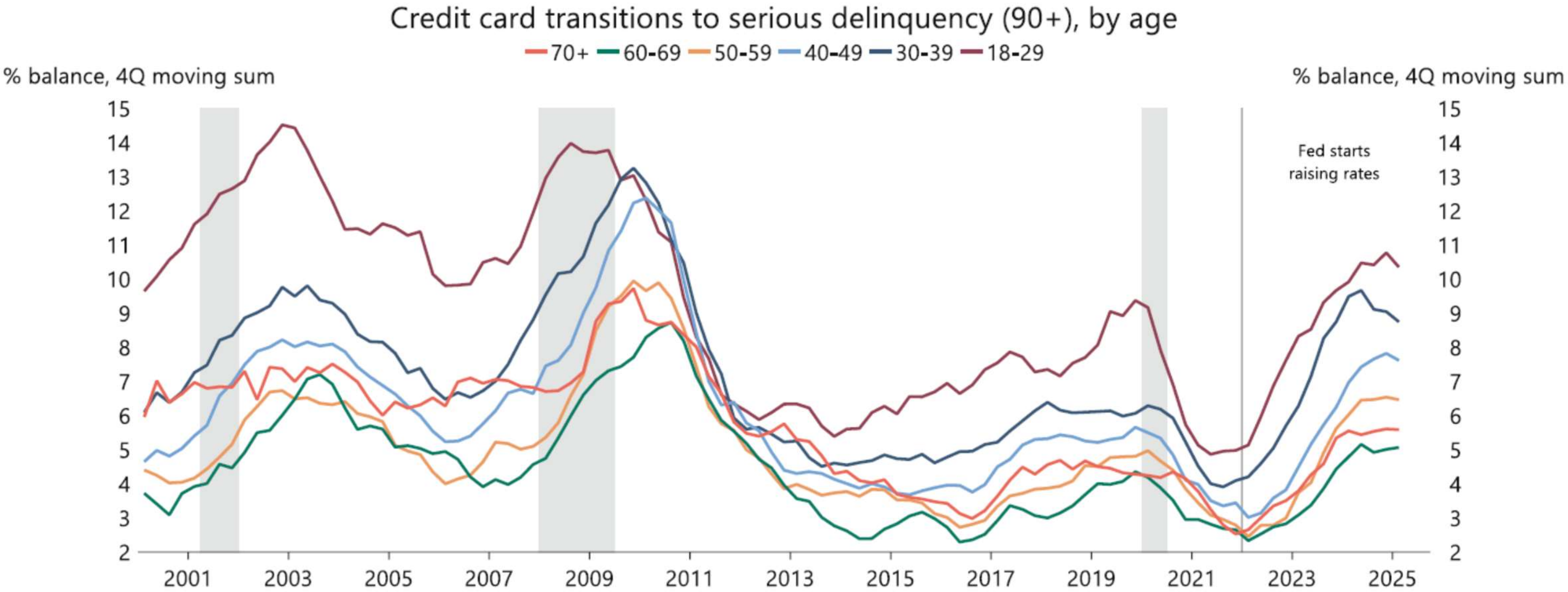
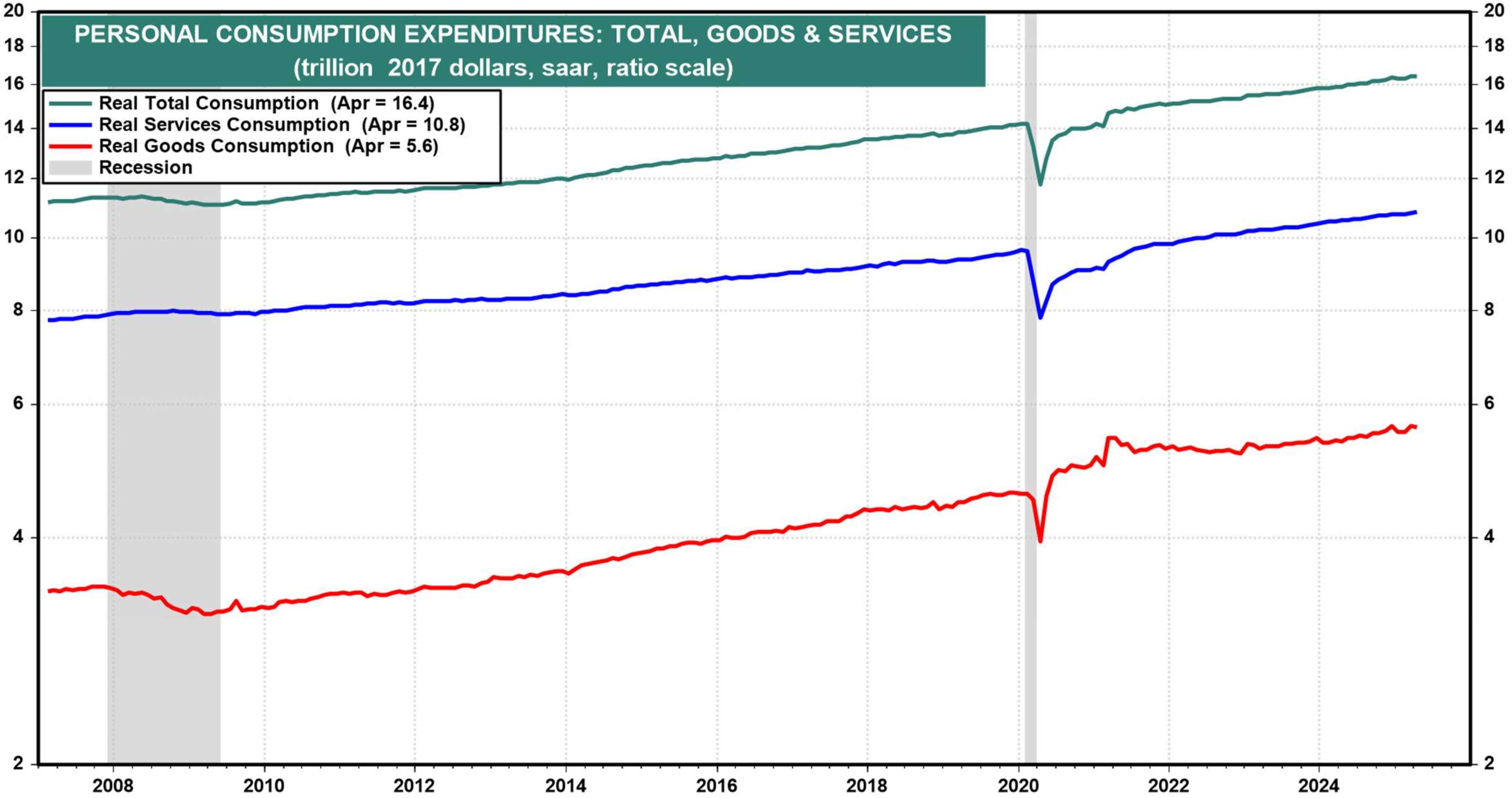
Consumer Credit Health



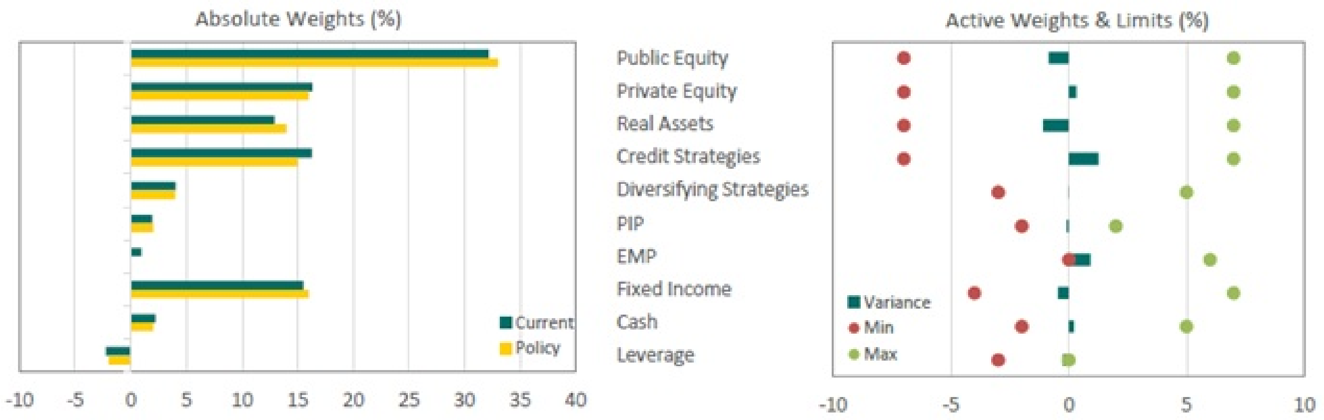
Source: Federal Reserve Bank of New York, Macrobond, Apollo Chief Economist

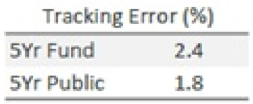
Consumer Spending



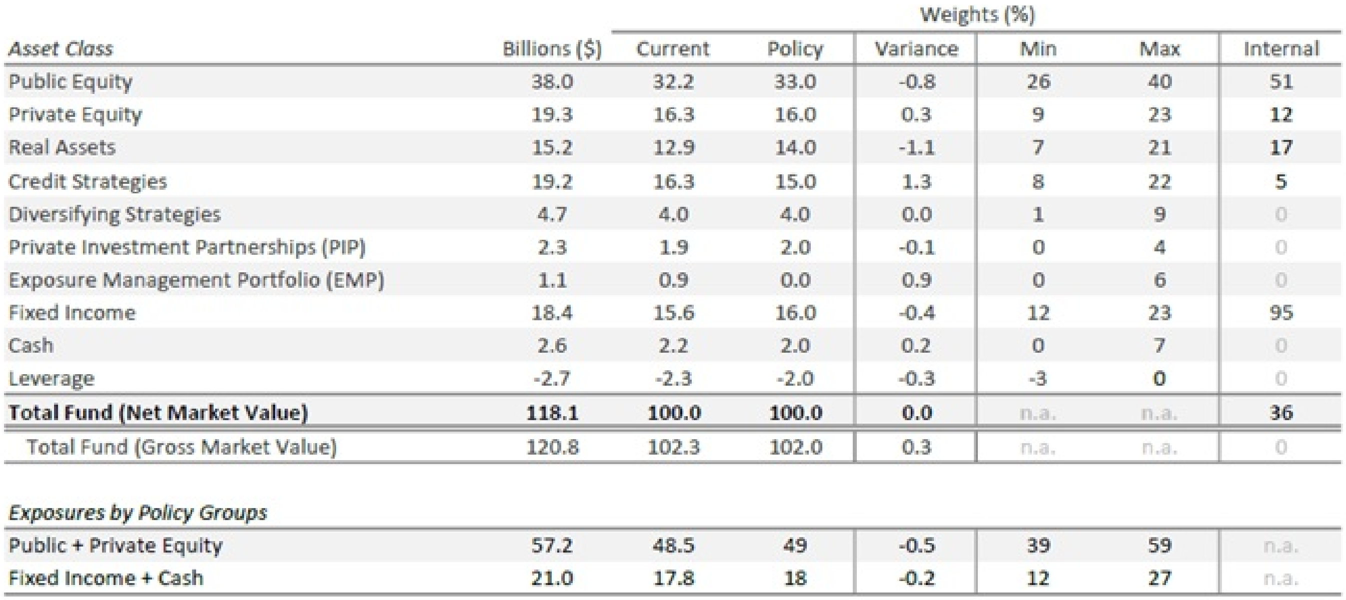
Source: LSEG Datastream and © Yardeni Research.

Asset Allocation - March 31, 2025





Tracking Error (%)	
5Yr Fund	2.4
5Yr Public	1.8



		Weights (%)					
Asset Class	Billions ($)	Current	Policy	Variance	Min	Max	Internal
Public Equity	38.0	32.2	33.0	-0.8	26	40	51
Private Equity	19.3	16.3	16.0	0.3	9	23	12
Real Assets	15.2	12.9	14.0	-1.1	7	21	17
Credit Strategies	19.2	16.3	15.0	1.3	8	22	5
Diversifying Strategies	4.7	4.0	4.0	0.0	1	9	0
Private Investment Partnerships (PIP)	2.3	1.9	2.0	-0.1	0	4	0
Exposure Management Portfolio (EMP)	1.1	0.9	0.0	0.9	0	6	0
Fixed Income	18.4	15.6	16.0	-0.4	12	23	95
Cash	2.6	2.2	2.0	0.2	0	7	0
Leverage	-2.7	-2.3	-2.0	-0.3	-3	0	0
Total Fund (Net Market Value)	**118.1**	**100.0**	**100.0**	**0.0**	n.a.	n.a.	**36**
Total Fund (Gross Market Value)	120.8	102.3	102.0	0.3	n.a.	n.a.	0
Exposures by Policy Groups							
Public + Private Equity	57.2	48.5	49	-0.5	39	59	n.a.
Fixed Income + Cash	21.0	17.8	18	-0.2	12	27	n.a.

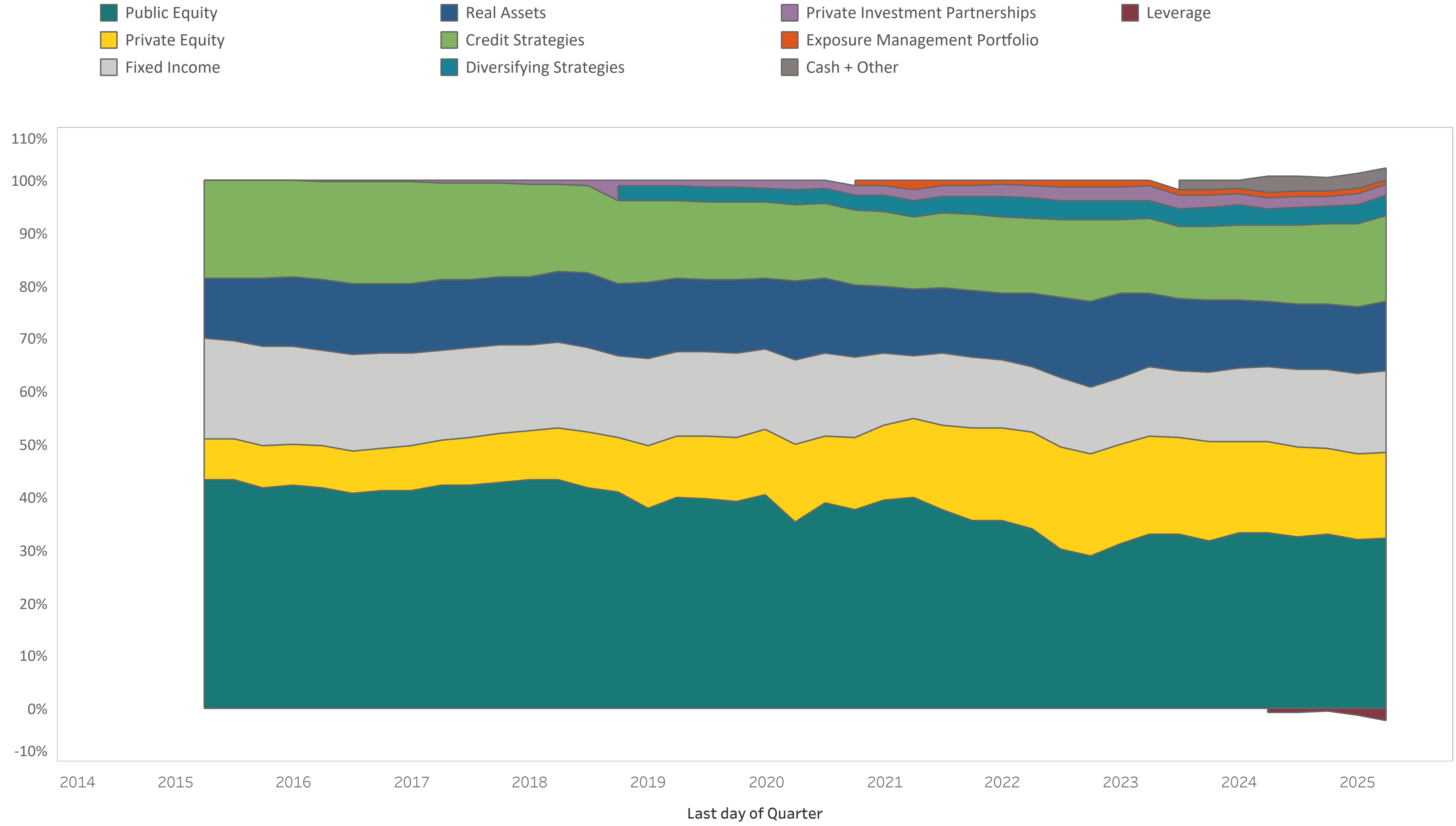
Total Fund includes the following amount held by the Treasurer of VA: $464 million

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 3/31/2025.

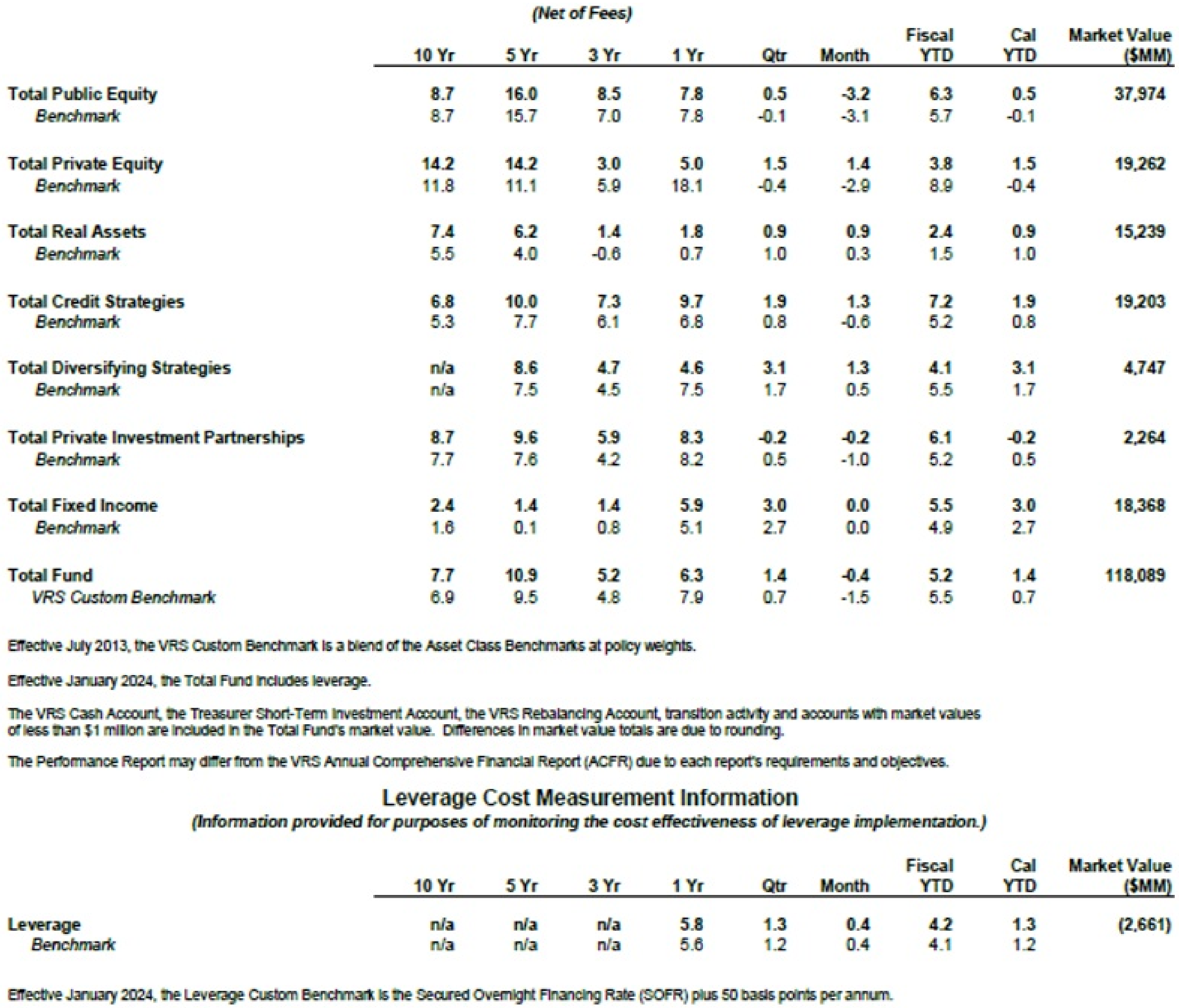
Differences in totals are due to rounding

Asset Allocation Rolling 10-Year



As of March 31, 2025

Performance - March 31, 2025



(Net of Fees)

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value ($MM)
Total Public Equity	8.7	16.0	8.5	7.8	0.5	-3.2	6.3	0.5	37,974
Benchmark	8.7	15.7	7.0	7.8	-0.1	-3.1	5.7	-0.1	
Total Private Equity	14.2	14.2	3.0	5.0	1.5	1.4	3.8	1.5	19,262
Benchmark	11.8	11.1	5.9	18.1	-0.4	-2.9	8.9	-0.4	
Total Real Assets	7.4	6.2	1.4	1.8	0.9	0.9	2.4	0.9	15,239
Benchmark	5.5	4.0	-0.6	0.7	1.0	0.3	1.5	1.0	
Total Credit Strategies	6.8	10.0	7.3	9.7	1.9	1.3	7.2	1.9	19,203
Benchmark	5.3	7.7	6.1	6.8	0.8	-0.6	5.2	0.8	
Total Diversifying Strategies	n/a	8.6	4.7	4.6	3.1	1.3	4.1	3.1	4,747
Benchmark	n/a	7.5	4.5	7.5	1.7	0.5	5.5	1.7	
Total Private Investment Partnerships	8.7	9.6	5.9	8.3	-0.2	-0.2	6.1	-0.2	2,264
Benchmark	7.7	7.6	4.2	8.2	0.5	-1.0	5.2	0.5	
Total Fixed Income	2.4	1.4	1.4	5.9	3.0	0.0	5.5	3.0	18,368
Benchmark	1.6	0.1	0.8	5.1	2.7	0.0	4.9	2.7	
Total Fund	7.7	10.9	5.2	6.3	1.4	-0.4	5.2	1.4	118,089
VRS Custom Benchmark	6.9	9.5	4.8	7.9	0.7	-1.5	5.5	0.7	

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)
Leverage	n/a	n/a	n/a	5.8	1.3	0.4	4.2	1.3	(2,661)
Benchmark	n/a	n/a	n/a	5.6	1.2	0.4	4.1	1.2	

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 March 31, 2025

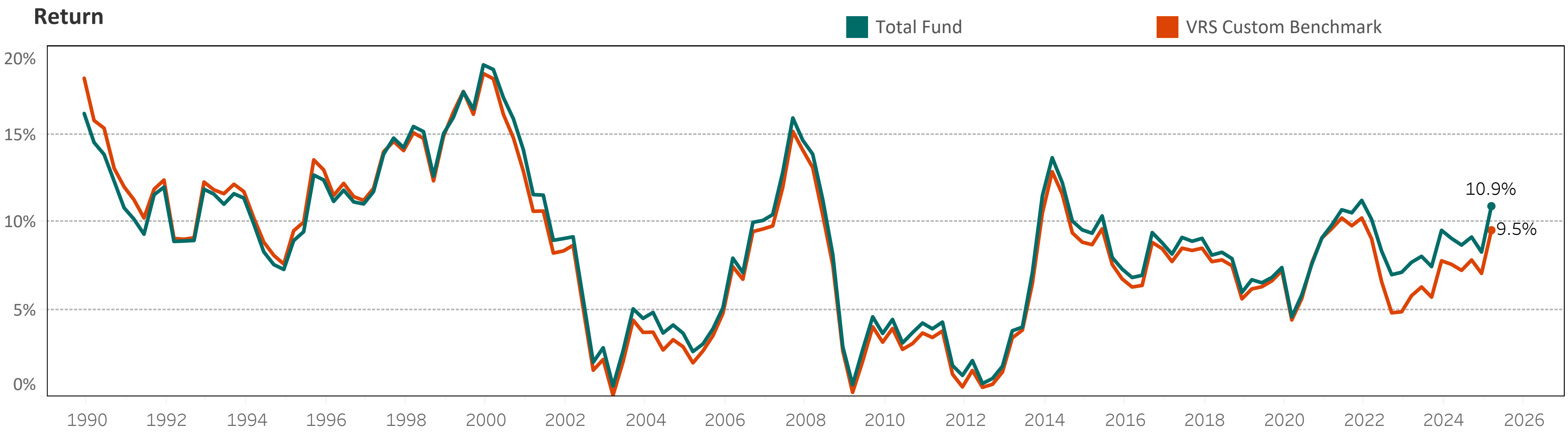
	Portfolio		Policy		Attribution		
	Weight	Return	Weight	Return	Allocation	Selection	Total
TOTAL	100.0	5.3	100.0	5.5	-0.1	-0.2	-0.3
Public Equity	33.0	6.3	33.0	5.7	0.0	0.2	0.2
Private Equity	16.3	3.8	16.0	8.9	0.0	-0.9	-0.9
Real Assets	12.5	2.4	14.0	1.5	0.1	0.1	0.2
Credit Strategies	15.5	7.2	15.0	5.2	0.0	0.3	0.3
Diversifying Strategies	3.6	4.1	4.0	5.5	0.0	0.0	0.0
Private Investment Partnerships	2.0	6.1	2.0	5.2	0.0	0.0	0.0
Exposure Management Portfolio	0.9	3.5	0.0		0.0	0.0	0.0
Fixed Income	15.2	5.5	16.0	4.9	0.0	0.1	0.1
Cash	0.9	0.1	2.0	3.6	0.0	0.0	0.0
Other	1.2	2.9			0.0	0.0	0.0
Leverage	-1.0	4.2	-2.0	4.1	0.0	0.0	0.0

Differences in totals are due to rounding.

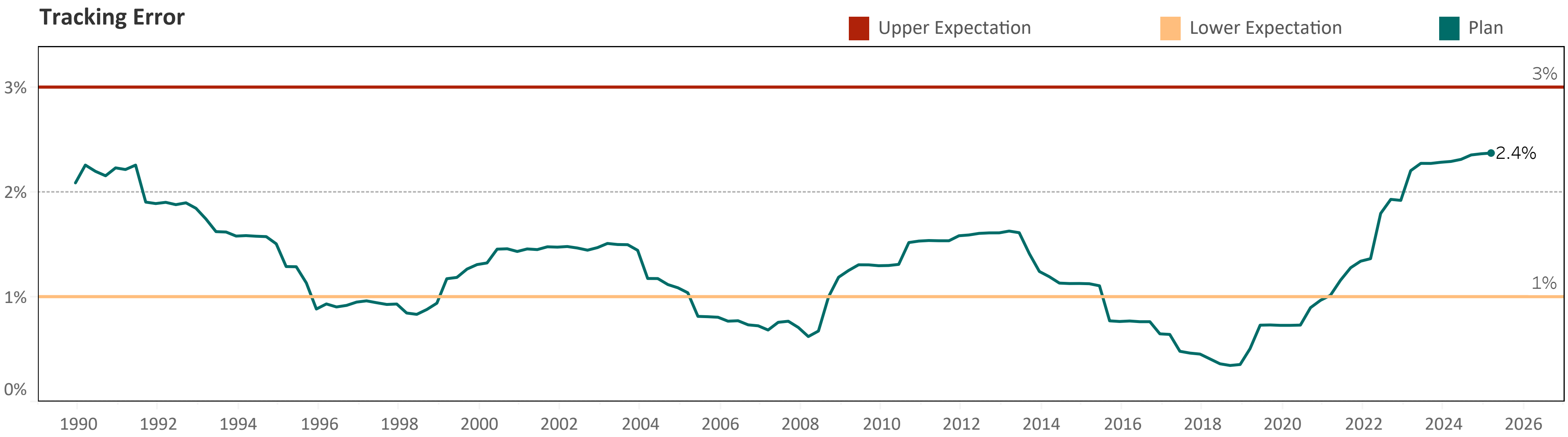
In return attribution, **allocation** refers to the value added by having different asset class weights in the portfolio than the asset class weights in the benchmark. **Selection** refers to the value added by holding individual securities or instruments within the asset class in different than benchmark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

Virginia Retirement System®

Total Fund Rolling 5-Year



Return

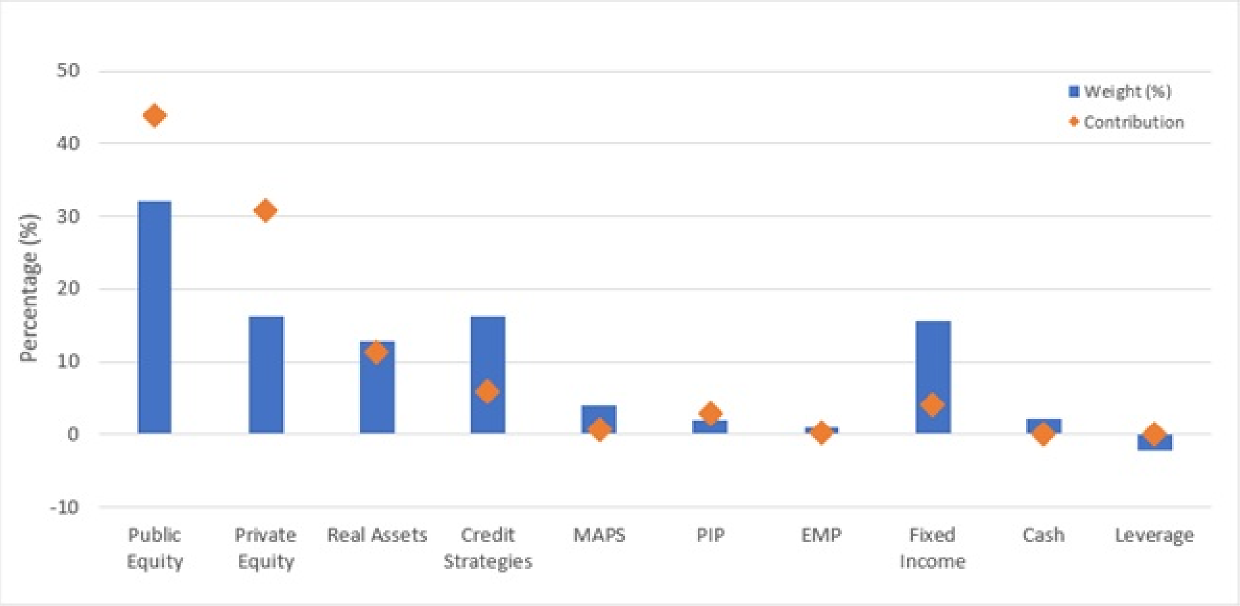


Tracking Error

As of March 31, 2025

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.

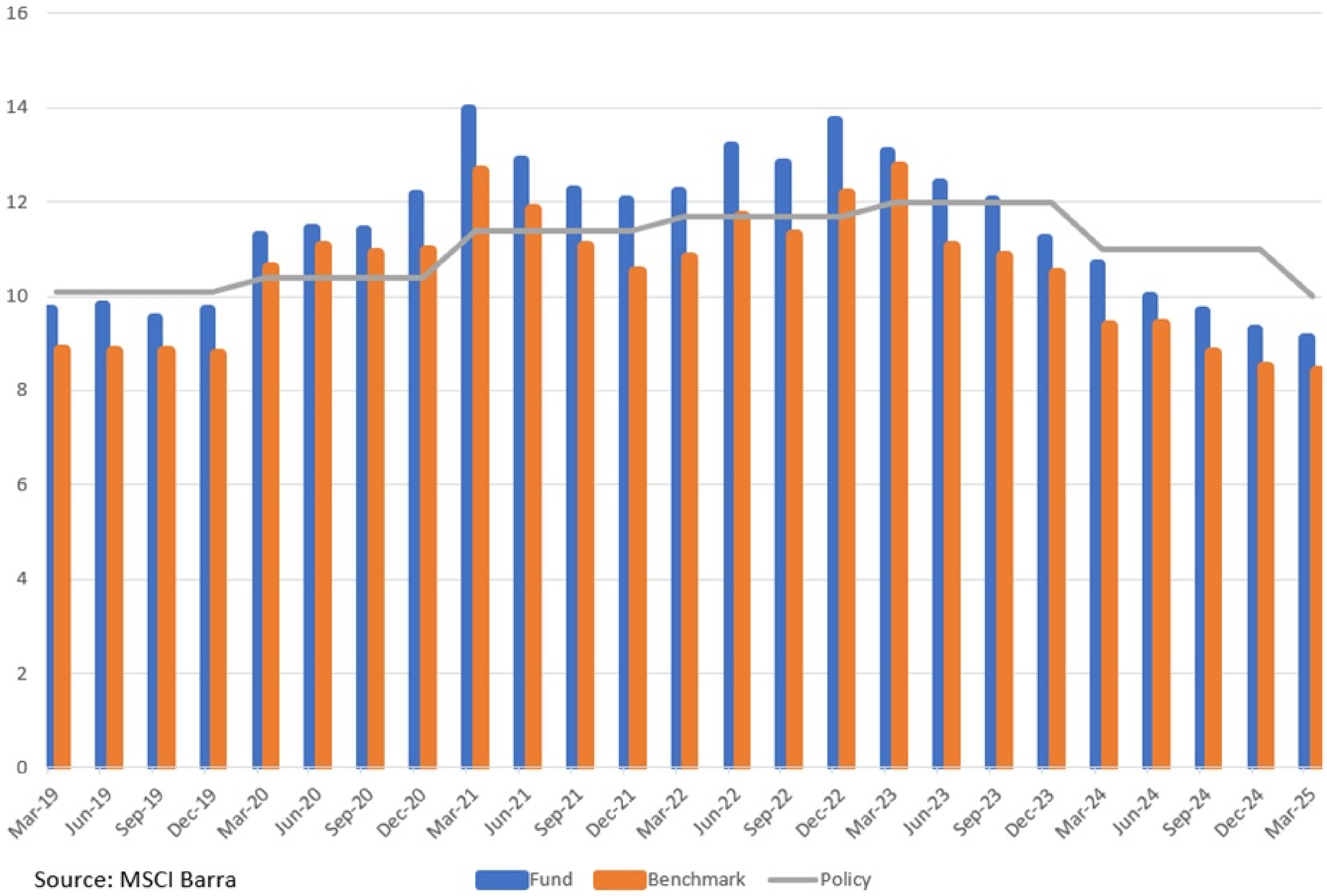
Projected Volatility and Risk Contribution - March 31, 2025



	Market Value		Volatility (%)	
Asset Class	Billions ($)	Weight (%)	Projected	Contribution
Public Equity	38.0	32.2	13.0	43.9
Private Equity	19.3	16.3	19.2	30.9
Real Assets	15.2	12.9	10.2	11.4
Credit Strategies	19.2	16.3	4.3	5.9
Diversifying Strategies	4.7	4.0	2.5	0.7
Private Investment Partnership (PIP)	2.3	1.9	13.8	2.8
Exposure Management Portfolio (EMP)	1.1	0.9	15.2	0.3
Fixed Income	18.4	15.6	6.8	4.1
Cash	2.6	2.2	0.2	0.0
Leverage	-2.7	-2.3	0.0	0.0
Total Fund (Net Market Value)	**118.1**	**100.0**	**9.1**	**100.0**

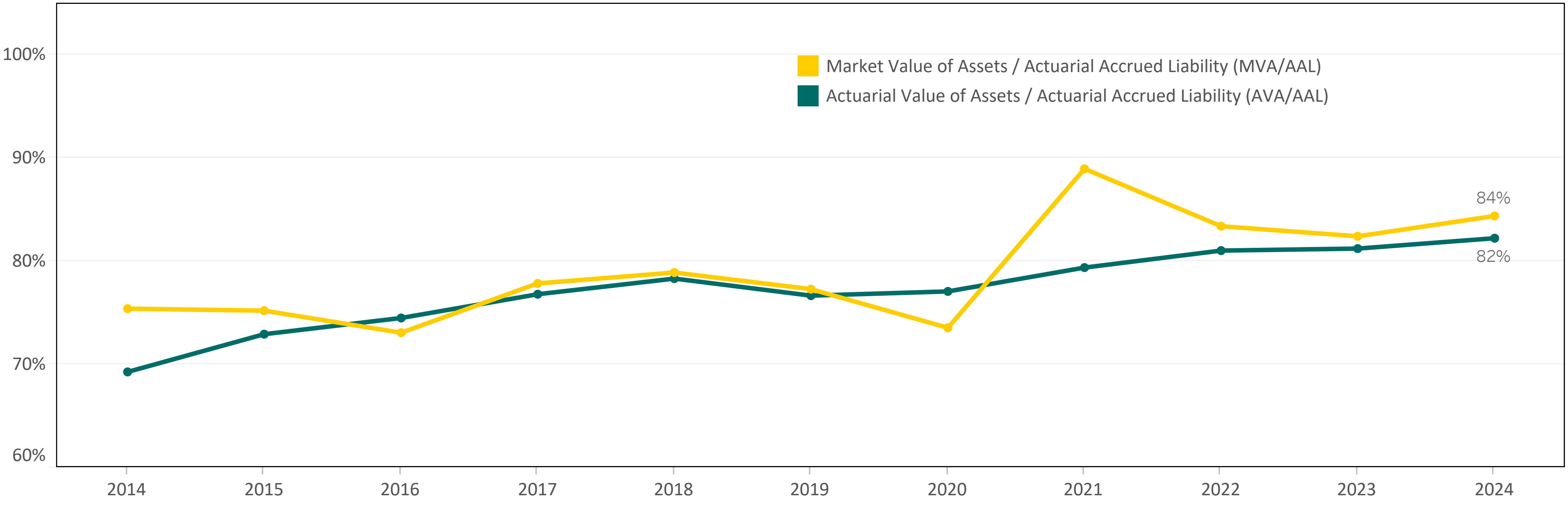
Source: BNY Mellon, MSCI Barra

VRS Fund Projected Volatility - March 31, 2025



Source: MSCI Barra

Funded Status - Assets/Liabilities



As of end of fiscal year.

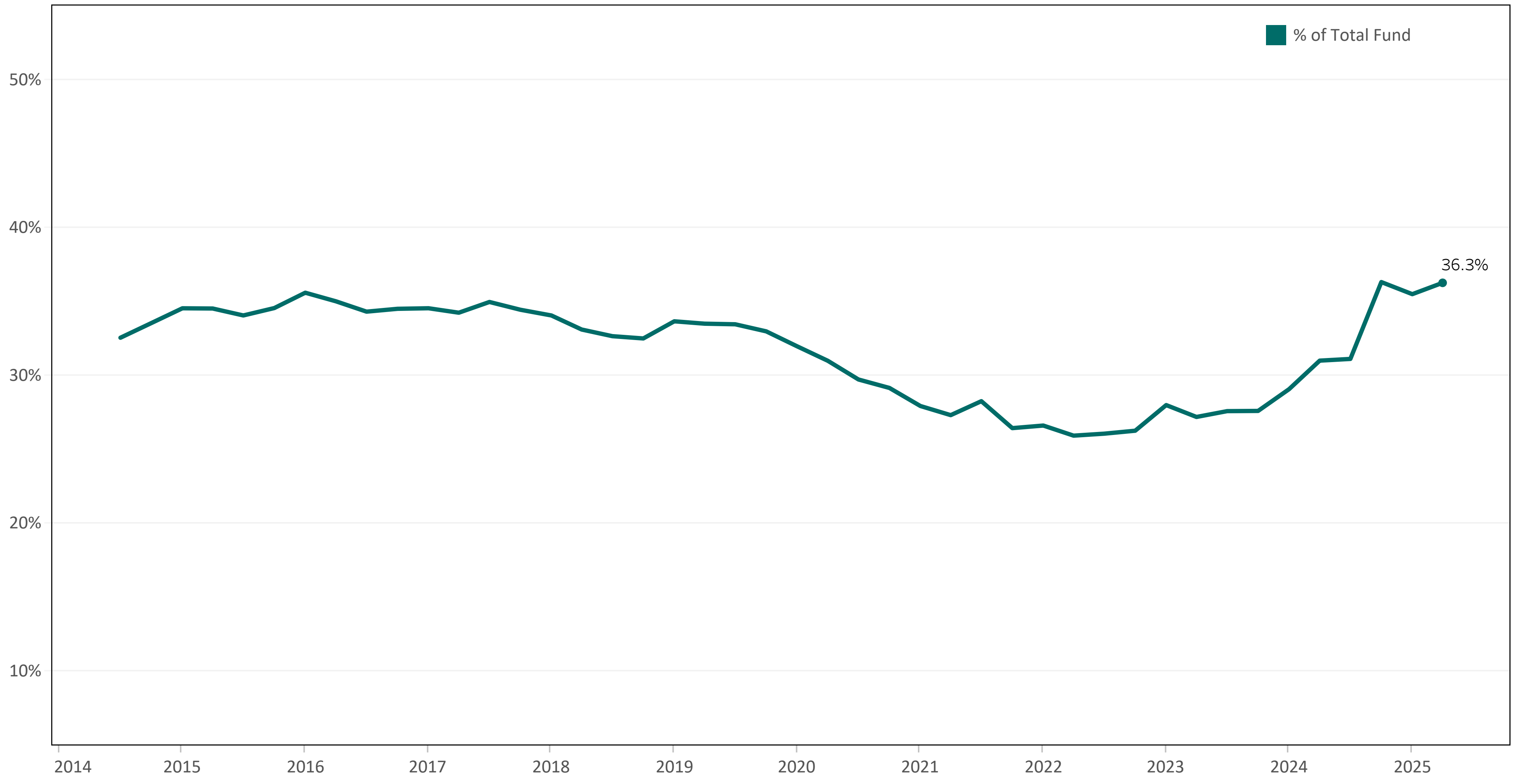
Market Value of Assets (MVA) - The value at which assets could be traded on the market.

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
April 30, 2025

TOTAL FUND PERFORMANCE

(Net of Fees)

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value ($MM)
Total Public Equity	**8.6**	**13.9**	**11.2**	**12.6**	**-2.4**	**1.0**	**7.3**	**1.5**	**38,326**
Benchmark	8.6	13.5	10.4	12.7	-2.4	1.0	6.8	0.9	
Total Private Equity	**14.2**	**14.3**	**3.3**	**5.5**	**1.8**	**0.3**	**4.2**	**1.8**	**19,333**
Benchmark	12.3	12.1	9.1	21.8	5.4	3.7	13.0	3.3	
Total Real Assets	**7.4**	**6.0**	**1.6**	**1.8**	**0.8**	**-0.1**	**2.3**	**0.8**	**15,372**
Benchmark	5.5	3.8	-0.8	1.5	1.1	0.5	2.0	1.5	
Total Credit Strategies	**6.6**	**9.3**	**7.5**	**9.4**	**1.4**	**-0.2**	**7.1**	**1.7**	**19,337**
Benchmark	5.2	6.8	6.6	7.0	-0.2	0.0	5.2	0.8	
Total Diversifying Strategies	**n/a**	**7.5**	**5.2**	**2.2**	**1.0**	**-1.1**	**2.9**	**1.9**	**4,774**
Benchmark	n/a	6.8	6.1	7.4	1.6	0.5	6.0	2.2	
Total Private Investment Partnerships	**8.7**	**9.6**	**5.9**	**8.0**	**-0.4**	**-0.2**	**5.8**	**-0.4**	**2,229**
Benchmark	7.8	7.7	5.2	9.6	2.1	1.4	6.6	1.9	
Total Fixed Income	**2.5**	**0.9**	**2.8**	**8.8**	**2.6**	**0.3**	**5.8**	**3.3**	**18,421**
Benchmark	1.7	-0.2	2.3	8.1	2.4	0.4	5.3	3.0	
Total Fund	**7.6**	**9.9**	**6.3**	**8.1**	**0.2**	**0.2**	**5.5**	**1.7**	**118,214**
VRS Custom Benchmark	6.9	8.7	6.8	10.6	0.7	1.1	6.6	1.8	

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.)

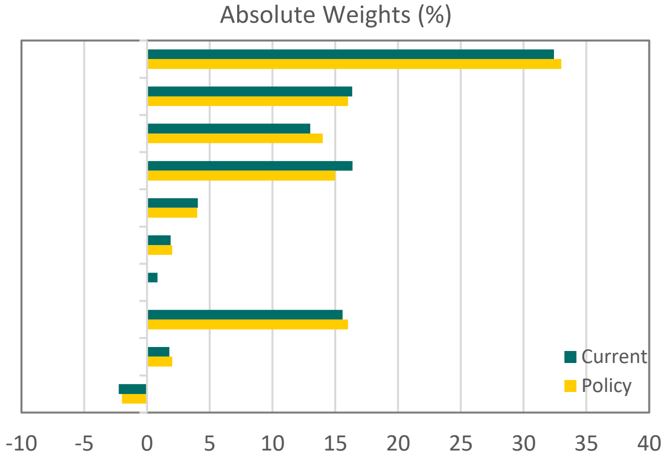
	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value ($MM)
Leverage	**n/a**	**n/a**	**n/a**	**5.7**	**1.2**	**0.4**	**4.6**	**1.7**	**(2,661)**
Benchmark	n/a	n/a	n/a	5.5	1.2	0.4	4.5	1.6	

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

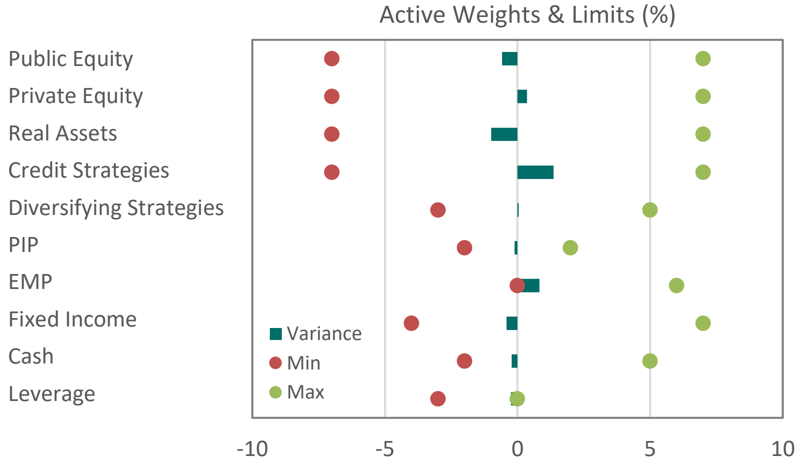
Asset Allocation Report

April 30, 2025

Absolute Weights (%)



Active Weights & Limits (%)



Tracking Error (%)	
5Yr Fund	2.4
5Yr Public	1.8

		Weights (%)					
Asset Class	Billions ($)	Current	Policy	Variance	Min	Max	Internal
Public Equity	38.3	32.4	33.0	-0.6	26	40	51
Private Equity	19.3	16.4	16.0	0.4	9	23	12
Real Assets	15.4	13.0	14.0	-1.0	7	21	17
Credit Strategies	19.3	16.4	15.0	1.4	8	22	5
Diversifying Strategies	4.8	4.0	4.0	0.0	1	9	0
Private Investment Partnerships (PIP)	2.2	1.9	2.0	-0.1	0	4	0
Exposure Management Portfolio (EMP)	1.0	0.8	0.0	0.8	0	6	0
Fixed Income	18.4	15.6	16.0	-0.4	12	23	95
Cash	2.1	1.8	2.0	-0.2	0	7	0
Leverage	-2.7	-2.3	-2.0	-0.3	-3	0	0
Total Fund (Net Market Value)	**118.2**	**100.0**	**100.0**	**0.0**	**n.a.**	**n.a.**	**37**
Total Fund (Gross Market Value)	120.9	102.3	102.0	0.3	n.a.	n.a.	0

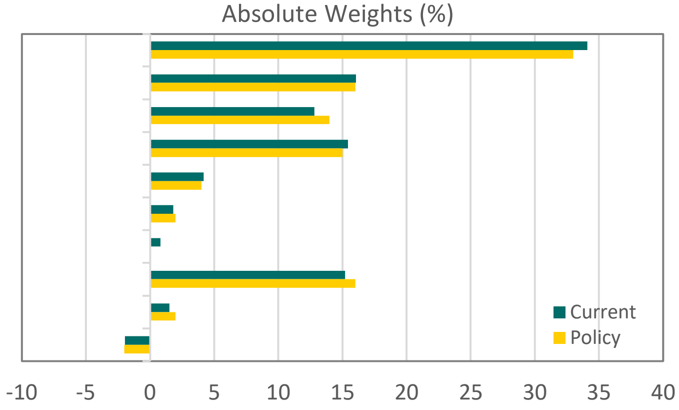
Exposures by Policy Groups							
Public + Private Equity	57.7	48.8	49	-0.2	39	59	n.a.
Fixed Income + Cash	20.5	17.4	18	-0.6	12	27	n.a.

- Total Fund includes the following amount held by the Treasurer of VA: $ 467 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 3/31/2025.
- Differences in totals are due to rounding

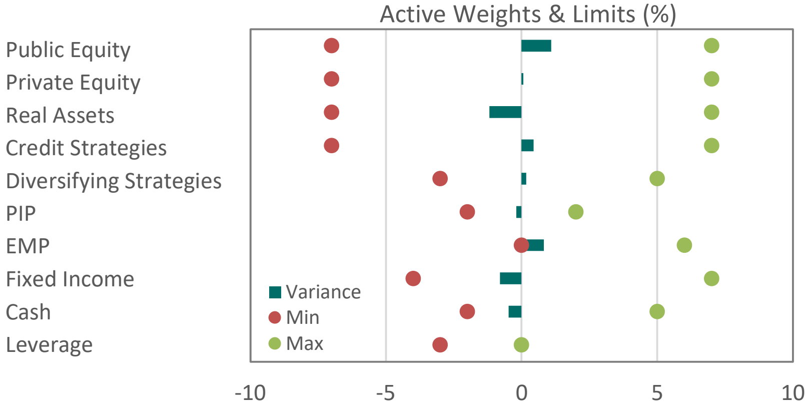
Daily Asset Allocation Report

June 9, 2025

Absolute Weights (%)



Active Weights & Limits (%)



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

		Weights (%)					
Asset Class	Billions ($)	Current	Policy	Variance	Min	Max	Internal
Public Equity	41.0	34.1	33.0	1.1	26	40	51
Private Equity	19.3	16.1	16.0	0.1	9	23	12
Real Assets	15.4	12.8	14.0	-1.2	7	21	17
Credit Strategies	18.6	15.4	15.0	0.4	8	22	5
Diversifying Strategies	5.0	4.2	4.0	0.2	1	9	0
Private Investment Partnerships (PIP)	2.2	1.8	2.0	-0.2	0	4	0
Exposure Management Portfolio (EMP)	1.0	0.8	0.0	0.8	0	6	0
Fixed Income	18.3	15.2	16.0	-0.8	12	23	95
Cash	1.8	1.5	2.0	-0.5	0	7	0
Leverage	-2.4	-2.0	-2.0	0.0	-3	0	0
Total Fund (Net Market Value)	**120.2**	**100.0**	**100.0**	**0.0**	n.a.	n.a.	**37**
Total Fund (Gross Market Value)	122.6	102.0	102.0	0.0	n.a.	n.a.	0
Exposures by Policy Groups							
Public + Private Equity	60.3	50.2	49	1.2	39	59	n.a.
Fixed Income + Cash	20.1	16.7	18	-1.3	12	27	n.a.

- Total Fund includes the following amount held by the Treasurer of VA: $ 163 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

VRS Investment Department
Recap of New Investments/Terminations
Time Period: 04/17/2025 – 06/18/2025

Program	Action	Effective Date	Commitment/ Current Value	Funding/ Defunding Period	Description
Real Assets	Hired	04/18/2025	$100 Million	4 years	**Kinterra Capital Mining Fund II –** Closed-end commingled fund focused on making equity investments in mining projects globally.
Real Assets	Hired	05/14/2025	$150 Million	6 years	**iCON Infrastructure Fund VII - C**losed-end commingled fund investing in middle market infrastructure investments in Europe and North America.
Credit Strategies	Hired	04/30/2025	$250 Million	5 years	**KKR IVY III -** A fund that will invest alongside KKR's insurance balance sheet in diversified fixed income and credit portfolios.
Credit Strategies	Hired	05/16/2025	$250 Million	4 years	**Sixth Street Opportunities Partners VI –** A fund focused on distressed and special situations credit investments primarily in the United States and Europe.

Virginia
Retirement
System

Request for Board Action
RBA 2025-06-____

Approve FY2026 Defined Benefit Plan Strategic Asset Allocation.

Requested Action

The VRS Board of Trustees approves the FY2026 Defined Benefit Plan Strategic Asset Allocation and Allowable Ranges, effective July 1, 2025.

Description/Background

Board Strategic Asset Allocation and Allowable Ranges. The Board approved the current FY2025 Defined Benefit Plan Strategic Asset Allocation and Allowable Ranges at the December 12, 2024, Board meeting. As part of the transition to the Board's long-term defined benefit plan strategic asset allocation (which was approved at the June 15, 2023, Board meeting), the Chief Investment Officer (CIO) recommends the following target exposures and allowable ranges effective July 1, 2025.

	Current	Allowable		Proposed	Allowable	
	FY 2025	Range		FY 2026	Range	
Asset Class	Target	Min	Max	Target	Min	Max
Public Equity	33%	26%	40%	32%	25%	39%
Private Equity	16%	9%	23%	16%	9%	23%
Real Assets	14%	7%	21%	14%	7%	21%
Credit Strategies	15%	8%	22%	16%	9%	23%
Diversifying Strategies	4%	1%	9%	5%	2%	10%
Private Investment Partnerships (PIP)	2%	0%	4%	2%	0%	4%
Exposure Management Portfolio (EMP)	0%	0%	6%	0%	0%	6%
Fixed Income	16%	12%	23%	16%	12%	23%
Cash	2%	0%	7%	2%	0%	7%
Total Fund (Gross)[1]	102%			103%		
Asset Allocation Leverage	-2%	-3%	0%	-3%	-4%	0%
Total Fund (Net)[2]	100%			100%		
High-Level Exposure						
Total Equity	49%	39%	59%	48%	38%	58%
Fixed Income + Cash	18%	12%	27%	18%	12%	27%
Rebalancing Leverage		-3%	0%		-3%	0%

---

[1] Reflects total amount invested.

[2] Reflects total amount invested less leverage.

Staff will not, by its tactical actions, underweight or overweight any individual asset class beyond the minimum and maximum allowable ranges. However, market action or Fund liquidity needs could cause an individual asset class to be temporarily below the minimum allowable range or above the maximum allowable range. In such rare cases, using the high-level rebalancing ranges, the CIO will have the flexibility to exceed the individual allowable ranges if the deviation is related to market actions or Fund liquidity needs, if the CIO believes bringing an individual asset class back within its allowable range would not be economically prudent. If, however, the CIO determines an individual asset class needs to be brought back into its allowable range, staff will establish an action plan. In any event, the CIO will communicate the deviation to the Board on a timely basis.

Staff will not, by its tactical actions, cause the Strategic Asset Allocation Leverage (comprised of Asset Allocation Leverage and Rebalancing Leverage) to surpass its limit. However, market action or Fund liquidity needs could cause the Strategic Asset Allocation Leverage to be temporarily above the limit. In such rare cases, the CIO will have the flexibility to exceed the maximum limit if the deviation is related to market actions or Fund liquidity needs, if the CIO believes bringing the Strategic Asset Allocation Leverage back within its limit would not be economically prudent. If, however, the CIO determines the Strategic Asset Allocation Leverage needs to be brought back within its limit, staff will establish an action plan. In any event, the CIO will communicate the deviation to the Board on a timely basis.

Rationale for Requested Action

The recommended Strategic Asset Allocation and Allowable Ranges reflects the current market conditions and continues to allow for easier management of the asset allocation.

Authority for Requested Action

The Board is authorized to approve this recommendation pursuant to the provisions of *Code of Virginia* §§ 51.1-124.22 and -124.30.

The above action is approved on June 18, 2025, with an effective date of July 1, 2025.

______________________________	______________________
A. Scott Andrews, Chair VRS Board of Trustees	Date

Virginia
Retirement
System

Request for Board Action
RBA 2025-06-____

Approve VRS Foreign Adversaries Policy.

Requested Action

The VRS Board of Trustees approves the VRS Foreign Adversaries Policy.

Description/Background

The Board authorized the Chief Investment Officer (CIO) to pursue a policy related to current and future investments in countries designated as foreign adversaries by the Office of the Secretary of Commerce at the November 14, 2024, Board meeting.

Rationale for Requested Action

The VRS Foreign Adversaries Policy establishes a framework for the prudent mitigation of economic exposure to those countries who have been designated as foreign adversaries by the Office of the Secretary of Commerce.

Authority for Requested Action

The Board is authorized to approve this recommendation pursuant to the provisions of *Code of Virginia* §§ 51.1-124.22 and -124.30.

The above action is approved on June 18, 2025, with an effective date of July 1, 2025.

______________________________	______________________________
A. Scott Andrews, Chair VRS Board of Trustees	Date

Virginia Retirement System
Foreign Adversaries Policy
Effective July 1, 2025

I. Policy

The overarching goal of this Policy is to mitigate direct and indirect economic exposure to foreign adversaries as identified by federal agencies involved in law enforcement, national security, securities regulation, and economic policies related to the economic activities of U.S. persons.

This Policy is intended to be in support of, and not in limitation to, the fiduciary duties given to the Board under § 51.1-124.30 of the Code of Virginia.

II. Decision Making

Beyond the Board's establishment of this Policy, the Board delegates to the Chief Investment Officer (CIO) all other decisions relating to the implementation and administration of this Policy.

III. Reporting

The CIO will periodically communicate to the Board information regarding VRS investments that cause any persistent deviations to this Policy.

Request for Board Action
RBA 2025-06-____

Approve Benchmarks for Public Equity, Private Equity, and Private Investment Partnerships.

Requested Action

The VRS Board of Trustees approves the recommended benchmarks for Public Equity, Private Equity, and Private Investment Partnerships.

Description/Background

The Board previously approved the Public Equity benchmark at the November 16, 2023, meeting, and the Private Equity and Private Investment Partnerships benchmarks at the June 15, 2023, meeting.

Current Benchmarks:

Public Equity	A weighted average of the MSCI ACWI IMI Index (net VRS taxes) (85%) and the MSCI World Min Vol Index (net VRS taxes) (15%). *(Effective date: January 1, 2024)*
Private Equity	The regional benchmarks of the MSCI ACWI IMI Index (net VRS taxes) lagged by three months, weighted to reflect the Private Equity opportunity set (currently 75% North America, 20% Europe, and 5% Asia and Emerging Markets). *(Effective date: January 1, 2024)*
Private Investment Partnerships	The weighted average of the Private Equity Custom Benchmark (33%), the NCREIF Private Real Estate Benchmark (25%), the Other Real Assets Custom Benchmark (8%), the Bloomberg US High Yield Ba/B 2% Issuer Cap Index (17%), and the Morningstar LSTA Performing Loan Index (17%). *(Effective date: January 1, 2024)*

The CIO is recommending changes to these benchmarks. Specifically:

- The recommended change to the Public Equity benchmark aligns the program benchmark with the VRS Foreign Adversaries Policy.
- The recommended change to the Private Equity benchmark incorporates the recommended change to the Public Equity benchmark.
- The recommended change to the Private Investment Partnerships benchmark incorporates the recommended change to the Private Equity benchmark.

Recommended Benchmarks:

Public Equity	A weighted average of the MSCI ACWI IMI Index ex Selected Countries (net VRS taxes) (85%) and the MSCI World Min Vol Index ex Selected Countries (net VRS taxes) (15%). ***Effective date: July 1, 2025***
Private Equity	The regional benchmarks of the MSCI ACWI IMI Index ex Selected Countries (net VRS tax rates) lagged by three months, weighted to reflect the Private Equity opportunity set (currently 75% North America, 20% Europe, and 5% Asia and Emerging Markets). ***Effective date: July 1, 2025***

Private Investment Partnerships	The weighted average of the Private Equity Custom Benchmark (33%), the NCREIF Private Real Estate Benchmark (25%), the Other Real Assets Custom Benchmark (8%), the Bloomberg US High Yield Ba/B 2% Issuer Cap Index (17%), and the Morningstar LSTA Performing Loan Index (17%). ***Effective date: July 1, 2025***

Rationale for Requested Action

The changes align the program benchmarks with the VRS Foreign Adversaries Policy.

Authority for Requested Action

The Board is authorized to approve these recommendations pursuant to the provisions of *Code of Virginia* §§ 51.1-124.22 and -124.30.

The above action is approved on June 18, 2025, with an effective date of July 1, 2025.

____ _____________________________

A. Scott Andrews, Chair Date
VRS Board of Trustees

Virginia
Retirement
System

Request for Board Action
RBA 2025-06-____

Approve revised Defined Benefit Plan Investment Policy Statement.

Requested Action

The VRS Board of Trustees approves the revised Defined Benefit Plan Investment Policy Statement.

Description/Background

The VRS Board of Trustees approved the current Defined Benefit Plan Investment Policy Statement on November 16, 2023.

In preparation for implementing the VRS Foreign Adversaries Policy, staff performed an internal review of the Defined Benefit Plan Investment Policy Statement. Both a red line and black line version of the revised Defined Benefit Plan Investment Policy Statement are attached.

Rationale for Requested Action

The proposed revision adds a Foreign Adversaries section to the Defined Benefit Plan Investment Policy Statement.

Authority for Requested Action

The Board is authorized to approve this recommendation pursuant to the provisions of *Code of Virginia* §§ 51.1-124.22 and -124.30.

The above action is approved on June 18, 2025, with an effective date of July 1, 2025.

____	__________________________
A. Scott Andrews, Chair VRS Board of Trustees	Date

Virginia
Retirement
System®

VRS Defined Benefit Plan Investment Policy Statement

APPROVED BY THE BOARD OF TRUSTEES: JUNE 15, 2006
UPDATED JULY 1, 2025~~NOVEMBER 16, 2023~~

1. Investment Objective

The investment objective of the VRS defined benefit plan portfolio is to maximize return while managing risk within an acceptable range. Because of the long-term nature of the plan's liabilities, the horizon for investment decisions is generally defined as 10 years or longer. Risk is assessed in an asset-liability framework, and primary risk measures are volatility in the plan's assets, funded status and contribution rates.

The objective of the investment staff is to execute the asset allocation policy established by the Board of Trustees and to attempt to add value relative to the policy benchmarks.

The *Code of Virginia* § 51.1-124.30 requires that "the Board shall…invest the assets of the Retirement System with the care, skill, prudence and diligence under the circumstances prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. The Board shall also diversify such investments so as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so."

2. Decision Making

The Board is responsible for establishing broad policy guidelines and benchmarks that will enable the VRS Trust Fund to achieve its investment objective. Board decisions are required in the following areas:

1. Asset Allocation Targets (Policy Risk/Reward Parameters)
2. Allowable Ranges Around the Policy Targets
3. Total Fund and Program Level Benchmarks
4. Active Risk Ranges Relative to Policy
5. Strategic Asset Allocation Leverage Target (Asset Allocation Leverage and Rebalancing Leverage)

Beyond these broad policy decisions, the Board delegates to the Chief Investment Officer (CIO) all other decisions relating to the investment of VRS assets, subject to the guidelines presented in this document.

In carrying out its fiduciary duty to oversee the investments of the fund, the Board will consider advice and recommendations provided by the VRS Investment Advisory Committee (IAC). The specific duties and responsibilities of the IAC are described in the IAC Charter.

3. Asset Allocation/Rebalancing

The Board has an Investment Policy Committee (IPC). Its membership is the entire Board of Trustees. The IPC is a forum for the Board to discuss the fund's mission, objectives, risk tolerance and asset allocation, and strategic asset allocation leverage. *(continued)*

3. Asset Allocation/Rebalancing *(continued)*

The fund's strategic asset allocation mix will be set by the Board and reviewed periodically. Annually, the Board will review the capital market return projections. In setting the strategic asset allocation mix, the Board will give consideration to the recommendations of the CIO and the IAC. A significant change in capital market conditions, pension program demographics or benefit formula could trigger a fresh asset/liability study.

In developing policy parameters, the Board will work on an asset-liability analysis with an outside expert on such issues. Normally an analysis will be made every two to three years to coincide with the contribution rate-setting cycle. This project is designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. The Board will also establish an allowable range around each asset class target weight within which the CIO is granted discretion.

Appendix 1 shows the fund's current strategic asset allocation mix and the allowable range for each asset class.

4. Total Fund Performance Benchmark

The Board will establish the total fund performance benchmark. In analyzing the performance of the fund and the investment staff, the Board will use a VRS Custom Benchmark. The VRS Custom Benchmark represents the strategic asset allocation mix and the program level benchmarks established by the Board during the asset allocation process. The VRS Custom Benchmark is rebalanced monthly. See Appendix 1 for details.

Assets involved in transition from one mandate to another may be temporarily managed within "Transition Accounts" and such individual accounts might not be benchmarked during the transition period. The CIO will ensure that such transitions are completed on a timely basis, consistent with market conditions.

5. Active Risk Allocation

The Board will establish a total fund active risk range that describes the degree of tolerance for yearly variation in the fund's performance relative to the Total Fund Custom Benchmark. The primary risk measure used for this purpose is Tracking Error, calculated as the standard deviation of the difference between the fund's return and the benchmark's return. From this measure, probability estimates can be derived to help the Board estimate the risk of underperforming the benchmark by certain margins. It is recognized that statistical measures, such as tracking error, are in fact just estimates and do not guarantee that observed performance will occur as expected.

Appendix 1 shows the current tracking error range for the total fund.

6. Program and Manager Level Policies

The Board delegates to the CIO the authority to establish and modify as necessary the program level investment policy statements. Individual manager investment policy statements can be approved by the respective Program Managers provided they work in concert with the overarching program level investment policy statements. Each program and investment manager policy statement (both internal and external) should clearly define the investment objectives, allowable strategies, limits, risks and performance benchmarks applicable to the program or account in question. In the case of commingled investments or where VRS is a limited partner, the appropriate fund documents (i.e., Limited Partnership Agreement, Offering Memorandum, etc.) may be used in lieu of the investment manager policy statement. The program level policy statement should also include due diligence procedures for hiring, monitoring and terminating investment managers. The CIO is responsible for ensuring that adequate due diligence is being performed in the evaluation of potential and existing investments, and that all investment activity will be legal and in compliance with appropriate regulatory bodies.

7. Investment Manager Selection and Termination

The CIO has full authority to hire and fire investment managers and negotiate or renegotiate fees at any time using processes deemed likely to achieve the best investment results for the fund. The CIO will report any hirings or terminations at the next Board meeting.

8. Risk Management

Risk management is a primary objective for the investment staff, and investment results will be reviewed in the context of risk-adjusted returns. The primary risk objectives for the fund are to (1) manage the volatility of the fund within a reasonable range around the targeted volatility as established in the asset allocation process, and (2) manage the tracking error of the fund within the tracking error range as established by the total fund risk budget. Should the total fund experience active risk outside of the tracking error range, the CIO is responsible for communicating the variance to the Board on a timely basis. In addition, the CIO is responsible for obtaining and/or developing appropriate systems, models, tools and reports necessary to monitor the risks of the fund and effectively communicate such risks on a regular basis to the Board.

9. Authority to Execute Contracts

The CIO and the Chief Administrative Officer (CAO) have full authority to execute contracts on behalf of VRS, provided that any contract relating directly to an investment decision must be approved by the CIO. Such contracts may include, but not be limited to, investment management contracts, partnership agreements, subscription agreements, service agreements, consulting contracts and contracts for derivative investment instruments consistent with the fund’s investment policy and strategies.

10. Best Execution

Generally, all investment transactions executed on behalf of the fund will be made on the basis of best execution. VRS defines best execution as the process and price that results in the best overall performance impact, as judged by the portfolio manager, taking into account current market conditions. VRS will generally discourage the use of soft dollar arrangements, and where such arrangements are utilized, staff will review this usage for reasonableness.

11. Foreign Adversaries

VRS will mitigate its direct and indirect economic exposure to foreign adversaries as identified by federal agencies involved in law enforcement, national security, securities regulation, and economic policies related to the economic activities of U.S. persons. The Board delegates to the Chief Investment Officer all decisions relating to the implementation and administration of such exposure.

~~11.~~12. Litigation and Proxy Voting Policies

All investment activity will be consistent with the Board's Litigation Policy and Proxy Voting Policy, which outline procedures for proxy voting, securities litigation and involvement in investor groups.

~~12.~~13. Use of Consultants/Service Providers

The CIO has authority to hire consultants, research providers and other service providers, provided that such expenditures are in alignment with the Board-approved investment department operating budget.

~~13.~~14. Reporting

The CIO is responsible for reporting on a timely basis the significant activity and results of the fund. Such reports will include regular performance reports and commentary and updates as needed in each Board meeting. The CIO will respond in a timely manner to requests for information from the Board.

~~14.~~15. Code of Ethics

The investment staff will conduct its affairs in a manner that reflects the highest standards of ethical conduct. The staff is expected to comply with the CFA Institute Code of Ethics and Standards of Professional Conduct.

Virginia Retirement System®

VRS Defined Benefit Plan Investment Policy Statement

APPROVED BY THE BOARD OF TRUSTEES: JUNE 15, 2006
UPDATED JULY 1, 2025

1. Investment Objective

The investment objective of the VRS defined benefit plan portfolio is to maximize return while managing risk within an acceptable range. Because of the long-term nature of the plan's liabilities, the horizon for investment decisions is generally defined as 10 years or longer. Risk is assessed in an asset-liability framework, and primary risk measures are volatility in the plan's assets, funded status and contribution rates.

The objective of the investment staff is to execute the asset allocation policy established by the Board of Trustees and to attempt to add value relative to the policy benchmarks.

The *Code of Virginia* § 51.1-124.30 requires that "the Board shall…invest the assets of the Retirement System with the care, skill, prudence and diligence under the circumstances prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. The Board shall also diversify such investments so as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so."

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Beyond these broad policy decisions, the Board delegates to the Chief Investment Officer (CIO) all other decisions relating to the investment of VRS assets, subject to the guidelines presented in this document.

In carrying out its fiduciary duty to oversee the investments of the fund, the Board will consider advice and recommendations provided by the VRS Investment Advisory Committee (IAC). The specific duties and responsibilities of the IAC are described in the IAC Charter.

3. Asset Allocation/Rebalancing

The Board has an Investment Policy Committee (IPC). Its membership is the entire Board of Trustees. The IPC is a forum for the Board to discuss the fund's mission, objectives, risk tolerance and asset allocation, and strategic asset allocation leverage. *(continued)*

3. Asset Allocation/Rebalancing *(continued)*

The fund’s strategic asset allocation mix will be set by the Board and reviewed periodically. Annually, the Board will review the capital market return projections. In setting the strategic asset allocation mix, the Board will give consideration to the recommendations of the CIO and the IAC. A significant change in capital market conditions, pension program demographics or benefit formula could trigger a fresh asset/liability study.

In developing policy parameters, the Board will work on an asset-liability analysis with an outside expert on such issues. Normally an analysis will be made every two to three years to coincide with the contribution rate-setting cycle. This project is designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. The Board will also establish an allowable range around each asset class target weight within which the CIO is granted discretion.

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The Board will establish the total fund performance benchmark. In analyzing the performance of the fund and the investment staff, the Board will use a VRS Custom Benchmark. The VRS Custom Benchmark represents the strategic asset allocation mix and the program level benchmarks established by the Board during the asset allocation process. The VRS Custom Benchmark is rebalanced monthly. See Appendix 1 for details.

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The CIO has full authority to hire and fire investment managers and negotiate or renegotiate fees at any time using processes deemed likely to achieve the best investment results for the fund. The CIO will report any hirings or terminations at the next Board meeting.

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Risk management is a primary objective for the investment staff, and investment results will be reviewed in the context of risk-adjusted returns. The primary risk objectives for the fund are to (1) manage the volatility of the fund within a reasonable range around the targeted volatility as established in the asset allocation process, and (2) manage the tracking error of the fund within the tracking error range as established by the total fund risk budget. Should the total fund experience active risk outside of the tracking error range, the CIO is responsible for communicating the variance to the Board on a timely basis. In addition, the CIO is responsible for obtaining and/or developing appropriate systems, models, tools and reports necessary to monitor the risks of the fund and effectively communicate such risks on a regular basis to the Board.

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10. Best Execution

Generally, all investment transactions executed on behalf of the fund will be made on the basis of best execution. VRS defines best execution as the process and price that results in the best overall performance impact, as judged by the portfolio manager, taking into account current market conditions. VRS will generally discourage the use of soft dollar arrangements, and where such arrangements are utilized, staff will review this usage for reasonableness.

11. Foreign Adversaries

VRS will mitigate its direct and indirect economic exposure to foreign adversaries as identified by federal agencies involved in law enforcement, national security, securities regulation, and economic policies related to the economic activities of U.S. persons. The Board delegates to the Chief Investment Officer all decisions relating to the implementation and administration of such exposure.

12. Litigation and Proxy Voting Policies

All investment activity will be consistent with the Board’s Litigation Policy and Proxy Voting Policy, which outline procedures for proxy voting, securities litigation and involvement in investor groups.

13. Use of Consultants/Service Providers

The CIO has authority to hire consultants, research providers and other service providers, provided that such expenditures are in alignment with the Board-approved investment department operating budget.

14. Reporting

The CIO is responsible for reporting on a timely basis the significant activity and results of the fund. Such reports will include regular performance reports and commentary and updates as needed in each Board meeting. The CIO will respond in a timely manner to requests for information from the Board.

15. Code of Ethics

The investment staff will conduct its affairs in a manner that reflects the highest standards of ethical conduct. The staff is expected to comply with the CFA Institute Code of Ethics and Standards of Professional Conduct.

Report

The Defined Contribution Plans Advisory Committee (DCPAC) convened on May 15, 2025, at 1:00 p.m. and took up the following matters:

WELCOME AND INTRODUCTION

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

APPROVAL OF MINUTES

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

ADMINISTRATION

Administrative Reports & Communications

Staff provided an overview of the Defined Contribution Plans, as well as an update on administrative reports for the first quarter of 2025, which included reviewing assets and accounts across the various plans. Staff advised the Committee that total Plan accounts were up slightly with assets remaining mostly unchanged since the end of the year due to market conditions.

Staff provided an update on the federal SECURE 2.0 legislation. Specifically, 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 has a delayed implementation of January 2026. Voya will have webinars and targeted communications for employers regarding their responsibilities for administering this provision. Staff will work with Voya to create additional resources to help employers and participants manage contribution limits.

Staff provided an update on auto-escalation with the next escalation cycle being January 2026. It is estimated that there will be a 40% increase in the number of members being escalated since the last cycle. It was noted that hybrid voluntary contribution changes have moved from quarterly to monthly and hybrid plan members can opt out during the month of December.

DC Plans Recordkeeper Transition Update

Staff provided updates and statistics since the transition to Voya for web access, employer payroll processing, advice/managed accounts, communications, and education. VRS staff will continue to closely monitor participant and employer experience.

INVESTMENTS

Performance Reports

Staff provided an overview of the March 31, 2025, performance reports to the DCPAC, including the unbundled DC plans investment options and the bundled TIAA investment menu for ORPHE. Staff addressed market uncertainty and volatility. Staff shared that although the frequency of participant trading recently increased, trading amounts were not material when considering each fund's total assets.

Morningstar 2025 Target Date Landscape Highlights
Staff provided highlights of Morningstar's Target Date Landscape report. Staff reported collective investment trusts (CITs) took over from mutual funds as the most used investment vehicle. Staff discussed the trend of favoring low-priced, index-based/passive offerings over active and blend alternatives, fees continuing a downward trend and asset allocation (equity) glidepaths becoming more aggressive and similar over time. Staff shared that notable new product launches included target date funds with features to address retirement income.

Foreign Adversaries Update
Staff provided an update on the foreign adversary policy approved by the Board last November and will be implemented July 1st. The policy will impact both DB and DC plans. The approved policy focuses on existing exposure to foreign adversaries as currently defined by the Secretary of Commerce. The Virginia Retirement System Board of Trustees authorized the CIO to pursue a policy related to current and future investments in countries designated as foreign adversaries by the Office of the Secretary of Commerce. This policy may include restricting some or all of such investments, and the relevant benchmarks used by VRS for such investments, in the designated countries. The Board further determined that such a policy is consistent with VRS' fiduciary duty. The current foreign adversaries list includes Russia, North Korea, Iran, Cuba of which we have no exposure. China is the primary exposure in the VRS portfolio.

OTHER BUSINESS

DCPAC Appointments
Staff informed the Committee that both Dave Winter and Rick Larson will be retiring. Their current terms will expire June 20, 2025.

Staff further informed the Committee of the request for appointment of Rebecca Fentress and September Sanderlin, each to a two-year term ending June 20, 2027.

Recommend RBA for Appointment of DCPAC Member

The Committee recommended approval of the following action to the Administration, Finance and Talent Management Committee. The Administration, Finance and Talent Management Committee will provide their recommendation to the Board:

Request for Board Action: *The Board appoints to the Defined Contribution Plans Advisory Committee (DCPAC) Rebecca Fentress and September Sanderlin for two-year terms ending June 20, 2027.*

DISCUSSION OF NEW IDEAS

Staff discussed Lifetime Retirement Income. The investment team has been speaking to providers and will be collaborating with internal teams to see what works better for members. The committee will be engaged in this process once more information is received.

2025 MEETINGS

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

- Thursday, September 11th
- Thursday, December 4th

There was no other business to come before the Committee.

Submitted to the Board of Trustees on June 18, 2025.

____
Del. Matthew James, Vice Chair
Defined Contribution Plans Advisory Committee

Report

The VRS Benefits and Actuarial Committee met on June 9, 2025, and took up the following matters:

APPROVAL OF MINUTES

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

ELECTION OF COMMITTEE VICE CHAIR

The Committee unanimously approved the nomination of Lindsey Pantele to continue serving as Committee Vice Chair.

PURCHASE OF PRIOR SERVICE NORMAL COST ADJUSTMENTS

Rory Badura, Senior Staff Actuary, presented the proposed normal cost rates for the purchase of prior service for Plan 1, Plan 2, and Hybrid Plan members. Mr. Badura explained that members are eligible to purchase prior service at any point while employed as an active VRS member, however, there is a two-year period of time to purchase most types of service at approximate normal cost rates before the cost changes to an actuarial equivalent cost. The approximate normal cost rates are updated every four years following the Board's acceptance of the new assumptions associated with the quadrennial experience study. The actuarial equivalent cost rates are developed by the Plan Actuary based on the assumptions and demographic data from the prior year valuations.

The following are the proposed normal cost rates for current active members across each of the plans and their respective member groups:

- Plan 1: 12.50% for regular VRS members, 23.78% for Hazardous Duty employees, and 31.97% for judges.
- Plan 2: 10.74% for regular VRS members, 19.15% for Hazardous Duty employees, and 29.67% for judges.
- Hybrid Plan: 6.68% for regular VRS members and 19.21% for judges.
- Alternate Hazardous Duty: 10.01% for certain hazardous duty employees whose employers have not adopted all hazardous duty benefits for their hazardous duty employees.

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

Request for Board Action: *The Board determines, after considering the recommendations of the Plan Actuary, that effective July 1, 2025, the rates for Plan 1 members to purchase prior service shall be 12.50% for regular VRS members, 23.78% for hazardous duty employees, and 31.97% for judges; that the rates for Plan 2 members to purchase prior service shall be 10.74% for regular VRS members, 19.15% for hazardous duty employees, and 29.67% for judges; that the rates for Hybrid Plan members to purchase prior service shall be 6.68% for regular VRS members and 19.21% for judges, and an alternative rate of*

10.01% for certain affected hazardous duty employees whose employers have not adopted all the enhanced benefits for their hazardous duty employees.

RECOMMENDATIONS FROM EXPERIENCE STUDY – ADJUSTMENTS TO FUNDING POLICY

Mr. Badura reviewed the recommended changes to the VRS Funding Policy as a result of the recent Experience Study conducted by the Plan Actuary, Gabriel, Roeder, Smith & Company (GRS). The proposed changes establish strategies for amortizing surpluses in the statewide pension and other postemployment benefit plans once a plan reaches 100% funded status. These strategies help to protect the plan's funded status by requiring plans to achieve 120% funded status prior to recognizing or amortizing funding surpluses.

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

Request for Board Action: *The Board approves the changes to the VRS Funding Policy Statement (Funding Policy) regarding how to amortize surpluses in the statewide pension and other postemployment benefit (OPEB) plans once any such plan reaches 100% funded status. Effective July 1, 2025, a surplus credit in the derivation of the employer contribution amount will be recognized for a plan once the plan reaches a funded status of 120% on an actuarial value of assets (AVA) basis. The amortization of any overfunding over 100% funded status will use a rolling 20-year period.*

INFORMATION ITEM

FACTORS STUDY: EARLY RETIREMENT FACTORS ANALYSIS UPDATE

Mr. Badura presented an update on the Early Retirement Factors (ERF) Study to the Committee. Mr. Badura advised that generally pension plans are designed to provide a benefit that begins at normal retirement age, however, VRS plans allow members to retire earlier than the normal age if certain criteria is met. Members who satisfy these criteria and retire early will have the early retirement factors applied to their benefit to offset the increased cost to the retirement plan of paying benefits for a longer period of time. The early retirement factors are calculated based on the length of time before normal retirement age, the member's age and the amount of service credit.

Mr. Badura advised the first phase of the retirement factors reviews was implemented in August 2024 and involved the optional form factors for joint and survivors, Partial Lump-sum Options (PLOP), and the Advanced Pension Option (APO). Next steps include reviewing the early retirement reduction factors, analyzing the factors by benefit tier and comparing VRS factors to other public section plans. Staff will then develop a proposal if it is determined that an update on the early retirement factors is needed.

OTHER BUSINESS

Mr. Bennett advised the Committee is scheduled to meet next in October to receive the actuarial valuations presented by the plan actuary, Gabriel, Roeder, Smith & Company (GRS). In preparation of the meeting, staff will provide an update on the pension dashboard to include in the September Board of Trustees meeting.

Submitted to the Board of Trustees on June 18, 2025.

____
John M. Bennett, Chair
Benefits and Actuarial Committee

Request for Board Action

RBA 2025-06-____

Approve updated rates for purchase of prior service for Plan 1, Plan 2, and Hybrid Plan members, effective July 1, 2025

Requested Action

The Board determines, after considering the recommendations of the Plan Actuary, that effective July 1, 2025, the rates for Plan 1 members to purchase prior service shall be 12.50% for regular VRS members, 23.78% for hazardous duty employees, and 31.97% for judges; that the rates for Plan 2 members to purchase prior service shall be 10.74% for regular VRS members, 19.15% for hazardous duty employees, and 29.67% for judges; that the rates for Hybrid Plan members to purchase prior service shall be 6.68% for regular VRS members and 19.21% for judges, and an alternative rate of 10.01% for certain affected hazardous duty employees whose employers have not adopted all the enhanced benefits for their hazardous duty employees.

Description/Background

Code of Virginia § 51.1-142.2(A) states in pertinent part, "For each year or portion thereof to be credited at the time of purchase under this subsection, the member shall pay the approximate normal cost of the retirement plan under which the member is covered at the time of such purchase, as determined by the Board in its sole discretion." This approximate normal cost rate is applicable for a period of 24 months following the member's first date of hire or the final day of any applicable leave of absence for which service credit may be purchased, after which the cost to purchase such service changes to the actuarial equivalent cost.

Rationale for Requested Action

The Plan Actuary developed three rate groups for this purpose, and each group for this purpose is considered the "retirement program under which the [affected] member is covered." Moreover, the Plan Actuary developed a separate rate for Plan 1, Plan 2, Hybrid Plan, and alternate hazardous duty as applicable.

The groups are:

- Regular VRS (i.e., state employees, local non-hazardous duty employees, and teachers);
- Hazardous duty employees (i.e., SPORS, VaLORS and local hazardous duty); and
- Judges

The Plan Actuary's calculations reflect assumption and method changes from the most recent experience study for the period from July 1, 2020, to June 30, 2024, and the combined normal cost for each of the groups above. The Board approved the Plan Actuary's recommended changes to the assumptions and methods from this experience study at its meeting on April 16, 2025.

Following is a table with the recommended rates by group and plan.

Members	Plan 1	Plan 2	Hybrid	Alternate Hazardous Duty
Regular VRS (State, Teachers, and Political Subdivision Non-Hazardous Duty)	12.50%	10.74%	6.68%	
Hazardous Duty Employees (SPORS, VaLORS, and Political Subdivision)	23.78%	19.15%		10.01%
Judges	31.97%	29.67%	19.21%	

Hazardous duty employees are not eligible for the Hybrid Plan, making it unnecessary to calculate a normal cost rate for that category. The alternate hazardous duty rate applies to a very small number of employers who have not adopted all the enhanced benefits for their hazardous duty employees (e.g., age and service eligibility but no hazardous duty supplement).

Authority for Requested Action

Code of Virginia § 51.1-142.2(A) authorizes the Board to determine the rates for purchase of prior service by Plan 1, Plan 2 and Hybrid Plan members, and this determination may be made by the Board in its sole discretion.

The above action is approved.

______________________________________ ______________________

A. Scott Andrews, Chair
VRS Board of Trustees

Date

Approximate Normal Cost Rates for Purchase of Prior Service

Current Rates

Members	Plan 1	Plan 2	Hybrid	Alternate Hazardous Duty
Regular VRS (State, Teachers, and Political Subdivision Non-Hazardous Duty)	**12.54%**	**10.89%**	**6.68%**	
Hazardous Duty Employees (SPORS, VaLORS, and Political Subdivisions)	**21.64%**	**19.97%**		**9.20%**
Judges	**35.03%**	**33.13%**	**18.12%**	

Proposed Rates Effective 7/1/25

Members	Plan 1	Plan 2	Hybrid	Alternate Hazardous Duty
Regular VRS (State, Teachers, and Political Subdivision Non-Hazardous Duty)	**12.50%**	**10.74%**	**6.68%**	
Hazardous Duty Employees (SPORS, VaLORS, and Political Subdivisions)	**23.78%**	**19.15%**		**10.01%**
Judges	**31.97%**	**29.67%**	**19.21%**	

Request for Board Action
RBA 2025-06-____

Amend VRS Funding Policy Statement Regarding the Surplus Funding Policy for Statewide Plans

Requested Action

The Board approves the changes to the VRS Funding Policy Statement (Funding Policy) regarding how to amortize surpluses in the statewide pension and other postemployment benefit (OPEB) plans once any such plan reaches 100% funded status. Effective July 1, 2025, a surplus credit in the derivation of the employer contribution amount will be recognized for a plan once the plan reaches a funded status of 120% on an actuarial value of assets (AVA) basis. The amortization of any overfunding over 100% funded status will use a rolling 20-year period.

Description/Background

VRS staff recommends this change to the Funding Policy in order to establish a strategy when plans get at or ahead of the funding schedule. The strategies prioritize protecting the plan's funded status and reducing future risks.

Rationale for Requested Action

The VRS Funding Policy Statement memorializes the methods by which the Board has elected to fund each plan, and the proposed amendments to the policy statement allow for increased flexibility in dealing with employers with no active members.

A redlined version of the amended Funding Policy is attached to this RBA.

Authority for Requested Action

Article X, § 11 of the *Constitution of Virginia* requires that VRS benefits be funded using methods that are consistent with generally accepted actuarial principles, and *Code of Virginia* § 51.1-124.22(A)(8) authorizes the Board to promulgate regulations and procedures and make determinations necessary to carry out the provisions of Title 51.1.

The above action is approved.

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A. Scott Andrews, Chair
VRS Board of Trustees

Date

VRS Funding Policy Statement[1]

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1. Introduction

A plan funding policy determines how much should be contributed each year by employers and participants to provide for the secure funding of benefits in a systematic fashion.

The principal goal of a funding policy is to ensure that future contributions along with current plan assets are sufficient to provide for all benefits expected to be paid to members and their beneficiaries when due. The funding policy should seek to manage and control future contribution volatility to the extent reasonably possible, consistent with other policy goals. The actuarially determined contribution should be calculated in a manner that fully funds the long-term costs of promised benefits, while balancing the goals of 1) keeping contributions relatively stable and 2) equitably allocating the costs over the employees' period of active service.

The current funding policy used by the VRS Board sets contribution rates using the Entry Age Normal cost method, an investment return assumption of 6.75%, an inflation assumption of 2.5%, and a closed 20-year amortization period for unfunded liabilities (Legacy unfunded liabilities as of 6/30/13 are amortized over a closed 30-year amortization period.)

Article X, § 11 of the *Constitution of Virginia* provides that the Virginia Retirement System benefits shall be funded using methods which are consistent with generally accepted actuarial principles. Until 2012, the Annual Required Contribution (ARC) as described in the Governmental Accounting Standards Board's (GASB's) Statements No. 25 and No. 27 was a de facto funding policy for many public- sector retirement systems, including the Virginia Retirement System.

The Board sets contribution rates for all local employers under this policy. However, with respect to the plans for state employees and the teacher plan, while the rates developed under the Board's policy are the certified contribution rates, the Governor and the General Assembly determine the funding that they will provide through the state budget process toward the Board certified contribution rates for the State and Teachers and other statewide OPEB plans. Beginning in FY 2013, § 51.1-145.K1 of the Code of Virginia set out guidelines for the General Assembly to follow for the funding of the contribution rates certified by the VRS Board, phasing in from approximately 67% of Board-certified rate to 100% of the Board-certified rate over the next four biennia. These statutory guidelines do not apply to funding levels for Other Postemployment Benefits (OPEBs) administered by VRS.

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[1] Adopted October 17, 2013; amended November 14, 2013, June 7, 2016, November 15, 2017, November 20, 2019, October 18, 2022, October 18, 2023, ~~and~~ February 8, 2024, and June 18, 2025~~.~~

In June 2012, GASB revised public pension accounting standards and has communicated an important message in the process: accounting standards are no longer funding standards. However, GASB did not address how employers should calculate the annual required contribution (ARC). To assist state and local government employers, several national groups developed policy guidelines for funding standards. This document is the result of an extensive review of the current funding policy, industry standards and best practices, and the development and approval of funding policy assumptions effective with the June 30, 2013 valuation. A copy of Request for Board Action 2013-07-18 adopting the funding policy assumptions is attached. This Funding Policy is intended to provide guidance to future Boards on how to set employer contribution rates and support the plan's primary goals of contribution and budgetary predictability, accumulation of required assets over time to provide for all benefits earned and achievement of intergenerational equity.

In June 2015, GASB adopted two new statements regarding OPEBs. GASB statement 74, *Financial Reporting for Postemployment Benefits Other than Pension Plans*, and GASB statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. These statements replace GASB 43 and GASB 45. As was the case with GASB 67 and 68, these new statements represent a significant change to the methods used to account for postemployment benefits and provide for a clear separation between accounting for and funding of OPEBs. The new standards require the adoption of a new funding policy for OPEB plans. The current VRS funding policy has been modified to accommodate funding requirements for the VRS OPEB plans.

The VRS OPEB plans include the Health Insurance Credit Program, Group Life Insurance Program, the Virginia Sickness and Disability Program (VSDP), the Virginia Local Disability Program (VLDP) and the Long Term Care benefits associated with the VSDP and VLDP. The Line of Duty Act Fund is also a defined benefit OPEB plan, although it is not a benefit exclusively for VRS members.[2]

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[2] As of April 2016 all VRS OPEBs already incorporate the actuarial methods outlined in the Funding Policy, with the following exceptions:

- Health Insurance Credit Program for Political Subdivisions will incorporate a five-year asset smoothing method for funding valuations effective with the June 30, 2016 actuarial valuation.
- The Long Term Care valuation will incorporate the Entry-Age Normal cost method and five-year smoothing method for funding valuations effective with the June 30, 2016 actuarial valuation.
- Line of Duty Act Program (LODA) is currently not prefunded and as set forth in the *Code* shall be funded on a current disbursement basis or in other words is considered a "pay-as-you-go" plan. As such, the plan has no unfunded liabilities and uses market value of assets for valuation purposes. In the event that the General Assembly takes action to begin prefunding this program, the Board of Trustees would move to adopt the various funding provisions contained in this document including moving the program to a five-year asset smoothing method for funding valuations effective with any decision to prefund the LODA program.

These changes were approved by the Board of Trustees at its June 7, 2016 meeting, and were incorporated into this amended Funding Policy. Where a particular actuarial method was already in use, the Funding Policy notes that the Board confirms the actuarial methods for OPEBs.

The Funding Policy addresses the following general policy objectives:

- □ Ensure funding of plans is based on actuarially determined contributions;
- □ Build funding discipline into the policy to ensure promised benefits can be paid;
- □ Maintain intergenerational equity so the cost of employee benefits is paid by the generation of individuals who receive services;
- □ Make employer costs a consistent percentage of payroll; and
- □ Require clear reporting to show how and when plans will be adequately funded.

This document serves as the Funding Policy for VRS. It has been prepared by VRS in collaboration with the Board and the VRS Plan Actuary and is effective as of the June 30, 2013 valuation, and modified to accommodate the OPEB plans effective as of the June 30, 2016 valuation.

2. Authority

The Virginia Retirement System is administered in accordance with Title 51.1, chapters 1, 2, 2.1, 3 and 4 of the *Code of Virginia*. The contribution to be paid by members of VRS is fixed at a level that covers only part of the cost of accruing benefits. The balance of the cost is paid by employers within the Trust Fund (the "Fund").

The OPEB plans are administered in accordance with Title 51.1, chapters 5, 11, 11.1, and 14 of the *Code of Virginia.* The cost associated with OPEBs is generally borne by the employer and benefits are paid from the various trust funds. An exception to this practice is the Group Life Insurance Program. The Board determines the amount each insured shall contribute for the cost of insurance and by statute this amount is capped at $0.70 per month for each $1,000 of annual salary. Each employer determines whether this cost will be paid by the member or funded by the employer. The balance of the cost is paid by employers within the Fund. The Group Life Insurance plan, however, is a cost-sharing plan so all employers are charged the same rate.

The Funding Policy focuses on the pace at which these liabilities are funded and, in so far as is practical, the measures to ensure that employers pay for their own liabilities.

The Funding Policy is authorized by a framework that includes:

- Article X, § 11 of the *Constitution of Virginia*
- Title 51.1 of the *Code of Virginia*

This is the framework within which the VRS Plan Actuary carries out valuations to set employer contribution rates and provide recommendations to the Board when other funding decisions are required. The Funding Policy applies to all employers participating in the Fund.

The methods and assumptions used in the VRS funding policy are periodically reviewed as part of the quadrennial experience study as required under § 51.1-124.22(A)(4). As such, the content of this document may be updated to reflect changes approved by the VRS Board of Trustees.

3. Contributions

The Funding Policy provides for periodic employer contributions set at actuarially determined rates in accordance with recognized actuarial principles (§51.1-145(A)). Originally based on parameters set out in GASB 25/27 and GASB 43/45, the contribution should include the employer's normal cost and provisions for amortizing any unfunded actuarial accrued liability (UAAL) in accordance with the requirements originally defined in GASB 25/27 and GASB 43/45.

Member and employer contributions for retirement are required by §§ 51.1-144 and -145 of the *Code of Virginia*. Chapters 5, 11, 11.1, and 14 of Title 51.1 of the *Code of Virginia* and the applicable provisions in each year's Appropriation Act relate to contribution requirements for OPEB plans administered by VRS.

Employer contributions are normally made up of two main elements[3]:

a) the estimated cost of future benefits being accrued, referred to as the "normal cost"; and

b) an adjustment for the funding position of accrued benefits relative to the Fund's actuarially adjusted assets, or the "amortization payment UAAL." If there is a surplus there may be a contribution reduction; if there is a deficit, there will be a contribution addition, with the amount of surplus or deficit being spread over a number of years.

Items a) and b) above are then combined and expressed as a percentage of covered payroll. Employer contribution rates are set each biennium and are in effect for the entire biennium. Valuations in the "off" years are for informational purposes only. Generally, employers with well-funded pension plans consistently pay their annual required contribution in full.

Where this process as applied to a political subdivision would, in the Plan Actuary's opinion, not be expected to maintain the plan's solvency, the VRS staff, working with the Plan Actuary, may determine alternative funding requirements that would maintain the political subdivision's solvency while also meeting the other objectives of this Funding Policy Statement. For employers with no active members who still have retirees or inactive members eligible for future VRS benefits, this includes ad hoc payments that may be necessary to cover future benefits if employer assets are insufficient to cover future cash flow needs.

With respect to statewide plans, if unfunded liabilities exist in a plan, the Board may recommend alternative contribution rates in excess of the actuarially determined rates if opportunities exist to accelerate paydown of unfunded liabilities. Examples of alternative rates could potentially include approaches such as maintaining rates from the prior year if rates drop in subsequent rate setting or maintaining a higher level contribution rate until a certain funded status is achieved.

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[3] Contributions also include administrative expenses.

4. Funding Target

VRS operates the same target funding level for all ongoing employers of 100% of its accrued liabilities valued on an ongoing basis. This means that contribution rates are set with the intent of funding 100% of a member's benefits during a member's working lifetime. The Line of Duty Act Fund is an exception, as employer contributions are currently determined by the Board on a current disbursement basis per statute. As such, the target funding level for all ongoing employers for LODA is at or near 0% of its accrued liabilities.

Funded Status is defined as the ratio of the actuarial value of assets to the value placed on the benefits, or plan's liabilities, by the VRS Plan Actuary. The VRS Plan Actuary reports on the funded status of each plan in the system in each annual valuation.

5. Actuarial Cost Method

The actuarial cost method is the means by which the total present value of all future benefits for current active and retired participants is allocated to each year of service (i.e., the "normal cost" for each year) including past years (i.e., the "actuarial accrued liability"). There are several available actuarial cost methods, but most governmental plans use the entry age normal (EAN) cost method while a significant minority use the projected unit credit (PUC) method. In the past, VRS has used the EAN method for most of the plans it administers.

Although the EAN and PUC cost methods are both considered reasonable under actuarial standards of practice and GASB 25 and GASB 43 in most circumstances, it is important for plan stakeholders to understand the implications of either method. EAN tends to recognize actuarial liabilities sooner than PUC, and it also tends to result in a more stable normal cost pattern over time for pay-related benefits, even in the face of demographic shifts. The more stable normal cost pattern over time should help in reducing the risk of higher levels of future contributions.

Under the PUC method, the plan's normal cost is the present value of the benefits "earned" during the year, but based on projected pay levels at retirement. For an individual participant, the PUC normal costs increase each year because the present value increases as the participant gets a year closer to retirement. In contrast, under the EAN method, the normal cost is specifically determined to remain a level percentage of pay over each participant's career.

Because EAN normal cost rates are level for each participant, the normal cost pattern for the entire plan under EAN is more stable for pay-related benefits in the face of demographic shifts in the workforce. It is this normal cost stability that makes the EAN method the preferred funding method for pay-related benefits of public plans.

GASB has reaffirmed its decision to require governmental pension plans to base their financial statement reporting on the EAN method. For comparability, GASB has also decided to require governmental OPEB plans, which may not provide pay-related benefits, to base their financial statement reporting on the EAN method.

Effective with the June 30, 2013 valuation, the Board has adopted the Entry-Age Normal cost method in deriving plan liabilities. This is a continuation of the Board's existing cost method. Effective with the June 30, 2016 valuation, the Board has adopted the Entry-Age Normal cost method for all OPEB plans.

6. Asset Valuation Method

Because investment markets are volatile and because pension plans typically have long investment horizons, asset-smoothing techniques can be an effective tool to manage contribution volatility and provide a more consistent measure of plan funding over time. Asset-smoothing methods reduce the effect of short-term market volatility on contributions, while still tracking the overall movement of the market value of plan assets, by recognizing the effects of investment gains and losses over a period of years. This is also in keeping with § 51.1-145(A), which requires that contribution rates be determined in a manner so as to remain relatively level from year to year.

Determining the ideal asset-smoothing policy involves balancing the two goals of ensuring fairness across generations and controlling contribution volatility for plan sponsors. A very long smoothing period will greatly reduce contribution volatility, but this may mean the impact of recent investment experience is deferred to future generations. However, a very short smoothing period (or none at all) may result in contribution requirements that fluctuate dramatically from year to year.

Such volatility may also result from an asset-smoothing method that constrains how far the smoothed value differs from the market value by imposing a market value "corridor." A corridor is typically expressed as a ratio of the smoothed value of assets to the market value of assets. Actuarial standards of practice and related actuarial studies seek to identify asset-smoothing methods that achieve a reasonable balance between how long it takes to recognize investment experience (the smoothing period) and how much smoothing is allowed in the meantime (the corridor). The resulting smoothing periods are in the range of three to 10 years (with five the most common) and a corridor wide enough to allow the smoothing method to function except in the most extreme conditions.

While the smoothing period for governmental plans is not limited by federal laws or regulations, the Actuarial Standards Board has set out principles for asset smoothing in ASOP No. 44. Under these principles, when a smoothed asset valuation method is used, the actuary should select a method so that the smoothed asset values fall within a reasonable range of the corresponding market values and any differences between the actuarial value and market value of assets should be recognized within a reasonable period.

Effective with the June 30, 2013 valuation, the Board has adopted a five-year asset smoothing period, which also includes a corridor that will restrict the smoothed value from falling below 80% of the true market value or exceeding 120% of the true market value. This is a continuation of the Board's existing asset valuation method. Effective with the June 30, 2016 valuation, the Board has adopted the same asset smoothing period and corridors for the OPEB plans, with the exception of the LODA program, which, by statute, does not prefund benefits. In the event a change to the statutory contribution requirements

of the LODA program necessitate an asset valuation method, the same asset smoothing period and corridors should be applied to the LODA program at that time.

7. Amortization Method

Amortization of unfunded liabilities is a major component of the annual contribution. Amortization policies involve a balance between controlling contribution volatility and ensuring a fair allocation of costs among generations. The Plan Actuary uses the specific amortization periods adopted by the Board for all employers when developing a method over which to pay down any unfunded liabilities that may exist. The amortization period should allow adjustments to contributions to be made over periods that appropriately balance intergenerational equity against the goal of keeping contributions level as a percentage of payroll over time as required by § 51.1-145.

Amortization of the unfunded actuarial accrued liability (UAAL) determines how current and future UAAL will be paid off or “amortized,” and so includes how changes in benefits or actuarial assumptions that affect the actuarial accrued liability should be funded over time. Even more than with asset smoothing methods, amortization policies involve a balance between controlling contribution volatility and ensuring a fair allocation of costs among generations. Longer amortization periods help keep contributions stable, but excessively long periods may inappropriately shift costs to future generations. In seeking to achieve an appropriate balance between these two important policy goals, a comprehensive amortization policy will involve the following distinct elements:

- ☐ Payment basis
- ☐ Payment structure
- ☐ Amortization period

A. Payment Basis: Level Dollar vs. Level Percent of Pay

One of the first considerations is whether amortization payments will be set at a level dollar amount (similar to a home mortgage) or as a level percent of pay. The great majority of public pension plans use level-percent-of-pay amortization where the payments toward the UAAL increase each year at the same rate as is assumed for payroll growth. Compared with the level-dollar approach, payments start at a lower dollar amount under the level percent approach, but then increase in proportion to payroll. The level-dollar method is more conservative in that it funds the UAAL faster in the early years. However, the level-percent-of-pay approach is consistent with the pay-related structure of benefits under most public plans. Moreover, because the normal cost is also determined as a level percent of pay, level percent amortization provides a total cost that remains level as a percentage of pay. In contrast, level- dollar amortization of UAAL will produce a total cost that decreases as a percentage of pay over the amortization period. A plan should balance these considerations in choosing between level-percent and level dollar amortization. Section 51.1-145(A) of the *Code of Virginia* provides in part that “[t]he total annual employer contribution for each employer, expressed as a percentage of the annual membership payroll, shall be determined in a manner so as to remain relatively level from year to year....”

Effective with the June 30, 2013 valuation the Board has elected to use the level percent of pay payment basis. This is consistent with historical VRS practice. Effective with the June 30, 2016 valuation the Board confirms the continued use of the level percent of pay payment basis put in effect June 30, 2013 for the OPEB plans when an actuarially determined contribution is calculated.

B. Payment Structure

Amortization policy must also consider how amortization payments should be structured. For example, a determination needs to be made as to whether the entire UAAL should be aggregated and amortized as a single amount, or whether the plan should track individual bases for each source of UAAL or surplus each year, and amortize these separately. Amortization periods can be fixed, open or "rolling" (with the amortization period restarted each year).

Although use of a single amortization base provides simplicity, use of separate amortization bases for each source of UAAL has the advantage of tracking separately each new portion of UAAL and providing another mechanism to stabilize contribution rates. Under this approach, over time there will be a series of bases, one for each year's gain or loss as well as for any other changes in UAAL. This provides useful information to stakeholders, as they can view the history of the sources of a plan's UAAL in any year. The use of separate amortization bases should help balance the annual ups and downs in the UAAL. In practice, the number of bases will be limited by the length of the amortization period as eventually bases will be fully amortized, and so will no longer be part of the UAAL.

Fixed amortization periods identify a date certain by which each portion of the UAAL will be funded. This can be contrasted with open or rolling amortization, whereby the plan "resets" its amortization period every year. This is analogous to a homeowner who refinances his mortgage each year. Although both methods are common in current practice, fixed amortization periods have the advantage of providing stakeholders with a clearer understanding of the ultimate funding target (full funding) and the path to get there. It is the structure required for private sector pensions, and is increasingly common for public pension plans.

Effective with the June 30, 2013 valuation the Board has elected to use individual bases for each source of UAAL or surplus each year and to use fixed amortization periods rather than open or rolling periods. This is a change from past VRS practice but is consistent with industry best practices. Effective with the June 30, 2016 valuation the Board confirms the continued use of individual bases for each source of UAAL or surplus each year and the use of fixed amortization periods rather than open or rolling periods put in effect June 30, 2013 for all OPEB plans, with the exception of the LODA program, which, by statute, is currently not prefunded. For the purposes of accounting disclosures under GASB 43 and 45, the LODA program will continue to use an open period. In the event a change to the statutory contribution requirements of the LODA program necessitate a payment structure, individual bases for each source of UAAL or surplus each year and fixed amortization periods, rather than open or rolling periods, will be used by the LODA program at that time.

C. Amortization period

Amortization period is a determination of the appropriate period of time over which amortization should occur. The answer can depend on the source of the UAAL being amortized, as discussed below:

UAAL Due to Actuarial Gains/ Losses

> Actuarial gains and losses arise when there is a difference between the actuary's estimates (assumptions) and the actual experience of the plan. They can result from demographic experience (e.g., the number of new retirees is higher or lower than expected), investment experience (e.g., returns that are higher or lower than expected), or other economic experience (e.g., payroll growth that is higher or lower than expected). In determining the appropriate period for amortizing gains and losses, plan sponsors should strike a balance between reducing contribution volatility (which would lead to longer amortization periods) and maintaining a closer relationship between contributions and routine changes in the UAAL (which would lead to shorter amortization periods). For many plans, amortization periods in the range of 15 to 20 years for gains and losses would assist plans in achieving a balance between these objectives.

UAAL Due to Changes in Actuarial Assumptions

> Assumption changes will result in an increase or decrease in the UAAL. Unlike gains and losses, which reflect actual past experience, assumptions are modified when future expectations about plan experience change. This amounts to taking the effect of future expected gains or losses and building it into the cost today. For that reason, and because of the long-term nature of assumption changes, a plan could be justified in using a longer amortization period than that used for actuarial gains or losses, perhaps in the range of 15 to 25 years.

Amortization of UAAL Due to Plan Amendments

> Because plan amendments are under the control of the plan sponsor, managing contribution volatility is generally not a consideration for plan amendments. This means that the primary rationale in selecting the period is to support intergenerational equity by matching the amortization period to the demographics of the participants receiving the benefit. This leads to shorter, demographically based amortization periods. For active participants, this could be the average future working lifetime of the active participants receiving the benefit improvement, while for retirees, this could be the average life expectancy of the retired participants receiving the benefit improvement. This approach would usually result in no longer than a 15-year amortization period for benefit improvements.

An equitable amortization policy should ensure that the UAAL will be paid off in a reasonable period of time. Long amortization periods can make paying down the UAAL appear more affordable, but, because interest charges accrue and compound on the unpaid UAAL, it is prudent to set amortization periods that are not excessively long. This is especially important where level percent of pay amortization is used.

In an effort to balance the need to pay down the current unfunded liability while managing already increasing contribution rates, the Board elected to manage the paydown of any unfunded liabilities created prior to June 30, 2013 over a 30-year closed period. In an effort to better manage intergenerational equity and to build funding discipline into the VRS policy, the Board also decided that future unfunded liabilities would be best amortized over 20-year closed periods.

With long amortization periods, the UAAL may increase during the early years of amortization period, even though contributions are being made to amortize the UAAL. This phenomenon, known as “negative amortization”, occurs only with level percent of pay amortization. This happens because, under level percent of pay amortization, the lower early payments can actually be less than interest on the outstanding balance, so that the outstanding balance increases instead of decreases. For typical public plans, this happens whenever the average amortization period is longer than approximately 20 years.

While there is nothing inherently wrong with negative amortization in the context of a public plan, stakeholders should be aware of its consequences, especially for amortization periods substantially longer than 20 years. Negative amortization is a particular concern for plans using open, or rolling, amortization periods. As described above, plans that use open/rolling amortization methods “reset” to a new amortization period every year. By contrast, a plan using a closed amortization commits to paying down the UAAL over a fixed period.

Effective with the June 30, 2013 valuation the Board has elected to amortize the legacy unfunded liability as of June 30, 2013, over a closed 30-year period. New sources of unfunded liability will be explicitly amortized over closed 20-year periods. The amortization period for the deferred contributions from the 2010-2012 biennium will remain a 10-year closed period. These amortization periods reflect a shift to closed amortization periods and tiered successive 20-year closed periods for new sources of unfunded liability. This is a change from past VRS practice of using a 20-year rolling method. Effective with the June 30, 2016 valuation the Board confirms the continuation of the amortizations put in effect June 30, 2013 for all OPEB plans, with the exception of the LODA program, which, by statute, is currently not prefunded. For the purposes of accounting disclosures under GASB 43 and 45, the LODA program will continue to use an open 30- year period. In the event a change to the statutory contribution requirements of the LODA program necessitate an amortization period, the LODA program will, at that time, explicitly amortize new sources of unfunded liability over closed 20-year periods.

Effective November 20, 2019, the Board amends this policy to clarify that amortization periods of explicit bases may be shortened in an effort to pay off unfunded liabilities of either pensions or OPEBs earlier than originally scheduled.

Effective October 18, 2022, the Board amends this policy to set the amortization period for unfunded liabilities generated by plan amendments to be 10 years rather than 20 years.

Effective October 18, 2023, the Board amends this policy for pension and OPEB plans to allow for the legacy unfunded liability, which was originally amortized over a 30-year period in 2013,

and all subsequent amortization bases established between 2014 and 2023, which were initially amortized over 20 years, to be amortized over a new 20-year period. New layers will be established in future years according to the parameters of the funding policy. The reset would exclude unfunded liabilities being amortized over a shorter 10-year period associated with new employers or benefit enhancements elected by certain political subdivision employers.

Effective July 1, 2025, the Board amends this policy for statewide pension and OPEB plans that reach a funded status of over 100% to only begin recognizing a surplus credit in the derivation of the employer contribution amount once the plan reaches a funded status of 120%- on an AVA basis. The amortization of such overfunding, over 100%, will use a rolling 20-year period.

8. Actuarial Assumptions

Setting actuarial assumptions is critical to the funding of a plan. Forward-looking assumptions about plan demographics, wages, inflation, investment returns and more drive the measurement of liabilities and costs, and therefore affect funding. Unlike the selection of funding methods, which involves a fair degree of policy discretion, the selection of assumptions should be based solely on best estimates of actual future experience. While it may be tempting to set assumptions based on how they might affect current contribution requirements, such “results-based assumption setting” should be avoided. ***It is the plan’s actual experience that ultimately determines the cost of the benefits, so the assumptions should try to anticipate actual experience.*** Periodic reexamination of plan assumptions is an essential part of any plan’s actuarial processes. As a general rule, many plans conduct an experience study every three to five years, an interval that should help ensure that assumptions remain appropriate in the face of evolving conditions and experience. VRS reviews assumptions every four years as required under § 51.1-124.22(A)(4).

All assumptions should be consistent with Actuarial Standards of Practice and reflect professional judgment regarding future outcomes.

VRS plans to continue experience studies once every four years as required by § 51.1-124.22(A)(4) to determine whether changes in the actuarial assumptions are appropriate.

Appendix A contains a chart summarizing some of the current assumptions used for the various benefit plans managed by the VRS.

Appendix B is RBA 2013-07-18, which documents the approval of VRS funding policy assumptions.

Appendix C is RBA 2013-11-26, which documents the approval of revisions to the VRS funding policy assumptions for political subdivisions.

Appendix D is RBA 2016-06-15, which documents the approval of VRS funding policy methods and assumptions with regard to the OPEB plans.

Appendix E is RBA 2016-06-16, which documents the Board's approval of changes to actuarial methods for certain OPEB plans.

Appendix F is RBA 2017-04-9, which documents the approval of VRS funding policy assumptions.

Appendix G is RBA 2019-10-13, which documents approval of a discount rate of 6.75% for actuarial valuations effective with the June 30, 2019 valuations.

Appendix H is RBA 2019 -11-20, which documents the approval of the use of shortened amortization periods for unfunded liabilities and maintaining prior contribution rates to assist in paying unfunded liabilities.

Appendix I is RBA 2025-06- which documents approval of method to amortize surplus funding once plans reach 100% funded status.

9. Additional Considerations

Where the Funding Policy Statement as applied to a political subdivision would, in the Plan Actuary's opinion, not be expected to maintain the plan's solvency, the Board authorizes the VRS staff, working with the Plan Actuary, to determine alternative funding requirements that would maintain the plan's solvency while also meeting the other objectives as stated in the Board's funding policy.

1. **Additional Funding Contribution** - The Additional Funding Charge is the contribution rate needed, if necessary, to allow the local system to use the plan's assumed Investment Return Rate as its Single Equivalent Interest Rate (SEIR) under GASB Statement No. 67. The additional funding contribution rate, if needed, allows for the use of the 6.75% investment return as the single equivalent investment return assumption for purposes of the GASB 67/68 statements. To determine the SEIR, the Fiduciary Net Position (FNP) must be projected into the future for as long as there are anticipated benefits payable under the plan's provisions applicable to the members and beneficiaries of the system on the Measurement Date. If the FNP is not projected to be depleted at any point in the future, the long term expected rate of return on plan investments expected to be used to finance the benefit payments may be used as the SEIR. If the FNP is projected to be depleted, an Additional Funding Charge is developed to avoid depletion.

2. **Surcharge for "At Risk" Plans** – Political subdivision plans identified as potentially "at-risk" due to low funded levels may require an additional surcharge or shortened amortization periods to bring the funding level of the plan to a sustainable level as determined by the Plan Actuary. For employers with no active covered positions who still have liabilities associated with retirees or inactive members eligible for future VRS benefits, this would include ad hoc lump sum contributions to cover the liabilities associated with former members who are still due a benefit.

3. **Limitation on Benefit Enhancements Increasing Liability** - Benefit enhancements to a political subdivision pension plan that would have the effect of increasing the plan's liabilities by reason of increases in benefits, establishment of new benefits, changing the rate of benefit

accrual, or changing the rate at which benefits become non-forfeitable may take effect during any plan year if the political subdivision's current funded ratio for such plan year would be at least 75 percent after taking into account such amendment.

In order to increase benefits in circumstances where the funded ratio would be less than 75 percent after taking into account the amendment, the political subdivision would be required to make a lump sum contribution in the amount necessary to bring the funding level to 75 percent as of the effective date of the change, in addition to any increase in annual funding due to plan enhancements.

Any accrued liability generated by the plan amendment that is not covered by the lump sum contribution will be amortized over no more than 10 years.

4. **Pension Plans for New Employers –**
   Any new employer must have a funded status of at least 75 percent for pension benefits. Any past service that is granted by the employer or purchased at the time the employer joins VRS must be at least 75 percent funded at the join date with the remaining amount amortized over no more than 10 years.

5. **Health Insurance Credit (HIC) Elections** –
   Any employer (new and existing VRS employers) that elects the HIC benefit is required to pay an initial contribution equal to the greater of two years of expected benefit payments or the amount required to reach at least 25 percent funded for its HIC plan, with the remainder of the unfunded liability amortized over no more than 10 years.

In addition, Any employer (new and existing employers) that wishes to enhance the health insurance credit by electing the extra $1.00 of coverage per year of creditable service or expand coverage to additional non-covered members is required to meet the following requirements:

- If the funded status of the plan is below 50% prior to the change, the employer must make an initial contribution equal to the full increase in the plan's liability associated with enhancing the HIC benefit.
- If the funded status of the plan is greater than 50% but below 75% prior to the change, the employer must make an initial contribution equal to 50% of the increase in the plan's liability associated with enhancing the HIC benefit, with the remaining additional liability to be amortized over 10 years.
- If the funded status of the plan is greater than 75% prior to the change, the employer must make an initial contribution in the amount necessary to keep the funded status at the 75% threshold after the change, with any remaining additional liability to be amortized over 10 years.

10. Conclusion

In funding defined benefit pension plans and OPEBs, governments must satisfy a range of objectives. In addition to the fundamental objective of funding the long-term costs of promised benefits to plan participants, governments also work to:

1. Keep employer's contributions relatively stable from year to year

2. Allocate pension costs on an equitable basis
3. Manage pension risks
4. Pay off unfunded liabilities over reasonable time periods

This Funding Policy was developed to help decision-makers understand the tradeoffs involved in reaching these goals and to document the reasoning that underlies the Board's decisions.

Adopted October 17, 2013
Amended November 14, 2013, June 7, 2016, November 15, 2017, November 20, 2019, October 18, 2022,~~ and~~ February 8, 2024, and June 18, 2025.

VRS Funding Policy Statement[1]

1. Introduction

A plan funding policy determines how much should be contributed each year by employers and participants to provide for the secure funding of benefits in a systematic fashion.

The principal goal of a funding policy is to ensure that future contributions along with current plan assets are sufficient to provide for all benefits expected to be paid to members and their beneficiaries when due. The funding policy should seek to manage and control future contribution volatility to the extent reasonably possible, consistent with other policy goals. The actuarially determined contribution should be calculated in a manner that fully funds the long-term costs of promised benefits, while balancing the goals of 1) keeping contributions relatively stable and 2) equitably allocating the costs over the employees' period of active service.

The current funding policy used by the VRS Board sets contribution rates using the Entry Age Normal cost method, an investment return assumption of 6.75%, an inflation assumption of 2.5%, and a closed 20-year amortization period for unfunded liabilities (Legacy unfunded liabilities as of 6/30/13 are amortized over a closed 30-year amortization period.)

Article X, § 11 of the *Constitution of Virginia* provides that the Virginia Retirement System benefits shall be funded using methods which are consistent with generally accepted actuarial principles. Until 2012, the Annual Required Contribution (ARC) as described in the Governmental Accounting Standards Board's (GASB's) Statements No. 25 and No. 27 was a de facto funding policy for many public- sector retirement systems, including the Virginia Retirement System.

The Board sets contribution rates for all local employers under this policy. However, with respect to the plans for state employees and the teacher plan, while the rates developed under the Board's policy are the certified contribution rates, the Governor and the General Assembly determine the funding that they will provide through the state budget process toward the Board certified contribution rates for the State and Teachers and other statewide OPEB plans. Beginning in FY 2013, § 51.1-145.K1 of the Code of Virginia set out guidelines for the General Assembly to follow for the funding of the contribution rates certified by the VRS Board, phasing in from approximately 67% of Board-certified rate to 100% of the Board-certified rate over the next four biennia. These statutory guidelines do not apply to funding levels for Other Postemployment Benefits (OPEBs) administered by VRS.

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[1] Adopted October 17, 2013; amended November 14, 2013, June 7, 2016, November 15, 2017, November 20, 2019, October 18, 2022, October 18, 2023, February 8, 2024, and June 18, 2025

In June 2012, GASB revised public pension accounting standards and has communicated an important message in the process: accounting standards are no longer funding standards. However, GASB did not address how employers should calculate the annual required contribution (ARC). To assist state and local government employers, several national groups developed policy guidelines for funding standards. This document is the result of an extensive review of the current funding policy, industry standards and best practices, and the development and approval of funding policy assumptions effective with the June 30, 2013 valuation. A copy of Request for Board Action 2013-07-18 adopting the funding policy assumptions is attached. This Funding Policy is intended to provide guidance to future Boards on how to set employer contribution rates and support the plan's primary goals of contribution and budgetary predictability, accumulation of required assets over time to provide for all benefits earned and achievement of intergenerational equity.

In June 2015, GASB adopted two new statements regarding OPEBs. GASB statement 74, *Financial Reporting for Postemployment Benefits Other than Pension Plans*, and GASB statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. These statements replace GASB 43 and GASB 45. As was the case with GASB 67 and 68, these new statements represent a significant change to the methods used to account for postemployment benefits and provide for a clear separation between accounting for and funding of OPEBs. The new standards require the adoption of a new funding policy for OPEB plans. The current VRS funding policy has been modified to accommodate funding requirements for the VRS OPEB plans.

The VRS OPEB plans include the Health Insurance Credit Program, Group Life Insurance Program, the Virginia Sickness and Disability Program (VSDP), the Virginia Local Disability Program (VLDP) and the Long Term Care benefits associated with the VSDP and VLDP. The Line of Duty Act Fund is also a defined benefit OPEB plan, although it is not a benefit exclusively for VRS members.[2]

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[2] As of April 2016 all VRS OPEBs already incorporate the actuarial methods outlined in the Funding Policy, with the following exceptions:

- Health Insurance Credit Program for Political Subdivisions will incorporate a five-year asset smoothing method for funding valuations effective with the June 30, 2016 actuarial valuation.
- The Long Term Care valuation will incorporate the Entry-Age Normal cost method and five-year smoothing method for funding valuations effective with the June 30, 2016 actuarial valuation.
- Line of Duty Act Program (LODA) is currently not prefunded and as set forth in the *Code* shall be funded on a current disbursement basis or in other words is considered a "pay-as-you-go" plan. As such, the plan has no unfunded liabilities and uses market value of assets for valuation purposes. In the event that the General Assembly takes action to begin prefunding this program, the Board of Trustees would move to adopt the various funding provisions contained in this document including moving the program to a five-year asset smoothing method for funding valuations effective with any decision to prefund the LODA program.

These changes were approved by the Board of Trustees at its June 7, 2016 meeting, and were incorporated into this amended Funding Policy. Where a particular actuarial method was already in use, the Funding Policy notes that the Board confirms the actuarial methods for OPEBs.

The Funding Policy addresses the following general policy objectives:

- ☐ Ensure funding of plans is based on actuarially determined contributions;
- ☐ Build funding discipline into the policy to ensure promised benefits can be paid;
- ☐ Maintain intergenerational equity so the cost of employee benefits is paid by the generation of individuals who receive services;
- ☐ Make employer costs a consistent percentage of payroll; and
- ☐ Require clear reporting to show how and when plans will be adequately funded.

This document serves as the Funding Policy for VRS. It has been prepared by VRS in collaboration with the Board and the VRS Plan Actuary and is effective as of the June 30, 2013 valuation, and modified to accommodate the OPEB plans effective as of the June 30, 2016 valuation.

2. Authority

The Virginia Retirement System is administered in accordance with Title 51.1, chapters 1, 2, 2.1, 3 and 4 of the *Code of Virginia*. The contribution to be paid by members of VRS is fixed at a level that covers only part of the cost of accruing benefits. The balance of the cost is paid by employers within the Trust Fund (the "Fund").

The OPEB plans are administered in accordance with Title 51.1, chapters 5, 11, 11.1, and 14 of the *Code of Virginia.* The cost associated with OPEBs is generally borne by the employer and benefits are paid from the various trust funds. An exception to this practice is the Group Life Insurance Program. The Board determines the amount each insured shall contribute for the cost of insurance and by statute this amount is capped at $0.70 per month for each $1,000 of annual salary. Each employer determines whether this cost will be paid by the member or funded by the employer. The balance of the cost is paid by employers within the Fund. The Group Life Insurance plan, however, is a cost-sharing plan so all employers are charged the same rate.

The Funding Policy focuses on the pace at which these liabilities are funded and, in so far as is practical, the measures to ensure that employers pay for their own liabilities.

The Funding Policy is authorized by a framework that includes:

- Article X, § 11 of the *Constitution of Virginia*
- Title 51.1 of the *Code of Virginia*

This is the framework within which the VRS Plan Actuary carries out valuations to set employer contribution rates and provide recommendations to the Board when other funding decisions are required. The Funding Policy applies to all employers participating in the Fund.

The methods and assumptions used in the VRS funding policy are periodically reviewed as part of the quadrennial experience study as required under § 51.1-124.22(A)(4). As such, the content of this document may be updated to reflect changes approved by the VRS Board of Trustees.

3. Contributions

The Funding Policy provides for periodic employer contributions set at actuarially determined rates in accordance with recognized actuarial principles (§51.1-145(A)). Originally based on parameters set out in GASB 25/27 and GASB 43/45, the contribution should include the employer's normal cost and provisions for amortizing any unfunded actuarial accrued liability (UAAL) in accordance with the requirements originally defined in GASB 25/27 and GASB 43/45.

Member and employer contributions for retirement are required by §§ 51.1-144 and -145 of the *Code of Virginia*. Chapters 5, 11, 11.1, and 14 of Title 51.1 of the *Code of Virginia* and the applicable provisions in each year's Appropriation Act relate to contribution requirements for OPEB plans administered by VRS.

Employer contributions are normally made up of two main elements[3]:

a) the estimated cost of future benefits being accrued, referred to as the "normal cost"; and

b) an adjustment for the funding position of accrued benefits relative to the Fund's actuarially adjusted assets, or the "amortization payment UAAL." If there is a surplus there may be a contribution reduction; if there is a deficit, there will be a contribution addition, with the amount of surplus or deficit being spread over a number of years.

Items a) and b) above are then combined and expressed as a percentage of covered payroll. Employer contribution rates are set each biennium and are in effect for the entire biennium. Valuations in the "off" years are for informational purposes only. Generally, employers with well-funded pension plans consistently pay their annual required contribution in full.

Where this process as applied to a political subdivision would, in the Plan Actuary's opinion, not be expected to maintain the plan's solvency, the VRS staff, working with the Plan Actuary, may determine alternative funding requirements that would maintain the political subdivision's solvency while also meeting the other objectives of this Funding Policy Statement. For employers with no active members who still have retirees or inactive members eligible for future VRS benefits, this includes ad hoc payments that may be necessary to cover future benefits if employer assets are insufficient to cover future cash flow needs.

With respect to statewide plans, if unfunded liabilities exist in a plan, the Board may recommend alternative contribution rates in excess of the actuarially determined rates if opportunities exist to accelerate paydown of unfunded liabilities. Examples of alternative rates could potentially include approaches such as maintaining rates from the prior year if rates drop in subsequent rate setting or maintaining a higher level contribution rate until a certain funded status is achieved.

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[3] Contributions also include administrative expenses.

4. Funding Target

VRS operates the same target funding level for all ongoing employers of 100% of its accrued liabilities valued on an ongoing basis. This means that contribution rates are set with the intent of funding 100% of a member's benefits during a member's working lifetime. The Line of Duty Act Fund is an exception, as employer contributions are currently determined by the Board on a current disbursement basis per statute. As such, the target funding level for all ongoing employers for LODA is at or near 0% of its accrued liabilities.

Funded Status is defined as the ratio of the actuarial value of assets to the value placed on the benefits, or plan's liabilities, by the VRS Plan Actuary. The VRS Plan Actuary reports on the funded status of each plan in the system in each annual valuation.

5. Actuarial Cost Method

The actuarial cost method is the means by which the total present value of all future benefits for current active and retired participants is allocated to each year of service (i.e., the "normal cost" for each year) including past years (i.e., the "actuarial accrued liability"). There are several available actuarial cost methods, but most governmental plans use the entry age normal (EAN) cost method while a significant minority use the projected unit credit (PUC) method. In the past, VRS has used the EAN method for most of the plans it administers.

Although the EAN and PUC cost methods are both considered reasonable under actuarial standards of practice and GASB 25 and GASB 43 in most circumstances, it is important for plan stakeholders to understand the implications of either method. EAN tends to recognize actuarial liabilities sooner than PUC, and it also tends to result in a more stable normal cost pattern over time for pay-related benefits, even in the face of demographic shifts. The more stable normal cost pattern over time should help in reducing the risk of higher levels of future contributions.

Under the PUC method, the plan's normal cost is the present value of the benefits "earned" during the year, but based on projected pay levels at retirement. For an individual participant, the PUC normal costs increase each year because the present value increases as the participant gets a year closer to retirement. In contrast, under the EAN method, the normal cost is specifically determined to remain a level percentage of pay over each participant's career.

Because EAN normal cost rates are level for each participant, the normal cost pattern for the entire plan under EAN is more stable for pay-related benefits in the face of demographic shifts in the workforce. It is this normal cost stability that makes the EAN method the preferred funding method for pay-related benefits of public plans.

GASB has reaffirmed its decision to require governmental pension plans to base their financial statement reporting on the EAN method. For comparability, GASB has also decided to require governmental OPEB plans, which may not provide pay-related benefits, to base their financial statement reporting on the EAN method.

Effective with the June 30, 2013 valuation, the Board has adopted the Entry-Age Normal cost method in deriving plan liabilities. This is a continuation of the Board's existing cost method. Effective with the June 30, 2016 valuation, the Board has adopted the Entry-Age Normal cost method for all OPEB plans.

6. Asset Valuation Method

Because investment markets are volatile and because pension plans typically have long investment horizons, asset-smoothing techniques can be an effective tool to manage contribution volatility and provide a more consistent measure of plan funding over time. Asset-smoothing methods reduce the effect of short-term market volatility on contributions, while still tracking the overall movement of the market value of plan assets, by recognizing the effects of investment gains and losses over a period of years. This is also in keeping with § 51.1-145(A), which requires that contribution rates be determined in a manner so as to remain relatively level from year to year.

Determining the ideal asset-smoothing policy involves balancing the two goals of ensuring fairness across generations and controlling contribution volatility for plan sponsors. A very long smoothing period will greatly reduce contribution volatility, but this may mean the impact of recent investment experience is deferred to future generations. However, a very short smoothing period (or none at all) may result in contribution requirements that fluctuate dramatically from year to year.

Such volatility may also result from an asset-smoothing method that constrains how far the smoothed value differs from the market value by imposing a market value "corridor." A corridor is typically expressed as a ratio of the smoothed value of assets to the market value of assets. Actuarial standards of practice and related actuarial studies seek to identify asset-smoothing methods that achieve a reasonable balance between how long it takes to recognize investment experience (the smoothing period) and how much smoothing is allowed in the meantime (the corridor). The resulting smoothing periods are in the range of three to 10 years (with five the most common) and a corridor wide enough to allow the smoothing method to function except in the most extreme conditions.

While the smoothing period for governmental plans is not limited by federal laws or regulations, the Actuarial Standards Board has set out principles for asset smoothing in ASOP No. 44. Under these principles, when a smoothed asset valuation method is used, the actuary should select a method so that the smoothed asset values fall within a reasonable range of the corresponding market values and any differences between the actuarial value and market value of assets should be recognized within a reasonable period.

Effective with the June 30, 2013 valuation, the Board has adopted a five-year asset smoothing period, which also includes a corridor that will restrict the smoothed value from falling below 80% of the true market value or exceeding 120% of the true market value. This is a continuation of the Board's existing asset valuation method. Effective with the June 30, 2016 valuation, the Board has adopted the same asset smoothing period and corridors for the OPEB plans, with the exception of the LODA program, which, by statute, does not prefund benefits. In the event a change to the statutory contribution requirements

of the LODA program necessitate an asset valuation method, the same asset smoothing period and corridors should be applied to the LODA program at that time.

7. Amortization Method

Amortization of unfunded liabilities is a major component of the annual contribution. Amortization policies involve a balance between controlling contribution volatility and ensuring a fair allocation of costs among generations. The Plan Actuary uses the specific amortization periods adopted by the Board for all employers when developing a method over which to pay down any unfunded liabilities that may exist. The amortization period should allow adjustments to contributions to be made over periods that appropriately balance intergenerational equity against the goal of keeping contributions level as a percentage of payroll over time as required by § 51.1-145.

Amortization of the unfunded actuarial accrued liability (UAAL) determines how current and future UAAL will be paid off or "amortized," and so includes how changes in benefits or actuarial assumptions that affect the actuarial accrued liability should be funded over time. Even more than with asset smoothing methods, amortization policies involve a balance between controlling contribution volatility and ensuring a fair allocation of costs among generations. Longer amortization periods help keep contributions stable, but excessively long periods may inappropriately shift costs to future generations. In seeking to achieve an appropriate balance between these two important policy goals, a comprehensive amortization policy will involve the following distinct elements:

- ☐ Payment basis
- ☐ Payment structure
- ☐ Amortization period

A. Payment Basis: Level Dollar vs. Level Percent of Pay

One of the first considerations is whether amortization payments will be set at a level dollar amount (similar to a home mortgage) or as a level percent of pay. The great majority of public pension plans use level-percent-of-pay amortization where the payments toward the UAAL increase each year at the same rate as is assumed for payroll growth. Compared with the level-dollar approach, payments start at a lower dollar amount under the level percent approach, but then increase in proportion to payroll. The level-dollar method is more conservative in that it funds the UAAL faster in the early years. However, the level-percent-of-pay approach is consistent with the pay-related structure of benefits under most public plans. Moreover, because the normal cost is also determined as a level percent of pay, level percent amortization provides a total cost that remains level as a percentage of pay. In contrast, level- dollar amortization of UAAL will produce a total cost that decreases as a percentage of pay over the amortization period. A plan should balance these considerations in choosing between level-percent and level dollar amortization. Section 51.1-145(A) of the *Code of Virginia* provides in part that "[t]he total annual employer contribution for each employer, expressed as a percentage of the annual membership payroll, shall be determined in a manner so as to remain relatively level from year to year...."

Effective with the June 30, 2013 valuation the Board has elected to use the level percent of pay payment basis. This is consistent with historical VRS practice. Effective with the June 30, 2016 valuation the Board confirms the continued use of the level percent of pay payment basis put in effect June 30, 2013 for the OPEB plans when an actuarially determined contribution is calculated.

B. Payment Structure

Amortization policy must also consider how amortization payments should be structured. For example, a determination needs to be made as to whether the entire UAAL should be aggregated and amortized as a single amount, or whether the plan should track individual bases for each source of UAAL or surplus each year, and amortize these separately. Amortization periods can be fixed, open or “rolling” (with the amortization period restarted each year).

Although use of a single amortization base provides simplicity, use of separate amortization bases for each source of UAAL has the advantage of tracking separately each new portion of UAAL and providing another mechanism to stabilize contribution rates. Under this approach, over time there will be a series of bases, one for each year’s gain or loss as well as for any other changes in UAAL. This provides useful information to stakeholders, as they can view the history of the sources of a plan’s UAAL in any year. The use of separate amortization bases should help balance the annual ups and downs in the UAAL. In practice, the number of bases will be limited by the length of the amortization period as eventually bases will be fully amortized, and so will no longer be part of the UAAL.

Fixed amortization periods identify a date certain by which each portion of the UAAL will be funded. This can be contrasted with open or rolling amortization, whereby the plan “resets” its amortization period every year. This is analogous to a homeowner who refinances his mortgage each year. Although both methods are common in current practice, fixed amortization periods have the advantage of providing stakeholders with a clearer understanding of the ultimate funding target (full funding) and the path to get there. It is the structure required for private sector pensions, and is increasingly common for public pension plans.

Effective with the June 30, 2013 valuation the Board has elected to use individual bases for each source of UAAL or surplus each year and to use fixed amortization periods rather than open or rolling periods. This is a change from past VRS practice but is consistent with industry best practices. Effective with the June 30, 2016 valuation the Board confirms the continued use of individual bases for each source of UAAL or surplus each year and the use of fixed amortization periods rather than open or rolling periods put in effect June 30, 2013 for all OPEB plans, with the exception of the LODA program, which, by statute, is currently not prefunded. For the purposes of accounting disclosures under GASB 43 and 45, the LODA program will continue to use an open period. In the event a change to the statutory contribution requirements of the LODA program necessitate a payment structure, individual bases for each source of UAAL or surplus each year and fixed amortization periods, rather than open or rolling periods, will be used by the LODA program at that time.

C. Amortization period

Amortization period is a determination of the appropriate period of time over which amortization should occur. The answer can depend on the source of the UAAL being amortized, as discussed below:

UAAL Due to Actuarial Gains/ Losses

> Actuarial gains and losses arise when there is a difference between the actuary's estimates (assumptions) and the actual experience of the plan. They can result from demographic experience (e.g., the number of new retirees is higher or lower than expected), investment experience (e.g., returns that are higher or lower than expected), or other economic experience (e.g., payroll growth that is higher or lower than expected). In determining the appropriate period for amortizing gains and losses, plan sponsors should strike a balance between reducing contribution volatility (which would lead to longer amortization periods) and maintaining a closer relationship between contributions and routine changes in the UAAL (which would lead to shorter amortization periods). For many plans, amortization periods in the range of 15 to 20 years for gains and losses would assist plans in achieving a balance between these objectives.

UAAL Due to Changes in Actuarial Assumptions

> Assumption changes will result in an increase or decrease in the UAAL. Unlike gains and losses, which reflect actual past experience, assumptions are modified when future expectations about plan experience change. This amounts to taking the effect of future expected gains or losses and building it into the cost today. For that reason, and because of the long-term nature of assumption changes, a plan could be justified in using a longer amortization period than that used for actuarial gains or losses, perhaps in the range of 15 to 25 years.

Amortization of UAAL Due to Plan Amendments

> Because plan amendments are under the control of the plan sponsor, managing contribution volatility is generally not a consideration for plan amendments. This means that the primary rationale in selecting the period is to support intergenerational equity by matching the amortization period to the demographics of the participants receiving the benefit. This leads to shorter, demographically based amortization periods. For active participants, this could be the average future working lifetime of the active participants receiving the benefit improvement, while for retirees, this could be the average life expectancy of the retired participants receiving the benefit improvement. This approach would usually result in no longer than a 15-year amortization period for benefit improvements.

An equitable amortization policy should ensure that the UAAL will be paid off in a reasonable period of time. Long amortization periods can make paying down the UAAL appear more affordable, but, because interest charges accrue and compound on the unpaid UAAL, it is prudent to set amortization periods that are not excessively long. This is especially important where level percent of pay amortization is used.

In an effort to balance the need to pay down the current unfunded liability while managing already increasing contribution rates, the Board elected to manage the paydown of any unfunded liabilities created prior to June 30, 2013 over a 30-year closed period. In an effort to better manage intergenerational equity and to build funding discipline into the VRS policy, the Board also decided that future unfunded liabilities would be best amortized over 20-year closed periods.

With long amortization periods, the UAAL may increase during the early years of amortization period, even though contributions are being made to amortize the UAAL. This phenomenon, known as "negative amortization", occurs only with level percent of pay amortization. This happens because, under level percent of pay amortization, the lower early payments can actually be less than interest on the outstanding balance, so that the outstanding balance increases instead of decreases. For typical public plans, this happens whenever the average amortization period is longer than approximately 20 years.

While there is nothing inherently wrong with negative amortization in the context of a public plan, stakeholders should be aware of its consequences, especially for amortization periods substantially longer than 20 years. Negative amortization is a particular concern for plans using open, or rolling, amortization periods. As described above, plans that use open/rolling amortization methods "reset" to a new amortization period every year. By contrast, a plan using a closed amortization commits to paying down the UAAL over a fixed period.

Effective with the June 30, 2013 valuation the Board has elected to amortize the legacy unfunded liability as of June 30, 2013, over a closed 30-year period. New sources of unfunded liability will be explicitly amortized over closed 20-year periods. The amortization period for the deferred contributions from the 2010-2012 biennium will remain a 10-year closed period. These amortization periods reflect a shift to closed amortization periods and tiered successive 20-year closed periods for new sources of unfunded liability. This is a change from past VRS practice of using a 20-year rolling method. Effective with the June 30, 2016 valuation the Board confirms the continuation of the amortizations put in effect June 30, 2013 for all OPEB plans, with the exception of the LODA program, which, by statute, is currently not prefunded. For the purposes of accounting disclosures under GASB 43 and 45, the LODA program will continue to use an open 30- year period. In the event a change to the statutory contribution requirements of the LODA program necessitate an amortization period, the LODA program will, at that time, explicitly amortize new sources of unfunded liability over closed 20-year periods.

Effective November 20, 2019, the Board amends this policy to clarify that amortization periods of explicit bases may be shortened in an effort to pay off unfunded liabilities of either pensions or OPEBs earlier than originally scheduled.

Effective October 18, 2022, the Board amends this policy to set the amortization period for unfunded liabilities generated by plan amendments to be 10 years rather than 20 years.

Effective October 18, 2023, the Board amends this policy for pension and OPEB plans to allow for the legacy unfunded liability, which was originally amortized over a 30-year period in 2013,

and all subsequent amortization bases established between 2014 and 2023, which were initially amortized over 20 years, to be amortized over a new 20-year period. New layers will be established in future years according to the parameters of the funding policy. The reset would exclude unfunded liabilities being amortized over a shorter 10-year period associated with new employers or benefit enhancements elected by certain political subdivision employers.

Effective July 1, 2025, the Board amends this policy for statewide pension and OPEB plans that reach a funded status of over 100% to only begin recognizing a surplus credit in the derivation of the employer contribution amount once the plan reaches a funded status of 120% on an AVA basis. The amortization of such overfunding, over 100%, will use a rolling 20-year period.

8. Actuarial Assumptions

Setting actuarial assumptions is critical to the funding of a plan. Forward-looking assumptions about plan demographics, wages, inflation, investment returns and more drive the measurement of liabilities and costs, and therefore affect funding. Unlike the selection of funding methods, which involves a fair degree of policy discretion, the selection of assumptions should be based solely on best estimates of actual future experience. While it may be tempting to set assumptions based on how they might affect current contribution requirements, such "results-based assumption setting" should be avoided. ***It is the plan's actual experience that ultimately determines the cost of the benefits, so the assumptions should try to anticipate actual experience.*** Periodic reexamination of plan assumptions is an essential part of any plan's actuarial processes. As a general rule, many plans conduct an experience study every three to five years, an interval that should help ensure that assumptions remain appropriate in the face of evolving conditions and experience. VRS reviews assumptions every four years as required under § 51.1-124.22(A)(4).

All assumptions should be consistent with Actuarial Standards of Practice and reflect professional judgment regarding future outcomes.

VRS plans to continue experience studies once every four years as required by § 51.1-124.22(A)(4) to determine whether changes in the actuarial assumptions are appropriate.

Appendix A contains a chart summarizing some of the current assumptions used for the various benefit plans managed by the VRS.

Appendix B is RBA 2013-07-18, which documents the approval of VRS funding policy assumptions.

Appendix C is RBA 2013-11-26, which documents the approval of revisions to the VRS funding policy assumptions for political subdivisions.

Appendix D is RBA 2016-06-15, which documents the approval of VRS funding policy methods and assumptions with regard to the OPEB plans.

Appendix E is RBA 2016-06-16, which documents the Board's approval of changes to actuarial methods for certain OPEB plans.

Appendix F is RBA 2017-04-9, which documents the approval of VRS funding policy assumptions.

Appendix G is RBA 2019-10-13, which documents approval of a discount rate of 6.75% for actuarial valuations effective with the June 30, 2019 valuations.

Appendix H is RBA 2019 -11-20, which documents the approval of the use of shortened amortization periods for unfunded liabilities and maintaining prior contribution rates to assist in paying unfunded liabilities.

Appendix I is RBA 2025-06-, which documents approval of method to amortize surplus funding once plans reach 100% funded status.

9. Additional Considerations

Where the Funding Policy Statement as applied to a political subdivision would, in the Plan Actuary's opinion, not be expected to maintain the plan's solvency, the Board authorizes the VRS staff, working with the Plan Actuary, to determine alternative funding requirements that would maintain the plan's solvency while also meeting the other objectives as stated in the Board's funding policy.

1. **Additional Funding Contribution** - The Additional Funding Charge is the contribution rate needed, if necessary, to allow the local system to use the plan's assumed Investment Return Rate as its Single Equivalent Interest Rate (SEIR) under GASB Statement No. 67. The additional funding contribution rate, if needed, allows for the use of the 6.75% investment return as the single equivalent investment return assumption for purposes of the GASB 67/68 statements. To determine the SEIR, the Fiduciary Net Position (FNP) must be projected into the future for as long as there are anticipated benefits payable under the plan's provisions applicable to the members and beneficiaries of the system on the Measurement Date. If the FNP is not projected to be depleted at any point in the future, the long term expected rate of return on plan investments expected to be used to finance the benefit payments may be used as the SEIR. If the FNP is projected to be depleted, an Additional Funding Charge is developed to avoid depletion.

2. **Surcharge for "At Risk" Plans** – Political subdivision plans identified as potentially "at-risk" due to low funded levels may require an additional surcharge or shortened amortization periods to bring the funding level of the plan to a sustainable level as determined by the Plan Actuary. For employers with no active covered positions who still have liabilities associated with retirees or inactive members eligible for future VRS benefits, this would include ad hoc lump sum contributions to cover the liabilities associated with former members who are still due a benefit.

3. **Limitation on Benefit Enhancements Increasing Liability** - Benefit enhancements to a political subdivision pension plan that would have the effect of increasing the plan's liabilities by reason of increases in benefits, establishment of new benefits, changing the rate of benefit accrual, or changing the rate at which benefits become non-forfeitable may take effect during any plan year if the political subdivision's current funded ratio for such plan year would be at least 75 percent after taking into account such amendment.

In order to increase benefits in circumstances where the funded ratio would be less than 75 percent after taking into account the amendment, the political subdivision would be required to make a lump sum contribution in the amount necessary to bring the funding level to 75 percent as of the effective date of the change, in addition to any increase in annual funding due to plan enhancements.

Any accrued liability generated by the plan amendment that is not covered by the lump sum contribution will be amortized over no more than 10 years.

4. **Pension Plans for New Employers –**
   Any new employer must have a funded status of at least 75 percent for pension benefits. Any past service that is granted by the employer or purchased at the time the employer joins VRS must be at least 75 percent funded at the join date with the remaining amount amortized over no more than 10 years.

5. **Health Insurance Credit (HIC) Elections** –
   Any employer (new and existing VRS employers) that elects the HIC benefit is required to pay an initial contribution equal to the greater of two years of expected benefit payments or the amount required to reach at least 25 percent funded for its HIC plan, with the remainder of the unfunded liability amortized over no more than 10 years.

In addition, Any employer (new and existing employers) that wishes to enhance the health insurance credit by electing the extra $1.00 of coverage per year of creditable service or expand coverage to additional non-covered members is required to meet the following requirements:

- If the funded status of the plan is below 50% prior to the change, the employer must make an initial contribution equal to the full increase in the plan's liability associated with enhancing the HIC benefit.
- If the funded status of the plan is greater than 50% but below 75% prior to the change, the employer must make an initial contribution equal to 50% of the increase in the plan's liability associated with enhancing the HIC benefit, with the remaining additional liability to be amortized over 10 years.
- If the funded status of the plan is greater than 75% prior to the change, the employer must make an initial contribution in the amount necessary to keep the funded status at the 75% threshold after the change, with any remaining additional liability to be amortized over 10 years.

10. Conclusion

In funding defined benefit pension plans and OPEBs, governments must satisfy a range of objectives. In addition to the fundamental objective of funding the long-term costs of promised benefits to plan participants, governments also work to:

1. Keep employer's contributions relatively stable from year to year
2. Allocate pension costs on an equitable basis
3. Manage pension risks

4. Pay off unfunded liabilities over reasonable time periods

This Funding Policy was developed to help decision-makers understand the tradeoffs involved in reaching these goals and to document the reasoning that underlies the Board’s decisions.

Adopted October 17, 2013
Amended November 14, 2013, June 7, 2016, November 15, 2017, November 20, 2019, October 18, 2022, February 8, 2024, and June 18, 2025.

Report

The Administration, Finance and Talent Management Committee met on June 17, 2025, and discussed the following:

APPROVAL OF MINUTES

The Committee approved the minutes of its May 20, 2025, meeting.

APPOINTMENT OF INVESTMENT ADVISORY COMMITTEE (IAC) MEMBER

Andrew Junkin, Chief Investment Officer, informed the committee that Mr. Eric Baggesen has agreed to serve on the Investment Advisory Committee (IAC), filling the existing vacancy. Mr. Junkin advised that Mr. Baggesen has significant experience in managing asset allocations and risk management in the public pension space, including in his most recent role as the Chief Investment Officer with the Rhode Island Office of the General Treasurer.

The Committee recommends approval of the following action to the full Board: *The Board appoints Eric B. Baggesen for a two-year term ending June 20, 2027.*

DISCUSSION AND CONSIDERATION OF FY 2026 AGENCY PERFORMANCE OUTCOMES (APOS) AND OPERATIONAL MEASURES (OMS)

Michael Cooper, Chief Operating Officer, reviewed the proposed agency performance outcomes (APOs) and operational measures (OMs) for fiscal year 2026, which were previously presented at the committee's May 20th meeting. Mr. Cooper provided the components for the APO related to VNAV, which was not available at the May meeting as staff was completing its VNAV visioning initiative. Staff must complete three of the four APOs and meet the target for at least 13 of the 16 OMs to be eligible for the agency's gainsharing bonus.

The Committee recommends approval of the following action to the full Board: *The VRS Board of Trustees approves the FY 2026 Agency Performance Outcomes and Agency Operational Measures.*

Submitted to the Board of Trustees on June 18, 2025.

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

Report

The Administration, Finance and Talent Management Committee met on May 20, 2025, and discussed the following:

APPROVAL OF MINUTES

The Committee approved the minutes of its April 16, 2025, meeting.

DISCUSSION AND CONSIDERATION OF FY 2026 AGENCY PERFORMANCE OUTCOMES (APOS) AND OPERATIONAL MEASURES (OMS)

Michael Cooper, Chief Operating Officer, reviewed the proposed agency performance outcomes (APOs) and operational measures (OMs) for fiscal year 2026. Mr. Cooper noted that the APOs are considered stretch goals for the organization, requiring input across all business units, and operational measures reflect the agency's day-to-day business operations. Meeting the targets for the APOs and OMs is required in order for staff to be eligible for the agency's gainsharing bonus.

Mr. Cooper advised that there are 16 operational measures, with a goal of meeting the target for at least 13 of the 16 measures. In addition, the agency is piloting three new measures in FY 2026 that do not count toward the OM target. Four APOs are proposed for FY 2026, with a goal of accomplishing at least three to meet the gainsharing bonus requirement. Mr. Cooper advised that a placeholder was provided for an APO related to the VNAV initiative and the components will be provided at the committee's June 17 meeting after the conclusion of the ongoing VNAV visioning work being conducted by staff.

The APOs and OMs will be presented again at the June 17 committee meeting, at which time a Request for Board Action (RBA) will be considered.

REAPPOINTMENT OF INVESTMENT ADVISORY COMMITTEE (IAC) CHAIRPERSON

Andrew Junkin, Chief Investment Officer, informed the committee that Lawrence Kochard's current term as Chairperson of the Investment Advisory Committee (IAC) expires June 1, 2025. Mr. Kochard is willing to continue to serve in the role of Chairperson.

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

Request for Board Action: *The Board reappoints Lawrence E. Kochard as Chairperson of the Investment Advisory Committee (IAC) for a two-year term ending May 31, 2027.*

APPOINTMENT OF DEFINED CONTRIBUTION PLANS ADVISORY COMMITTEE (DCPAC) MEMBERS

Trish Bishop, Director, informed the committee of two new appointments proposed for the Defined Contribution Plans Advisory Committee (DCPAC). Ms. Bishop advised that current members Rick Larson and David Winter are retiring and, therefore, wish to have their expiring terms on DCPAC be filled by new members.

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

Request for Board Action: *The Board appoints Rebecca Fentress and September Sanderlin to the Defined Contribution Plans Advisory Committee (DCPAC) for two-year terms ending June 20, 2027.*

SUCCESSION MANAGEMENT UPDATE

Paula Reid, Human Resources Director, provided an update on the agency's succession management program. Ms. Reid outlined VRS' planned efforts to support succession management, including an increased emphasis on establishing standard operating procedures, further enhancing ways to capture knowledge, reviewing job descriptions and identifying career ladders, as appropriate, and continuing senior leadership discussions about succession management and bench strength.

LEASE SPACE UPDATE

Mr. Cooper presented an update on the agency's transition to new lease space. Mr. Cooper shared that the feedback on the new member counseling center at Reynolds Crossing is overwhelmingly positive, including its location and ease of access for visitors. The agency has also entered into a lease agreement for approximately 60,000 square feet of space in One James Center, to relocate staff currently working in the Bank of America building as that lease has expired. The new space will be modern, bright and collaborative, and will also include a state-of-the-art board room. The current project schedule estimates a move to the new space in January 2026.

Submitted to the Board of Trustees on June 18, 2025.

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

Request for Board Action

RBA 2025-06-____

Approve FY 2026 APOs and Operational Measures.

Requested Action

The VRS Board of Trustees approves the FY 2026 Agency Performance Outcomes and Agency Operational Measures.

Description/Background

Each year the VRS Board of Trustees approves Agency Performance Outcomes (APOs) and Operational Measures. The APOs are stretch goals for the Administrative staff. The Operational Measures are agency performance measures.

APOs (see attachment 1). The FY 2026 APOs have four stated outcomes summarized as follows:

1. **Data Quality Enhancements – Phase 2**
2. **Demographic Data Collection and Maintenance Initiative – Phase 1**
3. **VNAV Enhancements – Phase 2**
4. **Human Resource Information System (HRIS) Implementation – Phase 3**

The objective is to attain three of the four APOs. Successful attainment of the APOs is the gainsharing portion of the performance management program of the Administrative Pay Plan for administrative staff. Under the gainsharing portion of the performance management program of the Investment Operations and Administration Pay Plan, investments operations staff are eligible for a bonus if their performance meets or 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. Both bonuses are normally paid as a lump sum equal to 2.5% of salary.

Operational Measures (see attachment 2). VRS also identifies key operational measures each year. These measures are coupled with the APOs as part of the gainsharing portion of the performance management program. The objective is to meet or exceed the target goal for at least 13 of the 16 measures. Note: there are three additional operational measures that will be piloted in FY 2026. The pilot measures will not count towards meeting the overall operational measure target. Again, the expectation is that all employees will work collaboratively and contribute to accomplishing key functions of the agency.

Satisfying the APO and operational measure targets is required to earn the gainsharing bonus.

Rationale for Requested Action

The APOs are stretch goals for VRS, and VRS identifies key operational measures as organizational performance expectations for the fiscal year that must be maintained while working to satisfy the APOs and maintaining key agency functions. Both the Administrative and Investment Operations and Administration Staff Pay Plans contain gainsharing language to reward teamwork, collaboration, and organizational results.

Although satisfaction of the APOs and Operational Measures is not an explicit condition for a gainsharing bonus to be paid to Investment Operations and Administration staff, the agency's practice is that no gainsharing bonus is paid to Investment Operations and Administration staff in a year that Administrative staff is not eligible for a gainsharing bonus.

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.

____ _______________________________

A. Scott Andrews, Chair
VRS Board of Trustees

Date

Virginia Retirement System

AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2026

Summary

APO Status Indicator

●	Proceeding as planned
△	Off plan, mitigation in place
◆	Off plan, mitigation needed
★	Completed
N/S	Not started

Overall Measure: 3 of 4 completed

APO #	APO Description	Strategic Goal	July	August	September	October	November	December	January	February	March	April	May	June
1	**Data Quality Enhancements – Phase 2** DEC Owner: Michael Cooper *(Measure: 3 of 4 completed)*	**Digital Transformation and Secure Service Delivery**												
2	**Demographic Data Collection and Maintenance Initiative – Phase 1** DEC Owner: Michael Cooper *(Measure: 3 of 4 completed)*	**Digital Transformation and Secure Service Delivery**												
3	**VNAV Enhancements - Phase 2** DEC Owner: DEC *(Measure: 3 of 4 completed)*	**Digital Transformation and Secure Service Delivery**												
4	**Human Resource Information System (HRIS) Implementation – Phase 3** DEC Owner: Paula Reid *(Measure: 4 of 5 completed)*	**Organizational Strength, Culture and Engagement**												

Changes to agency performance outcomes require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

Virginia
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AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2026

APO 1

APO Status Indicator

●	Proceeding as planned
△	Off plan, mitigation in place
◆	Off plan, mitigation needed
★	Completed
N/S	Not started

APO 1 Measure: 3 of 4 completed

Data Quality Enhancements – Phase 2	DEC Owner: Michael Cooper	**Strategic Goal:** **Digital Transformation and Secure Service Delivery**

#	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
1.1	Define and document data quality rules for identified critical data elements (CDE) in coordination with the cross-functional Data Quality Task Force.												
1.2	Develop a toolkit for Data Owners and Data Stewards to assist in tracking and analyzing data for improved visibility, measurement and quality assurance.												
1.3	Develop a data cleansing tracking log and reporting structure to track ongoing data cleansing of priority CDEs.												
1.4	Evaluate technology platforms and develop a roadmap for implementing solutions that meet long-term data quality, metadata and governance needs.												

Changes to agency performance outcomes require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

Virginia
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AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2026

APO 2

APO Status Indicator

● Proceeding as planned
▲ Off plan, mitigation in place
◆ Off plan, mitigation needed
★ Completed
N/S Not started

APO 2 Measure: 3 of 4 completed

Demographic Data Collection and Maintenance Initiative – Phase 1	DEC Owner: Michael Cooper	**Strategic Goal:** **Digital Transformation and Secure Service Delivery**

#	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
2.1	Document existing demographic data collection and maintenance methods.												
2.2	Evaluate and document opportunities for data collection and maintenance enhancements.												
2.3	Develop strategy for implementing data collection enhancements (e.g., leveraging technology deploying tools, communications and outreach, 3rd party data exchanges).												
2.4	Initiate implementation of activities (e.g., enhanced participant contact information confirmation) to improve ongoing demographic data accuracy.												

Virginia
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AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2026

APO 3

APO Status Indicator

● Proceeding as planned
▲ Off plan, mitigation in place
◆ Off plan, mitigation needed
★ Completed
N/S Not started

APO 3 Measure: 3 of 4 completed

VNAV Enhancements - Phase 2	DEC Owner: DEC	**Strategic Goal:** **Digital Transformation and Secure Service Delivery**

#	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
3.1	Develop program governance framework, including structure, escalation paths and decision forums.												
3.2	Create communication framework and stakeholder engagement approach.												
3.3	Analyze current state user experience through the development of user personas and journey maps.												
3.4	Identify and document major system components for future enhancement.												

Changes to agency performance outcomes require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

Virginia
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AGENCY PERFORMANCE OUTCOMES STATUS REPORT

FISCAL YEAR 2026

APO 4

APO Status Indicator

●	Proceeding as planned
▲	Off plan, mitigation in place
◆	Off plan, mitigation needed
★	Completed
N/S	Not started

APO 4 Measure: 4 of 5 completed

Human Resource Information System (HRIS) Implementation – Phase 3	DEC Owner: Paula Reid	**Strategic Goal:** **Organizational Strength, Culture and Engagement**

#	APO Description	July	August	September	October	November	December	January	February	March	April	May	June
4.1	Collaborate with system integrator to determine project role assignments and develop a vision statement for the HRIS implementation.												
4.2	Develop a charter and project plan, including communications, change management, data conversion and testing.												
4.3	Develop training materials for system users.												
4.4	Conduct configuration of the new HRIS, in coordination with the system integrator.												
4.5	Conduct applicable readiness activities, including user acceptance testing, in preparation for "Go Live."												

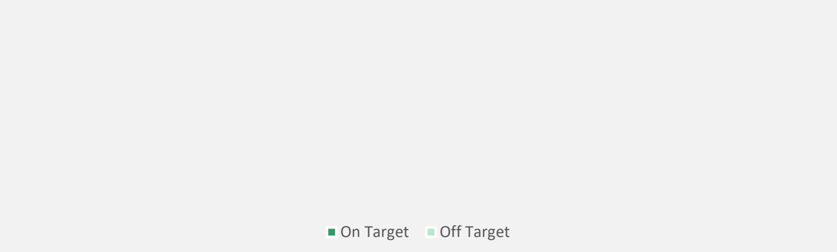
Changes to agency performance outcomes require approval by both the Director's Executive Committee (DEC) and the Board of Trustees.

Virginia Retirement System

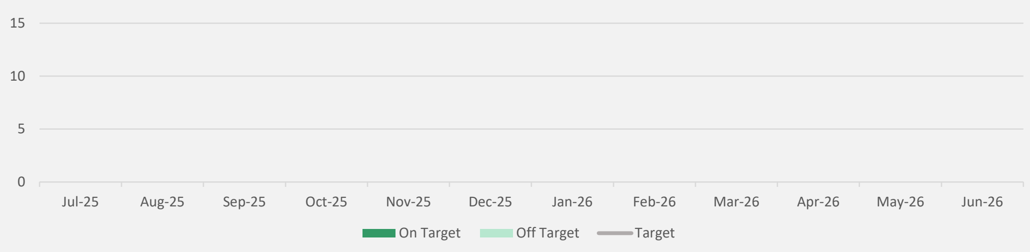
FISCAL YEAR 2026 OPERATIONAL MEASURES STATUS REPORT

July-25

Current Status - All Operational Measures



YTD Status - All Operational Measures



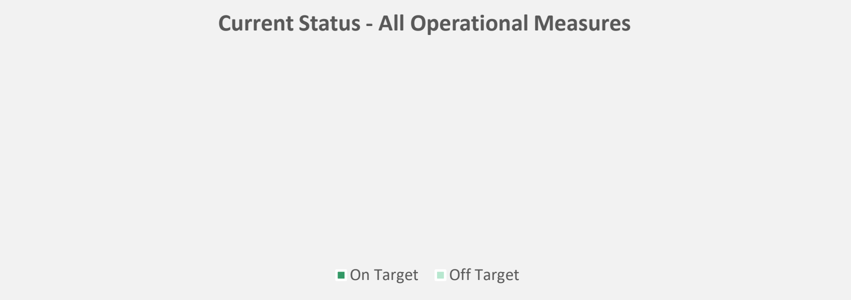
OM #	Operational Measure (OM)	Description	Strategic Goal	Target (Goal)	Current Status	YTD Status	Reporting Frequency	Comments
1	Timeliness of Monthly Financial Account Reconciliations	Percentage of monthly financial control reconciliations completed by last business day of the following month	Superior Governance and Long-Term Financial Health	> 98.00%	-	-	Monthly	
2	Average Abandoned Call Rate	Percentage of calls to the Customer Counseling Center (CCC) that result in hang-ups while in the queue	Member, Retiree and Employer Education, Outreach and Partnership	< 7.00%	-	-	Monthly	
3	Timeliness of Response to Messages Received by the Customer Counseling Center (CCC)	Average response time to emails received by the CCC	Member, Retiree and Employer Education, Outreach and Partnership	.50 business days	-	-	Monthly	
4	Timeliness of Monthly Retirement Disbursements	Percentage of monthly retirement disbursements processed no later than the first business day of the month	Superior Governance and Long-Term Financial Health	100.00%	-	-	Monthly	
5	Timeliness of Service Retirements Processed	Percentage of service retirements processed so that retiring members are set up to receive retirement benefits on the first retirement payment date for which they are eligible	Superior Governance and Long-Term Financial Health	98.00%	-	-	Monthly	
6	Accuracy of Service Retirements Processed	Percentage of service retirements processed for which the corresponding benefit payment correctly reflects the member's service record	Superior Governance and Long-Term Financial Health	99.00%	-	-	Monthly	
7	Timeliness of Disability Retirements Processed	Percentage of disability retirements processed within 30 days of VRS receiving notification of approval by the Medical Review Board	Superior Governance and Long-Term Financial Health	98.00%	-	-	Monthly	
8	Accuracy of Disability Retirements Processed	Percentage of disability retirements processed for which the corresponding benefit paid correctly reflects the member's service record	Superior Governance and Long-Term Financial Health	99.00%	-	-	Monthly	
9	Timeliness of Workflow Documentation Imaging	Percentage of workflow documents imaged within one business day of receipt	Digital Transformation and Secure Service Delivery	99.50%	-	-	Monthly	
10	Planned IT System Availability	Percentage of time critical systems are available during periods of planned availability	Technology Infrastructure	99.50%	-	-	Monthly	
11	Timeliness of Employer Contribution Confirmations	Percentage of Employer Contribution Confirmation (CC) snapshots completed in VNAV by the end of the month in which they are due	Superior Governance and Long-Term Financial Health	99.00%	-	-	Monthly	
12	Implementation of Corrective Action to Audit Recommendations	Percentage of audit recommendations for which VRS management represents that corrective action has been implemented by the approved target date	Superior Governance and Long-Term Financial Health	> 95.00%	-	-	Quarterly	
13	Preventable Employee Turnover	Percentage of employees voluntarily separating VRS employment due to preventable experiences	Organizational Strength, Culture and Engagement	< 10.00%	-	-	Annual	
14	Cost to Administer Defined Benefit Plans	Annual pension administration cost for defined benefit plans, as compared to peer group median reported by CEM Benchmarking, Inc.	Superior Governance and Long-Term Financial Health	FY 2025 CEM Peer Cost Average	-	-	Annual	Will not know FY 2025 CEM peer cost until spring 2026

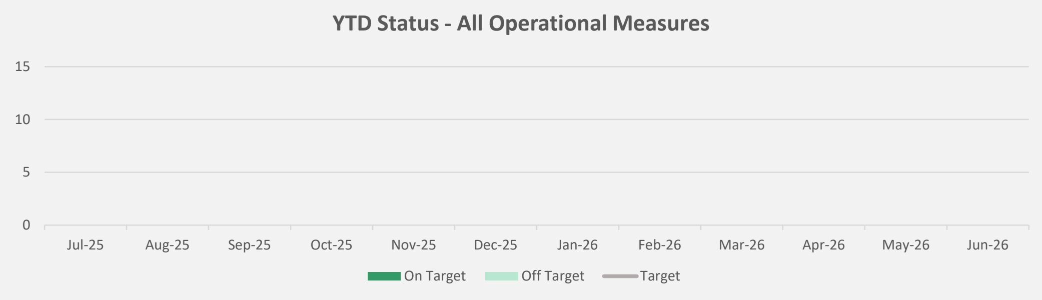
Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director’s Executive Committee (DEC) and the Board of Trustees.

FISCAL YEAR 2026 OPERATIONAL MEASURES STATUS REPORT

July-25


Current Status - All Operational Measures


YTD Status - All Operational Measures

OM #	Operational Measure (OM)	Description	Strategic Goal	Target (Goal)	Current Status	YTD Status	Reporting Frequency	Comments
15	Systems Security Awareness	Percentage of eligible staff who have completed security training in compliance with the agency's and Commonwealth's security policies	Digital Transformation and Secure Service Delivery	100.00%	-	-	Annual	Measure reported on an annual basis
16	Employee Professional Development	Percentage of full-time VRS administration employees receiving at least 10 hours of professional development	Organizational Strength, Culture and Engagement	90.00%	-	-	Annual	Measure reported on an annual basis
P1	Customer Satisfaction	Percentage of respondents indicating a satisfactory rating in response to the CCC post-interaction survey.	Member, Retiree and Employer Education, Outreach and Partnership	>90%	-	-	Monthly	Piloting for FY26
P2	Quality Assurance Score	Percentage of quality assurance (QA) reviews scoring at least 90.	Member, Retiree and Employer Education, Outreach and Partnership	>90%	-	-	Monthly	Piloting for FY26
P3	First Contact Resolution	Percentage of customers indicating that they were able to complete all of their business needs with their initial interaction with the CCC.	Member, Retiree and Employer Education, Outreach and Partnership	>85%	-	-	Monthly	Piloting for FY26

Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director’s Executive Committee (DEC) and the Board of Trustees.

Virginia
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Fiscal Year 2026 Operational Measures

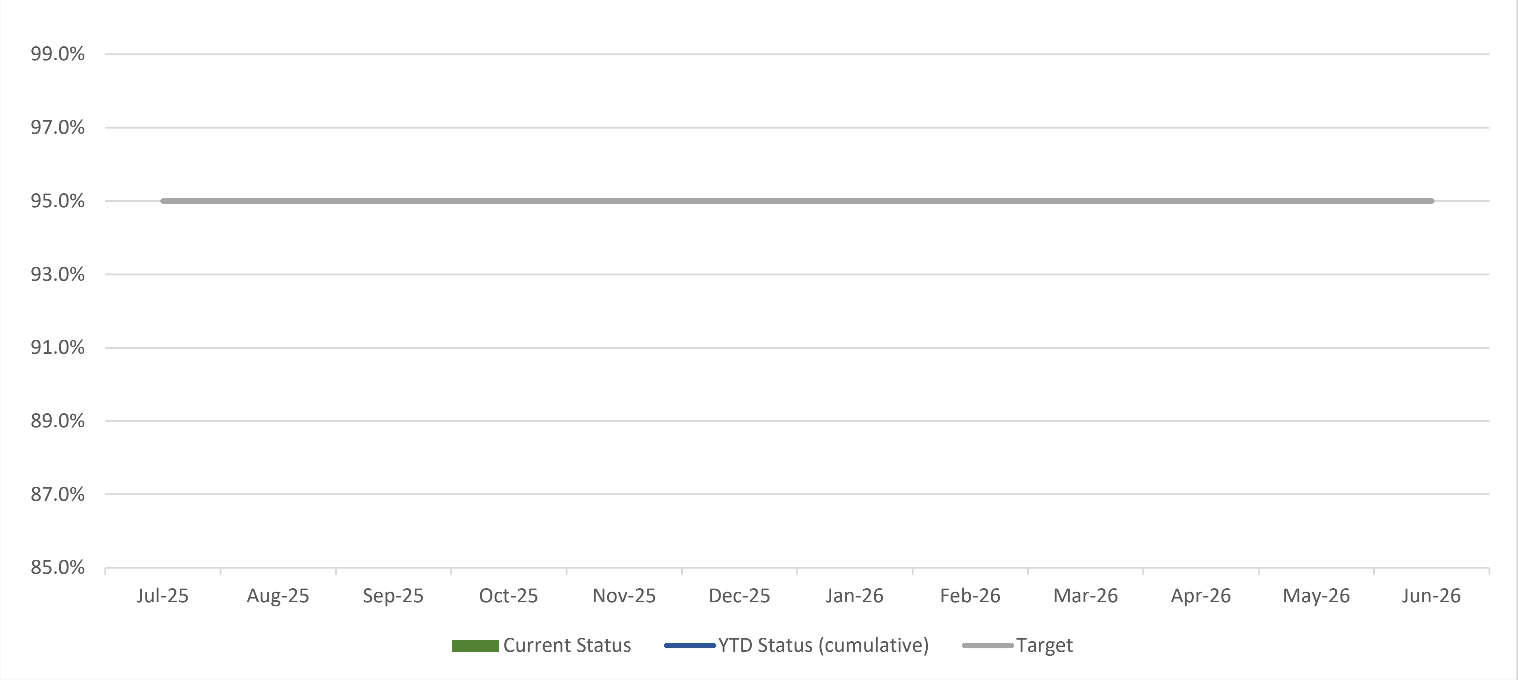
Reporting Period: July-25

OM 1

Operational Measure	Timeliness of Monthly Financial Account Reconciliations		
Strategic Goal	Superior Governance and Long-Term Financial Health		
Description	Percentage of monthly financial control reconciliations completed by last business day of the following month		
Calculation Methodology	The number of financial account reconciliations completed by the last business day of the month, divided by the total accounts requiring reconciliation each month.		
Data Source	Finance Control Performance Report	**Reporting Frequency**	Monthly
Target (Performance Goal)	> 98.00%	**Baseline** (Performance History)	99%
Target Rationale: *Maintain recent performance*		***Baseline Rationale: 3*** *year average = 99%*	
Current Reporting Month Status	-	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	-

	Potential Constraints to Meeting Target	**Mitigation Strategies**
1	Ongoing system enhancements	Identify alternative processes to work around disruptions, and cross-train staff for backup as needed
2	Potential technology issues related to interdependency with Cardinal and other 3rd party systems	Enact business continuity plan for technology outages
3	Unanticipated external/internal requests for new programs that expand the overall number of reconciliations	Streamline process for approving and implementing new programs to expedite roll-out and ensure accurate reconciliation reporting

YTD Performance History



VRS Mission: *VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.*

VRS Vision: *To be the trusted leader in the delivery of benefits and services to those we serve.*

Overall Measure: 13 of 16 meet or exceed target

Changes to operational measure targets and/or calculation methodologies require approval by both the Director’s Executive Committee (DEC) and the Board of Trustees.

Fiscal Year 2026 Operational Measures

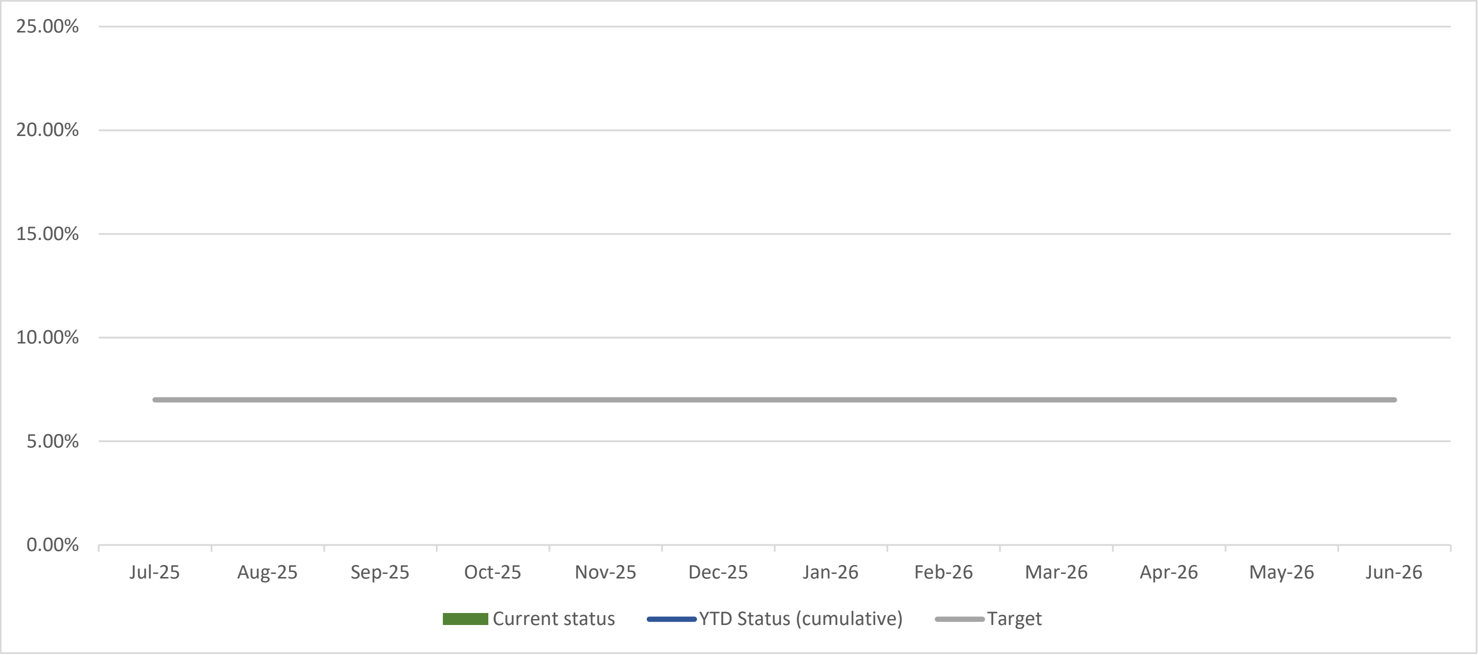
Reporting Period: July-25

OM 2

Operational Measure	Average Abandoned Call Rate		
Strategic Goal	Member, Retiree and Employer Education, Outreach and Partnership		
Description	Percentage of calls to the Customer Counseling Center (CCC) that result in hang-ups while in the queue		
Calculation Methodology	The number of abandoned calls (defined as a caller hanging up prior to reaching a knowledgeable person), divided by the total number of calls received by the CCC support teams. Average rate is calculated on a cumulative basis.		
Data Source	Customer Counseling Center Performance Report	**Reporting Frequency**	Monthly
Target (Performance Goal)	< 7.00%	**Baseline** (Performance History)	13.24%
Target Rationale: *To account for anticipated high call volume due to system changes.*		***Baseline Rationale: 3*** *year average = 13.24%*	
Current Reporting Month Status	-	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	-

	Potential Constraints to Meeting Target	**Mitigation Strategies**
1	Regulatory or legislative changes that impact customer benefits and result in increased call volumes (i.e. federal tax code change)	Prepare and implement a staffing augmentation plan for times when additional resources are needed on short notice to react to call influxes due to external causes
2	Ongoing system enhancements	Prepare a staffing augmentation plan for times when additional resources are needed on short notice to react to call influxes
3	Need for increased security requirements for accessing members' records in accordance with industry best practices which cause longer call times	Identify opportunities to expedite the requisite validation process while still ensuring compliance with VRS security protocols to protect member data

YTD Performance History



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Overall Measure: 13 of 16 meet or exceed target

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Fiscal Year 2026 Operational Measures

Reporting Period: July-25

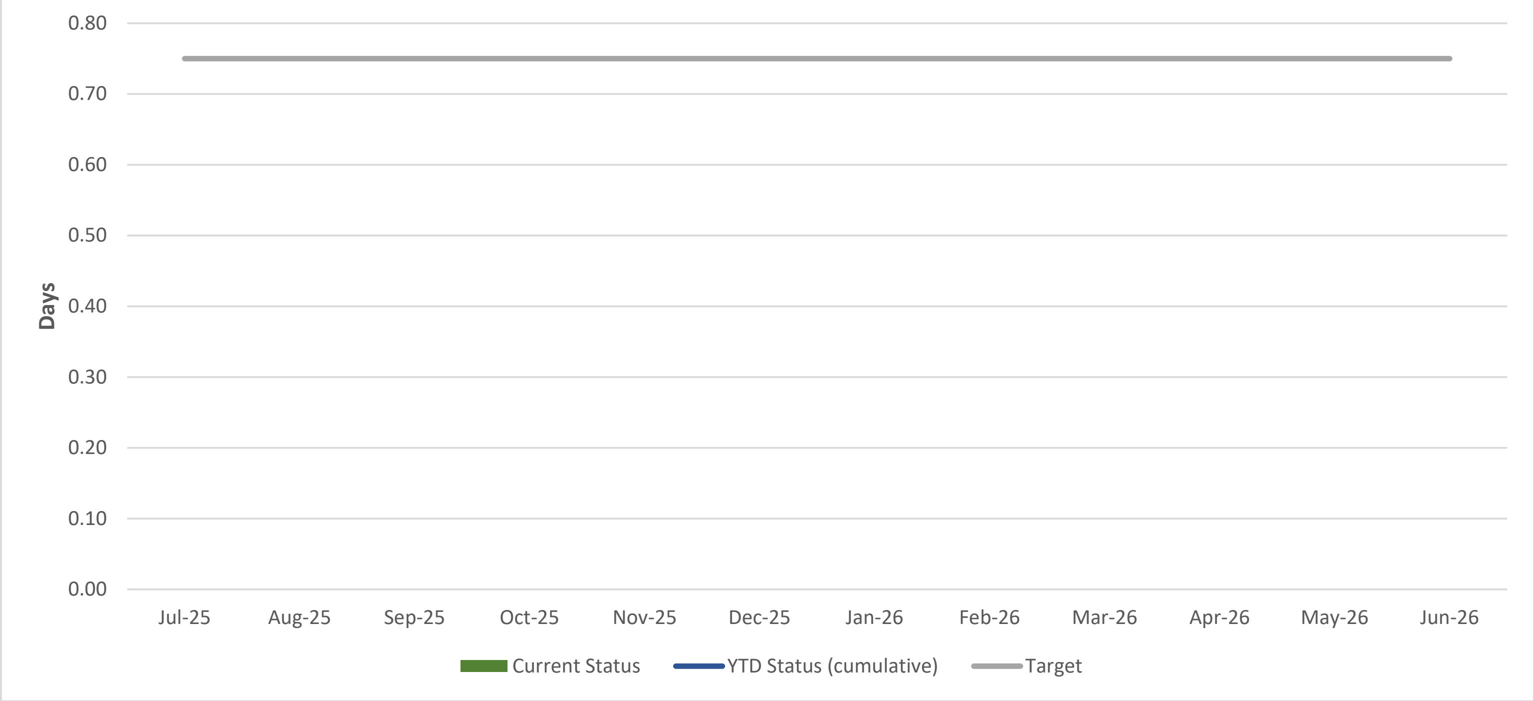
OM 3

Operational Measure	Timeliness of Response to Messages Received by the Customer Counseling Center (CCC)
Strategic Goal	Member, Retiree and Employer Education, Outreach and Partnership
Description	Average response time to emails received by the CCC
Calculation Methodology	The number of messages responded to within two business days, divided by the total number of messages responded to by the CCC.

Data Source	Customer Counseling Center Performance Report	**Reporting Frequency**	Monthly
Target (Performance Goal)	.50 business days	**Baseline** (Performance History)	.38 business days
Target Rationale: *Maintain recent performance*		***Baseline Rationale: 3*** *year average = .38 days*	
Current Reporting Month Status	-	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	-

	Potential Constraints to Meeting Target	**Mitigation Strategies**
1	Transition may occur in FY 2025 from traditional emails to secure messaging through the MyVRS portal	Proactively train CCC staff on the process changes that will occur when secure messaging is implemented
2	Ongoing system enhancements	Prepare a staff augmentation plan for times when additional resources are needed to address email backlogs resulting from system outages
3	Historically high rate of turnover of CCC staff	Continue recruitment and retention measures to attract and retain CCC staff

YTD Performance History



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Virginia Retirement System

Fiscal Year 2026 Operational Measures

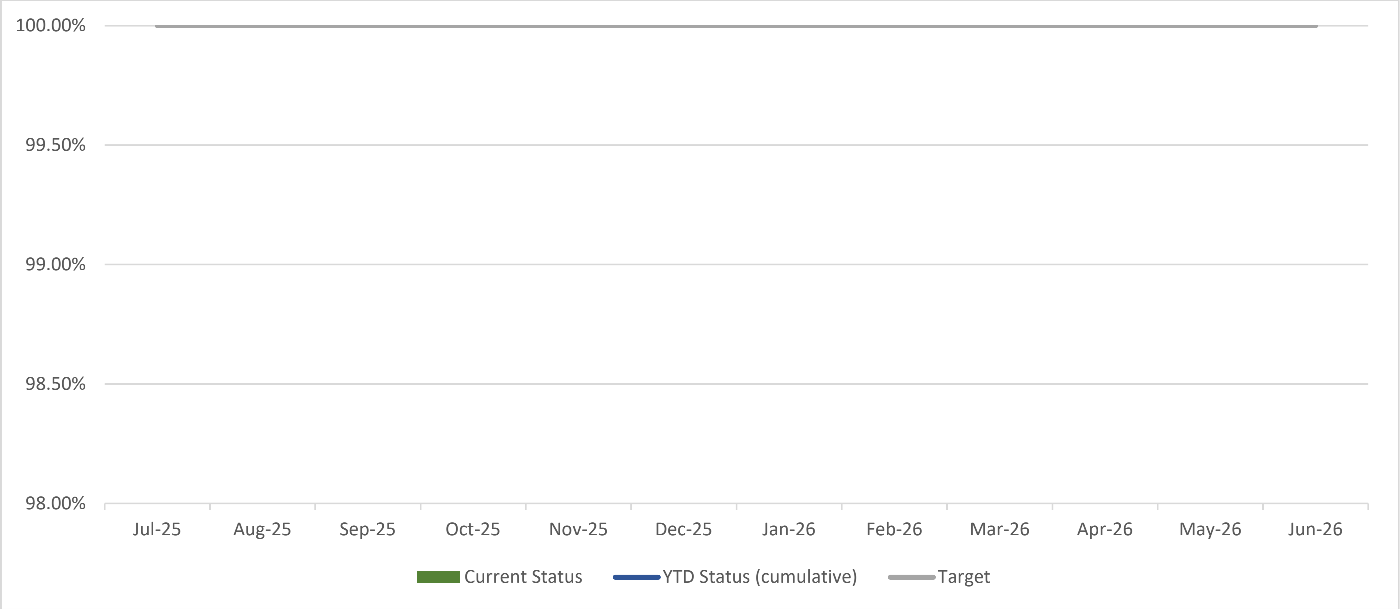
Reporting Period: July-25

OM 4

Operational Measure	Timeliness of Monthly Retirement Disbursements		
Strategic Goal	Superior Governance and Long-Term Financial Health		
Description	Percentage of monthly retirement disbursements processed no later than the first business day of the month		
Calculation Methodology	The number of monthly retirement disbursements processed so that the payment date is no later than the first business day of the month, divided by the total number of monthly retirement disbursements that require processing each month. "Processed" is defined as funds having been disbursed to retirees; "disbursed" is defined as the funds having been paid out of the VRS account. This process requires VRS to submit documentation to external partners (Virginia Department of Treasury, banking partner) in sufficient time to meet the first business day of the month requirement.		
Data Source	Benefit Disbursements Performance Report	**Reporting Frequency**	Monthly
Target (Performance Goal)	100.00%	**Baseline** (Performance History)	100.00%
Target Rationale: *Maintain recent performance*		***Baseline Rationale: 3*** *year average = 100%*	
Current Reporting Month Status	-	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	-

	Potential Constraints to Meeting Target	**100**
1	Dependence upon external parties who are integral to the process (i.e., Virginia Department of Treasury and banking partner)	Develop contingency plan in concert with external parties to ensure open lines of communication and alternate processes in the event of a potential delay
2	Ongoing system enhancements	Enact business continuity plan for technology outages
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy of staff authorized to approve retirements

YTD Performance History



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Fiscal Year 2026 Operational Measures

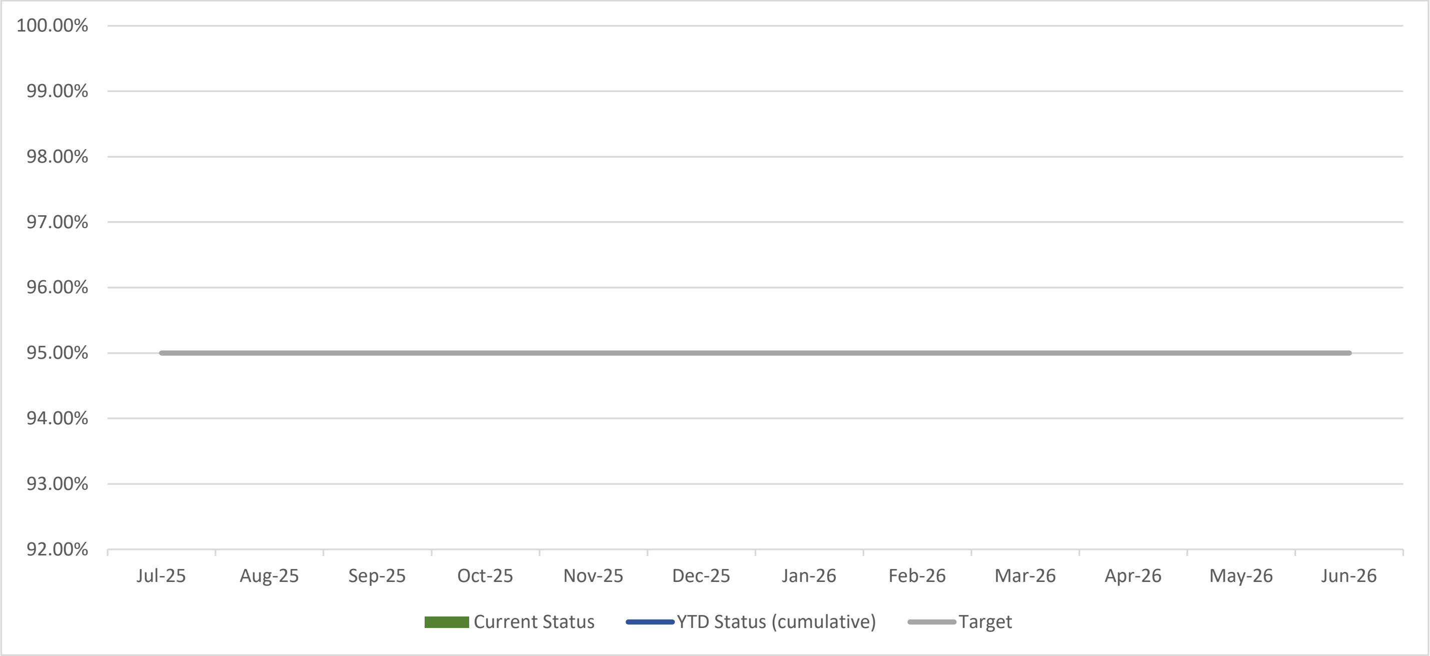
Reporting Period: July-25

OM 5

Operational Measure	Timeliness of Service Retirements Processed		
Strategic Goal	Superior Governance and Long-Term Financial Health		
Description	Percentage of service retirements processed so that retiring members are set up to receive retirement benefits on the first retirement payment date for which they are eligible		
Calculation Methodology	The number of service retirement payments processed by the first payment date on which the member is eligible to receive retirement benefits, divided by the total number of initial payments made for the same time period. The "first payment date on which the member is eligible to receive retirement benefits" is based on the date by which VRS receives a member's retirement application that is determined by VRS to be complete, accurate, and ready for payment processing. "Processed" is defined as funds having been paid to retirees; "disbursed" is defined as the funds having been paid out of the VRS account.		
Data Source	Service Retirement Performance Report	**Reporting Frequency**	Monthly
Target (Performance Goal)	98.00%	**Baseline** (Performance History)	99.00%
Target Rationale: *Maintain recent performance*		***Baseline Rationale: 3*** *year average = 99%*	
Current Reporting Month Status	-	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	-

	Potential Constraints to Meeting Target	**Mitigation Strategies**
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition
2	Ongoing system enhancements	Enact business continuity plan for technology outages
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy-of staff authorized to approve retirements

YTD Performance History



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Fiscal Year 2026 Operational Measures

Reporting Period: July-25

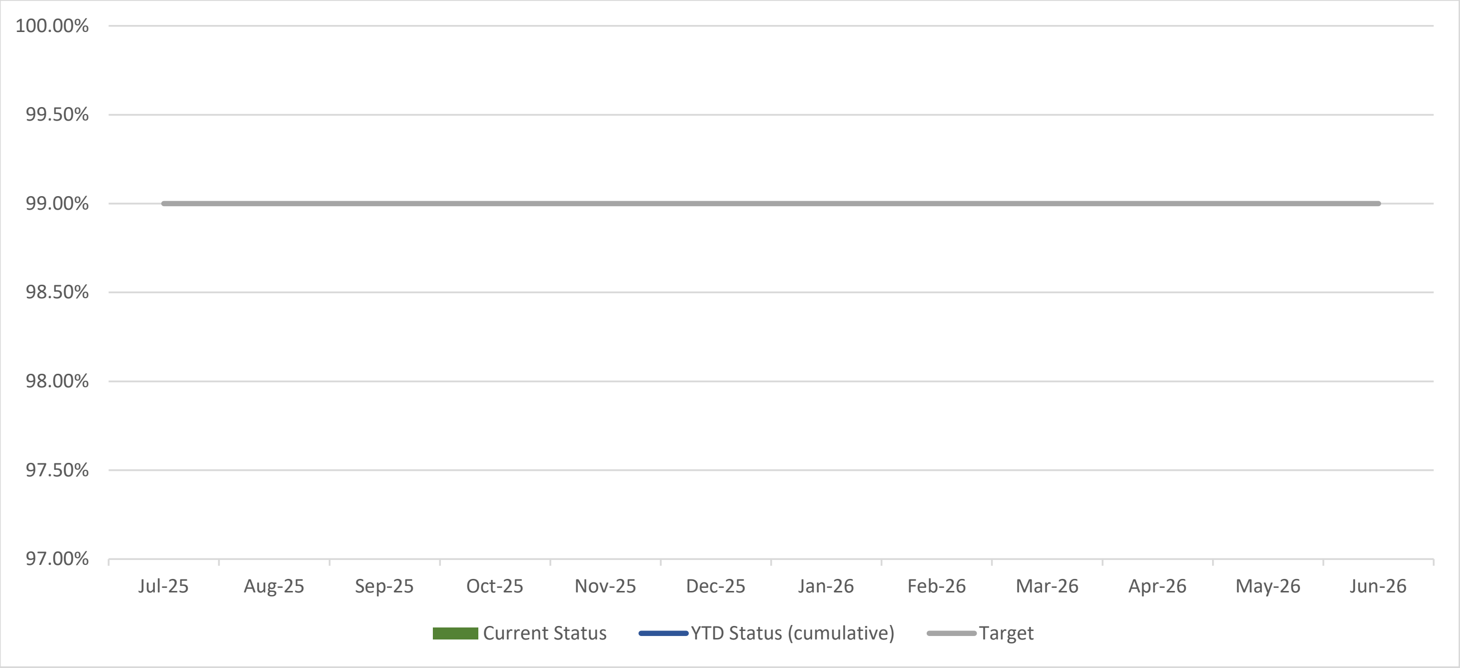
OM 6

Operational Measure	Accuracy of Service Retirements Processed
Strategic Goal	Superior Governance and Long-Term Financial Health
Description	Percentage of service retirements processed for which the corresponding benefit payment correctly reflects the member's service record
Calculation Methodology	The number of service retirement applications processed and corresponding benefit paid accurately, divided by the total number of initial service retirement benefits processed and paid. An accurate benefit payment is defined as the benefit amount correctly reflecting the member's service record. "Processed" is defined as funds having been paid to retirees; "paid" is defined as the funds having been paid out of the VRS account.

Data Source	Service Retirement Performance Report	**Reporting Frequency**	Monthly
Target (Performance Goal)	99.00%	**Baseline** (Performance History)	99.00%
Target Rationale: *Maintain recent performance*		***Baseline Rationale: 3*** *year average = 99%*	
Current Reporting Month Status	-	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	-

	Potential Constraints to Meeting Target	**Mitigation Strategies**
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition
2	Ongoing system enhancements	Enact business continuity plan for technology outages
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy of staff authorized to approve retirements

YTD Performance History



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Fiscal Year 2026 Operational Measures

Reporting Period: July-25

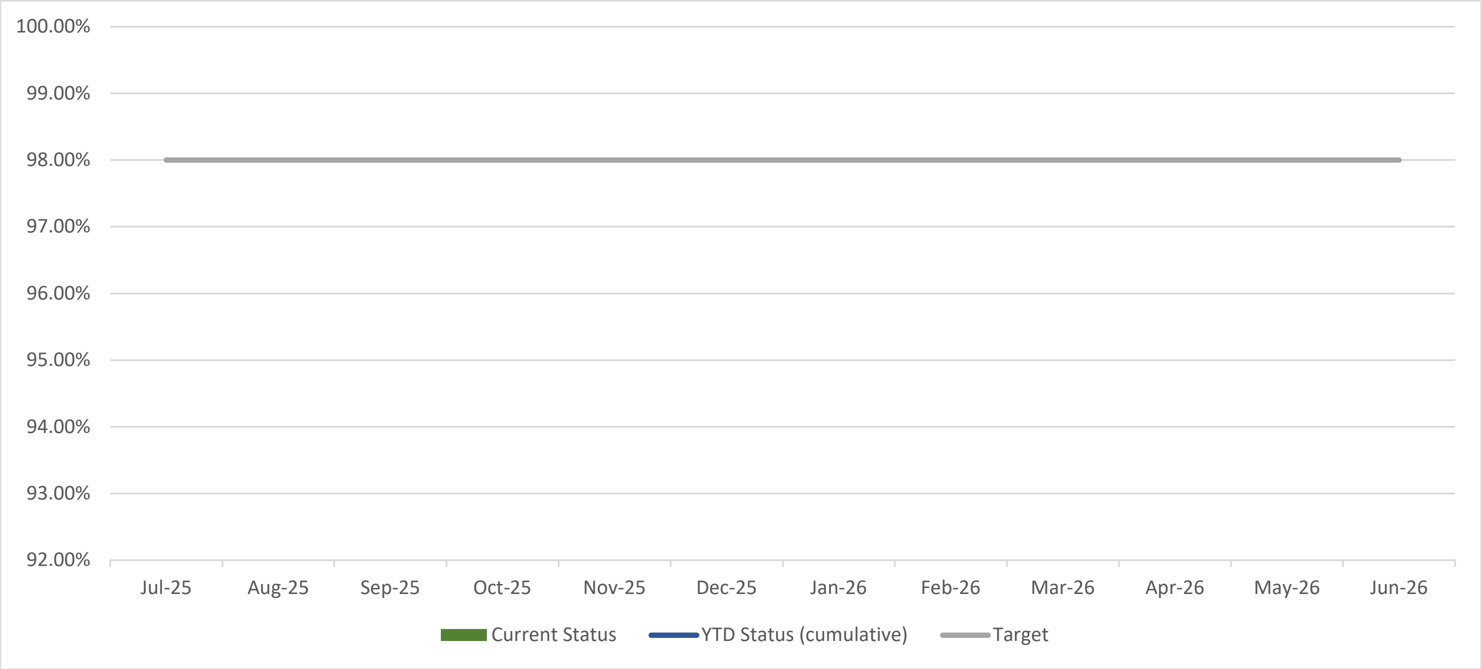
OM 7

Operational Measure	Timeliness of Disability Retirements Processed
Strategic Goal	Superior Governance and Long-Term Financial Health
Description	Percentage of disability retirements processed within 30 days of VRS receiving notification of approval by the Medical Review Board
Calculation Methodology	The number of disability retirements processed within 30 days after VRS receives notice of approval of the application by the Medical Review Board. "Processed" is defined as funds having been paid to retirees; "paid" is defined as the funds having been paid out of the VRS account.

Data Source	Disability Retirement Performance Report	**Reporting Frequency**	Monthly
Target (Performance Goal)	98.00%	**Baseline** (Performance History)	98.00%
Target Rationale: *Maintain recent performance*		***Baseline Rationale: 3*** *year average = 98%*	
Current Reporting Month Status	-	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	-

	Potential Constraints to Meeting Target	**Mitigation Strategies**
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition
2	Ongoing system enhancements	Enact business continuity plan for technology outages
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy of staff authorized to approve retirements

YTD Performance History



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Virginia Retirement System

Fiscal Year 2026 Operational Measures

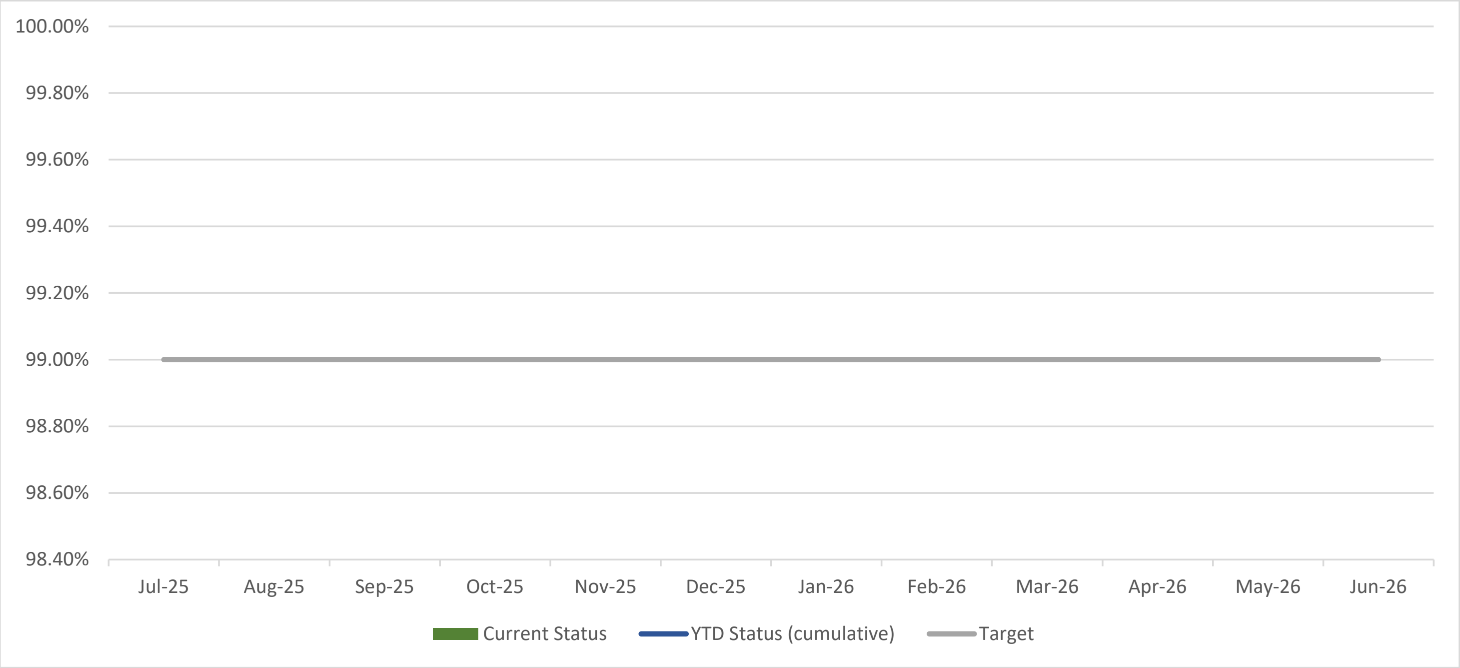
Reporting Period: July-25

OM 8

Operational Measure	Accuracy of Disability Retirements Processed		
Strategic Goal	Superior Governance and Long-Term Financial Health		
Description	Percentage of disability retirements processed for which the corresponding benefit paid correctly reflects the member's service record		
Calculation Methodology	The number of disability retirement applications processed and corresponding benefit paid accurately, divided by the total number of initial disability retirement benefits processed and paid. An accurate benefit payment is defined as the benefit amount correctly reflecting the member's service record. "Processed" is defined as funds having been paid to retirees; "paid" is defined as the funds having been paid out of the VRS account.		
Data Source	Disability Retirement Performance Report	**Reporting Frequency**	Monthly
Target (Performance Goal)	99.00%	**Baseline** (Performance History)	99.00%
Target Rationale: *Maintain recent performance*		***Baseline Rationale: 3*** *year average = 99%*	
Current Reporting Month Status	-	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	-

	Potential Constraints to Meeting Target	**Mitigation Strategies**
1	Ongoing implementation of myVRS enhancements, which will significantly change current processes	Provide ample opportunity for advanced training; augment staffing as needed to ensure adequate resources during transition
2	Ongoing system enhancements	Enact business continuity plan for technology outages
3	Sensitivity of data that requires strong controls and several levels of approvals; risk of staff absences or unavailability	Cross-train existing staff and ensure redundancy of staff authorized to approve retirements

YTD Performance History



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Fiscal Year 2026 Operational Measures

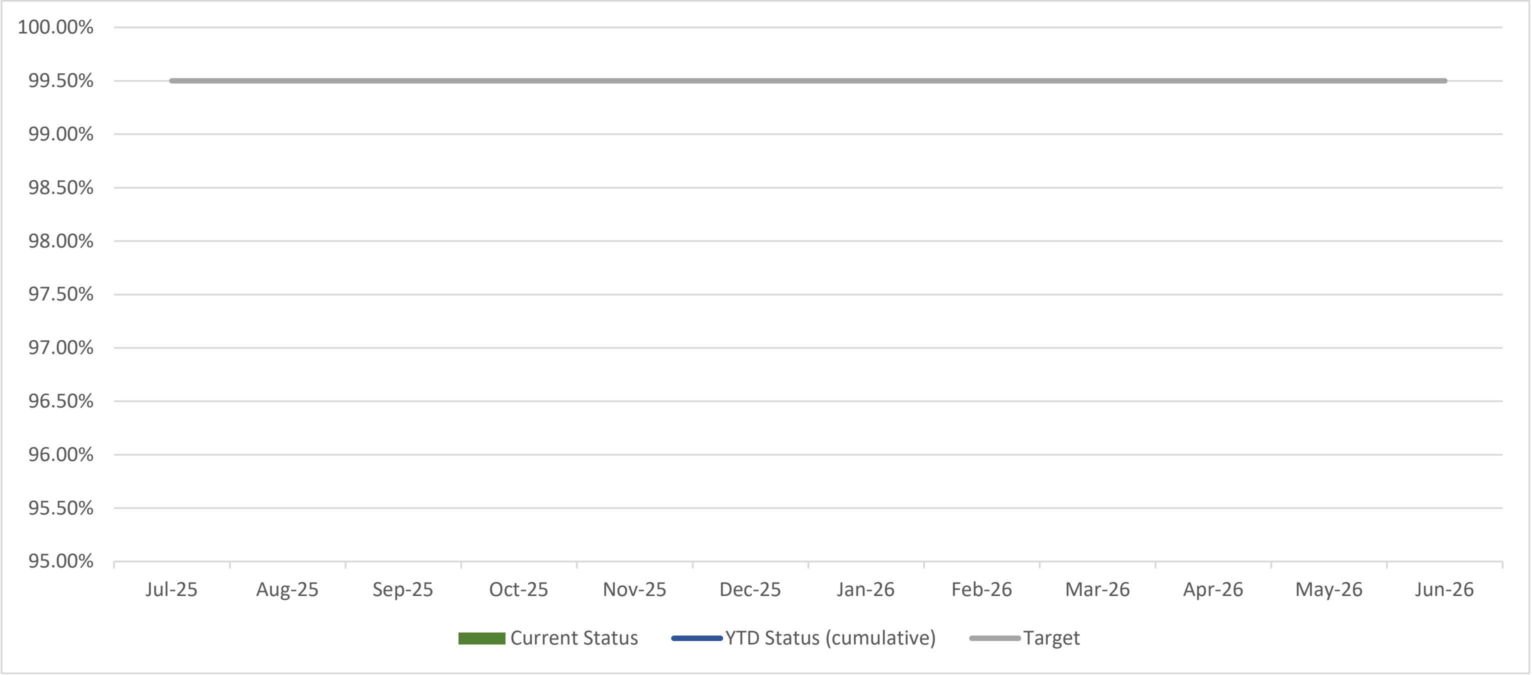
Reporting Period: July-25

OM 9

Operational Measure	Timeliness of Workflow Documentation Imaging		
Strategic Goal	Digital Transformation and Secure Service Delivery		
Description	Percentage of workflow documents imaged within one business day of receipt		
Calculation Methodology	The number of documents imaged within one business day of receipt by the Imaging business unit, divided by the number of documents received by the Imaging unit within the same timeframe. Currently, an average of 20,000 documents are imaged per month.		
Data Source	Technology Services SLEs Performance Report	**Reporting Frequency**	Monthly
Target (Performance Goal)	99.50%	**Baseline** (Performance History)	100.00%
Target Rationale: *Maintain recent performance*		***Baseline Rationale:*** *3 year average = 100%*	
Current Reporting Month Status	-	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	-

	Potential Constraints to Meeting Target	**Mitigation Strategies**
1	Dependence upon current Imaging unit staffing level to ensure expedient and accurate processing within the prescribed turnaround time	Prescribe duties that merit the continuance of the current Imaging unit staffing level (with respect to the ongoing transition to online retirements that should reduce paper form intake levels)
2	Ongoing system enhancements	Enact business continuity plan for technology outages
3	Staffing constraints; specific skill set required limits feasibility for untrained staff to produce results with same efficiency and effectiveness	Establish a routine cross-training program to ensure well-trained staff are available at all times

YTD Performance History



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Fiscal Year 2026 Operational Measures

Reporting Period: July-25

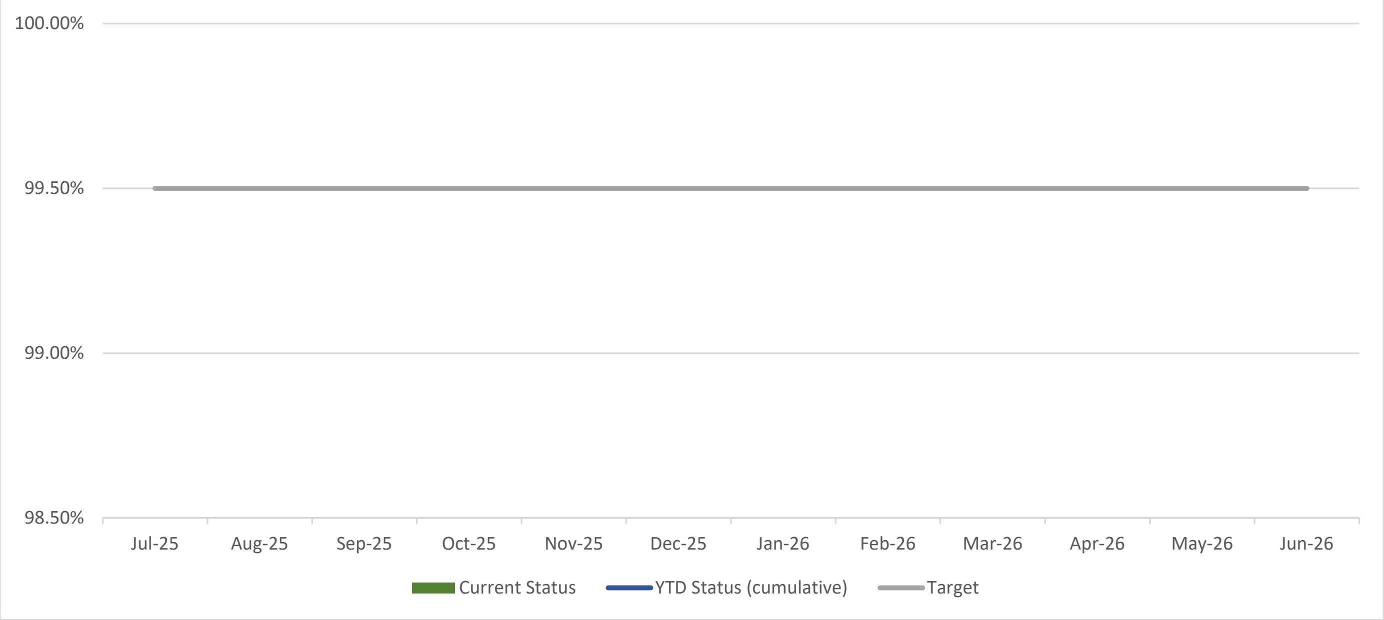
OM 10

Operational Measure	Planned IT System Availability
Strategic Goal	Technology Infrastructure
Description	Percentage of time critical systems are available during periods of planned availability
Calculation Methodology	Percentage of time during which critical business systems are available for use by VRS staff and customers, divided by the total time for which it was planned that said systems would be available. Critical business systems include: VNAV, telephone, email, internet, myVRS, Imaging, Investments, D365, Customer Counseling Center Cisco phone system, and remote access. Note: business systems deemed "critical" may change periodically depending on business needs or system changes (ex: RIMS was decommissioned in spring 2019 and is no longer considered a critical business system as of that time). Periods of availability are pre-determined based on business needs and requirements regarding routine system testing, maintenance and upgrades. "Availability" is defined as being able to be used by the majority of persons for whom it is intended and for the majority of purposes for the system's intended use.

Data Source	Technology Services SLEs Performance Report	**Reporting Frequency**	Monthly
Target (Performance Goal)	99.50%	**Baseline** (Performance History)	99.00%
Target Rationale: *Maintain recent performance*		***Baseline Rationale: 3*** *year average = 99%*	
Current Reporting Month Status	-	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	-

	Potential Constraints to Meeting Target	**Mitigation Strategies**
1	Failure on the part of third party business partners to provide dependent services	Implement back-up plans (ex: different phone line)
2	Ongoing system enhancements	Enact business continuity plan for technology outages
3	Timing of a potential system failure that limits staff resources available to respond immediately	Strategically plan staffing availability to address potential system failures in the most effective manner

YTD Performance History



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Fiscal Year 2026 Operational Measures

Reporting Period: July-25

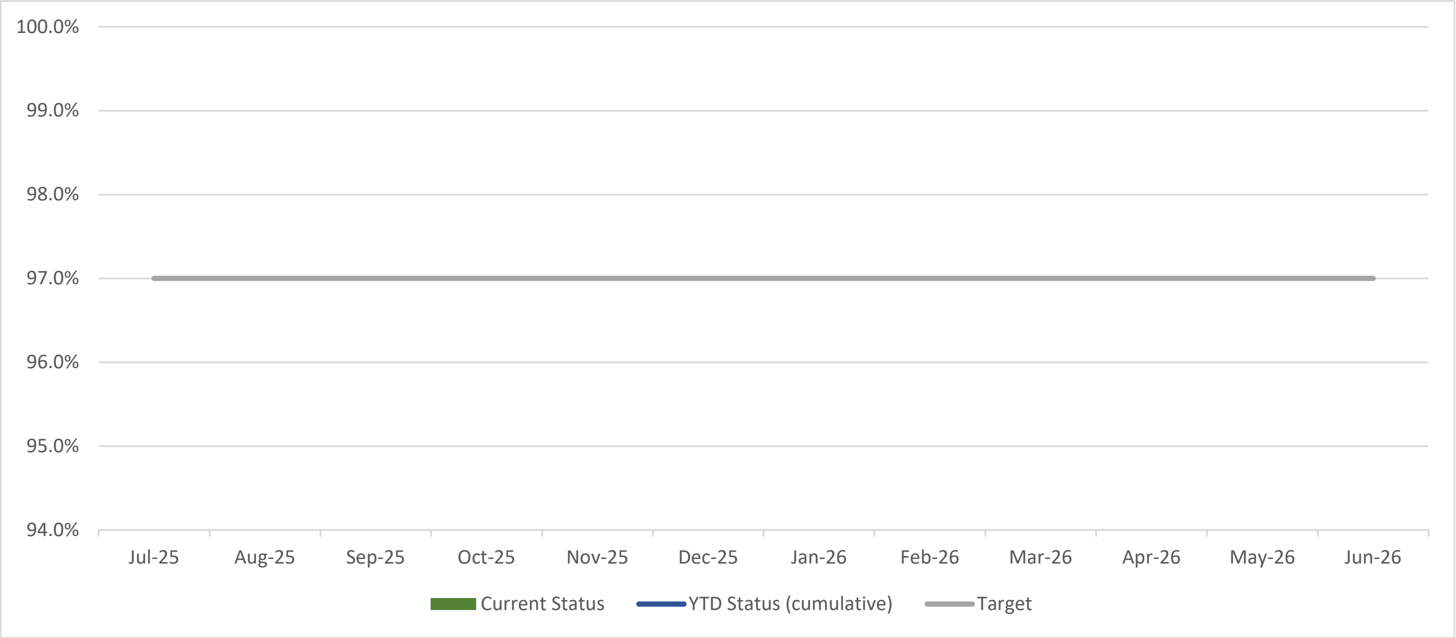
OM 11

Operational Measure	Timeliness of Employer Contribution Confirmations
Strategic Goal	Superior Governance and Long-Term Financial Health
Description	Percentage of Employer Contribution Confirmation (CC) snapshots completed in VNAV by the end of the month in which they are due
Calculation Methodology	The number of employer CC snapshots received by the end of the month in which they are due, divided by the total number of employer CC snapshots required for the same time period. VRS works with employers to ensure that monthly CC snapshots are posted in a timely fashion. There are over 1,000 employers reporting to VRS for which CC snapshots are required on a monthly basis.

Data Source	Employer Reporting Contribution Confirmation and Payment Status Report	**Reporting Frequency**	Monthly
Target (Performance Goal)	99.00%	**Baseline** (Performance History)	100.00%
Target Rationale: *Maintain recent performance*		***Baseline Rationale: 3*** *year average = 100.00%*	
Current Reporting Month Status	-	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	-

	Potential Constraints to Meeting Target	**Mitigation Strategies**
1	Dependence on over 1,000 employers to submit their confirmations on time every month	Proactively communicate with employers with a focus on those with a history of delinquent submissions to mediate potential causes for delay
2	Ongoing system enhancements	Proactively communicate with employers to identify potential impacts and assist as appropriate with the submission process
3	Potential technology issues related to interdependency with Cardinal and other 3rd party systems	Provide notice to state employers of potential for delay due to Cardinal implementation and advise that they prepare to ensure timely report submission

YTD Performance History



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Fiscal Year 2026 Operational Measures

Reporting Period: July-25

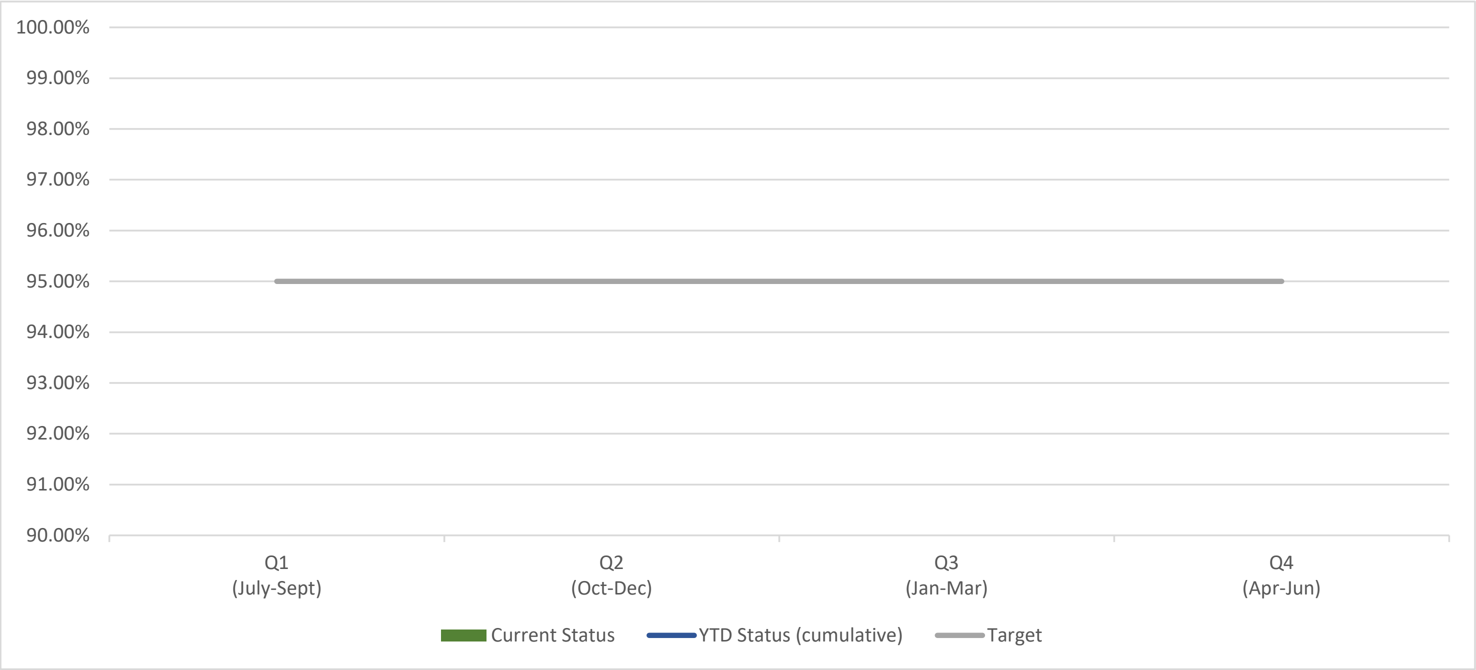
OM 12

Operational Measure	Implementation of Corrective Action to Audit Recommendations
Strategic Goal	Superior Governance and Long-Term Financial Health
Description	Percentage of audit recommendations for which VRS management represents that corrective action has been implemented by the approved target date
Calculation Methodology	The number of audit recommendations for which VRS management has represented that corrective action has been implemented, divided by the total number of audit recommendations for which corrective action is needed as of the date the measure is calculated. VRS management establishes target dates and provides periodic updates to Audit regarding whether actions have been taken. Audit tracks responses in the Audit Recommendation Follow-Up System (ARFUS).

Data Source	ARFUS	**Reporting Frequency**	Quarterly
Target (Performance Goal)	> 95.00%	**Baseline** (Performance History)	100.00%
Target Rationale: *Maintain recent performance and account for ongoing system and process changes impacting implementation.*		***Baseline Rationale: 3*** *year average = 100%*	
Current Reporting Month Status	-	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	-

	Potential Constraints to Meeting Target	**Mitigation Strategies**
1	High cost to implement necessary corrective action	Work within existing agency allocations and, if necessary, also with state budgetary processes to obtain resources needed to effectuate corrective action
2	Limited staff resources to effectively implement necessary corrective action	Adjust allocation of staffing resources to enable corrective action implementation
3	External factors that delay ability to take necessary corrective action (ex: legislative mandates that redirect agency resources)	Communicate with DEC and Audit regarding possible adjustment of target date to accommodate timeline of when resources will be available

YTD Performance History



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Fiscal Year 2026 Operational Measures

Reporting Period: July-25

OM 13

Operational Measure	Preventable Employee Turnover		
Strategic Goal	Organizational Strength, Culture and Engagement		
Description	Percentage of employees voluntarily separating VRS employment due to preventable experiences		
Calculation Methodology	The number of Administration employees who voluntarily separate from VRS employment due to preventable reasons, divided by the total number of Administration employees who voluntarily separate VRS employment, when total employee turnover exceeds 5% within the same period of time. Preventable turnover is determined from exit interview results, and includes substantiated reports of unsuccessful supervision or management, unsatisfactory work environment, insufficient resources to complete one's job effectively, and unavailability of training opportunities.		
Data Source	Human Resources Department Exit Interview Survey Results	**Reporting Frequency**	Annual
Target (Performance Goal)	< 10.00%	**Baseline** (Performance History)	27.27%
Target Rationale: *Maintain recent performance*		***Baseline Rationale: FY 2024 results***	
Current Reporting Month Status	-	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	-

	Potential Constraints to Meeting Target	**Mitigation Strategies**
1	Unrealistic employee expectations regarding VRS work environment and responsibilities	Provide clear position descriptions and responsibilities upon hire; outline organization culture and expectations on a regular basis; ensure open communication between employees, managers and supervisors
2	Reorganization due to myVRS enhancements may alter current work responsibilities for some employees	Provide clear and open communication throughout the implementation process; Offer sufficient training opportunities for employees tasked with new responsibilities
3	Internal and external factors impacting employee morale	Continue direct outreach to employees, provide EAP resources and implement employee engagement activities

YTD Performance History

[Reported as an annual measure]

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Fiscal Year 2026 Operational Measures

Reporting Period: July-25

OM 14

Operational Measure	Cost to Administer Defined Benefit Plans
Strategic Goal	Superior Governance and Long-Term Financial Health
Description	Annual pension administration cost for defined benefit plans, as compared to peer group median reported by CEM Benchmarking, Inc.
Calculation Methodology	VRS pension administration cost per active member and annuitant for defined benefit plans as compared to that of its peer group, as calculated by CEM Benchmarking, Inc. The average peer cost calculated by CEM is available on delay and will not be known until spring 2025. At that time the FY 2024 annual agency cost will be compared to the to the FY 2024 CEM peer cost to determine whether VRS's cost is lower than the peer average.

Data Source	CEM Benchmarking, Inc.	**Reporting Frequency**	Annual
Target (Performance Goal)	Lower than the FY 2024 CEM Peer Cost Average	**Baseline** (Performance History)	N/A
Target Rationale: *Measuring VRS annual administrative cost for FY 2024 against the most current peer data as provided by CEM Benchmarking, Inc.*		***Baseline Rationale:*** *N/A*	
Current Reporting Month Status	-	**YTD Status** (Used at year-end to determine whether target has been met)	-

	Potential Constraints to Meeting Target	**Mitigation Strategies**
1	Significant unanticipated costs to administer pension plans due to external influences	Work within existing agency allocations and prioritize spending plans to ensure administrative expenditures remain reasonable
2	Dependent upon expenditure patterns for the CEM Peer group for administrative cost average	Maintain communications with CEM peers to stay informed on any spending abnormalities that may skew CEM-calculated peer costing
3	FY 2024 CEM cost not known until late into FY 2025 (limiting agency ability to react if missing target)	Proactively calculate and monitor agency administrative cost in anticipation of receiving the FY 2024 CEM cost; adjust agency spending if out of line with recent CEM peer cost averages

YTD Performance History

[Average Pension Administration Cost for VRS' Peer Group, as provided by CEM Benchmarking, will be known in spring 2026]

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Fiscal Year 2026 Operational Measures

Reporting Period: July-25

OM 15

Operational Measure	Systems Security Awareness
Strategic Goal	Digital Transformation and Secure Service Delivery
Description	Percentage of eligible staff who have completed security training in compliance with the agency's and Commonwealth's security policies
Calculation Methodology	Percentage of eligible staff who have completed the agency's annual security training, VRS User IT Security Policy Training ("security training"), divided by the total eligible agency staff. Employees who join the agency during FY 2025 are required to complete security training within 30 days after their start date. All staff are required to complete the training during the annual training window. The training provides information on such critical security practices as protecting sensitive data, utilizing effective passphrases, reviewing acceptable technology use policies, being on alert for phishing and other malpractices, and more. **The percentage is calculated on a cumulative basis and reported annually (with the total requirement recalculated monthly as new staff are hired and required to obtain security training).**

Data Source	Technology Services SLEs Performance Report	**Reporting Frequency**	Annual
Target (Performance Goal)	100.00%	**Baseline** (Performance History)	100.00%
Target Rationale: *Maintain high security awareness*		***Baseline Rationale:*** *All VRS staff completed security training in FY 2025*	
Current Status	-	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	-

	Potential Constraints to Meeting Target	**Mitigation Strategies**
1	Unavailability of the Virginia Learning Center (VLC, a non-VRS application) for training	Provide sufficient time for staff to obtain training within prescribed timeline to allow for possible VLC system unavailability
2	Ongoing system enhancements	Enact business continuity plan for technology outages
3	New training requirements as set-forth by the Commonwealth Security Policy that require changes to the prepared security training	Proactively coordinate with different units within VRS to ensure sufficient time and resources to make necessary changes to the prepared training

YTD Performance History

[Reported as an annual measure]

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Fiscal Year 2026 Operational Measures

Reporting Period: July-25

OM 16

Operational Measure	Employee Professional Development		
Strategic Goal	Organizational Strength, Culture and Engagement		
Description	Percentage of full-time VRS administration employees receiving at least 10 hours of professional development		
Calculation Methodology	The number of eligible full-time VRS administration employees who have completed at least 10 hours of professional development, divided by the total number of eligible full-time administration employees. Eligible employees are full-time administration staff hired after July 1, 2024 who are not on short- or long-term disability or FMLA during FY 2025. Qualifying professional development includes courses designated in the Virginia Learning Center (VLC), as well as conferences, webinars, college or trade school classes, and any other professional development as approved by the Human Resources Director. Number of hours received is tracked on a cumulative basis and reported quarterly.		
Data Source	Human Resources Performance Report	**Reporting Frequency**	Annual
Target (Performance Goal)	90.00%	**Baseline** (Performance History)	92.00%
Target Rationale: *Maintain recent performance and increased total # of hours*		***Baseline Rationale: 3*** *year average = 92%*	
Current Status	-	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	-

	Potential Constraints to Meeting Target	**Mitigation Strategies**
1	Limited staff flexibility to obtain professional development due to significant staff time dedicated to new software solution implementations and other system enhancements.	Encourage staff to plan for professional development opportunities before and/or after periods of time dedicated to software solution implementations and other system enhancements.
2	Dependence on IT system availability/accessibility for trainings and/or time tracking	Advise staff to plan to be proactive about obtaining professional development and reporting their hours earned as they go
3	Limited progressive course availability on relevant subject matter area	Ongoing communication between managers and staff to expand and identify new learning opportunities

YTD Performance History

[Reported as an annual measure]

VRS Mission: *VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.*

VRS Vision: *To be the trusted leader in the delivery of benefits and services to those we serve.*

Fiscal Year 2026 Operational Measures

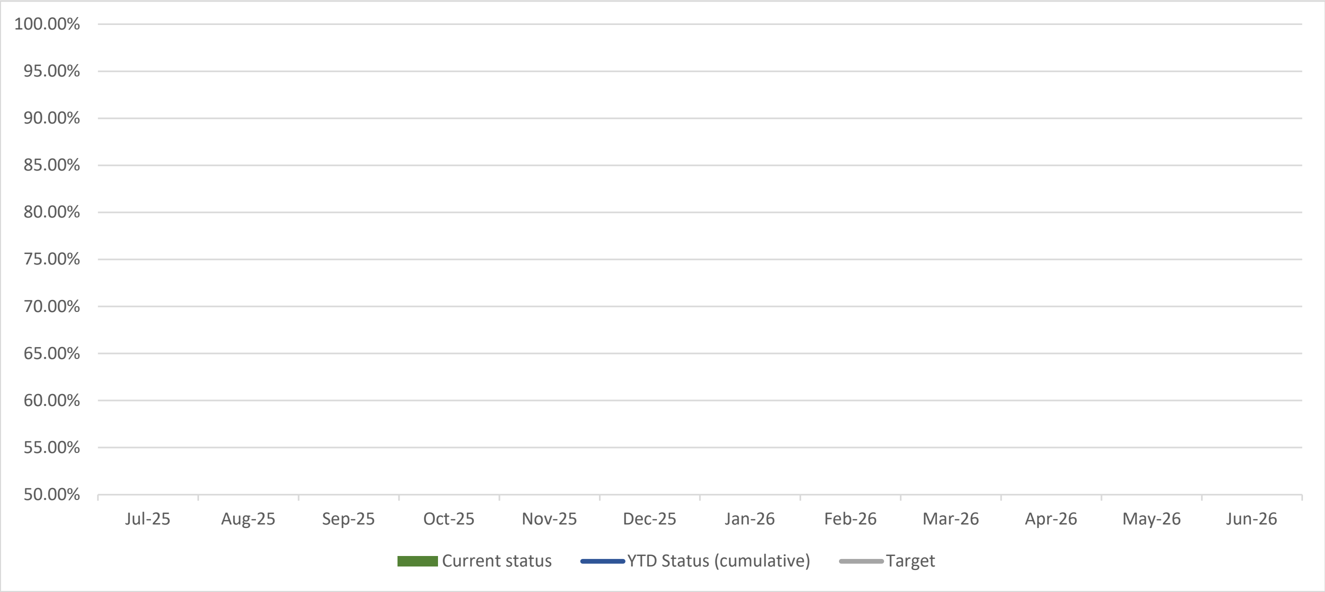
Reporting Period: July-25

OM P1

Operational Measure	Customer Satisfaction		
Strategic Goal	Member, Retiree and Employer Education, Outreach and Partnership		
Description	Percentage of respondents indicating a satisfactory rating in response to the CCC post-interaction survey.		
Calculation Methodology	The number of survey responses indicating a customer satisifaction rating of 4 or higher (the scale is 1-5, with 5 being the highest score), divided by the total number of survey responses. Average rate is calculated on a cumulative basis.		
Data Source	Telephony System Reporting Module	**Reporting Frequency**	Monthly
Target (Performance Goal)	>90%	**Baseline** (Performance History)	-
Target Rationale: *Based on initial data after system implemented in 2024.*		***Baseline Rationale: N/A***	
Current Reporting Month Status	-	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	-

	Potential Constraints to Meeting Target	**Mitigation Strategies**
1	Resources constraints that impact the ability to respond to customers in a timely manner, resulting in lower customer satisfaction scores	Prepare and implement a staffing augmentation plan for times when additional resources are needed on short notice to react to call influxes due to external causes
2	Ongoing system enhancements	Prepare a staffing augmentation plan for times when additional resources are needed on short notice to react to call influxes
3	Need for increased security requirements for accessing members' records in accordance with industry best practices which cause longer customer interaction times	Identify opportunities to expedite the requisite validation process while still ensuring compliance with VRS security protocols to protect member data

YTD Performance History



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Fiscal Year 2026 Operational Measures

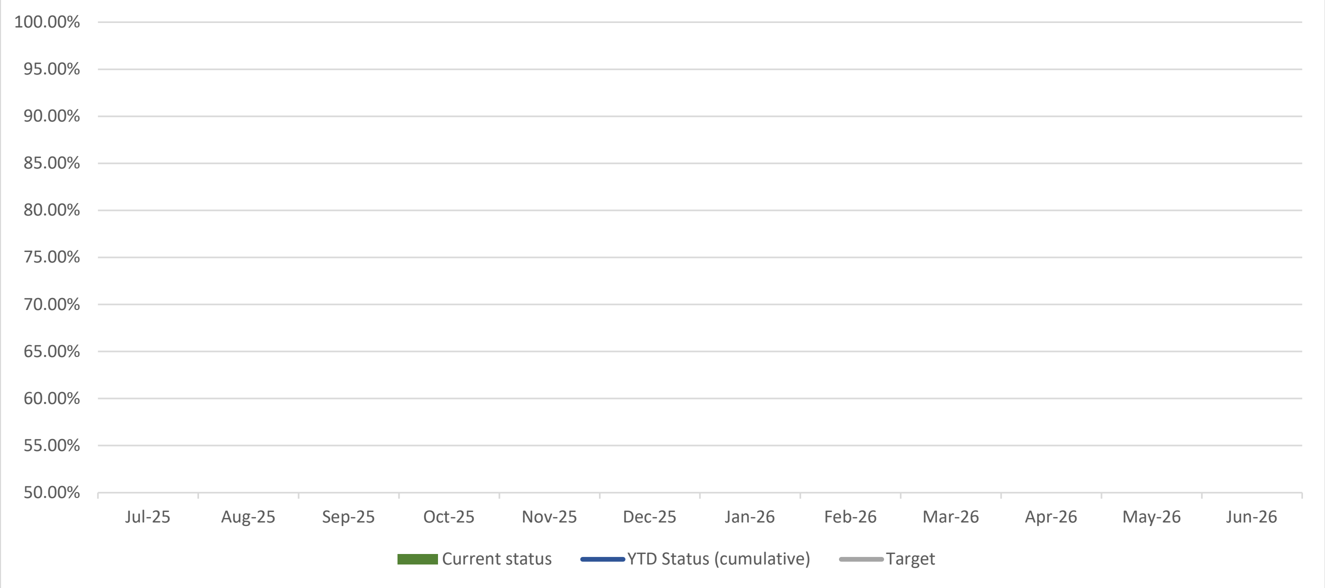
Reporting Period: July-25

OM P2

Operational Measure	Quality Assurance Score		
Strategic Goal	Member, Retiree and Employer Education, Outreach and Partnership		
Description	Percentage of quality assurance (QA) reviews scoring at least 90.		
Calculation Methodology	The number of quality assurance reviews (an assessment of an individual customer call based on multiple categories) scoring at least 90 (100 is the highest score possible), divided by the total number of quality assurance reviews completed. Average rate is calculated on a cumulative basis.		
Data Source	Customer Counseling Center Performance Report	**Reporting Frequency**	Monthly
Target (Performance Goal)	>90%	**Baseline** (Performance History)	-
Target Rationale: *Based on initial data available.*		***Baseline Rationale: N/A***	
Current Reporting Month Status	-	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	-

	Potential Constraints to Meeting Target	**Mitigation Strategies**
1	Ongoing telephony system enhancements	Provide job aides and training for new system enhancements
2	Unexpected system downtime	Prepare communication and talking points to address system outage
3	Insufficient training for employees, including ongoing training for existing staff	Identify gaps in training and prepare updated training materials for use by staff

YTD Performance History



VRS Mission: *VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.*

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Virginia Retirement System

Fiscal Year 2026 Operational Measures

Reporting Period: July-25

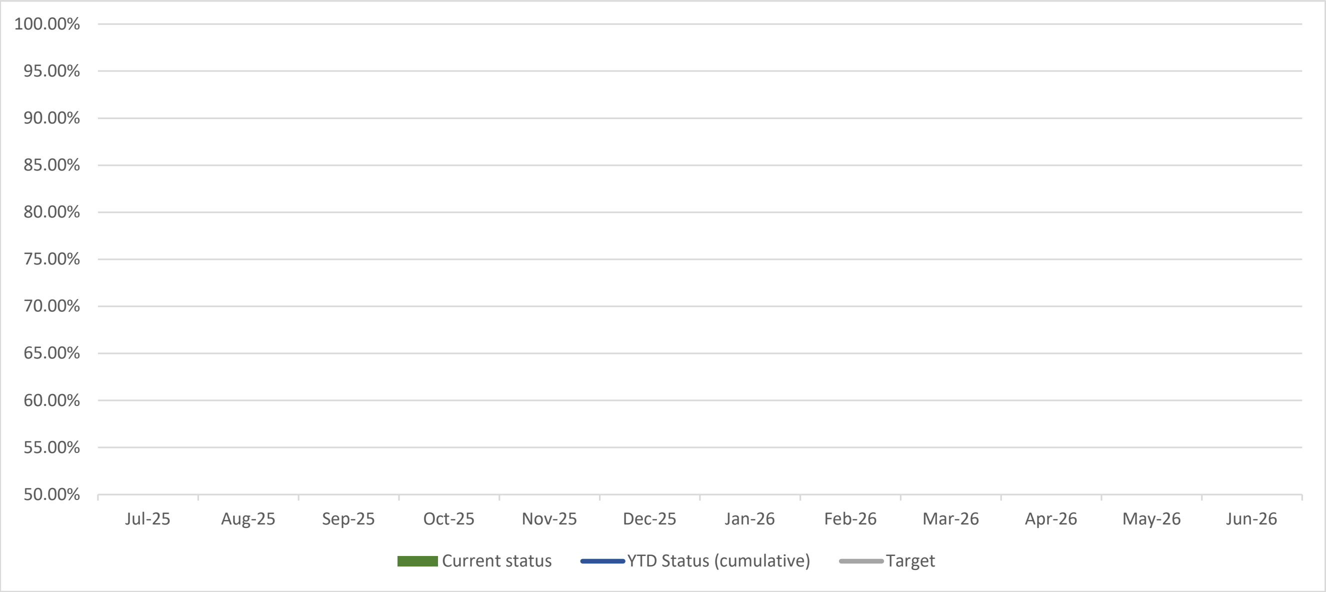
OM P3

Operational Measure	First Contact Resolution
Strategic Goal	Member, Retiree and Employer Education, Outreach and Partnership
Description	Percentage of customers indicating that they were able to complete all of their business needs with their initial interaction with the CCC.
Calculation Methodology	The number of responses to the "I was able to complete all of my business needs today" survey question indicating a rating of 4 or higher (the scale is 1-5, with 5 being the highest score), divided by the total number of survey responses. Average rate is calculated on a cumulative basis.

Data Source	Customer Counseling Center Performance Report	**Reporting Frequency**	Monthly
Target (Performance Goal)	>85%	**Baseline** (Performance History)	-
Target Rationale: *Based on initial data available.*		***Baseline Rationale: N/A***	
Current Reporting Month Status	-	**YTD Status** (Cumulative; used at year-end to determine whether target has been met)	-

	Potential Constraints to Meeting Target	**Mitigation Strategies**
1	Ongoing telephony system enhancements	Provide job aides and training for new system enhancements
2	Unexpected system downtime	Prepare communication and talking points to address system outage
3	Regulatory or legislative changes that impact customer benefits and result in increased customer inquiries (i.e. federal tax code change)	Prepare sufficient job aides and talking points for CCC staff to use in response to inquiries. Prepare and implement a staffing augmentation plan for times when additional resources are needed on short notice to react to call influxes due to external causes

YTD Performance History



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Virginia
Retirement
System

Request for Board Action
RBA 2026-6-____

Reappoint IAC Chair

Requested Action

The Board reappoints Lawrence E. Kochard as Chairperson of the Investment Advisory Committee (IAC) for a two-year term ending on May 31, 2027.

Rationale for Requested Action

Mr. Kochard has served as the Chairperson of the IAC since 2017 and is willing to be reappointed for another two-year term.

Mr. Kochard recently retired as the Chief Investment Officer at Makena Capital Management, a $20 billion global investment firm, after more than six years at the firm, and still serves as a Senior Advisor and board member at the firm. While at Makena Capital Management, Mr. Kochard chaired its Investment Committee and was a member of the firms three-person Executive Committee.

Mr. Kochard previously served the Chief Executive Officer and Chief Investment Officer of the University of Virginia Investment Management Company (UVIMCO) for seven years. As CEO, Mr. Kochard provided leadership for all aspects of UVIMCO's operations and served as UVIMCO's primary representative to the university, related foundations, and the public. As CIO, Larry was responsible for the investment management of UVIMCO's Long Term Pool, overseeing the asset allocation, portfolio management, risk management and manager selection activities of the investment staff. Throughout his career, Mr. Kochard also served as the CIO at Georgetown University, Managing Director of Equity and Hedge Fund Investments for VRS, and in positions at Goldman Sachs, Fannie Mae, and DuPont.

Mr. Kochard is certified as a Chartered Financial Analyst and earned a BA in Economics from the College of William & Mary, an MBA in Finance and Accounting from the University of Rochester, and an MA and PhD in Economics from the University of Virginia.

Under the Investment Advisory Committee (IAC) Charter:

> The VRS Board chairperson shall appoint the chairperson of the IAC, subject to a two-thirds vote by the Board. No member of the Board may serve as IAC chairperson. The IAC chairperson is appointed for a two-year term and may be reappointed for unlimited additional two-year terms.

The Chairperson of the Board has appointed Mr. Kochard to chair the IAC, and this RBA brings that appointment to the Board for its consideration.

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.

____ ______________________________

A. Scott Andrews, Chair   Date
VRS Board of Trustees

LAWRENCE E. KOCHARD

SUMMARY

- Seasoned investment thought-leader, executive and multi-asset-class investor
- Experienced corporate and not-for-profit board member
- Long history teaching finance courses (19 years) at the University of Virginia and Georgetown University
- Ph.D. & MA – University of Virginia, MBA – University of Rochester, BA – College of William & Mary
- Chartered Financial Analyst

CAREER SUMMARY

Larry Kochard recently retired from Makena Capital at the end of 2024, becoming a Senior Advisor and board member at the firm. He was the Chief Investment Officer and a partner at Makena Capital Management, a $20 billion global investment firm, prior to his retirement. He chaired Makena's Investment Committee and was a member of the firm's three-person Executive Committee, which led the firm. Larry joined Makena in January 2018. Makena Capital is an endowment-style multi-asset class fund with endowment, foundation, family office and sovereign wealth fund clients.

Larry was previously the Chief Executive Officer (CEO) and Chief Investment Officer (CIO) of the University of Virginia Investment Management Company (UVIMCO) for seven years. UVIMCO managed the $10 billion endowment for the University of Virginia. As CEO, Larry provided leadership for all aspects of UVIMCO's operations and served as UVIMCO's primary representative to the university, related foundations and the public. As CIO, Larry led the investment process and made all investment decisions across the portfolio, which included public equity, private equity, hedge fund, real asset and fixed income investments.

Prior to joining UVIMCO, Larry was the first-ever CIO of Georgetown University from 2004 through 2010, having built their investment office and much of their alternative investment portfolio from scratch.

Larry was previously the Managing Director of Equity and Hedge Fund Investments at the Virginia Retirement System, where he managed a $27 billion public equity portfolio, managed a $2 billion private equity portfolio and initiated and managed a $1.2 billion hedge fund portfolio.

From 1997 to 2016, Larry taught finance courses as an adjunct and a full-time faculty member at the University of Virginia and Georgetown University. He spent the early part of his career in debt capital markets at Goldman Sachs and corporate finance at Fannie Mae and DuPont.

CURRENT BOARD EXPERIENCE

Virginia Retirement System Member, Investment Advisory Committee, Chair since 2017	1998 to 2001, and 2011 to present
Makena Capital Management Member, Board of Directors	2025 to present
Virginia Museum of Fine Arts Member, Board of Directors and Investment Committee	2022 to present IC Chair, July 2024
Virginia Commonwealth University Investment Management Company Member, Board of Directors	2015 to 2021, and 2025 to present

PAST BOARD EXPERIENCE

Janus Henderson Group Member, Board of Directors. Chair, Compensation Committee	2008 to 2022
Virginia Environmental Endowment Member, Board of Directors and Chair, Investment Committee	2014 to 2022
College of William & Mary Foundation Member, Board of Trustees and Chair, Investment Committee	2005 to 2011
Saint Louis University Member, Investment Committee	2004 to 2008
Commonwealth Public Broadcasting WCVE Richmond PBS, WHTJ Charlottesville PBS, WCVW Richmond PBS Member, Board of Directors and Chair, Finance and Investment Committee	2003 to 2005
Richmond Retirement System Member, Investment Advisory Committee	2002 to 2005

EDUCATION

CFA, CFA Institute, 2003
Ph.D., Economics, University of Virginia, Charlottesville, 1999
MA, Economics, University of Virginia, 1996
MBA, Finance and Accounting, University of Rochester Simon School of Business, 1980
BA, Economics, College of William & Mary, 1978

HONORS

Rodney Adams Endowment Management Award, National Association of College and University Business Officers (2015)
Outstanding Large Endowment of the Year by Foundation and Endowment Money Management News (2007)

PUBLICATIONS

Co-authored *Foundation and Endowment Investing: Philosophies and Strategies of Top Investors and Institutions*, which features interviews with successful chief investment officers (published by Wiley and released in January 2008)

Co-authored *Top Hedge Fund Investors: Stories, Strategies and Advice*, which features interviews with successful hedge fund investors (published by Wiley and released in July 2010)

Using a Z-Score Approach to Combine Value and Momentum in Tactical Asset Allocation, Wang and Kochard, Journal of Wealth Management, 2012

Low-Volatility Cycles: The Influence of Valuation and Momentum on Low-Volatility Portfolios, Garcia-Feijóo, Kochard, Sullivan and Wang, Financial Analysts Journal (Graham and Dodd Readers' Choice Award)

Virginia
Retirement
System

Request for Board Action

RBA 2025-06-____

Appointment of DCPAC members.

Requested Action

The Board appoints Rebecca Fentress and September Sanderlin to the Defined Contribution Plans Advisory Committee (DCPAC) for two-year terms ending June 20, 2027.

Rationale for Requested Action

Ms. Fentress has over 15 years of experience managing comprehensive employee benefits programs for large, publicly traded corporations. Her expertise spans defined contribution, defined benefit, and retiree medical and life insurance plans, with a strong emphasis on governance, compliance, and fiduciary oversight.

Throughout her career, Ms. Fentress has demonstrated a commitment to ensuring that that the benefit programs she has managed are administer with integrity and are strategically aligned to organizational goals, contributing to the financial well-being and security of hundreds of thousands of employees and retirees.

Ms. Sanderlin has over 30 years of human resources experience and is currently the Vice President for Talent Management for Old Dominion University (ODU). She has served in her current position since 2013 and has been employed at ODU since 1997. Ms. Sanderlin oversees ODU's Department of Human Resources which includes the functional areas of Compensation, Recruitment, Employee Relations, Benefits, Training and Organizational Development, Strategic Initiatives, HR Information Systems, Compliance, and Title IX.

In her current role, Ms. Sanderlin spearheaded the formation of ODU's Investment Committee in partnership with Captrust Financial Systems. In addition, Ms. Sanderlin has developed and administered a number of organizational initiatives, including department restructuring, strategic planning, assessments, and conflict resolution. In addition, in her role as an independent consultant, Ms. Sanderlin has provided training and organizational development services to numerous companies, institutions of higher education, and other organizations.

Ms. Sanderlin is certified as a Senior Professional in Human Resources, Human Resources Project Manager, Senior Certified Professional, and Title IX Coordinator.

Ms. Sanderlin earned a BA in Sociology from Mary Baldwin College and an MS in Occupational and Technical Studies from Old Dominion University.

Both Ms. Fentress and Ms. Sanderlin are highly qualified and willing to be appointed to the DCPAC.

Authority for Requested Action

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

The above action is approved.

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A. Scott Andrews, Chair
VRS Board of Trustees

Date

REBECCA FENTRESS

Rebecca Fentress brings over 15 years of experience managing comprehensive employee benefits programs for large, publicly traded corporations. Her expertise spans defined contribution, defined benefit, and retiree medical and life insurance plans, with a strong emphasis on governance, compliance, and fiduciary oversight. Throughout her career, Rebecca has demonstrated a commitment to ensuring that benefit plans are administered with integrity and strategic alignment to organizational goals, contributing to the financial well-being and security of hundreds of thousands of employees and retirees.

In addition to her professional accomplishments, Rebecca is an active and engaged member of her community. She currently serves as treasurer of the Creeds Athletic Association and volunteers as an assistant softball coach. She is also a former board member of Charity Preschool.

September Sanderlin, Vice President for Talent Management and Culture
Old Dominion University

Biography

September Sanderlin has over 30 years of human resources experience. Sanderlin started her employment at Old Dominion University in 1997, and she was named Vice President for Human Resources in June of 2013 following a national search. Sanderlin currently serves as the Vice President for Talent Management and Culture at Old Dominion University. As a senior leader, she serves as a strategic partner on the President's Cabinet.

Sanderlin oversees the Department of Human Resources that includes the functional areas of Compensation, Recruitment, Employee Relations, Benefits, Training and Organizational Development, Strategic Initiatives, and HR Information Systems, Compliance, and Title IX. In this role, Sanderlin spearheaded the formation of the University's Investment Committee in partnership with Captrust Financial Services. Additionally, she oversees the work of the Associate Vice President for Community Relations including ombuds services and workforce programming.

Vice President Sanderlin has developed and administered a number of organizational initiatives, including department restructuring, strategic planning, assessments, and conflict resolution. She has developed and delivered programs on topics such as leadership, self-empowerment, sales, service, teambuilding, diversity, goal setting, stress management, strategic planning, and conflict resolution. She is qualified to present on Myers-Briggs and Situational Leadership platforms. Sanderlin served on the Training Council for the State of Virginia's Department of Personnel and Training.

As an independent consultant, Sanderlin has provided training and/or organizational development services to the following: Bank of America, Deutsche Telekom, William E. Wood and Associates Realtors, City of Portsmouth, Elizabeth City State University, City of Virginia Beach Juvenile Court Services Unit, Mary Kay Cosmetics, Clemson University, Lawson Realty, The Breeden Companies, The

United Way, The Planning Council, The Girl Scout Council, LifeNet, CSU San Marcos, and the American Association for Affirmative Action.

Sanderlin is certified as a Senior Professional in Human Resources (SPHR), a Human Resources Project Manager (HRPM), a Senior Certified Professional (SHRM-SCP), and Title IX Coordinator (ATIXA). Her professional memberships include College and University Professional Association for Human Resources (CUPA-HR), Society of Human Resources Management (SHRM), American Society for Training and Development (ASTD), and ATIXA.

She holds a Bachelor of Arts degree in Sociology from Mary Baldwin College, and a Master of Science in Occupational and Technical Studies from Old Dominion University.

3/31/2025

Virginia
Retirement
System

Request for Board Action
RBA 2025-6-____

Appoint IAC member

Requested Action

The Board appoints Eric B. Baggesen for a two-year term ending June 20, 2027.

Rationale for Requested Action

Mr. Baggesen has significant experience in managing asset allocations and risk management in the public pension sphere. Mr. Baggesen most recently worked as the Chief Investment Officer with the Rhode Island Office of the General Treasurer. In this role, Mr. Baggesen led the team responsible for all investment activity involving the more than $20 billion in assets undertaken by the Office, which included the assets of the defined benefit and defined contribution plans of the Employees' Retirement System of Rhode Island. Prior to his work in Rhode Island, Mr. Baggesen worked for the California Public Employees' Retirement System (CalPERS) for 16 years, serving in various capacities. For his last eight years at CalPERS, he served as the Managing Investment Director – Asset Allocation and Risk Management where he led a team of more than 30 professionals and led the asset allocation and risk management functions for the entire CalPERS investment portfolio. Before transitioning to the public pension sphere, Mr. Baggesen spent more than 20 years in the investment and asset management field.

Mr. Baggesen is certified as a Chartered Financial Analyst and as a Chartered Alternative Investment Analyst.

Mr. Baggesen earned a BS degree in Finance and an MBA in Finance, both from the University of Rhode Island.

Mr. Baggesen is highly qualified and willing to be appointed to the IAC.

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.

____ ____________________________

A. Scott Andrews, Chair
VRS Board of Trustees

Date

ERIC B. BAGGESEN, CFA, CAIA

260 Iacuele Dr | Wakefield, RI 02879 | C: 401.742.2082 | ebaggesen@yahoo.com

ASSET & PORTFOLIO MANAGEMENT EXECUTIVE

Asset Allocation & Risk | Global Equity Management | Strategy Formulation & Implementation

Senior business and financial leader with a record of achievement successfully managing the asset allocation and risk functions for over $400 billion of public pension investment assets. Led organizational evolution through establishment of articulated investment beliefs and their integration into asset class decision making. Led a restructuring of a $130 billion global equity portfolio resulting in improved performance. Oversaw development of an organization wide derivatives control framework to comply with Dodd-Frank market reform requirements. Synthesized, reviewed, and analyzed complex data, contributing valuable insight to enhance the executive decision-making process pertinent to a complex, multi asset class investment program. Regarded for the ability to drive process improvements and motivate cross-functional teams; work well under pressure to manage and meet multiple project deadlines. Additional strengths and interests include:

- ✓ Investment Strategy Development & Launch
- ✓ Organizational Restructuring & Integration
- ✓ Employee Development & Mentoring
- ✓ Continuous Process Improvement
- ✓ Decision Making Framework
- ✓ Risk Governance
- ✓ Risk Monitoring & Mitigation
- ✓ Dynamic Rebalancing & GTAA
- ✓ Market Opportunity Identification
- ✓ Active Management Efficacy

PROFESSIONAL EXPERIENCE

EMPLOYEES' RETIREMENT SYSTEM OF RHODE ISLAND (ERSRI), Providence, RI 2022-2024

Chief Investment Officer – Office of the General Treasurer

Led the team responsible for all investment activity undertaken by the Office of the General Treasurer of the State of Rhode Island. Among the more than $20 billion of assets were the defined benefit and defined contribution plans of ERSRI, Rhode Island State government operating cash accounts, the CollegeBound 529 plan, and several other plans.

- **Asset allocation review**; led an asset allocation review for the State Investment Commission of all plans undertaken with the arrival of the newly elected General Treasurer and reflective of a dramatically changed interest rate environment.
- **Enhanced diversification;** shifts in the asset allocation were expected to increase diversification while maintaining the required expected return.
- **Reinforced asymmetric return profile;** ERSRI's defined benefit plan has achieved a higher market beta in rising markets relative to its participation in declining markets. This asymmetry was marginally reinforced in the asset allocation work.
- **Maintained peer universe ranking;** data from NEPC (ERSRI's general pension consultant) reflects the DB plan as ranking in the top decile over 3 and 5 year periods as of June 2024.
- **Mentored staff;** worked with the Deputy CIO to increase his knowledge and visibility with the General Treasurer and the State Investment Commission to prepare for the CIO role upon my retirement. This has been the outcome and increases the likelihood that the asset allocation focus of the plans shall be maintained.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS), Sacramento, CA 2004-2020

Managing Investment director - Asset Allocation & Risk Management (April 2012 – Dec 2020)

Led asset allocation and risk management functions for the entire CalPERS investment portfolio with a team of over 30 professionals. Conducted periodic asset / liability management workshops with the CalPERS Investment Committee to establish the strategic asset allocation targets. Oversaw operation of the BarraOne risk analysis system. Conceptualized, lead development of, and presented information workshops to advance board level understanding of complex investment topics including risk factor allocation, capital market assumptions, asset class roles and integration of actuarial risk considerations.

- **Board education and development**; contributed to and conducted extensive, multi-year Board development projects related to Investment Beliefs and Portfolio Priorities to help improve the overall asset allocation process.
- **Member of Investment Strategy Group**; organized and framed the agenda for the internal CalPERS Investment Office senior decision making body comprised of the CIO, Deputy CIO and the Managing Investment Directors of the various asset classes.

Senior Investment Officer, Global Equities (2008-June 2013)

Led the global equity team comprised of over 50 professionals managing $137B+ of CalPERS assets in domestic, developed, and emerging markets. Presented all global equity related information to the Board of Trustees, including policy development, asset class results, team structure, and program evolution. Primary communicator of CalPERS global equity asset class and market reform perspective to regulators, federal and state political bodies, media, and internal staff.

- **Allocated capital and managed risk to achieve objectives**; one and three year results through June 2013 demonstrate annualized excess return of .72% and .57% respectively with information ratios in excess of 1.
- **Capitalized on opportunity;** defined and implemented a synthetic equity strategy in late 2008 with annualized excess return of 3.38% through August 2013 and $6.1 billion of current assets.
- **Reduced costs by $100M+;** expanded the depth and breadth of internal management, and restructured alignment of interest concepts and terms for external manager relationships.
- **Contributed to market reform debate;** conceptualized, articulated, obtained support for, and communicated alternatives related to OTC derivatives activity.

Senior Portfolio Manager, Internal Equity Team, Global Equity (2004-2008)

STATE STREET GLOBAL ADVISORS, Boston, MA 1995-2003
Principal, Unit Head – Emerging Markets, Global Structured Products Group (GSPG)

Led the firm's multi-billion structured equity investments in emerging markets. Mentored the professional development of junior portfolio managers responsible for $35B of developed market equities. Presented the firm's capabilities in all venues as assets under management (AUM) grew from $54B to $400B+.

- **Contributed financial and business expertise to facilitate the growth of the emerging markets program**; extended State Street's image and exposure as a leading emerging markets equity investor.
- **Successfully resolved the Malaysian currency and repatriation crisis,** which affected $400M+ in client assets. Garnered program acceptance, resulting in zero losses.

PANAGORA ASSET MANAGEMENT, Boston, MA 1989-1995
Senior Manager, Equity Investments

Managed all aspects of the active core domestic equity strategy, a structured, risk controlled, quantitative method of selecting assets from a universe of approximately 1,100 securities.

- **Created new custodial and transfer agency procedures** subsequent to developing the Boston Company asset manager's equity fund to isolate market timing activity; maintained $300M+ of market timing assets.

Prior Experience:

NORMAN L. BARNETT & COMPANY, INC., Providence, RI – *AVP, Portfolio Management* (1987-1989)
BROWN & SHARPE MANUFACTURING CO., North Kingston, RI – *Financial Analyst* (1982-1987)

EDUCATION

UNIVERSITY OF RHODE ISLAND, Kingston, RI
Master of Business Administration in Finance / Bachelor of Science in Finance – *with distinction*

CERTIFICATIONS

Certifications: Chartered Financial Analyst; Chartered Alternative Investment Analyst

Audit and Compliance Committee
Committee Report to the Board of Trustees
June 17, 2025
Page 1 of 2

Report

The Audit and Compliance Committee met on June 17, 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 April 15, 2025, meeting.

ELECTION OF COMMITTEE VICE CHAIR

The committee nominated and elected Mr. J. Clifford Foster to serve as the committee's vice chair.

STATUS UPDATE ON THE 2024 EMPLOYER ASSURANCES REVIEW

The Auditor of Public Accounts (APA) reported the Employer Assurances Review, covering GASB Statements No. 68 and 75, is progressing as planned. The APA indicated they should conclude their work over the pension and other post-employment benefit plans and issue the related opinions later this month and in July, respectively.

ENTRANCE WITH THE APA FOR THE VRS 2025 ANNUAL COMPREHENSIVE FINANCIAL REPORT AUDIT

The committee held its annual entrance conference with the APA to review the approach and scope of the examination of VRS' Annual Comprehensive Financial Report for the fiscal year ending June 30, 2025.

AUDIT REPORT

The committee received one audit report.

- The review of *Retirement Disbursements* determined VRS monthly disbursement processes are working as expected and changes to monthly benefits are valid and accurate.

TRANSITIONAL INTERNAL AUDIT FY 2026 – FY 2027 STRATEGIC PLAN AND PERFORMANCE MEASURES

The Internal Audit Director presented the Internal Audit Strategic Plan for FY 2026 through FY 2027 including three goals and related initiatives, measures and targets aligned with VRS' Strategic Plan for 2022 – 2026. The director also discussed the planned departmental performance reporting with the committee. The committee approved the plan and measures.

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 February 1, 2025, through April 30, 2025.

Management's Quarterly Travel Expense and Per Diem Report

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

NEXT COMMITTEE MEETING DATE

The committee's next meeting is scheduled for Wednesday, September 24, 2025, at 10 a.m.

Respectfully submitted to the Board of Trustees on June 18, 2025.

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

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 ~~16th~~ 18th day of ~~April~~ June 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~~ Information Quality Manager 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~~ Information Quality Manager, 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~~ Information Quality Manager 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~~ Information Quality Manager 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:

VIRGINIA RETIREMENT SYSTEM AUTHORIZED SIGNATURES FOR MASTER CUSTODIAL SERVICES

A. Scott Andrews, Chair
VRS Board of Trustees

Patricia S. Bishop
Secretary to the VRS Board of Trustees

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~~ Information Quality Manager

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 ~~16th~~ 18th day of ~~April~~ June 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.

____
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 18th day of June 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 Information Quality Manager 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 Information Quality Manager, 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 Information Quality Manager 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 Information Quality Manager 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	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 Information Quality Manager

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 18th day of June 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.

____
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 ~~16th~~ 18th day of ~~April~~ June 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 or Senior Procurement Analyst, 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

Lindsay Fielding, Senior Procurement Analyst

COMMONWEALTH OF VIRGINIA
CITY OF RICHMOND, TO-WIT:

The foregoing instrument was acknowledged before me this ~~16th~~ 18th day of ~~April~~ June 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, and Lindsay Fielding.

LaShaunda B. King, Notary Public

My commission expires September 30, 2026.

R E S O L U T I O N
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 18th day of June 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 or Senior Procurement Analyst, 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	Patricia S. Bishop
Chairman, VRS Board of Trustees	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

Lindsay Fielding, Senior Procurement Analyst

COMMONWEALTH OF VIRGINIA
CITY OF RICHMOND, TO-WIT:

The foregoing instrument was acknowledged before me this 18th day of June 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, Curtis Doughtie, and Lindsay Fielding.

LaShaunda B. King, Notary Public

My commission expires September 30, 2026.

VRS Project Portfolio
FISCAL YEAR 2025
May 2025 Status Report

Status Indicator

●	Proceeding as planned
▲	Off plan, mitigation in place
◆	Off plan, mitigation needed
★	Completed
▯	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	●	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦
Data Quality Enhancements - Phase 1	Member, Retiree and Employer Education, Outreach and Partnership	●	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦
Identity Proofing Initiative - Phase 1	Digital Transformation and Secure Service Delivery	★	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦
VNAV Enhancements	Superior Governance and Long-Term Financial Health	●	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦
Human Resource Information System (HRIS) Implementation – Phase 2	Organization Strength Culture and Engagement	●	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦

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	★	🟦	🟦	🟦	🟦	🟦	🟦						
Database Automation	Technology Infrastructure	N/S				🟦	🟦	🟦	🟦	🟦	🟦			
New Visitor Badging System	Technology Infrastructure	★				🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦
Windows 11 upgrade	Technology Infrastructure	★				🟦	🟦	🟦	🟦	🟦	🟦			
Conduct data backup solution proof of concept and initiate implementation	Digital Transformation and Secure Service Delivery	★				🟦	🟦	🟦	🟦	🟦	🟦			
Conduct Transition Activities to New DC/Hybrid Record Keeping Service Business Partner	Superior Governance and Long-Term Financial Health	★	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦				
Lease Space Transition	Superior Governance and Long-Term Financial Health	●	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦
Initiate ECM Solution Implementation	Digital Transformation and Secure Service Delivery	●	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦
Update VRS Optional Form Factors and Review Early Retirement Reduction Factors	Superior Governance and Long-Term Financial Health	●	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦

Legislation		Status	2024						2025					
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
HB 70/SB 458 VRS Bills		★												
HB 321/SB 649 LODA Death Benefit		★												
HB 1312 VaLORS for DCR Conservation Officers		●							🟦	🟦	🟦	🟦	🟦	🟦
HB 1401 VaLORS for Dept of Military Affairs firefighters		●							🟦	🟦	🟦	🟦	🟦	🟦
HB 1433 LODA Eligible Dependent		★												

Operational/Ongoing Activities		Status	2024						2025					
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
COLA 2024		★	🟦											
FYE 2024		★	🟦											
EDGE		●	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦	🟦
Retirement Wave 2024		★	🟦											
Teacher Contracts		★	🟦	🟦										
MBPs		★	🟦	🟦										
Annual Code of Ethics Training		★				🟦	🟦	🟦						
Annual Security Awareness Training		★					🟦	🟦						
FOIA Training		★												🟦
ACFR		★	🟦	🟦	🟦	🟦	🟦	🟦						
PAFR		★			🟦	🟦	🟦	🟦						
LODA Annual Report		★			🟦	🟦	🟦	🟦						
GASB 67		★			🟦	🟦	🟦							
GASB 68		●							🟦	🟦	🟦	🟦	🟦	🟦
GASB 74		★			🟦	🟦	🟦							
GASB 75		●							🟦	🟦	🟦	🟦	🟦	🟦
Actuarial Valuations		★	🟦	🟦	🟦	🟦	🟦	🟦						
myVRS Annual Updates		★						🟦						
Update Contribution Rates in VNAV		★						🟦						
1099/W2		★						🟦	🟦					

Operational/Ongoing Activities		Status	2024						2025					
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Annual Roadmap Review		●										▨	▨	▨
FYE 2025		●											▨	▨
Retirement Wave 2025		●											▨	▨
Commonwealth Bond Disclosure		N/S			▨				▨					
ORPHE Surcharge Billing for FY 2024		N/S							▨	▨	▨	▨	▨	▨
Data Fixes		●	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨
ALM Backlog Prioritization		●	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨
Employer VNAV Security Review		●											▨	▨
VRS Fund Sensitivity and Stress Testing Report for GA		N/S	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨
Legislation FY 2025		☆							▨	▨	▨			

Yellow Status Items

Item	Due Date	Comments
N/A		

Red Status Items

Item	Due Date	Comments
N/A		

Realignments/Adjustments

Item	Due Date	Comments
N/A		

Director’s Report

June 18, 2025

Trish Bishop, VRS Director

New Employer Coverage

Coverage Elected	Details
Group Life Insurance Program	▪ **Town of Gate City** (Scott County), effective April 1, 2025
Commonwealth of Virginia 457 Deferred Compensation Plan	▪ **New River Valley Regional Jail Authority** (Pulaski County), effective July 1, 2025

Conflict of Interest Training

- Board members are required to complete Conflict of Interest training every two years. Training records are retained by either your agency coordinator or local clerk.
- Training will cover your responsibilities regarding prohibited conduct and personal interests.
- An email will be coming soon from Jillian Sherman, Legislative Liaison & Policy Analyst, with instructions and the completion deadline.

Commonwealth of Virginia Campaign Recognition for VRS: Philanthropy Excellence Award

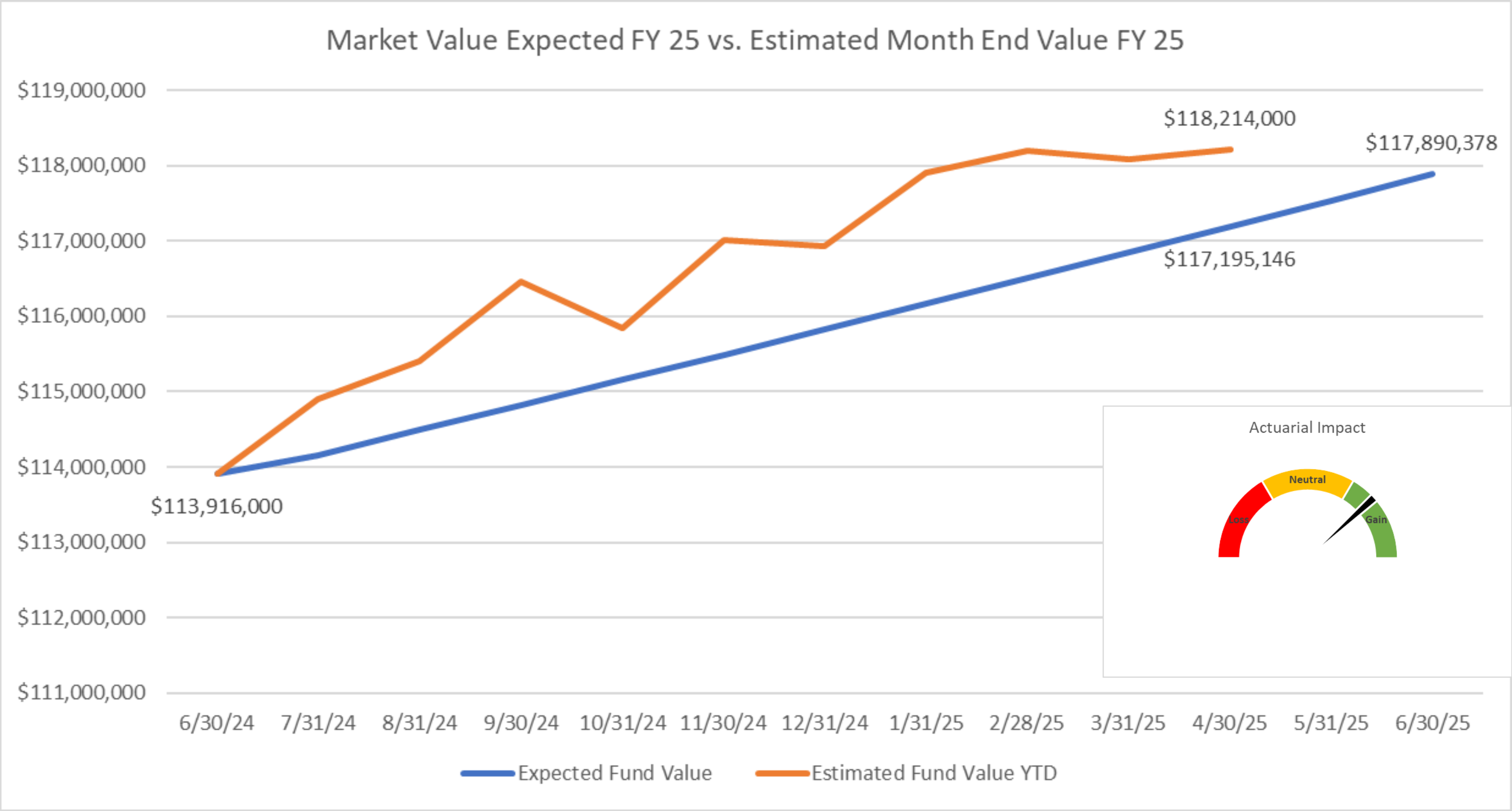
COMMONWEALTH of VIRGINIA CAMPAIGN
CVC

- VRS was recently recognized with the Philanthropy Excellence Award for the highest amount donated to the 2024 CVC campaign in the agency size 100-500 category
- VRS raised a total of $51,354.75
- Nicole Morlette, CVC campaign team lead, accepted the award on behalf of VRS

Actuarial Measures
Key Indicators

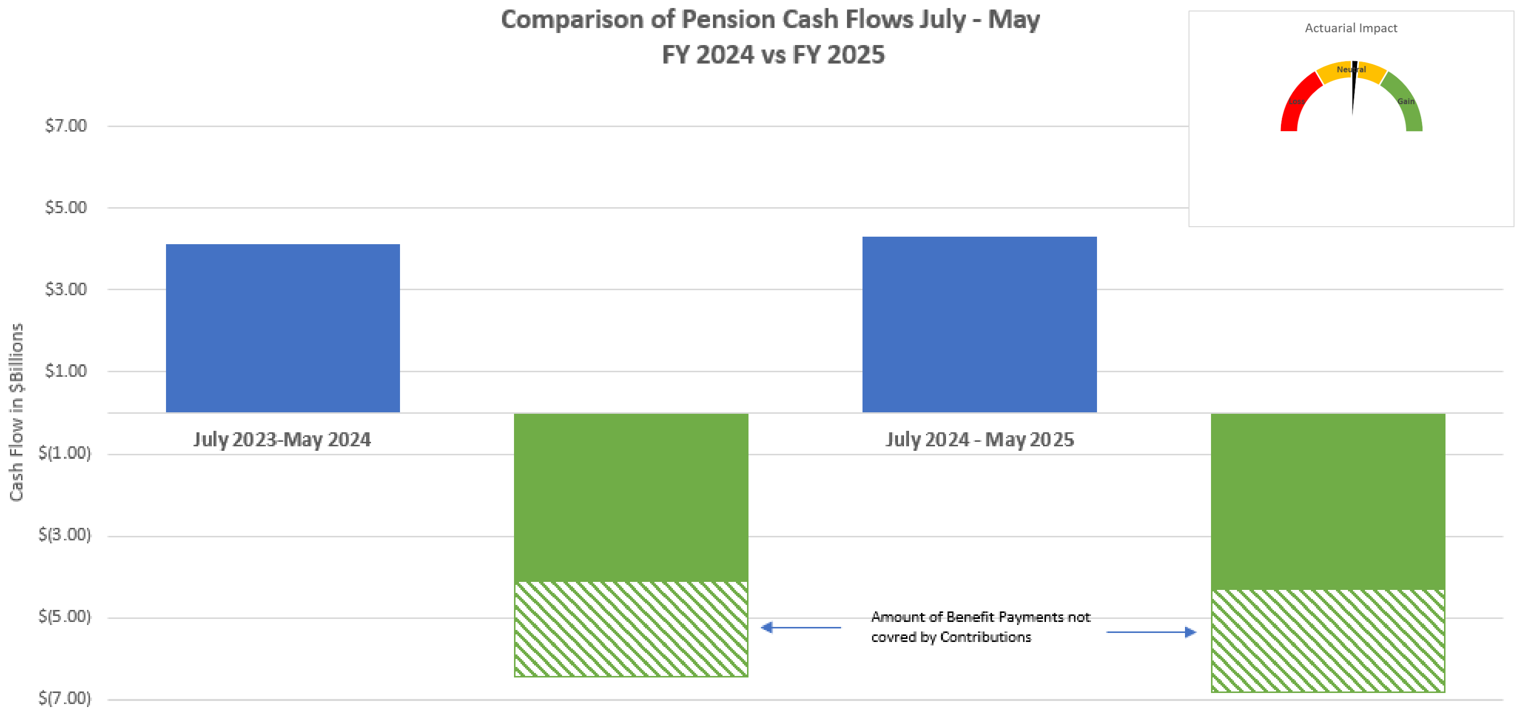
Virginia
Retirement
System®

Fund Market Value Actual vs Expected – FY 2025



- Through April 2025 the reported fund value continues to trend higher than expected value based on an assumed rate of return of 6.75%.

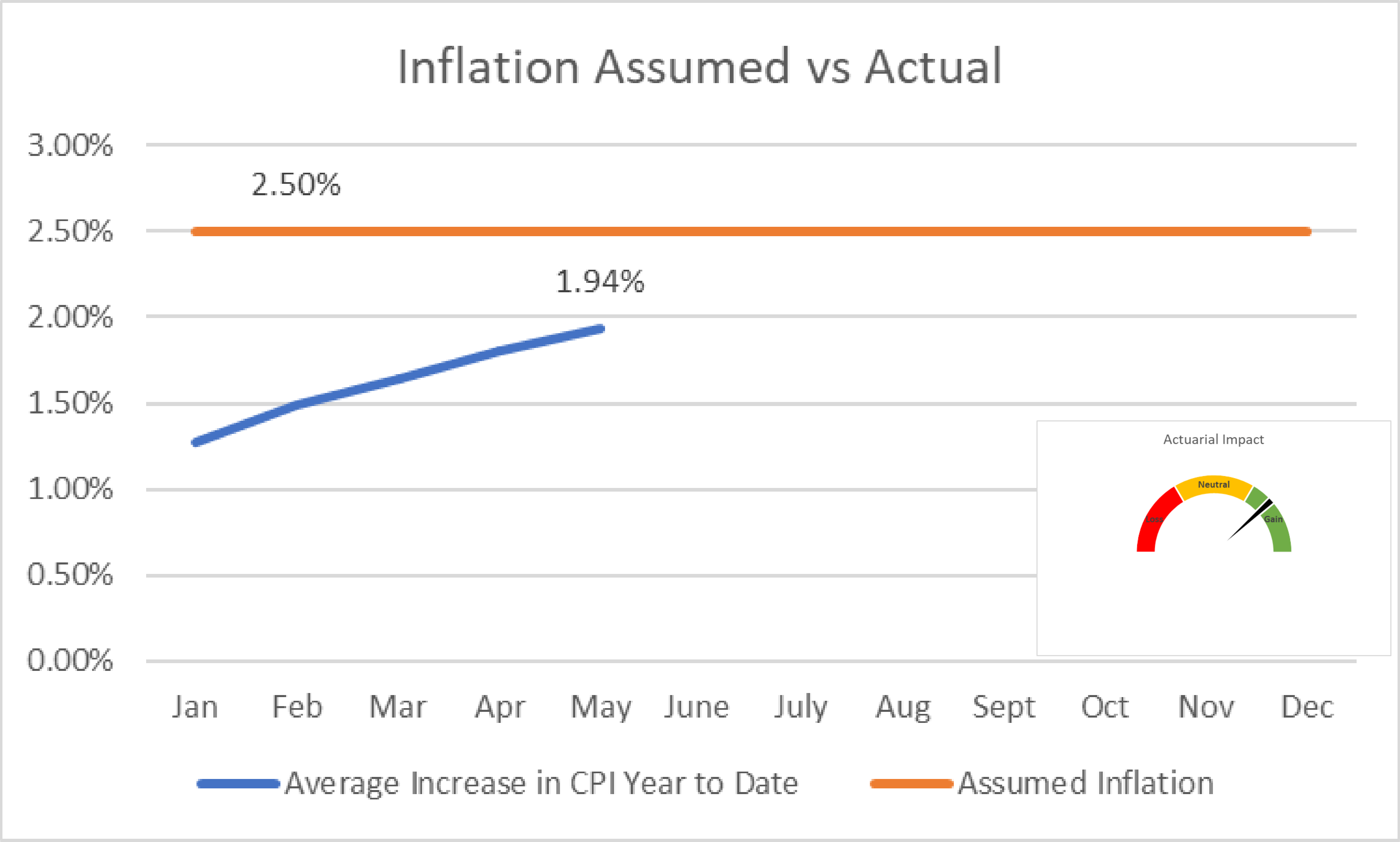
Pension Cash Flow – FY 2025 vs FY 2024



	Component	July 23 - May 24	July 24-May 25	Percentage Change Year over Year
🟦	Contributions	$4.11	$4.29	4.2%
🟩	Benefit Paments	($6.42)	($6.83)	6.4%
▨	Negative Cash Flow	($2.31)	($2.55)	10.4%

- The pension cash flow for FY 2025 continues to be negative prior to taking into account investment returns.
- This is expected in mature plans that are paying out benefits to larger retiree populations.

Inflation – Average Increase in CPI Year to Date



VRS Report to JLARC

Monday, July 14, 2025
House Committee Room C (Room 206)
General Assembly Building
201 N. 9th St., Richmond, Virginia

JLARC
JOINT LEGISLATIVE AUDIT & REVIEW COMMISSION

jlarc.virginia.gov/calendar.asp

Meetings are usually streamed live and often are also available to view after the meeting via JLARC's YouTube channel.

Welcome, VRS Interns!

We are pleased to welcome VRS' summer interns to today's meeting!

- **Dorey Chiddo,** Old Dominion University (Master's Program)
- **Clara Falkenheim,** University of Virginia
- **Austin Ledergerber,** James Madison University (prior military service)
- **Allison Nkansah,** College of William & Mary
- **Luke Ward,** James Madison University

They are working in several areas at VRS, including Finance, Customer Programs, Public Relations, Agency Operations and Investments.

Preview of Upcoming Board Meetings

Preview: July-September 2025

July

- 10 – Board of Trustees – ***Canceled***

August

- 20 – Investment Advisory Committee

September

- 11 – Defined Contribution Plans Advisory Committee
- 24 – Audit and Compliance Committee
- 24 – Administration, Finance and Talent Management Committee
- 25 – Board of Trustees

Deficit Provision Acknowledgment Form

(Appendix A of DPB's New Year Start-up instructions)

Section A (for all agencies)

Agency Acknowledgement

I have received, read, and understand your instructions regarding indebtedness of state agencies as they relate to the requirements of § 4-3.01 of the current Appropriation Act.

Agency Name Virginia Retirement System ____________ Agency Code 158____________

Other agencies in the Act (if any) for which your agency is responsible: ________________

____

____

Agency/Cabinet Head Name Patricia Bishop ____

Agency/Cabinet Head Signature____

(Personal signature is required above and cannot be delegated)

Date__________________

Section B (if applicable to your agency)

Supervisory Board *(see §2.2-2100 of the Code of Virginia for what constitutes a "supervisory board")*

I have provided each member of the supervisory board of this agency with a copy of the notice in this memorandum and I will provide the same material to those appointed to the board in the future.

____

(Personal Signature of Agency Head)

Date: ______________________________________

E-mail to:

*Digitally sign or scan the signed original; Save as a PDF, and Email to **budget@dpb.virginia.gov**.*
NOTE: Provide your agency name and agency number as well as the phrase "Deficit Provision Acknowledgment Form" in the subject line of the email.