



Virginia  
Retirement  
System®

**We welcome visitors and remind you that public comment is not received at VRS meetings.**

**Written comments may be sent by:**

- Email: [trustees@varetire.org](mailto:trustees@varetire.org)
- Mail: P.O. Box 2500, Richmond, VA 23218

## **About VRS**

The Virginia Retirement System, an independent state agency, delivers retirement and other benefits to covered Virginia public sector employees. Learn more at [varetire.org](http://varetire.org).

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April 17, 2026

**MEMORANDUM**

**TO:** VRS Board of Trustees

**FROM:** Patricia S. Bishop  
Director

**RE:** Agenda Materials for April 23<sup>rd</sup> Board Meeting (Please Note New James Center Location)

We are looking forward to the April 23<sup>rd</sup> Board meeting beginning at 1:00 p.m. The meeting will be held in our new leased space located in the James Center, 901 East Cary Street, 4<sup>th</sup> floor, Chesapeake, CR. Enclosed are the agenda and meeting materials. Boxed lunches will be available beginning at 12 p.m.

Parking for Board and Committee meetings will be available in the James Center parking garage located on the corner of 10<sup>th</sup> Street and Canal Street. After parking, take the elevator to the 2<sup>nd</sup> floor, and walk across the pedestrian sky bridge to One James Center. A member of our team will be stationed near the elevators to provide you with your Kastle access card and show you how to use it to access the 4<sup>th</sup> floor. Please bring your parking ticket to the meeting with you for validation. Please see LaShaunda King, my assistant, to obtain your parking validation. For your reference, listed below are the directions to the parking garage and a map showing you the location in proximity to the lease space.

**From the North**

- I-95 South through Richmond to Exit 74A onto I-195 (Downtown Expressway)
- Keep right and immediately exit onto Canal Street – directly behind the James Center
- Turn right onto 10<sup>th</sup> Street
- Take immediate right into parking garage

**From the East**

- I-64 West to Exit 190, merging onto I-95 South
- Take Exit 74A onto I-195 (Downtown Expressway)
- Keep right, and immediately exit onto Canal Street – directly behind the James Center
- Turn right onto 10<sup>th</sup> Street
- Take immediate right into parking garage

**From the South**

- I-95 North across the James River Bridge
- Take Exit 74A onto I-195 (Downtown Expressway)
- Keep right and immediately exit onto Canal Street – directly behind the James Center
- Turn right onto 10<sup>th</sup> Street
- Take immediate right into parking garage

**From the West**

- I-64 East to I-95 South, towards Powhite Parkway
- Follow signs to I-195 (Downtown Expressway)
- Go through toll plaza
- Take the 7<sup>th</sup> & 9<sup>th</sup> Street exit
- Cross 9<sup>th</sup> Street, and take a left onto 10<sup>th</sup> Street
- Parking is immediately past Canal Street on the right



In addition, parking for scheduled meetings will remain available in the VRS, 1200 E. Main St. parking deck in the sub-basement or lower sub-basement. The respective spaces are marked with a yellow sign that reads: “Reserved for Board Member Parking.”

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

Meeting	Date	Location
Audit and Compliance Committee	Thursday, April 23 <sup>rd</sup> , 10:00 a.m.	James Center, 901 E. Cary St., 4 <sup>th</sup> floor, Chesapeake Conference Room
Administration, Finance and Talent Management Committee	Thursday, April 23 <sup>rd</sup> 11:30 a.m.	James Center, 901 E. Cary St., 4 <sup>th</sup> floor, Chesapeake Conference Room
Board of Trustees	Thursday, April 23 <sup>rd</sup> , 1:00 p.m.	James Center, 901 E. Cary St., 4 <sup>th</sup> floor, Chesapeake Conference Room

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

Attachments



## **Board of Trustees Meeting**

**901 East Cary Street  
James Center, 4th floor  
Richmond, VA 23219  
Thursday, 4/23/2026  
1:00 - 3:30 PM ET**

### **I. Approve Minutes**

#### **A. February 5, 2026**

*2.5.26 Board Meeting Minutes - Page 6*

#### **B. March 17, 2026 (Retreat)**

*3.17.26 Board Retreat Minutes - Page 12*

#### **C. March 18, 2026 (Retreat)**

*3.18.26 Board Retreat Minutes - Page 14*

### **II. Committee Assignments**

*Proposed Committee Assignments 2026 - Page 16*

### **III. Report of the Investment Advisory Committee**

### **IV. Report of the Chief Investment Officer**

*CIO Report - April 2026 - Page 18*

*CIO Quarterly Report - QE December 2025 - Page 30*

*Performance Summary 2.28.26 - Page 39*

*Asset Allocation Report - February 2026 - Page 40*

*Daily Asset Allocation Report 4.15.2026 - Page 42*

*New Investments and Terminations 4.23.2026 - Page 43*

*DIME Quarterly Summary - QE March 2026 - Page 44*

*External Manager Referral Quarterly Summary - QE March 2026 - Page 49*

#### **A. Proposed Benchmark Changes**

*Benchmark Recommendations - April 2026 - Page 50*

### **V. Independent Consultant Review of Investment Benchmarks and Hurdles**

*VRS - Benchmark Incentive Hurdle Study 2026 - Page 70*

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

*Report of the Defined Contribution Plans Advisory Committee - Page 116*

#### **A. RBA – Approve Revised Defined Contribution Plans Investment Belief Statements**

*RBA - 4.23.26 Approve Revised Defined Contribution Plans Investment Belief Statements - Page 119*

*Investment Belief Statements - Clean - Page 120*

*Investment Belief Statements - Redline - Page 123*

#### **B. RBA – Approve Revised Unbundled and Bundled Defined Contribution Plans Investment Policy Statements**

*RBA 4.23.26 Approve Revised DC Unbundled & Bundled Plans Investment Policy Statements - Page 126*

*Revised DC Unbundled Plans Investment Policy Statements Clean - Page 127*

*Revised DC Unbundled Plans Investment Policy Statements Redline - Page 134*

*Revised DC Bundled Plans Investment Policy Statements Clean - Page 141*

*Revised DC Bundled Plans Investment Policy Statements Redline - Page 148*



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

**VIII. Report of the Administration, Finance and Talent Committee**

**A. RBA – Reappointment of IAC Members**

*RBA Reappoint IAC Members - Page 157*

*Hance West Bio - Page 158*

*Nan Leake Bio - Page 160*

*Bryan Lewis Bio - Page 161*

**IX. Essential Conditions Education: Opportunities for VRS Trustee Engagement**

*Internal Audit BOT Essential Conditions Training - Page 162*

**X. Signature Resolution**

*Signature Authorization 4.23 updated redlined - Page 178*

*Signature Authorization 4.23 updated clean - Page 181*

**XI. Legislative Update**

*Legislative update Board 4.23.26 - Page 184*

**XII. Report of the Director**

*FY 2026 Agency Roadmap Update - March - Page 209*

*Director's Report - Page 211*

**XIII. Closed Session**

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## Minutes

A regular meeting of the Virginia Retirement System Board of Trustees was held on February 5, 2026, in Richmond, Virginia with the following members participating:

Board members:

A. Scott Andrews, Chair

Lawrence A. Bernert III, Vice Chair

John M. Bennett

Susan T. Gooden, Ph.D.

Jessica L. Hood

Del. Matthew James (*attended remotely from Portsmouth, VA under § 2.2-3708.3(B)(3)*)

Lindsey K. Pantele

VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, Steven Adelaar, Rory Badura, Ty Bowers, Lee Buchanan, Jessica Budd, Caroline Cardwell, Dorothy Chiddo, Michael Cooper, Perry Corsello, David Cotter, Sara Denson, Curtis Doughtie, Kenji Epling, Laurie Fennell, Laura Fields, Antonio Fisher, Josh Fox, Katherine Grawe, JT Grier, Dane Honrado, KC Howell, Robert Irving, Sandy Jack, Mengting Kim, LaShaunda King, Kristina Koutrakos, Matt Lacy, Chung Ma, Scott Mootz, Walker Noland, Greg Oliff, Angela Payne, David Porter, Matt Priestas, Katie Ray, Mark Rein, Gregory Salvati, Dan Schlussler, Jenny Schoeller, Michael Scott, Joseph Shaver, Richard Slate, Amethyst Sloane, Virginia Sowers, Emily Trent, Korey Turner and Dan Whitlock.

Guests:

Jacob Hodges, Encore; Joe Ebisa and Darren Millard, With Intelligence; Lisa Giaffo, Osmosis; Carly Hite, Ares Management; Alexandra Jansson, Joint Legislative Audit and Review Commission; Elizabeth Myers, Office of the Attorney General; and Sabrina Ticer-Wurr, MandateWire.

The meeting convened at 1:00 p.m.

### Opening Remarks

Mr. Andrews called the meeting to order and welcomed everyone to the February 5, 2026, meeting of the Virginia Retirement System Board of Trustees.

### Approval of Minutes

Following a motion by Mr. Bennett, with a second by Dr. Gooden, the VRS Board of Trustees approved the minutes from its December 11, 2025, meeting.

### Report of the Investment Policy Committee

The Board received the report of the Investment Policy Committee and placed it on file.

### APPROVAL OF MINUTES

Due to the lack of a physical quorum, the minutes from the June 20, 2024, meeting were unable to be approved.

#### EDUCATIONAL PRESENTATION ON INVESTMENT BENCHMARKS

Andrew Junkin, Chief Investment Officer, presented a Benchmark Overview that included the current status and benchmark alternatives for Private Equity, Credit Strategies and Diversifying Strategies. Mercer, a consultant, has been hired to review benchmark and hurdle rates as part of our regular schedule of independent review. These reports will be presented to the Board in April. Any approved changes will be implemented no earlier than July 1, 2026.

Mr. Andrews thanked Mr. Junkin for his report.

#### **Chief Investment Officer**

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

Mr. Andrews thanked Mr. Junkin for his report.

#### **Report of the Benefits and Actuarial Committee**

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

#### APPROVAL OF MINUTES

The Committee approved the minutes of its November 12, 2025, meeting.

#### COST OF LIVING ADJUSTMENTS

##### Virginia Sickness and Disability Program

Rory Badura, Senior Staff Actuary, presented the recommendations of Gabriel, Roeder, Smith & Company (GRS), the plan actuary, regarding statutory annual adjustments to Virginia Sickness and Disability Program (VSDP) creditable compensation for members receiving long-term disability. For VSDP, Mr. Badura advised that the Plan Actuary recommends an increase in the creditable compensation for VRS pension benefit purposes of 4.00%, effective July 1, 2026. In addition, a cost-of-living adjustment (COLA) in the amount of 2.63% shall be applied to long-term disability (LTD) benefit payments for Plan 1 members vested prior to January 1, 2013. A COLA of 2.32% shall be applied for Plan 1 members not vested prior to January 1, 2013, and all Plan 2 and Hybrid Retirement Plan members who have been recipients of LTD benefits for at least one year.

The calculations were reviewed by VRS staff and Internal Audit.

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

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**RBA: Approval of July 1, 2026, Increase Relating to VSDP Creditable Compensation and VSDP COLA**

***Request for Board Action 2026-02-1: Effective July 1, 2026, the following increases shall apply:***

- *The creditable compensation used in calculating the member's average final compensation at retirement shall be increased in the amount of 4.00% for a Plan 1, Plan 2 or Hybrid member who has been the recipient of long-term disability (LTD) benefits for at least one calendar year under the Virginia Sickness and Disability Program (VSDP); and*
- *A cost-of-living adjustment shall be applied to the net LTD benefit payment of 2.63% for Plan 1 members vested prior to January 1, 2013, or 2.32% for Plan 1 members not vested by January 1, 2013, and all Plan 2 and Hybrid members.*

Virginia Local Disability Program

Mr. Badura advised that for the Virginia Local Disability Program (VLDP) the Plan Actuary recommends an increase in the creditable compensation used at retirement of 4.00%, effective July 1, 2026. The VLDP plan does not provide for a COLA on LTD benefits being received. The calculations for the increase in creditable compensation were reviewed by VRS staff and Internal Audit.

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

**RBA: Approval of July 1, 2026, Increase Relating to VLDP Creditable Compensation**

***Request for Board Action 2026-02-2: Effective July 1, 2026, each recipient of LTD benefits under the Virginia Local Disability Program (VLDP) who has been receiving LTD benefits for at least one calendar year, and who ultimately retires directly from LTD, will have their creditable compensation at date of disability increased by an amount set by the Board to be used in determining the member's average final compensation for disability retirement. The recommendation applicable to July 1, 2026, is an increase of 4.00% to be applied to a recipient's creditable compensation.***

INFORMATION ITEMS

2026 COLAs Called for Under Statute Not Requiring Board Approval

Mr. Badura noted that, by statute, VRS cost of living increases are based on the consumer price index for all items, all urban consumers, as published by the Bureau of Labor Statistics of the U.S. Department of Labor. Mr. Badura advised that the COLA increase effective July 1, 2026, of 2.63% is applicable to eligible Plan 1 members vested prior to January 1, 2013. A COLA increase of 2.32% is applicable to Plan 1 members not vested prior to January 1, 2013, and all Plan 2 and Hybrid Plan members effective July 1, 2026. This figure was calculated by GRS, the VRS plan actuary, and verified by VRS and Internal Audit staff. The COLA did not require action by the Committee.

The Group Life Insurance Program minimum benefit for members retired with at least 30 years of service is to be increased by the same COLA applicable to VRS Plan 2 members, or 2.32%, effective July 1, 2026. The new minimum life insurance payout, effective July 1, 2026, will be \$9,995. The Group Life

Insurance Program minimum did not require action by the Committee. The calculations were reviewed by VRS staff and Internal Audit.

#### 2026 Legislative Update

Sandy Jack, Director of Policy, Planning and Compliance, provided an update on VRS-related legislation in the 2026 General Assembly session.

Lastly, Mr. Bennett advised his term would be expiring at the end of February and he expressed his thanks and appreciation to Ms. Bishop, Mr. Junkin, Ms. Schreck and VRS staff for their assistance and support during his tenure on the Board.

Mr. Andrews thanked Mr. Bennett for his report.

#### **Custodial and Signature Authorization Resolutions**

Trish Bishop, VRS Director, presented amendments for consideration to the Resolution for Master Custodial Services to add the current Chief Financial Officer and the Investments Compliance Officer, which is a new position, to those individuals authorized to open and close accounts. In addition, amendments were made to authorize the signature of only one of the VRS administrative personnel listed in the resolution for transactions of less than \$1.00. Further, Ms. Bishop presented an amendment to the Resolution for Payment of Retirement System Funds in the State Treasury and Signing Official Documents to add the current Chief Financial Officer and update all staff changes. Upon a motion by Mr. Bennett, with a second by Ms. Pantele, the VRS Board of Trustees approved the amendments as presented to the two resolutions.

#### **Commending Resolution for The Honorable J. Brandon Bell II**

Mr. Andrews presented the following commending resolution of service of The Honorable J. Brandon Bell, II:

WHEREAS, The Honorable J. Brandon Bell II was appointed to serve on the Virginia Retirement System Board of Trustees for a term beginning in March 2016 and concluding January 2026; and

WHEREAS, Mr. Bell served with distinction in a variety of leadership and advisory roles on Board committees, including Chair of the Audit and Compliance Committee; Chair and Vice Chair of the Defined Contribution Plans Advisory Committee; and Member of the Investment Policy Committee, contributing his extensive experience in investment and financial matters to committee discussions and decision-making; and

WHEREAS, Mr. Bell served the members and retirees of the System with steady and principled leadership, and Virginia Retirement System benefited greatly from his willingness to generously share his deep knowledge of the investment and financial industries, thereby strengthening the System's governance and long-term success;

NOW, THEREFORE, BE IT RESOLVED, that on February 5, 2026, we, the members of the Board of Trustees of the Virginia Retirement System, hereby recognize and commend Mr. Bell for his exemplary leadership and dedicated service and express our sincere appreciation for his unwavering commitment

to the Board of Trustees, the Virginia Retirement System, its members, and the Commonwealth of Virginia.

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

#### **Legislative Update**

Next, Sandy Jack, Director of Policy, Planning and Compliance, provided the Board with an update on VRS-related legislation in the 2026 General Assembly session.

Ms. Jack provided an overview of legislation related to the Virginia Law Officers' Retirement System (VaLORS), enhanced benefits, return to work, purchase of prior service, health insurance credits, and Virginia Line of Duty Act (LODA).

Ms. Jack provided an overview of introduced budget amendments affecting VRS, salary actions, and noted that the General Assembly is expected to adjourn on March 14 and reconvene on April 22 to review the Governor's recommendations and vetoes.

Mr. Andrews thanked Ms. Jack for her presentation.

#### **Report of the Director**

Trish Bishop, VRS Director, began her report with a review of the roadmap from the VRS Project Portfolio.

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

- The Annual Financial Reports are now available and online under Publications at [varetire.org](http://varetire.org).
- A review of recent meetings included Governor-elect Spanberger's transition team, Virginia Association of School Superintendents-Virginia Association of School Business Officials Winter Conference, and Senate Finance and House Appropriations.

Ms. Bishop noted that, as suggested by Mr. Bennett, an in-depth analysis of the Benefits and Actuarial Committee's actuarial measures and key indicators will be added a few times per year to give the Board ongoing insights into the observations of Benefits and Actuarial Committee and staff. Ms. Bishop turned the floor to Rory Badura, Senior Actuary, for 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 value for FY 2025, a comparison of pension cash flows for the fiscal year compared to the prior year, as well as reviewing impacts of inflation on salary increases and cost-of-living adjustments (COLAs).

Upcoming deliverables include the Stress Test and Sensitivity Analysis Report as required by Section 51.1-124.30:1 of the *Code of Virginia*. Additionally, an update on the Early Retirement Factors analysis will be reviewed with a recommendation to the Board at a future meeting.

Lastly, Ms. Bishop advised the Board of upcoming committee and board meeting dates<sup>1</sup> and noted the Board Retreat will be held March 17-18 in Charlottesville, Virginia.

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<sup>1</sup> Committee and Board meeting dates were subsequently updated on [www.varetire.org/about/board/meetings/](http://www.varetire.org/about/board/meetings/)

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Mr. Andrews thanked Ms. Bishop for her report.

**Adjournment**

Following a motion by Mr. Bernert, with a second by Delegate James, the VRS Board of Trustees agreed to adjourn the meeting.

The meeting concluded at 1:43 p.m.

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Chair

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Secretary



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## Minutes

The Virginia Retirement System Board of Trustees held its annual retreat on March 17, 2026, at the Boar's Head, 200 Ednam Drive, Charlottesville, Virginia with the following members participating:

Board members:

A. Scott Andrews, Chair  
Lawrence A. Bernert, III, Vice-Chair  
J. Clifford Foster, IV  
Jessica L. Hood  
Hon. Matthew James

Board member observing remotely:

John M. Bennett

Investment Advisory Committee:

Lawrence E. Kochard, Ph.D., Chair  
Hance West, Vice Chair  
Nan G. Leake  
W. Bryan Lewis

VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, Nikolai Abaev, Stephen Adelaar, John Alouf, Rory Badura, Parham Behrooz, Brock Bell, Erica Billingslea, Warren Chang, Perry Corsello, David Cotter, Sara Denson, Curtis Doughtie, Laura Fields, Kenji Epling, Josh Fox, Katie Grawe, JT Grier, Dane Honrado, KC Howell, Robert Irving, Sandy Jack, De'Von Jones, Ross Kasarda, Mengting Kim, LaShaunda King, Kristina Koutrakos, Matt Lacy, Daniel Lipok, Chung Ma, Curt Mattson, Scott Mootz, Walker Noland, Greg Oliff, Laura Pugliese, Gregory Salvati, Jummai Sarki-Hurd, Kristy Scott, Michael Scott, Dan Schlusser, Virginia Sowers, Korey Turner, Emily Trent, Scott Weaver, Dan Whitlock and Steve Woodall.

Guests:

Rod Aliabadi and Christine Pastore, Vista Equity Partners; Del. Alex Q. Askew, House of Delegates; Carol Bauer, Virginia Education Association; Cyril Espanol, With Intelligence; Margaret-Anne Hennessy, BNY; James Heo, Commonwealth of Virginia; Alexandra Jansson and Kimberly Sarte, Joint Legislative Audit and Review Commission; Darpan Kapadia and Emily Simons, LS Power; Peter Mackie and Bill Ryan, Carlyle; Liz Myers, Office of the Attorney General; Gen. David Petraeus, USA, Ret., KKR.

### Retreat Called to Order

Scott Andrews, VRS Board Chair, welcomed everyone to the 2026 Virginia Retirement System Board of Trustees Retreat.

### **Opening Remarks**

Trish Bishop, VRS Director, and Andrew Junkin, VRS Chief Investment Officer, provided opening remarks and introduced the first guest speaker, Bill Ryan, Managing Director, Carlyle.

### **Presentations**

#### Defined Contribution

Mr. Ryan provided a virtual presentation titled *Defined Contribution*.

Next, Mr. Junkin introduced guest speaker Gen. David Petraeus, USA, Retired, KKR.

#### Geopolitics

Gen. Petraeus provided a presentation titled *Geopolitics*.

### **Closing Remarks**

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

### **Adjournment**

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

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Chair

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Secretary

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## Minutes

The Virginia Retirement System Board of Trustees held its annual retreat on March 18, 2026, at the Boar's Head, 200 Ednam Drive, Charlottesville, Virginia with the following members participating:

Board members:

A. Scott Andrews, Chair  
Lawrence A. Bernert, III, Vice-Chair  
J. Clifford Foster, IV  
Jessica L. Hood  
Hon. Matthew James

Board member observing remotely:

John M. Bennett

Investment Advisory Committee:

Lawrence E. Kochard, Ph.D., Chair  
Hance West, Vice Chair  
Nan G. Leake  
W. Bryan Lewis

VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, Stephen Adelaar, John Alouf, Rory Badura, Parham Behrooz, Brock Bell, Ty Bowers, Jessica Budd, Perry Corsello, David Cotter, Sara Denson, Curtis Doughtie, Allison Dunaway, Laura Fields, Kenji Epling, Kevin Finity, Katie Grawe, JT Grier, Dorothy Harmer, Rachel Hayes, Kelly Hiers, Greg Hines, Dane Honrado, KC Howell, Taylor Irvin, Robert Irving, Sandy Jack, De'Von Jones, Ross Kasarda, Mengting Kim, LaShaunda King, Kristina Koutrakos, Matt Lacy, Daniel Lipok, Chung Ma, Curt Mattson, Scott Mootz, Peter Murphy, Walker Noland, Quynh Phuong, Laura Pugliese, Gregory Salvati, Michael Scott, Dan Schlussler, Trib Singh, Amethyst Sloane, Virginia Sowers, Viet Tran, Corey Turner, Emily Trent, Scott Weaver, Steve Woodall and Melanie Zaremba.

Guests:

Kwame Acheampony, Kristen DePre and Tiffany Wilding, PIMCO; Del. Alex Q. Askew, House of Delegates; Kevin Balaod, With Intelligence; Carol Bauer, Virginia Education Association; Margaret-Anne Hennessy, BNY; James Heo, Commonwealth of Virginia; Alexandra Jansson and Kimberly Sarte, Joint Legislative Audit and Review Commission; Darpan Kapadia and Emily Simons, LS Power; Michelle Mellon-Werch, Nossaman; Liz Myers, Office of the Attorney General; Bill Ryan, Carlyle; Lucas Swisher, Coatue Management and David Tykocinski, Maverick Capital.

### Opening Remarks

Andrew Junkin, VRS Chief Investment Officer, welcomed the attendees to the second day of the retreat and introduced guest speaker, Michelle Mellon-Werch, Nossaman.

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## **Presentations**

### Fiduciary Education

Ms. Mellon-Werch provided a presentation titled *Fiduciary Education*.

Next, Parham Behrooz, VRS Co-Director of Fixed Income, introduced guest speaker, Tiffany Wilding, Managing Director, PIMCO.

### Macro Overview

Ms. Wilding provided a presentation titled *Macro Overview*.

Next, Dan Whitlock, VRS Director of Global Equity, introduced guest speaker David Tykocinski, Co-Chief Investment Officer, Maverick Capital.

### AI – Public Markets

Mr. Tykocinski provided a presentation titled *AI – Public Markets*.

Next, Mr. Whitlock introduced guest speaker, Lucas Swisher, General Partner, Coatue Management.

### AI – Private Markets

Mr. Swisher provided a presentation titled *AI – Private Markets*.

Lastly, Walker Noland, VRS Director of Real Assets, introduced guest speaker, Darpan Kapadia, Chief Operating Officer, LS Power.

### Power Markets

Mr. Kapadia provided a presentation titled *Power Trends at the Intersection of the Digital Revolution and the Energy Transition*.

## **Closing Remarks**

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

## **Adjournment**

The retreat concluded at approximately 12:39 p.m.

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Chair

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Secretary

**Proposed VRS Board of Trustees and Committee Assignments  
(Effective April 23, 2026)**

<b>VRS Board of Trustees</b>	
<b>Proposed (No Change)</b> A. Scott Andrews, Chair Lawrence A. Bernert, III, Vice Chair John M. Bennett J. Clifford Foster, IV Susan T. Gooden, Ph.D. Jessica L. Hood Matthew James William H. Leighty Lindsey K. Pantele	<b>Current</b> A. Scott Andrews, Chair Lawrence A. Bernert, III, Vice Chair John M. Bennett J. Clifford Foster, IV Susan T. Gooden, Ph.D. Jessica L. Hood Matthew James William H. Leighty Lindsey K. Pantele
<b>Administration, Finance and Talent Management Committee</b>	
<b>Proposed (No Change)</b> A. Scott Andrews, Chair Lawrence A. Bernert, III, Vice Chair John M. Bennett	<b>Current</b> A. Scott Andrews, Chair Lawrence A. Bernert, III, Vice Chair John M. Bennett
<b>Audit and Compliance Committee</b>	
<b>Proposed</b> Vacant, Chair J. Clifford Foster, IV, Vice Chair A. Scott Andrews William H. Leighty	<b>Current</b> Vacant, Chair J. Clifford Foster, Vice Chair A. Scott Andrews
<b>Benefits and Actuarial Committee</b>	
<b>Proposed (No Change)</b> John M. Bennett, Chair Lindsey K. Pantele, Vice Chair Jessica L. Hood	<b>Current</b> John M. Bennett, Chair Lindsey K. Pantele, Vice Chair Jessica L. Hood
<b>Defined Contribution Plans Advisory Committee</b>	
<b>Proposed (No Change)</b> Susan T. Gooden, Ph.D., Chair Matthew James, Vice Chair Monique Barnes Ravindra A. Deo Rebecca Fentress C. Matt Harris Kate Jonas Brenda O. Madden September Sanderlin	<b>Current</b> Susan T. Gooden, Ph.D., Chair Matthew James, Vice Chair Monique Barnes Ravindra A. Deo Rebecca Fentress C. Matt Harris Kate Jonas Brenda O. Madden September Sanderlin

**Proposed VRS Board of Trustees and Committee Assignments  
(Effective April 23, 2026)**

<b>Investment Policy Committee</b>	
<p><b>Proposed</b>  A. Scott Andrews, Chair  Lawrence A. Bernert, III, Vice Chair  John M. Bennett  J. Clifford Foster, IV  Susan T. Gooden, Ph.D.  Jessica L. Hood  Matthew James  <span style="background-color: yellow;">William H. Leighty</span>  Lindsey K. Pantele</p>	<p><b>Current</b>  A. Scott Andrews, Chair  Lawrence A. Bernert, III, Vice Chair  John M. Bennett  J. Clifford Foster, IV  Susan T. Gooden, Ph.D.  Jessica L. Hood  Matthew James  Lindsey K. Pantele  Vacant</p>
<b>Investment Advisory Committee</b>	
<p><b>Proposed (No Change)</b>  Lawrence E. Kochard, Ph.D., Chair  William “Hance” West, Vice Chair  Eric Baggeson  Théodore Economou  Palmer P. Garson  Thomas S. Gayner  Nancy G. Leake  W. Bryan Lewis  Rod Smyth</p>	<p><b>Current</b>  Lawrence E. Kochard, Ph.D., Chair  William “Hance” West, Vice Chair  Eric Baggeson  Théodore Economou  Palmer P. Garson  Thomas S. Gayner  Nancy G. Leake  W. Bryan Lewis  Rod Smyth</p>

**Notes:**

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



# Chief Investment Officer Report

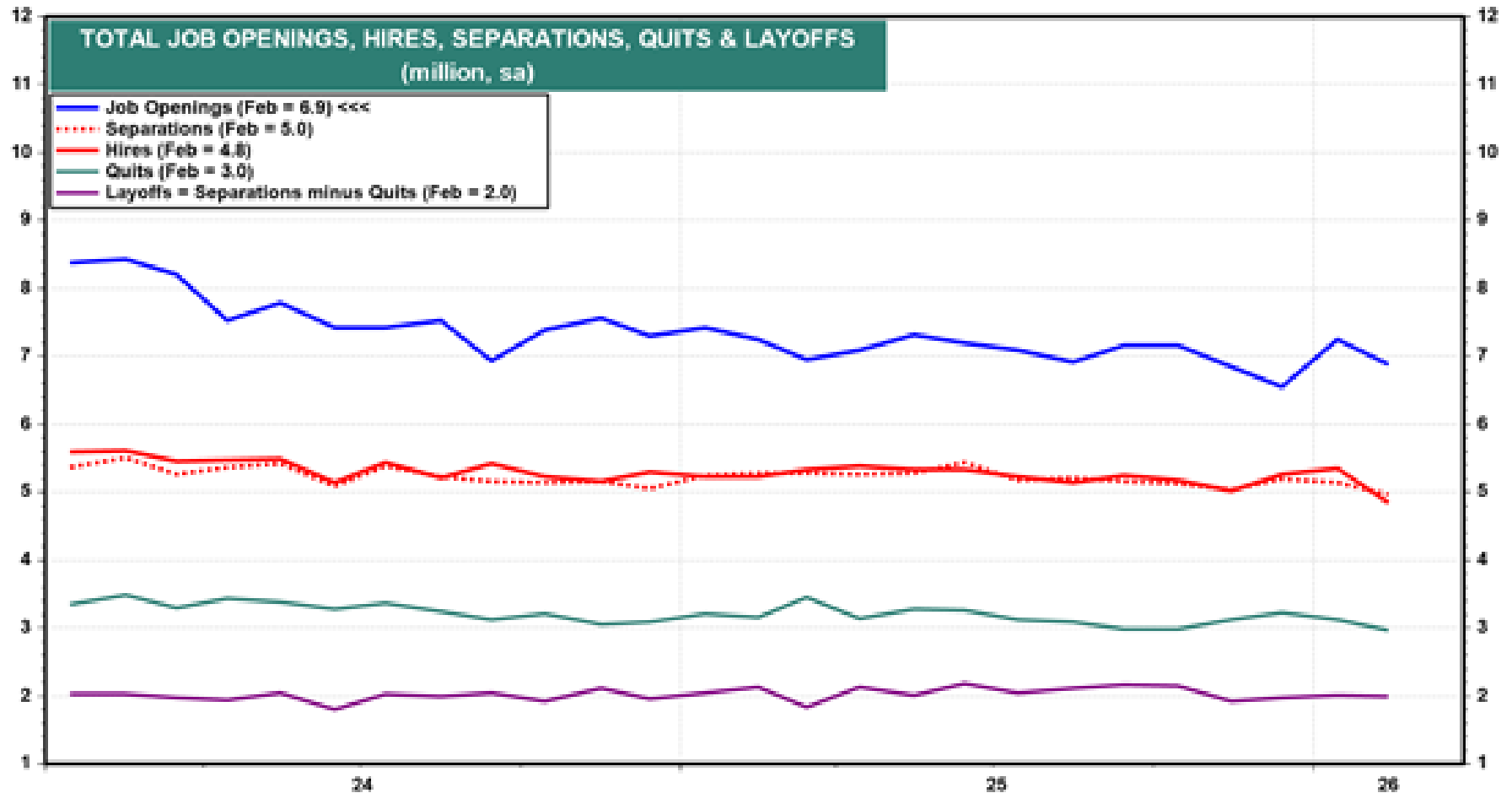
Market Review – April 2026  
Andrew Junkin



# Consumer confidence drifting lower

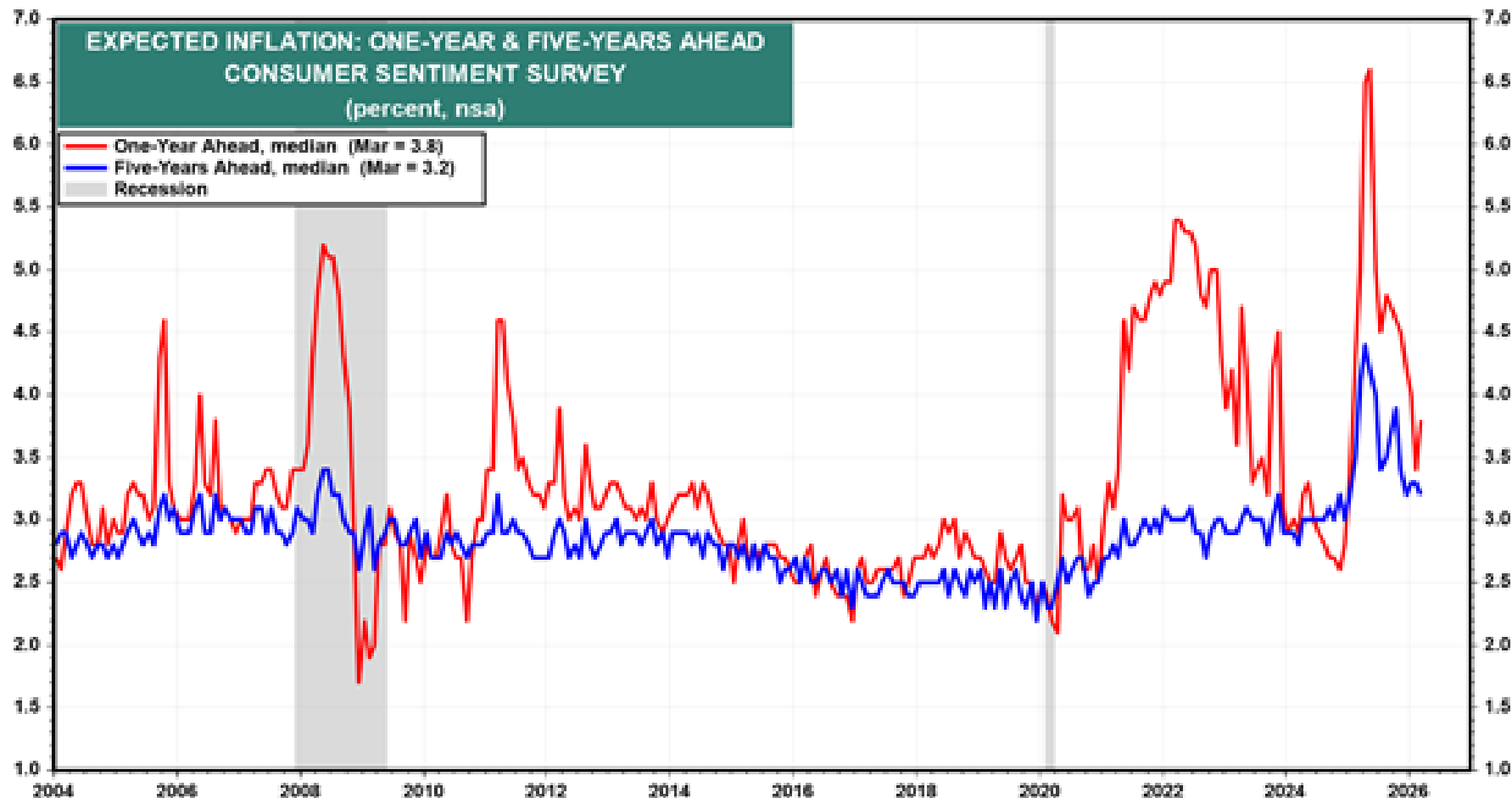


# Job market slowing?



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

# Inflation expectations elevated

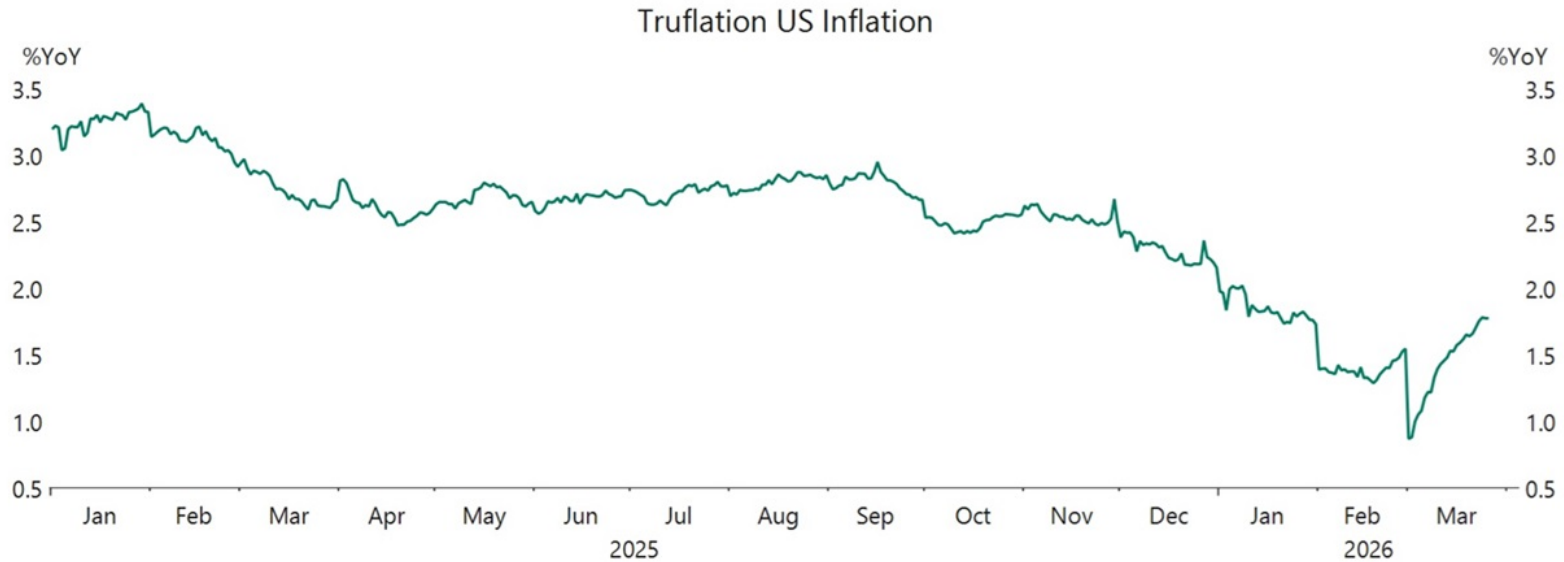


Source: LSEG Datastream and © Yardeni Research, and Survey Research Center.

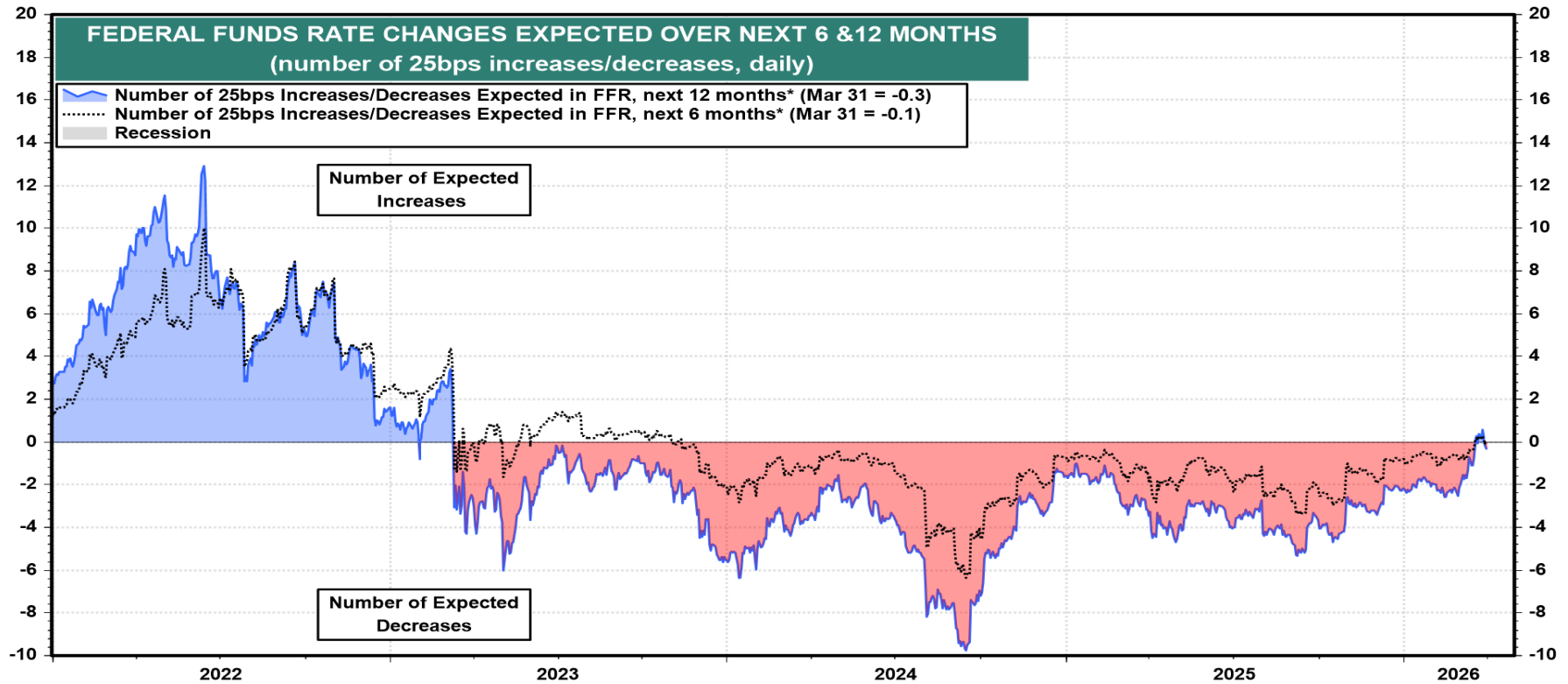
# Timely data shows some increase

APOLLO

Daily inflation from Truflation shows re-acceleration



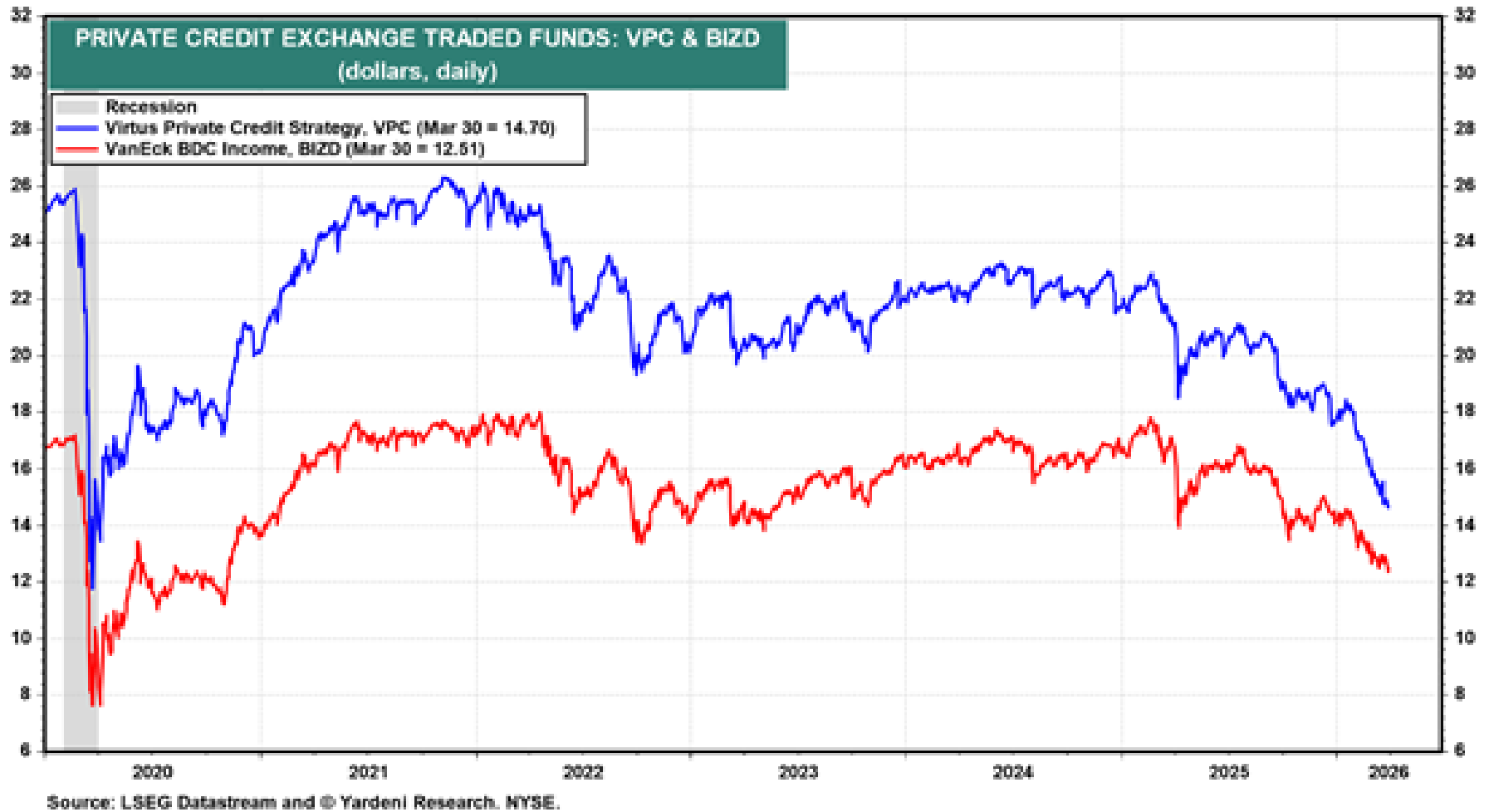
# Fed Funds Forecast



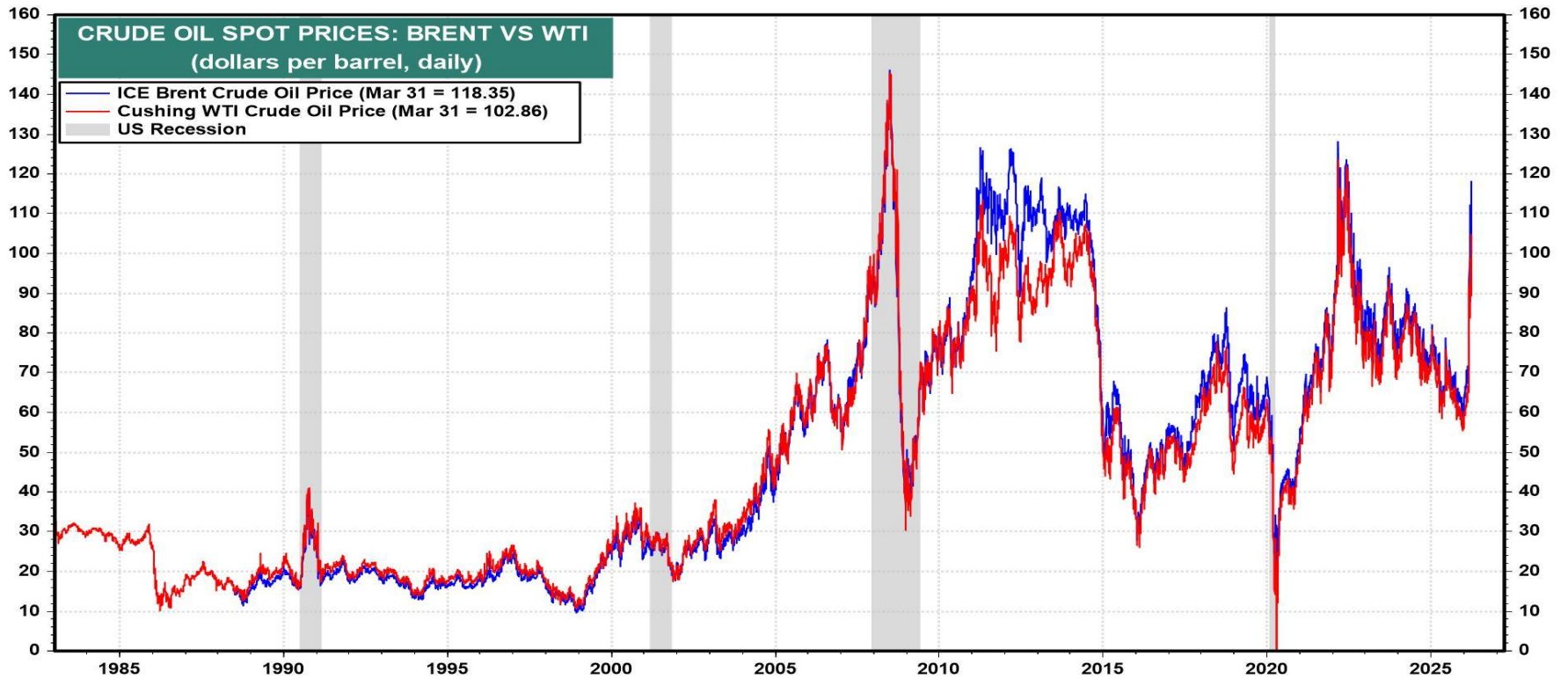
Source: LSEG Datastream and © Yardeni Research. Federal Reserve and Chicago Board of Trade.

\* 6-month and 12-month futures FFR minus FFR all divided by 25.

# Private credit repricing



# Oil prices up on conflict



Source: LSEG Datastream and © Yardeni Research. Intercontinental Exchange, Ice Futures Limited, and Refinitiv.



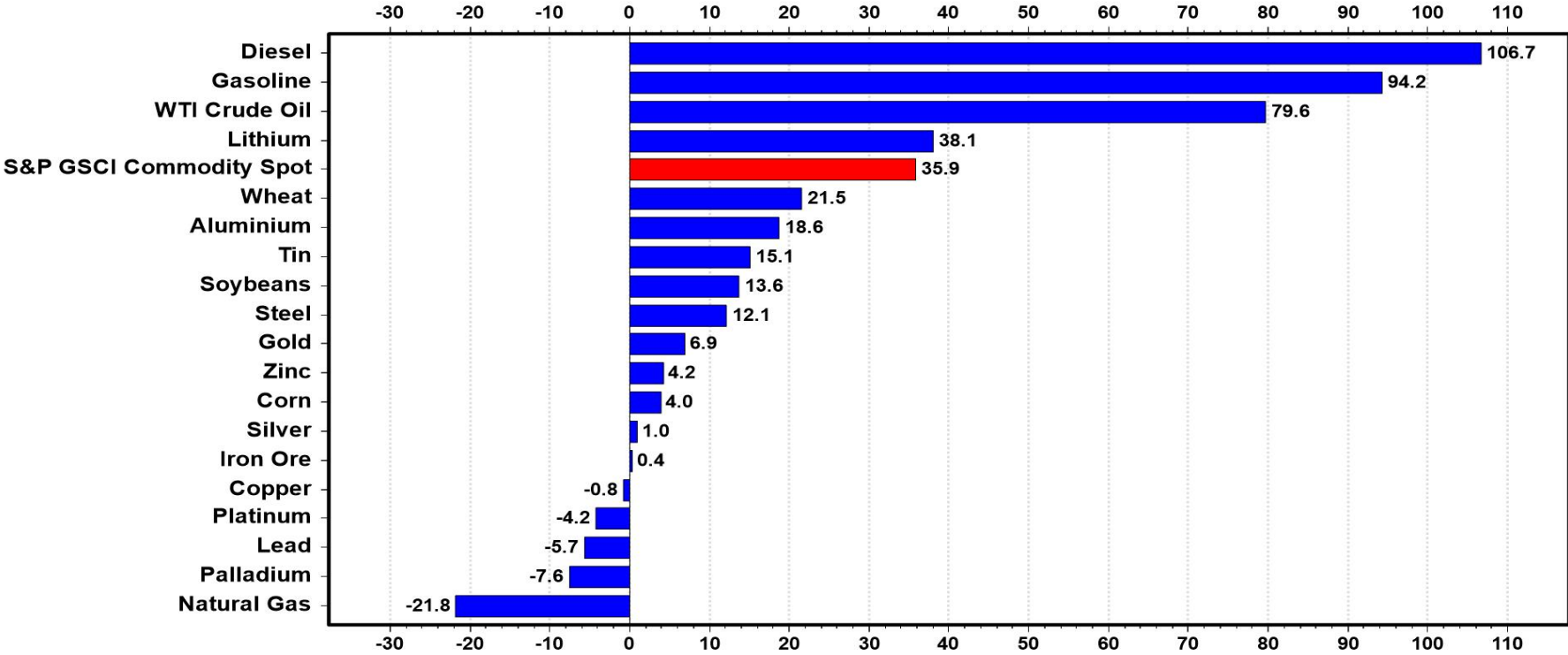
# Creating inflationary pressure



Source: LSEG Datastream and © Yardeni Research. Energy Information Administration (EIA).

# YTD Commodities prices showing more inflation to come

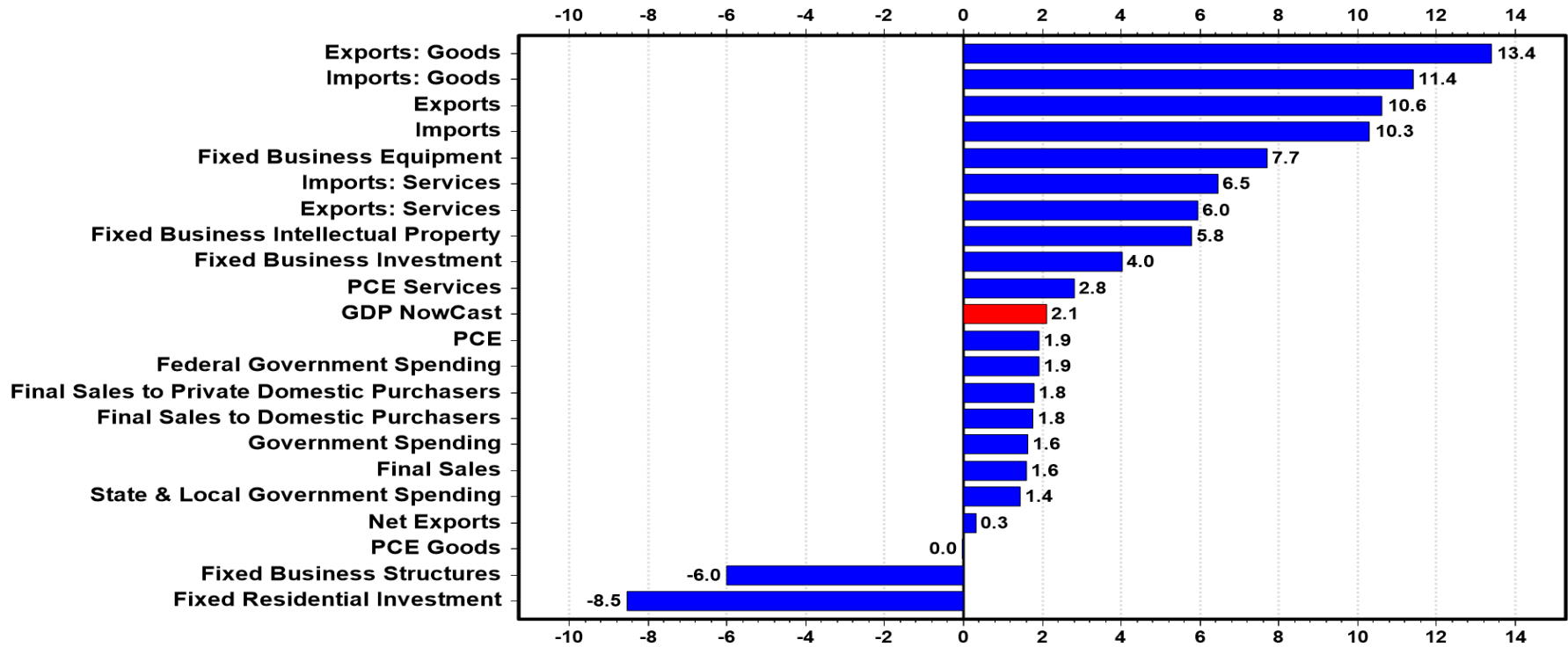
**COMMODITIES PRICES**  
(YTD percent change, March 31)



Source: LSEG Datastream and © Yardeni Research. New York Mercantile Exchange, London Metal Exchange, and Intercontinental Exchange Futures Limited.

# Economy still shows strength

**ATLANTA FED GDPNOW ESTIMATE FOR Q1 2025**  
(quarterly percent change, saar, March 25)



Source: LSEG Datastream and © Yardeni Research.

# Earnings forecasts remain strong



Source: LSEG Datastream and © Yardeni Research.

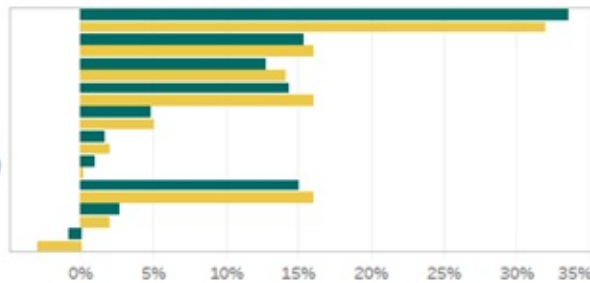
\* Time-weighted average of analysts' consensus estimates for current and coming year.

# Asset Allocation - December 31, 2025

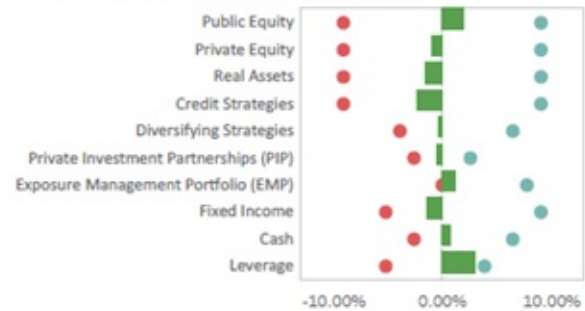
Current  
Policy

Public Equity  
Private Equity  
Real Assets  
Credit Strategies  
Diversifying Strategies  
Private Investment Partnerships (PIP)  
Exposure Management Portfolio (EMP)  
Fixed Income  
Cash  
Leverage

Absolute Weights (%)



Active Weights & Limits (%)



Tracking Error

5Yr-Total Fund 2.3%  
5Yr-Total Public 1.6%

Weights (%)

Asset Class	Billions (\$)	Current	Policy	Variance	Min	Max	Internal
Public Equity	43.4	33.5%	32.0%	1.5%	25%	39%	52%
Private Equity	19.8	15.3%	16.0%	-0.7%	9%	23%	13%
Real Assets	16.5	12.8%	14.0%	-1.2%	7%	21%	17%
Credit Strategies	18.4	14.2%	16.0%	-1.8%	9%	23%	6%
Diversifying Strategies	6.2	4.8%	5.0%	-0.2%	2%	10%	
Private Investment Partnerships (PIP)	2.1	1.6%	2.0%	-0.4%	0%	4%	
Exposure Management Portfolio (EMP)	1.2	0.9%	0.0%	0.9%	0%	6%	
Fixed Income	19.4	15.0%	16.0%	-1.0%	12%	23%	
Cash	3.3	2.6%	2.0%	0.6%	0%	7%	
Leverage	-0.9	-0.7%	-3.0%	2.3%	-7%	0%	
<b>Summary</b>							
Asset Class	Billions (\$)	Current	Policy	Variance	Min	Max	Internal
Total Fund (Net Market Value)	129.4	100.0%	100.0%	0.0%			
Total Fund (Gross Market Value)	130.3	100.7%	103.0%	-2.3%			36%

Exposures by Policy Groups

Policy Group	Billions (\$)	Current	Policy	Variance	Min	Max
Public + Private Equity	63.2	48.8%	48.0%	0.8%	38%	58%
Fixed Income + Cash	22.7	17.5%	18.0%	-0.5%	12%	27%

Total Fund includes the following amount held by the Treasurer of VA: \$501.6 million

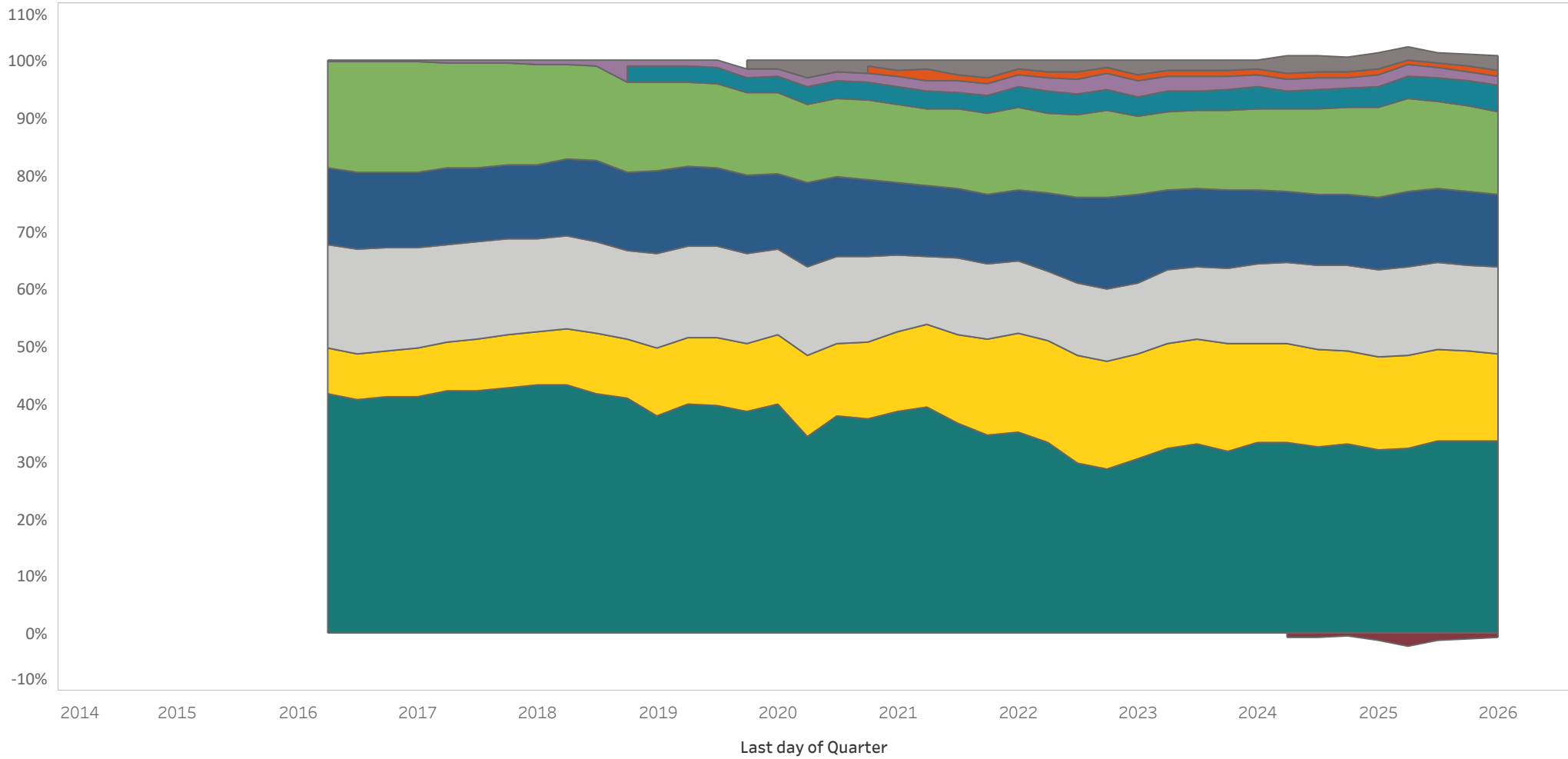
The values shown for each asset class on this report may reflect adjustments related to derivative positions in the Rebalance Account, pending transactions and certain accruals, in order to provide a more descriptive representation of the true economic exposure to each asset class (0 adjustments applied)

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 12/31/2025.

Differences in totals are due to rounding

# Asset Allocation Rolling 10-Year

- Public Equity
- Private Equity
- Fixed Income
- Real Assets
- Credit Strategies
- Diversifying Strategies
- Private Investment Partnerships
- Exposure Management Portfolio
- Cash + Other
- Leverage



As of December 31, 2025



# Performance - December 31, 2025

	<i>(Net of Fees)</i>						Fiscal YTD	Cal YTD	Market Value (\$MM)
	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month			
<b>Total Public Equity</b>	11.3	12.0	20.4	23.4	4.0	1.6	10.7	23.4	43,351
<i>Benchmark</i>	11.2	10.7	19.6	20.8	3.0	0.9	9.6	20.8	
<b>Total Private Equity</b>	14.2	12.9	6.9	8.1	2.2	2.3	4.6	8.1	19,845
<i>Benchmark</i>	14.0	14.1	23.5	17.7	7.3	3.2	19.9	17.7	
<b>Total Real Assets</b>	7.1	6.4	0.3	4.6	1.1	1.0	2.4	4.6	16,546
<i>Benchmark</i>	5.0	3.9	-1.9	4.4	0.9	0.3	2.0	4.4	
<b>Total Credit Strategies</b>	7.9	8.3	10.8	10.1	1.4	1.7	6.1	10.1	18,424
<i>Benchmark</i>	6.3	5.4	9.4	7.4	1.4	0.6	3.5	7.4	
<b>Total Diversifying Strategies</b>	n/a	5.4	7.9	7.8	2.3	1.9	5.1	7.8	6,158
<i>Benchmark</i>	n/a	4.7	8.7	6.7	1.6	0.5	3.3	6.7	
<b>Total Private Investment Partnerships</b>	9.1	11.3	8.4	7.3	2.0	2.0	4.8	7.3	2,113
<i>Benchmark</i>	8.2	8.3	9.7	9.7	3.1	1.4	8.1	9.7	
<b>Total Fixed Income</b>	3.1	0.6	5.8	8.6	1.4	0.0	4.0	8.6	19,362
<i>Benchmark</i>	2.2	0.0	5.2	7.7	1.2	-0.1	3.4	7.7	
<b>Total Fund</b>	8.9	8.8	10.6	12.8	2.5	1.5	6.5	12.8	129,409
<i>VRS Custom Benchmark</i>	8.3	7.6	12.6	12.8	2.8	1.0	7.7	12.8	

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)
	<b>Leverage</b>	n/a	n/a	n/a	4.9	1.1	0.4	2.4	4.9
<i>Benchmark</i>	n/a	n/a	n/a	4.9	1.1	0.4	2.4	4.9	

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



# Performance Attribution

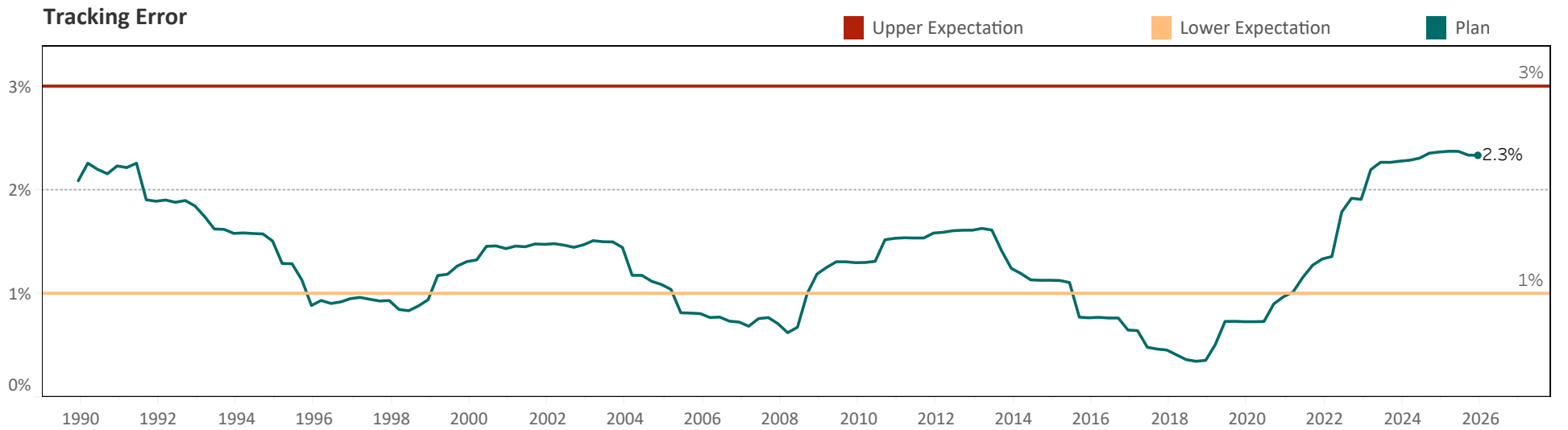
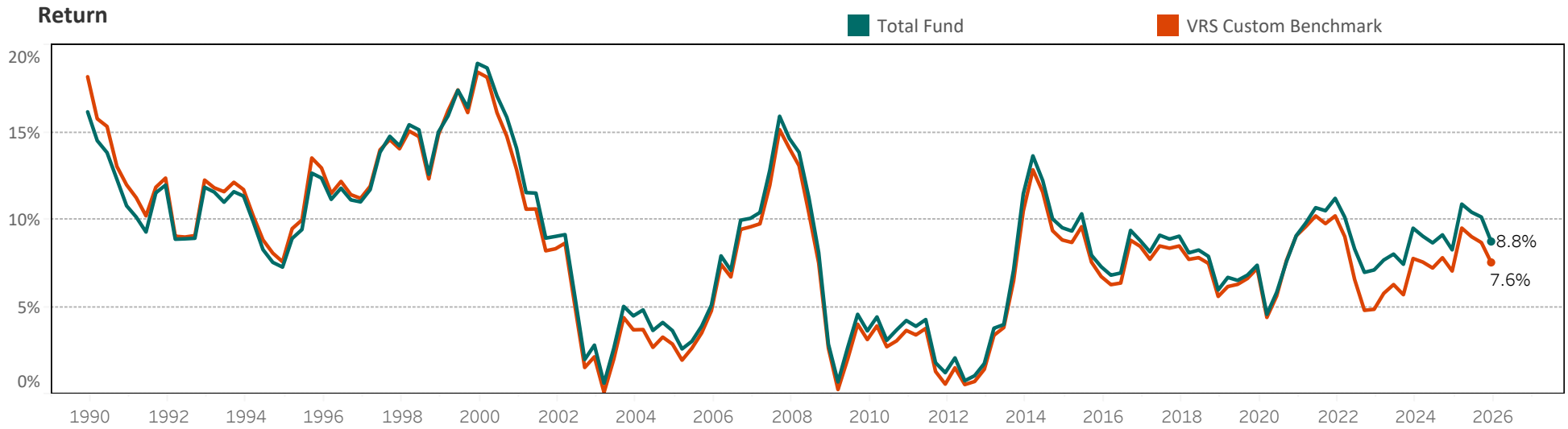
Fiscal Year-To-Date, ending December 31, 2025

	Portfolio		Policy		Attribution		
	Weight	Return	Weight	Return	Allocation	Selection	Total
TOTAL	100.0	6.5	100.0	7.8	0.1	-1.4	-1.3
Public Equity	33.3	10.7	32.0	9.6	0.0	0.4	0.4
Private Equity	15.8	4.6	16.0	19.9	0.0	-2.3	-2.4
Real Assets	12.9	2.4	14.0	2.1	0.1	0.0	0.1
Credit Strategies	14.9	6.1	16.0	3.5	0.0	0.4	0.4
Diversifying Strategies	4.5	5.1	5.0	3.3	0.0	0.1	0.1
Private Investment Partnerships	1.7	4.8	2.0	8.1	0.0	-0.1	-0.1
EMP	0.9	15.0			0.1	0.0	0.1
Fixed Income	15.2	4.0	16.0	3.4	0.0	0.1	0.1
Cash	1.6	0.8	2.0	2.1	0.0	0.0	0.0
Other	0.2	-3.9			0.0	0.0	0.0
Leverage	-0.8	2.4	-3.0	2.4	-0.1	0.0	-0.1

Differences in totals are due to rounding.

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

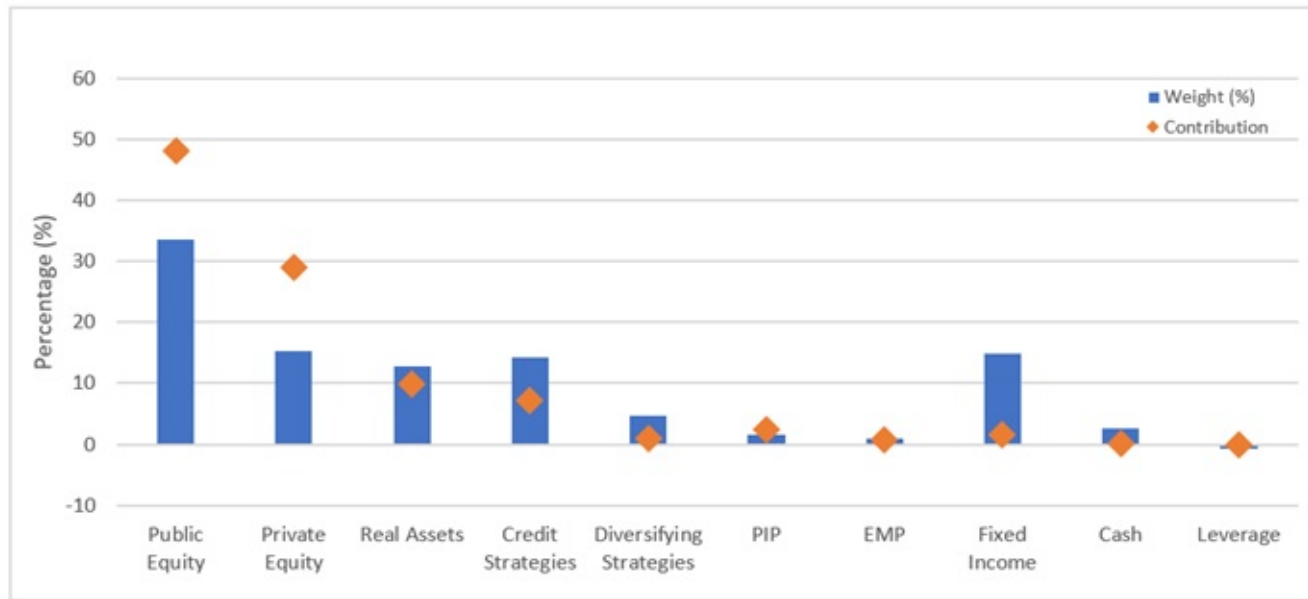
# Total Fund Rolling 5-Year



As of December 31, 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.

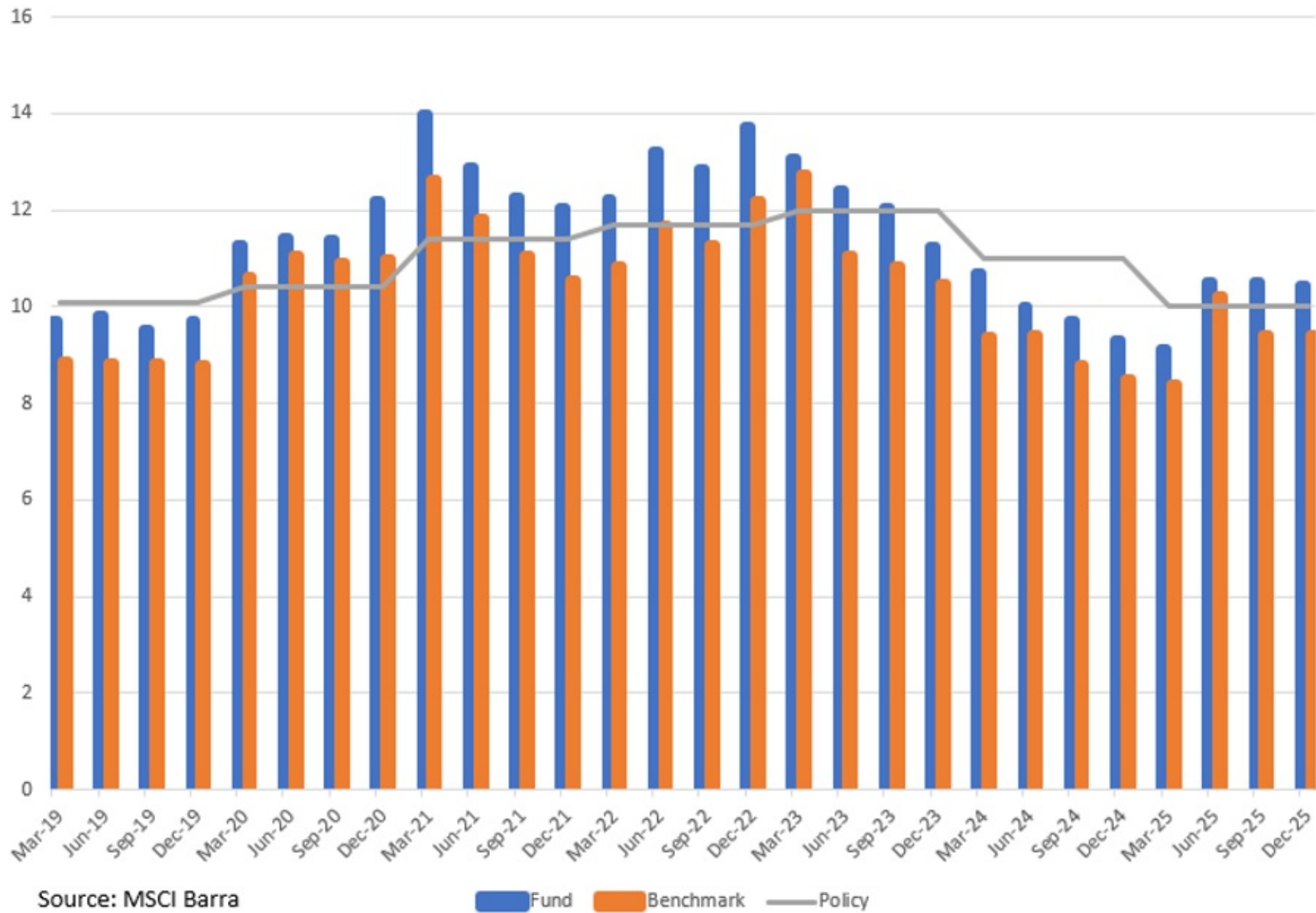
# Projected Volatility and Risk Contribution - December 31, 2025



Asset Class	Market Value		Volatility (%)	
	Billions (\$)	Weight (%)	Projected	Contribution
Public Equity	43.4	33.5	15.8	48.1
Private Equity	19.8	15.3	21.7	29.1
Real Assets	16.5	12.8	10.2	9.9
Credit Strategies	18.4	14.2	8.5	7.2
Diversifying Strategies	6.2	4.8	3.8	1.0
Private Investment Partnership (PIP)	2.1	1.6	15.6	2.3
Exposure Management Portfolio (EMP)	1.2	0.9	18.9	0.7
Fixed Income	19.4	15.0	5.3	1.5
Cash	3.3	2.6	0.2	0.0
Leverage	-0.9	-0.7	0.0	0.0
<b>Total Fund (Net Market Value)</b>	<b>129.4</b>	<b>100.0</b>	<b>10.4</b>	<b>100.0</b>

Source: BNY, MSCI Barra

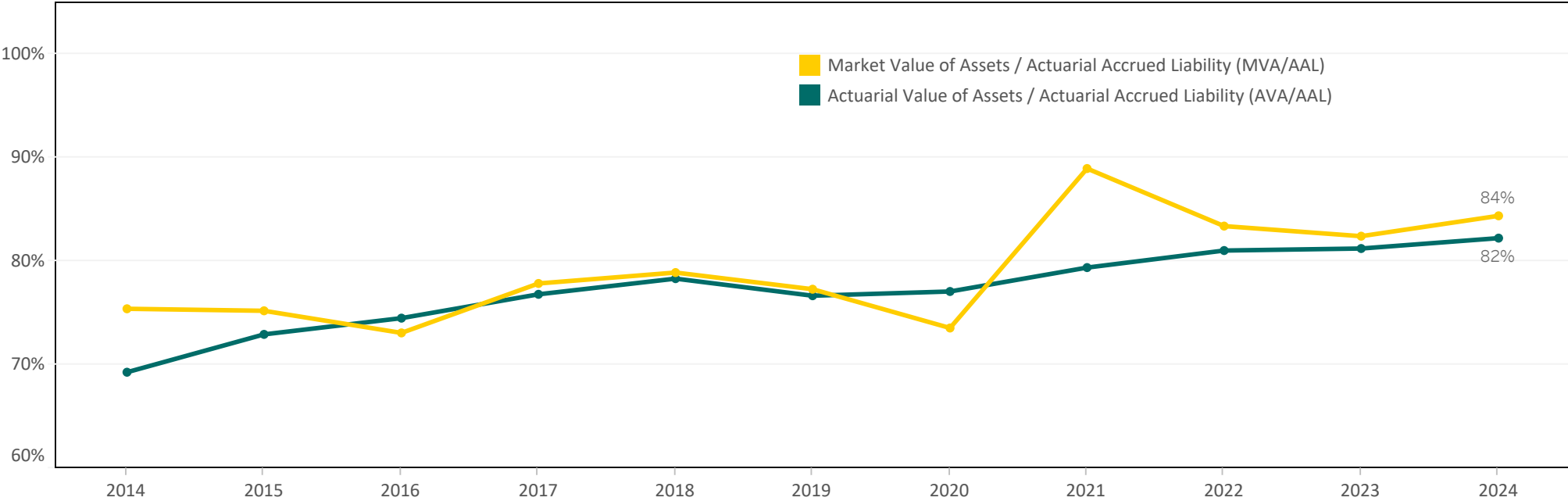
# VRS Fund Projected Volatility - December 31, 2025



Source: MSCI Barra

Fund Benchmark Policy

# Funded Status - Assets/Liabilities



As of end of fiscal year.

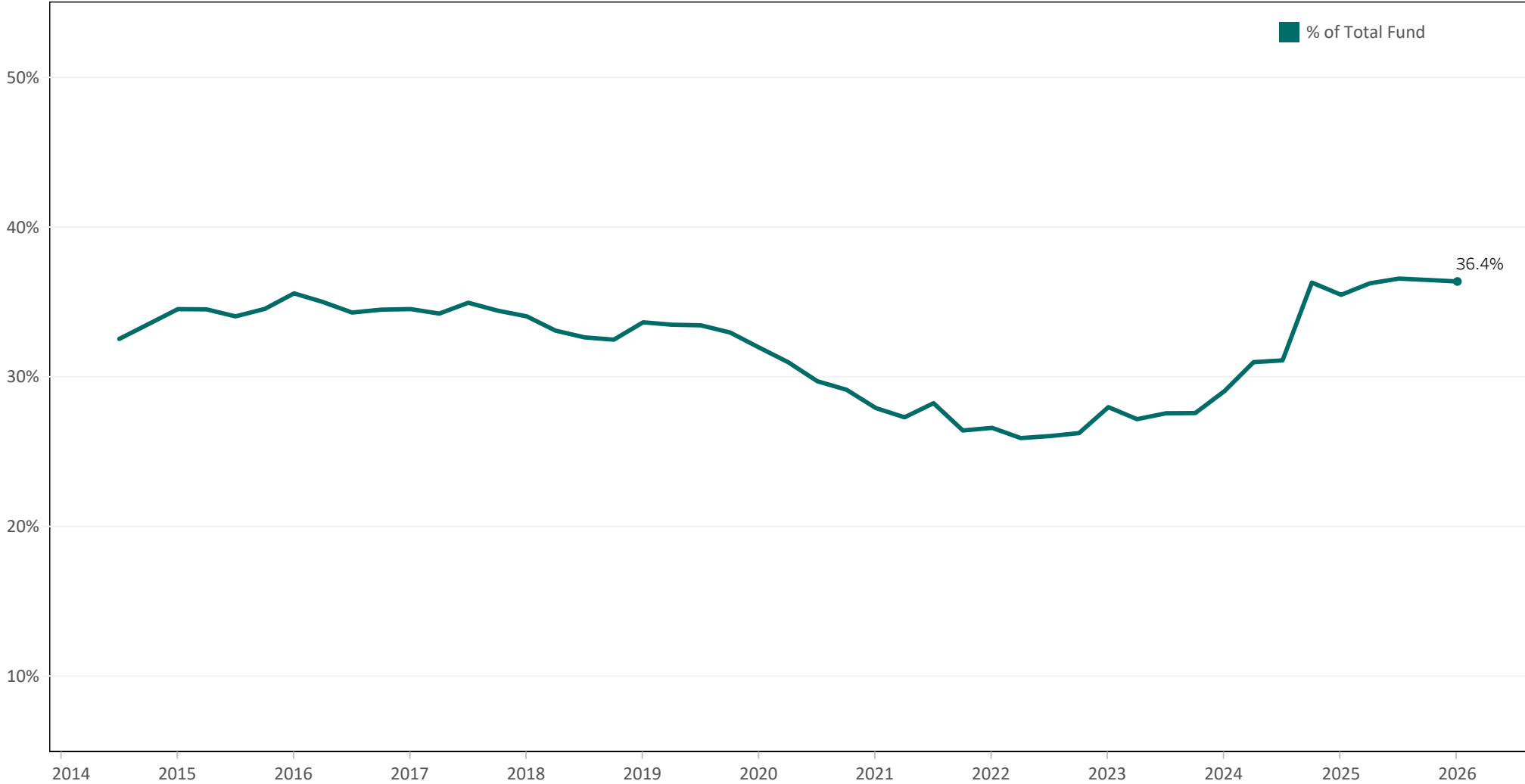
Market Value of Assets (MVA) - The value at which assets could be traded on the market.

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

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

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

# Internally Managed Assets



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

**PERFORMANCE SUMMARY**

**Rolling Periods Ending**

**February 28, 2026**



**TOTAL FUND PERFORMANCE**

*(Net of Fees)*

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
<b>Total Public Equity</b>	<b>12.6</b>	<b>12.5</b>	<b>21.1</b>	<b>25.9</b>	<b>7.7</b>	<b>2.4</b>	<b>17.3</b>	<b>6.0</b>	<b>45,703</b>
<i>Benchmark</i>	12.5	11.3	19.9	23.2	6.1	2.2	15.2	5.2	
<b>Total Private Equity</b>	<b>14.2</b>	<b>12.9</b>	<b>7.0</b>	<b>8.1</b>	<b>2.4</b>	<b>-0.1</b>	<b>4.7</b>	<b>0.0</b>	<b>19,826</b>
<i>Benchmark</i>	13.5	12.5	19.1	17.6	5.7	0.5	22.8	2.4	
<b>Total Real Assets</b>	<b>7.2</b>	<b>6.3</b>	<b>0.4</b>	<b>4.8</b>	<b>1.2</b>	<b>0.1</b>	<b>2.5</b>	<b>0.2</b>	<b>16,589</b>
<i>Benchmark</i>	5.0	3.8	-1.1	4.2	0.8	0.2	2.5	0.5	
<b>Total Credit Strategies</b>	<b>8.1</b>	<b>8.0</b>	<b>10.4</b>	<b>9.8</b>	<b>2.0</b>	<b>0.1</b>	<b>6.4</b>	<b>0.3</b>	<b>18,467</b>
<i>Benchmark</i>	6.4	5.2	8.4	5.7	0.4	-0.3	3.3	-0.2	
<b>Total Diversifying Strategies</b>	<b>n/a</b>	<b>5.8</b>	<b>7.9</b>	<b>9.2</b>	<b>5.0</b>	<b>1.1</b>	<b>8.3</b>	<b>3.0</b>	<b>6,839</b>
<i>Benchmark</i>	n/a	4.7	8.3	6.6	1.5	0.5	4.3	1.0	
<b>Total Private Investment Partnerships</b>	<b>9.1</b>	<b>11.3</b>	<b>8.4</b>	<b>7.3</b>	<b>2.0</b>	<b>0.0</b>	<b>4.8</b>	<b>0.0</b>	<b>2,113</b>
<i>Benchmark</i>	8.3	7.5	8.3	9.0	2.3	0.1	9.1	0.9	
<b>Total Fixed Income</b>	<b>3.1</b>	<b>1.4</b>	<b>6.2</b>	<b>7.4</b>	<b>1.9</b>	<b>1.6</b>	<b>6.0</b>	<b>1.9</b>	<b>19,724</b>
<i>Benchmark</i>	2.1	0.7	5.6	6.6	1.6	1.6	5.2	1.7	
<b>Total Fund</b>	<b>9.5</b>	<b>9.0</b>	<b>10.9</b>	<b>13.5</b>	<b>4.1</b>	<b>1.2</b>	<b>9.2</b>	<b>2.5</b>	<b>131,748</b>
<i>VRS Custom Benchmark</i>	8.8	7.6	12.1	13.2	3.4	1.0	10.4	2.4	

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

Effective January 2024, the Total Fund includes leverage.

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

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

**Leverage Cost Measurement Information**

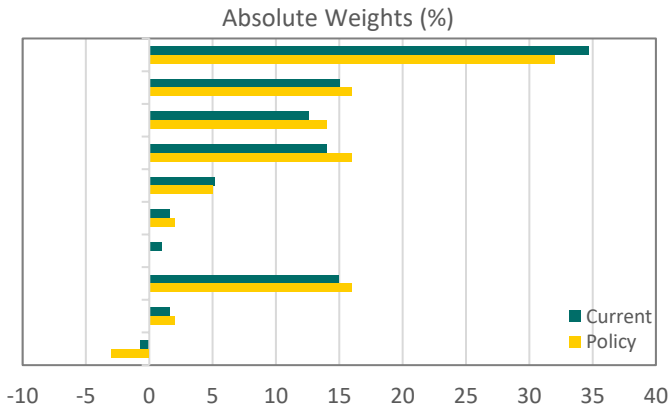
*(Information provided for purposes of monitoring the cost effectiveness of leverage implementation.)*

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
<b>Leverage</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>4.7</b>	<b>1.0</b>	<b>0.3</b>	<b>3.0</b>	<b>0.7</b>	<b>(903)</b>
<i>Benchmark</i>	n/a	n/a	n/a	4.8	1.1	0.3	3.1	0.7	

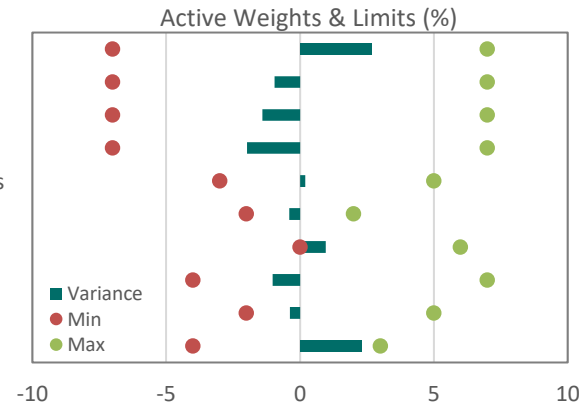
Effective January 2024, the Leverage Custom Benchmark is the Secured Overnight Financing Rate (SOFR) plus 50 basis points per annum.

# Asset Allocation Report

February 28, 2026



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



Tracking Error (%)	
5Yr Fund	2.3
5Yr Public	1.6

Asset Class	Billions (\$)	Weights (%)					
		Current	Policy	Variance	Min	Max	Internal
Public Equity	45.7	34.7	32.0	2.7	25	39	51
Private Equity	19.8	15.0	16.0	-1.0	9	23	13
Real Assets	16.6	12.6	14.0	-1.4	7	21	17
Credit Strategies	18.5	14.0	16.0	-2.0	9	23	6
Diversifying Strategies	6.8	5.2	5.0	0.2	2	10	0
Private Investment Partnerships (PIP)	2.1	1.6	2.0	-0.4	0	4	0
Exposure Management Portfolio (EMP)	1.3	1.0	0.0	1.0	0	6	0
Fixed Income	19.7	15.0	16.0	-1.0	12	23	95
Cash	2.1	1.6	2.0	-0.4	0	7	0
Leverage	-0.9	-0.7	-3.0	2.3	-4	0	0
<b>Total Fund (Net Market Value)</b>	<b>131.7</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>	<i>n.a.</i>	<i>n.a.</i>	<b>37</b>
Total Fund (Gross Market Value)	132.7	100.7	103.0	-2.3	<i>n.a.</i>	<i>n.a.</i>	0

### Exposures by Policy Groups

Public + Private Equity	65.5	49.7	48.0	1.7	38	58	<i>n.a.</i>
Fixed Income + Cash	21.9	16.6	18.0	-1.4	12	27	<i>n.a.</i>

- Total Fund includes the following amount held by the Treasurer of VA: \$ 72 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 12/31/2025.
- Differences in totals are due to rounding





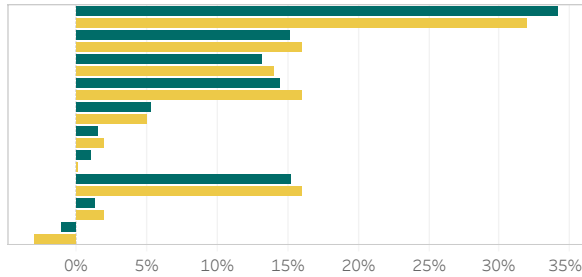
# Daily Asset Allocation Report

April 15, 2026

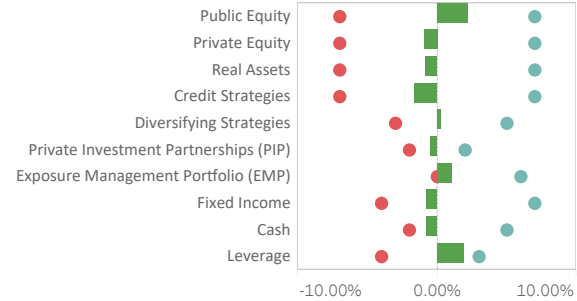
Current (Dark Green)  
Policy (Yellow)

Absolute Weights (%)

Public Equity  
Private Equity  
Real Assets  
Credit Strategies  
Diversifying Strategies  
Private Investment Partnerships (PIP)  
Exposure Management Portfolio (EMP)  
Fixed Income  
Cash  
Leverage



Active Weights & Limits (%)



Tracking Error

5Yr-Total Fund: 2.3%  
5Yr-Total Public: 1.6%

Weights (%)

Asset Class	Billions (\$)	Current	Policy	Variance	Min	Max	Internal
Public Equity	44.9	34.2%	32.0%	2.2%	25%	39%	52%
Private Equity	19.8	15.1%	16.0%	-0.9%	9%	23%	13%
Real Assets	17.2	13.1%	14.0%	-0.9%	7%	21%	17%
Credit Strategies	18.9	14.4%	16.0%	-1.6%	9%	23%	6%
Diversifying Strategies	7.0	5.3%	5.0%	0.3%	2%	10%	
Private Investment Partnerships (PIP)	2.0	1.5%	2.0%	-0.5%	0%	4%	
Exposure Management Portfolio (EMP)	1.3	1.0%	0.0%	1.0%	0%	6%	
Fixed Income	20.0	15.2%	16.0%	-0.8%	12%	23%	95%
Cash	1.7	1.3%	2.0%	-0.7%	0%	7%	
Leverage	-1.4	-1.1%	-3.0%	1.9%	-7%	0%	
<hr/>							
Asset Class	Billions (\$)	Current	Policy	Variance	Min	Max	Internal
<b>Total Fund (Net Market Value)</b>	<b>131.5</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>			
<b>Total Fund (Gross Market Value)</b>	<b>132.9</b>	<b>101.1%</b>	<b>103.0%</b>	<b>-1.9%</b>			<b>37%</b>

Exposures by Policy Groups

Policy Group	Billions (\$)	Current	Policy	Variance	Min	Max
Public + Private Equity	64.7	49.2%	48.0%	1.2%	38%	58%
Fixed Income + Cash	21.7	16.5%	18.0%	-1.5%	12%	27%

Total Fund includes the following amount held by the Treasurer of VA: \$196.38M

•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 12/31/2025  
 •Differences in totals are due to rounding

**VRS Investment Department**  
 Recap of New Investments/Terminations  
 Time Period: 02/06/2026 – 04/23/2026



<b>Program</b>	<b>Action</b>	<b>Effective Date</b>	<b>Commitment/ Current Value</b>	<b>Funding/ Defunding Period</b>	<b>Description</b>
Credit Strategies	Hired	02/23/2026	\$300 Million	4 Years	<b>Ares SSG VII</b> – A closed-end fund focused on Asia Pacific private credit.
Credit Strategies	Hired	03/24/2026	\$750 Million	Immediate	<b>Barings Portfolio Finance</b> – An evergreen fund providing senior loans to third party asset managers.
Private Equity	Hired	03/31/2026	\$300 Million	6 Years	<b>Quad-C XI</b> – Middle market PE firm focused on investing in established services and industrial companies.
Real Assets	Hired	03/19/2026	\$100 Million	3 Years	<b>Meadow Energy Ground Leases</b> – A separate account focused on acquiring and owning land under power assets in the U.S. and U.K.
Real Assets	Hired	03/31/2026	\$100 Million	5 Years	<b>Stonepeak Opportunities Fund II</b> – A closed-end fund investing in mid-market diversified infrastructure deals in North America as well as Europe.
Public Equity	Hired	02/02/2026	\$100 Million	Immediate	<b>ValueAct Japan Fund</b> – A long-only, engagement-driven activist strategy investing in undervalued Japanese equities.
Public Equity	Hired	04/01/2026	\$500 Million	Immediate	<b>BlackRock 32 Capital</b> - A quantitative equity market-neutral strategy.
Diversifying Strategies	Hired	04/01/2026	\$300 Million	Immediate	<b>BlackRock GAO</b> – A quantitative market-neutral hedge fund focused on arbitrage opportunities in equity markets.

VRS Investment Department  
DIME Quarterly Report  
Activity for Quarter Ending March 31, 2026

<b>Investment Program</b>	<b>Activity</b>	<b>Manager Name</b>	<b>Description</b>	<b>VRS Action</b>
Public Equity	On-Going Monitoring of Current VRS Manager	Ariel Global (minority and women-owned firm) <sup>1</sup>	Current VRS global equity manager.	Staff performed on-going due diligence and monitoring of this current VRS manager during the quarter.
Public Equity	Manager Meeting	Ravenswood Partners (minority-owned firm) <sup>1</sup>	Manager focused on global equity strategies.	Staff had a meeting with the manager to discuss their firm and strategy.
Public Equity	Virtual Manager Meeting	GQG Partners (minority-owned firm) <sup>1</sup>	Manager focused on long-only global and emerging markets equity strategies.	Staff had an update call with this manager to discuss their firm and strategy.
Public Equity	Virtual Manager Meeting	Nicholas Investment Partners (women-owned firm) <sup>1</sup>	Manager focused on U.S. small-cap growth strategy.	Staff had an update call with this manager to discuss their firm and strategy.
Public Equity	Virtual Manager Meeting	XN (minority-owned firm) <sup>1</sup>	Manager focused on long/short and long-only global strategies.	Staff had an update call with this manager to discuss their firm and strategy.
Credit Strategies	Manager Meeting	SVP Global (minority-owned firm) <sup>1</sup>	Credit manager focused on special situations and distressed debt investments.	Staff had a meeting with the manager to discuss their firm and strategy.
Credit Strategies	Communication with Fund Manager	Clearlake Capital (minority-owned firm) <sup>1</sup>	Structured credit investing platform manager focused on subordinated debt.	Staff reviewed materials associated with the fund.
Credit Strategies	Communication with Fund Manager	DSC Meridian (minority-owned firm) <sup>1</sup>	Opportunistic credit manager focused on long/short, distressed strategies.	Staff reviewed materials associated with the fund.
Credit Strategies	Communication with Fund Manager	Vista Credit Partners (minority-owned firm) <sup>1</sup>	Private credit manager focused on enterprise software debt investments.	Staff reviewed materials associated with the fund.

VRS Investment Department  
DIME Quarterly Report  
Activity for Quarter Ending March 31, 2026

<b>Investment Program</b>	<b>Activity</b>	<b>Manager Name</b>	<b>Description</b>	<b>VRS Action</b>
Credit Strategies	Communication with Fund Manager	VWH Capital Management (minority-owned firm) <sup>1</sup>	Asset-backed credit investing platform focused on mortgage-backed securities and NPLs.	Staff had communication with manager and received an update.
Credit Strategies and Diversifying Strategies	Periodic Communication with Fund-of-Funds Manager	N/A	Aksia is the consultant used by these two investment programs.	Staff had periodic communication to review DIME and other emerging managers along with other opportunities more broadly.
Real Assets	On-Going Monitoring of Current VRS Manager	Artemis Real Estate	Current VRS real estate manager and fund-of-funds manager.	Staff had periodic communication with the manager to discuss potential DIME firms in their market.
Real Assets	On-Going Monitoring of Current VRS Manager	Capri EGM (minority-owned firm) <sup>1</sup>	Current VRS real estate manager.	Staff performed on-going due diligence and monitoring during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Grain Management (minority-owned firm) <sup>1</sup>	Current VRS infrastructure manager.	Staff performed on-going due diligence and monitoring during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Hamilton Lane	Current VRS real estate fund-of-funds manager.	Staff had periodic communication with the manager to discuss potential DIME firms in their market.
Real Assets	On-Going Monitoring of Current VRS Manager	Pantheon Ventures	Current VRS infrastructure and natural resource fund-of-funds manager.	Staff had periodic communication with the manager to discuss potential DIME firms in their market.

VRS Investment Department  
DIME Quarterly Report  
Activity for Quarter Ending March 31, 2026

<b>Investment Program</b>	<b>Activity</b>	<b>Manager Name</b>	<b>Description</b>	<b>VRS Action</b>
Real Assets	On-Going Monitoring of Current VRS Manager	Pritzker Realty Group (women-owned firm) <sup>1</sup>	Current VRS real estate manager.	Staff performed on-going due diligence and monitoring during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Sheridan Production Partners (women-owned firm) <sup>1</sup>	Current VRS natural resources manager.	Staff performed on-going due diligence and monitoring during the quarter.
Real Assets	Manager Meeting	Ambrose Real Estate (minority-owned firm) <sup>1</sup>	Current VRS real estate manager focused on industrial.	Staff had a meeting with this firm to discuss the existing investment, current fundraise, strategy and market conditions.
Real Assets	Manager Meeting	Arc Capital Partners (minority-owned firm) <sup>1</sup>	Manager focused on value-add preferred and structured equity real estate opportunities.	Staff had a meeting with this firm to discuss their current fundraise, discuss their strategy and market conditions.
Real Assets	Manager Meeting	Rubicon Point Partners (women and minority-owned firm) <sup>1</sup>	Manager focused on diversified, opportunistic real estate in the San Francisco Bay area and Pacific Northwest.	Staff had a meeting with this firm to discuss their current fundraise, discuss their strategy and market conditions.
Real Assets	Virtual Manager Meeting	Alrion Pillar Capital Management (minority-owned firm) <sup>1</sup>	Manager focused on nuclear energy related infrastructure as well as cyber security related infrastructure.	Staff had an introductory call with this emerging manager to discuss their strategy and new fundraise initiative.
Real Assets	Virtual Manager Meeting	Hawkeye Partners (women-owned firm) <sup>2</sup>	Manager launching a senior housing focused vertical.	Staff had an update call with this manager to discuss their strategy, their current fundraise initiative, and market update.

VRS Investment Department  
DIME Quarterly Report  
Activity for Quarter Ending March 31, 2026

<b>Investment Program</b>	<b>Activity</b>	<b>Manager Name</b>	<b>Description</b>	<b>VRS Action</b>
Private Equity	On-Going Monitoring of Current VRS Manager	Asia Alternatives (minority and women-owned firm) <sup>1</sup>	A fund-of-funds manager focused on alternative investments in Asia.	Staff had communication with the manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Siris Capital (minority-owned firm) <sup>1</sup>	Middle market buyout manager focused on control investments in data/telecommunications, technology, and technology-enabled business service companies in North America.	Staff had communication with the manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Veritas Capital (minority-owned firm) <sup>2</sup>	Middle market buyout fund manager focused on targeting primarily technology or technology-enabled solutions to government.	Staff had communication with the manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Vista Equity Partners (minority-owned firm) <sup>1</sup>	Large market buyout fund manager focused on enterprise software companies.	Staff had communication with the manager during the quarter.
Private Equity	Virtual Manager Meeting	Flintlock Capital (women-owned firm) <sup>1</sup>	An entrepreneur first, early-stage venture firm investing in founders pursuing transformational technologies .	Staff had a meeting with the manager during the quarter.
Private Equity	Virtual Manager Meeting	Grafine Partners (women-owned firm) <sup>1</sup>	Asset management firm partnering with veteran industry management teams to collectively build profitable and scalable businesses across selected industry verticals.	Staff had a meeting with the manager during the quarter.

VRS Investment Department  
DIME Quarterly Report  
Activity for Quarter Ending March 31, 2026

<b>Investment Program</b>	<b>Activity</b>	<b>Manager Name</b>	<b>Description</b>	<b>VRS Action</b>
Private Equity	Virtual Manager Meeting	Levine Leichtman Management (women-owned firm) <sup>1</sup>	A private equity firm focused on providing structured equity to small and medium sized companies.	Staff had a meeting with the manager during the quarter.
Private Equity	Virtual Manager Meeting	New Catalyst Partners (minority-owned firm) <sup>1</sup>	An independent alternative investment firm.	Staff had a meeting with the manager during the quarter.
Private Equity	Virtual Manager Meeting	Open Opportunity Fund (minority-owned firm) <sup>1</sup>	Venture and growth investment manager focused on B2B software companies across Enterprise IT, Fintech, and People Ops.	Staff had a meeting with the manager during the quarter.
Private Equity	Virtual Manager Meeting	Valor Equity Partners (minority-owned firm) <sup>1</sup>	Fund manager focused on providing flexible capital to growing companies.	Staff had a meeting with the manager during the quarter.
Fixed Income	On-Going Monitoring of Current VRS Manager	Payden & Rygel (women-owned firm) <sup>1</sup>	Current VRS emerging market debt manager.	Staff had various interactions with the manager during the quarter.

Index:

- 1 – The manager is considered Diverse Investment Management Engagement (DIME) under the Commonwealth of Virginia definition, which defines ownership threshold of 51% or more.
- 2 – The manager is considered DIME under the definition that considers industry best practices and defines an ownership threshold of greater than or equal to 33% and less than 51% of firm ownership or carry.



VRS Investment Department  
Quarterly External Investment Manager Referral Report  
Activity for Quarter Ending March 31, 2026

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



# Benchmark Recommendations

April 2026  
Andrew Junkin

# Agenda

- Review current VRS investment benchmarks
- Identify attributes of a good benchmark
- Discuss proposed enhancements
- Update on independent consultant review of benchmarks and hurdles
- Next steps

# VRS Current Benchmarks

- **Public Equity** – custom 85%/15% blend of global cap weighted equity/global low volatility equity
- **Private Equity** – custom regionally adjusted cap weighted public equity index, lagged one quarter (75% North America, 20% Europe, 5% Asia and emerging markets)
- **Real Assets** – custom weighted blend of NCREIF ODCE (core real estate) and CPI+4% (other real assets)
- **Credit Strategies** – 50%/50% blend of high yield bonds/bank loans
- **Fixed Income** – custom 90%/5%/5% blend of investment grade US bonds/high yield bonds/emerging market debt
- **Diversifying Strategies** – 3-month treasury bills +2.5%
- **Private Investment Partnerships (PIP)** – 34%/33%/33% Credit Strategies/Private Equity/Real Assets benchmarks

# Characteristics of a good benchmark

- According to the CFA Institute, an ideal benchmark would be:
  - **Specified in advance:** Constructed and agreed upon before the evaluation period begins.
  - **Appropriate:** Consistent with the investment style, mandate, or strategy.
  - **Measurable:** The return can be calculated frequently, accurately, and in a timely manner.
  - **Unambiguous:** The constituents and their weights are clearly defined and identifiable.
  - **Reflective of current investment opinions:** The investor has current knowledge of the securities in the benchmark.
  - **Accountable:** The investor accepts responsibility for the benchmark's constituents and performance.
  - **Investable:** It is possible for an investor to replicate the benchmark, or "passively hold" it.

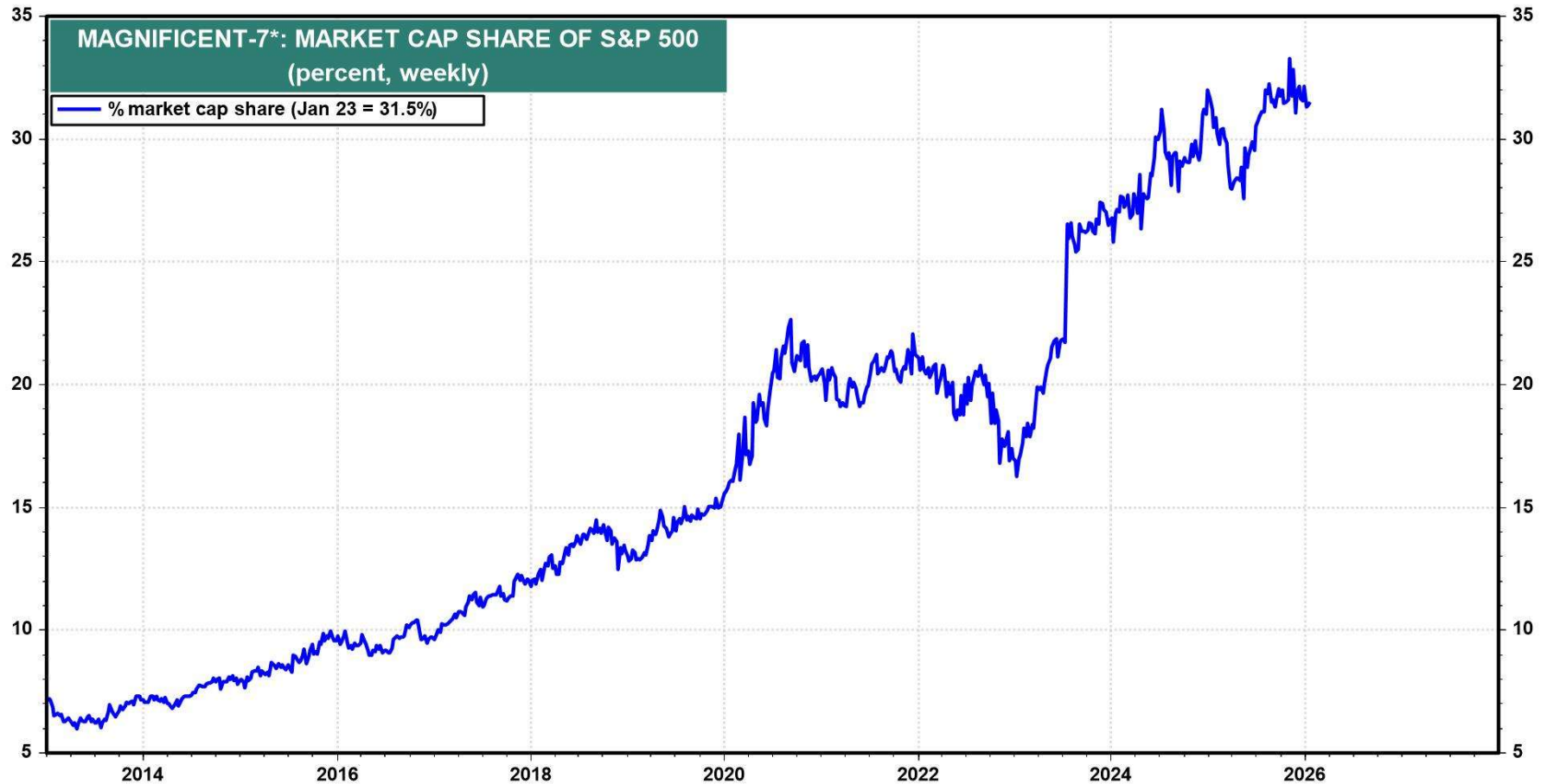
# Current Benchmark Status

	<u>Public Equity</u>	<u>Private Equity</u>	<u>Real Assets</u>	<u>Credit Strategies</u>	<u>Fixed Income</u>	<u>Diversifying Strategies</u>
Specified in Advance	●	●	●	●	●	●
Appropriate	●	◐	●	●	●	◐
Measurable	●	●	●	●	●	●
Unambiguous	●	●	●	●	●	●
Reflective of Opinions	●	◑	◐	◐	●	◑
Accountable	●	◑	◐	◐	●	◑
Investable	●	●	◐	●	●	◑

# VRS Proposed Benchmarks

- **Public Equity** – custom 85%/15% blend of global cap weighted equity/global low volatility equity
- **Private Equity** – [Fund Universe Benchmark \(MSCI Burgiss, ex Venture, ex Funds <\\$1B\)](#)
- **Real Assets** – custom weighted blend of NCREIF ODCE (core real estate) and CPI+4% (other real assets)
- **Credit Strategies** – 50%/50% blend of high yield bonds/bank loans, [lagged one quarter](#)
- **Fixed Income** – custom 90%/5%/5% blend of investment grade US bonds/high yield bonds/emerging market debt
- **Diversifying Strategies** – [75%/25%](#) 3-month treasury bills +2.5%/[HFRI Trend Index](#)
- **Private Investment Partnerships (PIP)** – 34%/33%/33% Credit Strategies/Private Equity/Real Assets benchmarks

# Growth in Large Public Companies



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

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



# Private Equity Benchmark Alternative

- Private Equity Fund Universe Benchmark– a benchmark comprised of actual private equity funds
  - These can be customized to better represent an investor’s actual investment approach, including geography, style, vintage year, fund size, etc.
    - Best fit for us is the MSCI Burgiss Private Equity Index ex. Venture and Funds <\$1B.
  - Sourced from actual manager data
  - More clearly represents the investible opportunity set
  - Many large pension fund peers also benchmark vs. a fund universe index
    - Mercer found that ~1/3 of the largest 100 Public Funds use a Fund Universe benchmark. Examples include TRS, Wisconsin, CalSTRS, NY Common, North Carolina, PA PSERS, Maryland, Alaska Permanent, Ohio PERS & Ohio Teachers, New Jersey, etc.
  - Can be used to judge actual implementation success: return, risk, diversification, manager selection

# Private Equity Benchmark Implementation

- To avoid timing risk and in acknowledgement that adjustments to a mature private investment portfolio take time, we would look to phase-in the benchmark over 5 fiscal years.

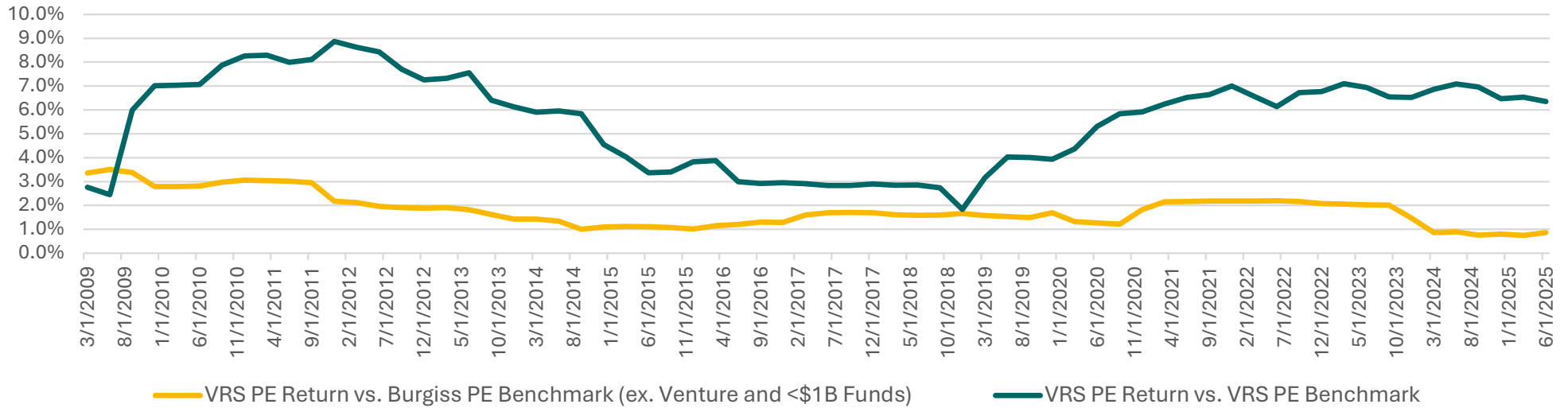
	Current Benchmark Public Market Index	Proposed Benchmark Private Fund Universe Index
FY 27	80%	20%
FY 28	60%	40%
FY 29	40%	60%
FY 30	20%	80%
FY 31	0%	100%

# Performance Reporting: 12/31/25

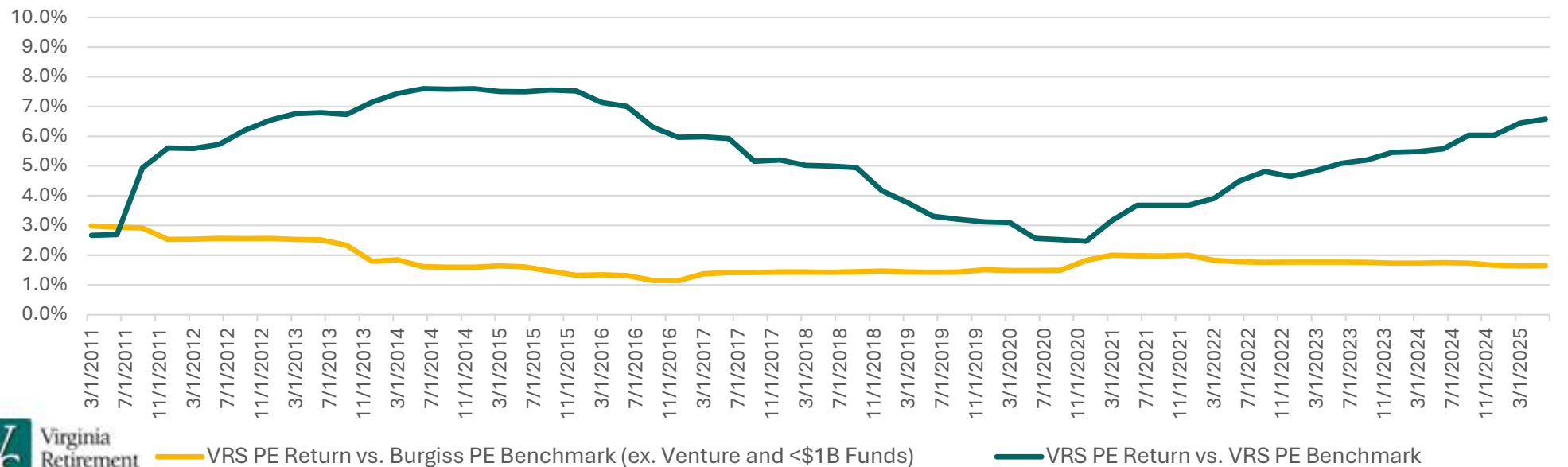
	(Net of Fees)						Fiscal YTD	Cal YTD	Market Value (\$MM)
	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month			
<b>Total Public Equity</b>	11.3	12.0	20.4	23.4	4.0	1.6	10.7	23.4	43,351
<i>Benchmark</i>	11.2	10.7	19.6	20.8	3.0	0.9	9.6	20.8	
<b>Total Private Equity</b>	14.2	12.9	6.9	8.1	2.2	2.3	4.6	8.1	19,845
<i>Benchmark</i>	14.0	14.1	23.5	17.7	7.3	3.2	19.9	17.7	
<b>Total Real Assets</b>	7.1	6.4	0.3	4.6	1.1	1.0	2.4	4.6	16,546
<i>Benchmark</i>	5.0	3.9	-1.9	4.4	0.9	0.3	2.0	4.4	
<b>Total Credit Strategies</b>	7.9	8.3	10.8	10.1	1.4	1.7	6.1	10.1	18,424
<i>Benchmark</i>	6.3	5.4	9.4	7.4	1.4	0.6	3.5	7.4	
<b>Total Diversifying Strategies</b>	n/a	5.4	7.9	7.8	2.3	1.9	5.1	7.8	6,158
<i>Benchmark</i>	n/a	4.7	8.7	6.7	1.6	0.5	3.3	6.7	
<b>Total Private Investment Partnerships</b>	9.1	11.3	8.4	7.3	2.0	2.0	4.8	7.3	2,113
<i>Benchmark</i>	8.2	8.3	9.7	9.7	3.1	1.4	8.1	9.7	
<b>Total Fixed Income</b>	3.1	0.6	5.8	8.6	1.4	0.0	4.0	8.6	19,362
<i>Benchmark</i>	2.2	0.0	5.2	7.7	1.2	-0.1	3.4	7.7	
<b>Total Fund</b>	8.9	8.8	10.6	12.8	2.5	1.5	6.5	12.8	129,409
<i>VRS Custom Benchmark</i>	8.3	7.6	12.6	12.8	2.8	1.0	7.7	12.8	

# Private Equity Benchmark Tracking Error

## 3-year Rolling Tracking Error



## 5-Year Rolling Tracking Error

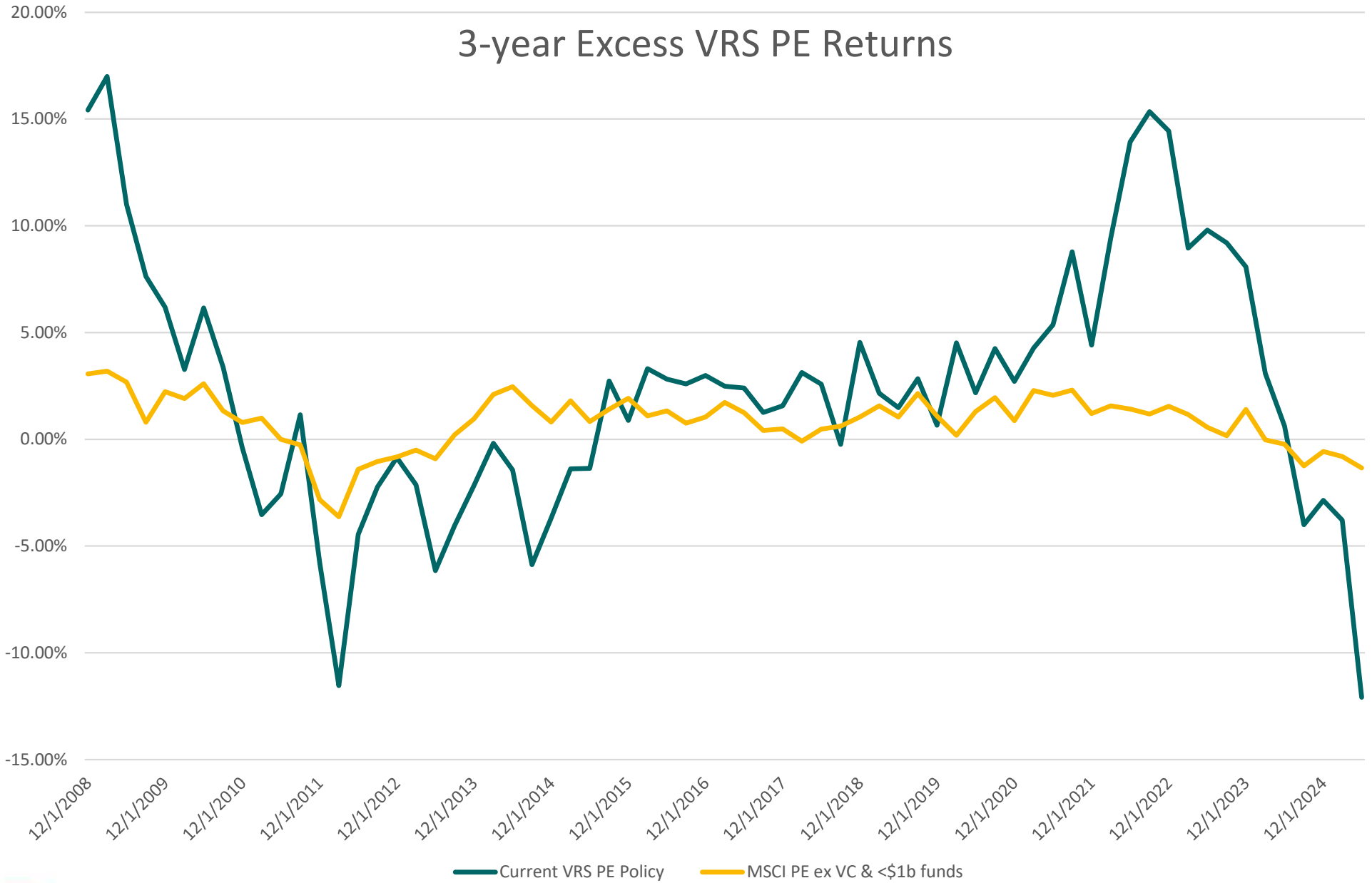


— VRS PE Return vs. Burgiss PE Benchmark (ex. Venture and <\$1B Funds)

— VRS PE Return vs. VRS PE Benchmark

# Private Equity Benchmark Returns

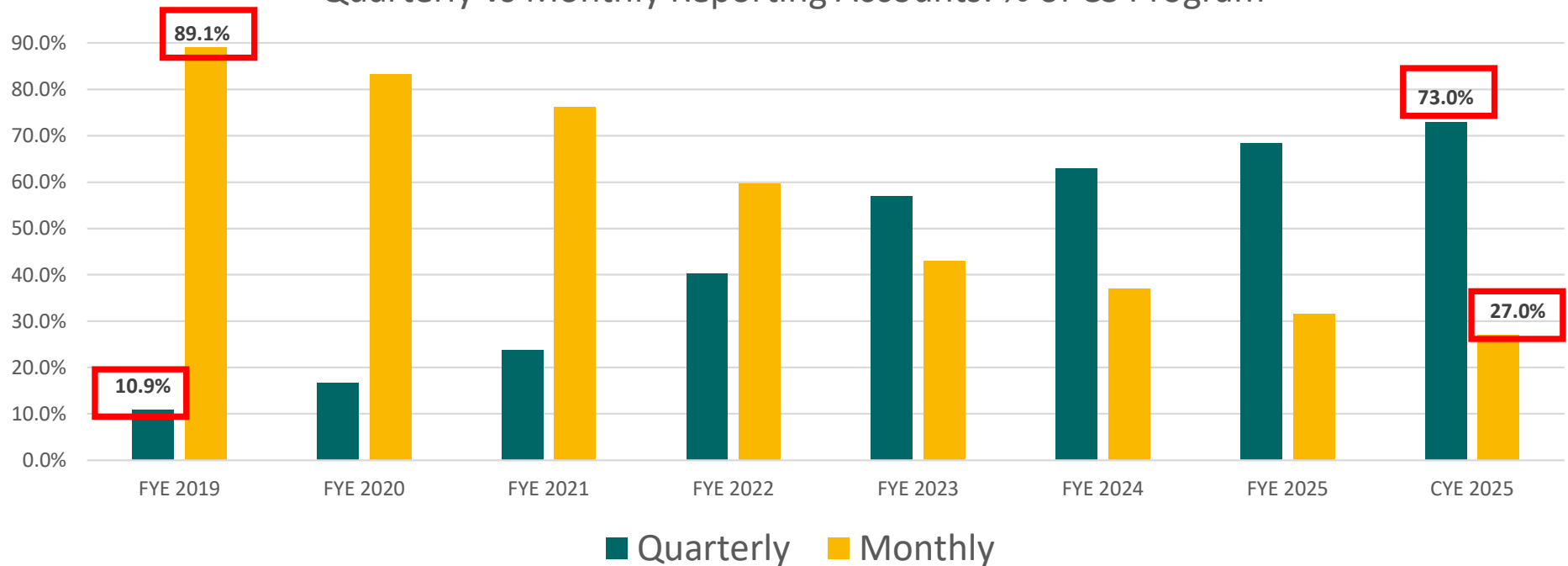
## 3-year Excess VRS PE Returns



# Credit Strategies Has Evolved

- The investment vehicles utilized have changed over time as the program has become more private credit-focused.
- A lagged benchmark is needed to better match the reporting of the underlying investments.

Quarterly vs Monthly Reporting Accounts: % of CS Program



# Diversifying Strategies Program

- Diversifying Strategies has changed meaningfully over the last several years
  - Combined former Risk Based Investing program with Dynamic Strategies program
  - Program now has two major components: Risk Responders and Return Enhancers
  - Risk Responders are designed to provide ballast when public equity markets are down
  - Return Enhancers are designed to harvest returns in most market environments in a way that is uncorrelated to the rest of the VRS portfolio

# Diversifying Strategies Benchmark Components

- Cash + 250 bps (current benchmark)
  - Consistent with an absolute return mandate
  - Serves as a proxy for the opportunity cost of capital
  - Never negative with a historic volatility around 1%
- HFRI Trend Following Index
  - Better reflects the make up of the defensive portion of the program
  - Exhibits a higher correlation to experienced and modeled returns
  - Introduces volatility into the benchmark more consistent with overall return patterns

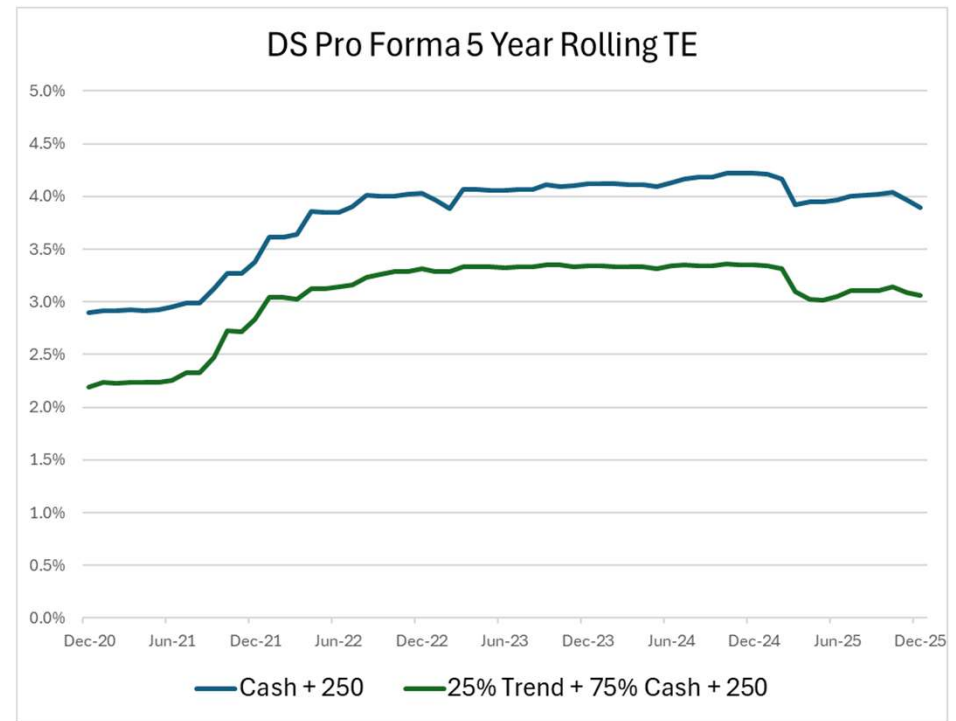
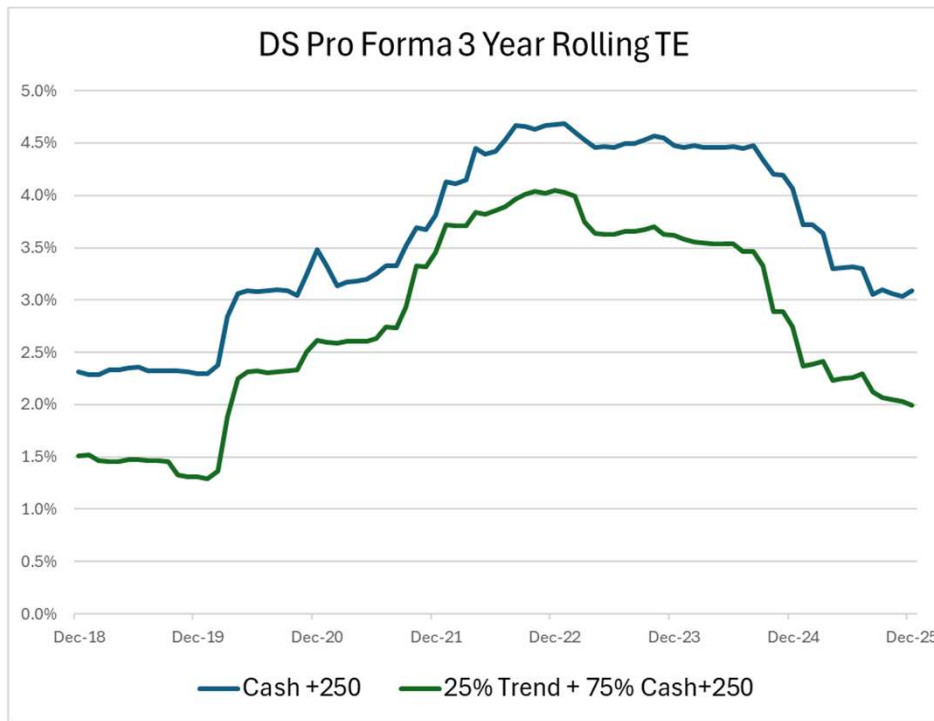


# Diversifying Strategies Benchmark Alternative

- Move to a blended benchmark
  - Retain cash plus 250 bps for absolute return – 75% of benchmark
  - Use HFRI Trend Following Index for the defensive portion of the program – 25% of benchmark
  - Weightings aligned with strategy evolution
- HFR Institutional Trend Following Index
  - Equal-weighted index representing the largest funds open to investment
  - Consistent with funds that are investible for an allocator of VRS's size
  - Index methodology consistent with VRS reporting and operational needs

# Reduced Tracking Error

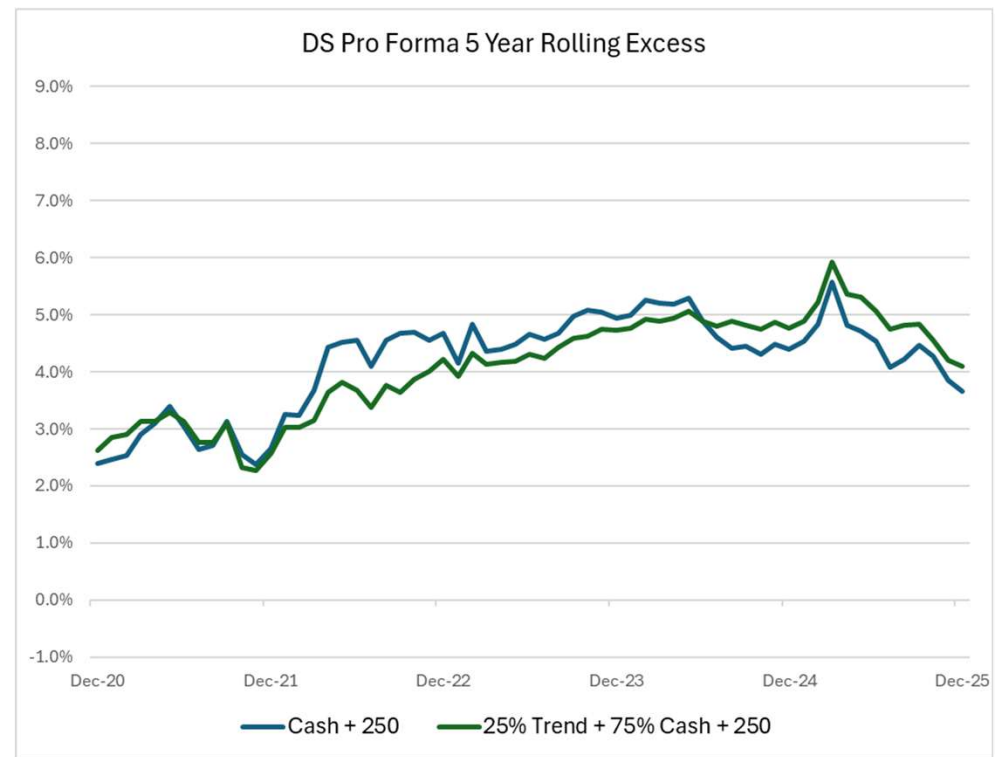
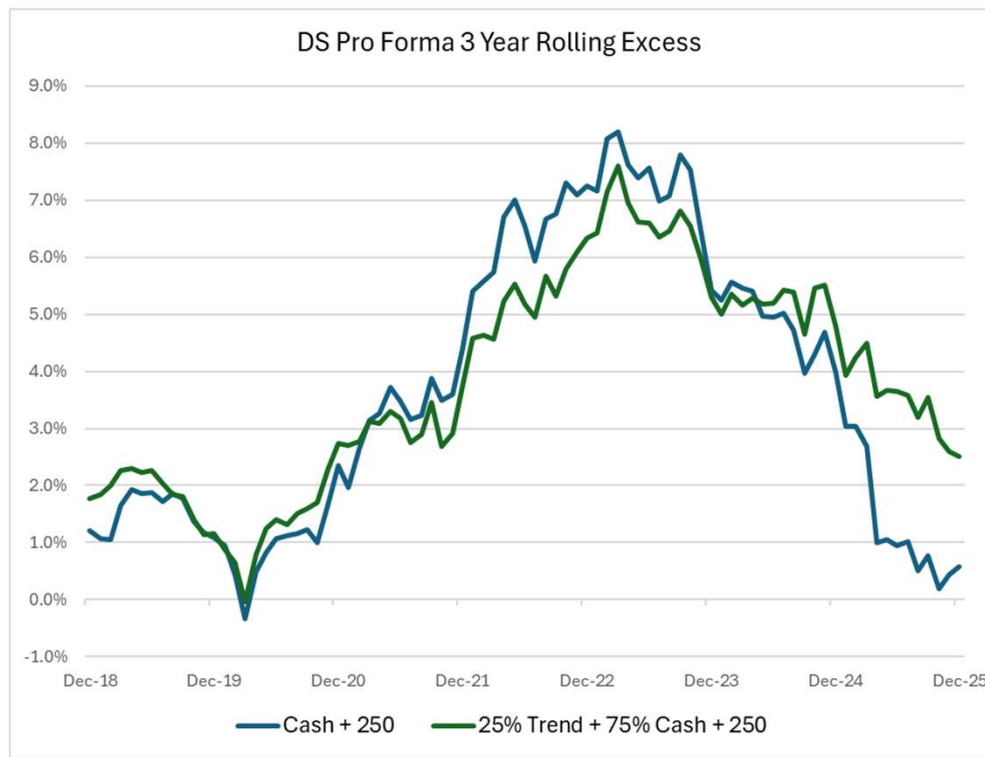
The HFR Institutional Trend Following Index is about 70% correlated with the historical performance of the current Diversifying Strategies defensive mandates, thus reducing overall program tracking error.



*Given the reconstitution of the program in 2024, pro-forma returns of the current program constituents are used for benchmark evaluation.*

# Smother Excess Returns

Excess returns with the blended index is slightly smoother given the changes in cash rates the past few years.



*Given the reconstitution of the program in 2024, pro-forma returns of the current program constituents are used for benchmark evaluation.*

# Total Plan Impact & Conclusion

- Updating these three benchmarks suggests Total Fund tracking error could drop to 1.0-1.5% based on pro-forma estimates.
- The proposed changes allow the Board to separately and cleanly answer allocation outcomes (are illiquid investments adding value vs. public markets) and implementation decisions (are VRS staff adding value through manager selection)?
- All changes are prospective, starting no sooner than July 1<sup>st</sup>, 2026.

# Process Update, Governance, and Next Steps

- November 2025: IAC discussions on benchmark evolution; private market program reviews
- January 2026: Mercer hired to review benchmark and hurdle rates as part of our regular schedule of independent review
- February 2026: Benchmark education presentation to IPC
- April 8, 2026: VRS benchmark review and recommendations presented to IAC
- April 23, 2026: VRS benchmark review and recommendations presented to Board
- April 23, 2026: Mercer presents to AFT and Board
- July 1, 2026: Effective date for changes (earliest)



VRS

Benchmark & Incentive Hurdle Study 2026

Peter Grant / Tom Stephens



# Executive Summary

- Mercer completed a detailed evaluation of the benchmarks and incentive hurdles used by VRS for the Total Fund and underlying asset classes.
- The analysis conducted by Mercer indicates that the current benchmarks used by VRS are generally suitable though recent data suggest that some changes may be appropriate.
- Mercer agrees with the proposed changes to the Private Equity, Credit Strategies and Diversifying Strategies benchmarks – each is conceptually sound and supported by quantitative evidence.
- Mercer proposes adjusting the incentive hurdles for Private Equity (from 200bps to 30bps) and Total Fund (from 45bps to 30bps).
  - Both due to the change in the Private Equity benchmark
  - No changes recommended for other asset classes
- Mercer also proposes an incentive hurdle (30bps) for Diversifying Strategies.

# Policy Overview – Current

Current	Allocation *	Incentive Hurdle (bps)	Benchmark Description
Public Equity (traditional)	33%	30	85% MSCI ACWI IMI ex Selected Countries (net VRS tax rates) / 15% MSCI World Min Vol ex Selected Countries (net VRS tax rates)
Public Equity (internal)	16%	25	Roll-up of underlying account benchmarks
Private Equity	16%	200	Regional benchmarks of MSCI ACWI IMI ex Selected Countries (net VRS tax rates) lagged by 3 months, weighted to reflected the Private Equity opportunity set (currently 75% N America, 20% Europe, 5% Asia & EM)
Real Assets	13%	75	MV weighted blend of NCREIF Private Real Estate Benchmark (ODCE index (net) lagged by 3 months) and Other Real Assets Benchmark (CPI-U Index plus 400 basis points p.a. lagged by 3 months)
Credit Strategies	15%	75	50% Morningstar LSTA Performing Loan Index / 50% Bloomberg US HY Ba/B 2% Issuer Cap Index
Diversifying Strategies	4%	n/a	ICE BofA US 3-Month Treasury Bill Index plus 250 basis points p.a.
PIP	2%	n/a	33% Private Equity Custom Benchmark / 25% NCREIF Private Real Estate Benchmark / 8% Other Real Assets Custom Benchmark / 17% Bloomberg US HY Ba/B 2% Issuer Cap Index / 17% Morningstar LSTA Performing Loan Index
Fixed Income	15%	25	90% Bloomberg US Agg Bond Index / 5% Bloomberg US HY Ba/B 2% Issuer Cap Index / 5% JPM EMBI Global Core Index
<b>Total</b>	<b>100%</b>	<b>45</b>	<b>Blend of asset class benchmarks at policy weights</b>



# Policy Overview – with Proposed Changes

Future	Current Hurdle (bps)	Proposed Hurdle (bps)	Benchmark Description
Public Equity (traditional)	30	30	85% MSCI ACWI IMI ex Selected Countries (net VRS tax rates) / 15% MSCI World Min Vol ex Selected Countries (net VRS tax rates)
Public Equity (internal)	25	25	Roll-up of underlying account benchmarks
Private Equity	200	<b>30</b>	<b>MSCI Private Capital Index - pooled equity benchmark excluding venture capital and excluding funds under \$1B in size (lagged by 3 months)</b>
Real Assets	75	75	MV weighted blend of NCREIF Private Real Estate Benchmark (ODCE index (net) lagged by 3 months) and Other Real Assets Benchmark (CPI-U Index plus 400 basis points p.a. lagged by 3 months)
Credit Strategies	75	75	50% Morningstar LSTA Performing Loan Index / 50% Bloomberg US HY Ba/B 2% Issuer Cap Index ( <b>lagged by 3 months</b> )
Diversifying Strategies	n/a	<b>30</b>	<b>75% ICE BofA US 3-Month Treasury Bill Index plus 250 basis points p.a. / 25% HFRI Institutional Trend Index</b>
PIP	n/a	n/a	33% Private Equity Custom Benchmark / 25% NCREIF Private Real Estate Benchmark / 8% Other Real Assets Custom Benchmark / 17% Bloomberg US HY Ba/B 2% Issuer Cap Index / 17% Morningstar LSTA Performing Loan Index
Fixed Income	25	25	90% Bloomberg US Agg Bond Index / 5% Bloomberg US HY Ba/B 2% Issuer Cap Index / 5% JPM EMBI Global Core Index
<b>Total</b>	<b>45</b>	<b>30</b>	<b>Blend of asset class benchmarks at policy weights</b>

# Notes on Methodology & Metrics used

- Analysis is based on quarterly rolling returns (from monthly custodian data)\*.
- **“Success rate”** defined as the proportion of rolling 3-year and 5-year excess returns that exceeded the hurdle
  - A measure of how successful a portfolio been in achieving excess return objective.
- **“R-squared”** measures the proportion of the variation in portfolio returns that are explained by the benchmark.
  - Measure of explanatory power of benchmark
  - Can help identify mismatches and assessing benchmark suitability
- **“Tracking error”** measures the variability/volatility of excess returns.
  - Should be low for passive mandates
  - For active mandates, higher tracking error typically signifies greater active risk taking (deviations from benchmark)
  - Higher tracking error should be rewarded with higher excess returns (over the long-run)
- **“Tracking error implied hurdle”** is the level that neutralizes the impact of random variability of excess returns on expected incentive compensation\*\*.
  - The intent is to set a hurdle at which incentive compensation is rewarding skill and not luck (over longer periods of time).

# Performance Analysis – Benchmark Fit

*Based on quarterly rolling returns*

- Average R-Squared measures are reasonably high (only PE is below 80%) – suggests benchmarks have generally been a good fit.
- R-Squared over the last 5 years is significantly lower for PE and Credit Strategies – *benchmark fit is significantly improved with the planned changes\**.

Current	Avg 3yr R-Squared	Avg 5yr R-Squared	Last 5yrs R-Squared	Last 5yrs R-Squared New Bmk
Public Equity (traditional)	99%	99%	98%	98%
Public Equity (internal)	99%	99%	99%	99%
Private Equity	61%	59%	<b>28%</b>	<b>88%</b>
Real Assets	81%	82%	91%	91%
Credit Strategies	88%	92%	<b>57%</b>	<b>76%</b>
Diversifying Strategies	81%	84%	77%	n/a*
Fixed Income	89%	86%	99%	99%
<b>Total Fund</b>	<b>98%</b>	<b>98%</b>	<b>91%</b>	<b>98%</b>

# Performance Analysis – Current Success Rates

*Based on quarterly rolling returns*

- Success rates (% of rolling 3yr/5yr periods portfolio exceeding hurdle) are reasonably strong – notably Real Assets and Fixed Income.
- Only Public Equity (traditional) has a success rate below 50% (on a 5-year basis).

Asset Class	Current Hurdle (bps)	3yr Success Rate	5yr Success Rate	# Periods
Public Equity (traditional)	30	53%	40%	97
Public Equity (internal)	25	60%	62%	97
Private Equity	200	59%	58%	97
Real Assets	75	80%	73%	97
Credit Strategies	75	55%	70%	85
Diversifying Strategies*	n/a	61%	50%	29
Fixed Income	25	80%	81%	97
<b>Total Fund</b>	<b>45</b>	<b>56%</b>	<b>69%</b>	97

# Performance Analysis – Success Rates with New Benchmarks

*Based on quarterly rolling returns*

- Success rates for Private Equity (5yr) and Credit Strategies (3yr and 5yr) similar with new benchmark
- 3yr success rate for Private Equity reduced (*but improved post-GFC – see later analysis for more detail*)
- Success rates for new benchmarks not available for Diversifying Strategies due to limited history (*see later analysis for more detail*)

Asset Class	Current Hurdle (bps)	3yr Success Rate	5yr Success Rate	Proposed Hurdle (bps)	3yr Success Rate New Bmk	5yr Success Rate New Bmk
Private Equity	200	59%	58%	30	47%	56%
Credit Strategies	75	55%	70%	75	55%	68%
Diversifying Strategies*	n/a	61%	50%	30	n/a	
<b>Total Fund**</b>	<b>45</b>	<b>53%</b>	<b>63%</b>	<b>30</b>	<b>61%</b>	<b>50%</b>

# Benchmark Changes & Hurdle Implications

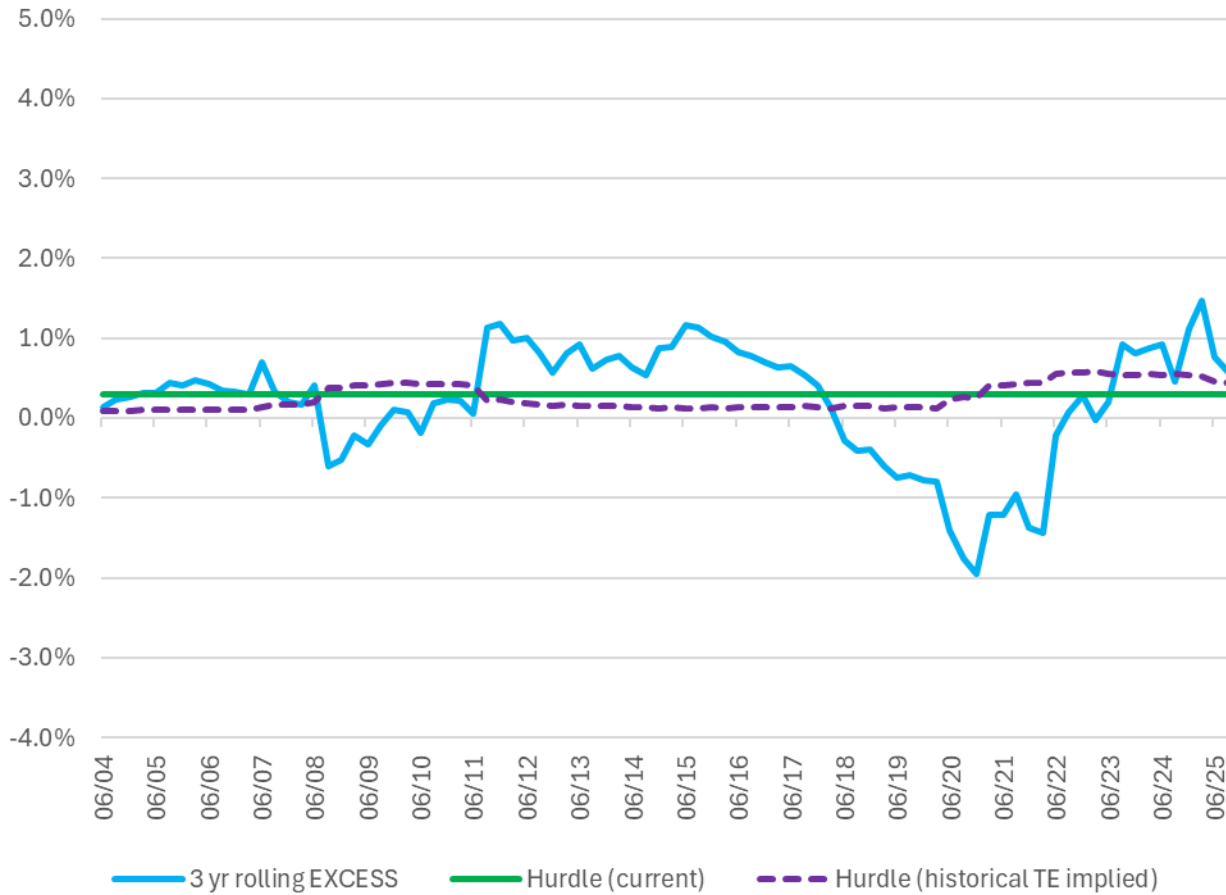
# Private Equity – What is Changing and Why?

- Benchmark is changing from a lagged public equity-based benchmark to a MSCI Private Capital Index – pooled equity benchmark excluding venture capital and excluding funds under \$1B in size (lagged by 3 months).
- Private benchmark better reflects risk and return characteristics of the asset class.
  - Deviations between private portfolio and public benchmark have been significant over the past few years
  - Caused by public market volatility, not reflective of success or failure of private portfolio implementation
  - Problem faced by many institutional investors with private market allocations
- While private market benchmarks are less common for pension funds, adoption is increasing and already a common approach for other institutional asset owners with large private asset allocations (e.g., endowments).
- **Mercer agrees with the planned change** (and supports the use of MSCI as a best-in-class provider of benchmark returns for private markets\*).
- It is more difficult to outperform a private benchmark – **a new hurdle is proposed.**
  - Private benchmarks embed the structural advantages of investing in private markets
  - They are peer-based, meaning persistent outperformance requires relative skill
  - Private benchmarks can also exhibit survivorship bias

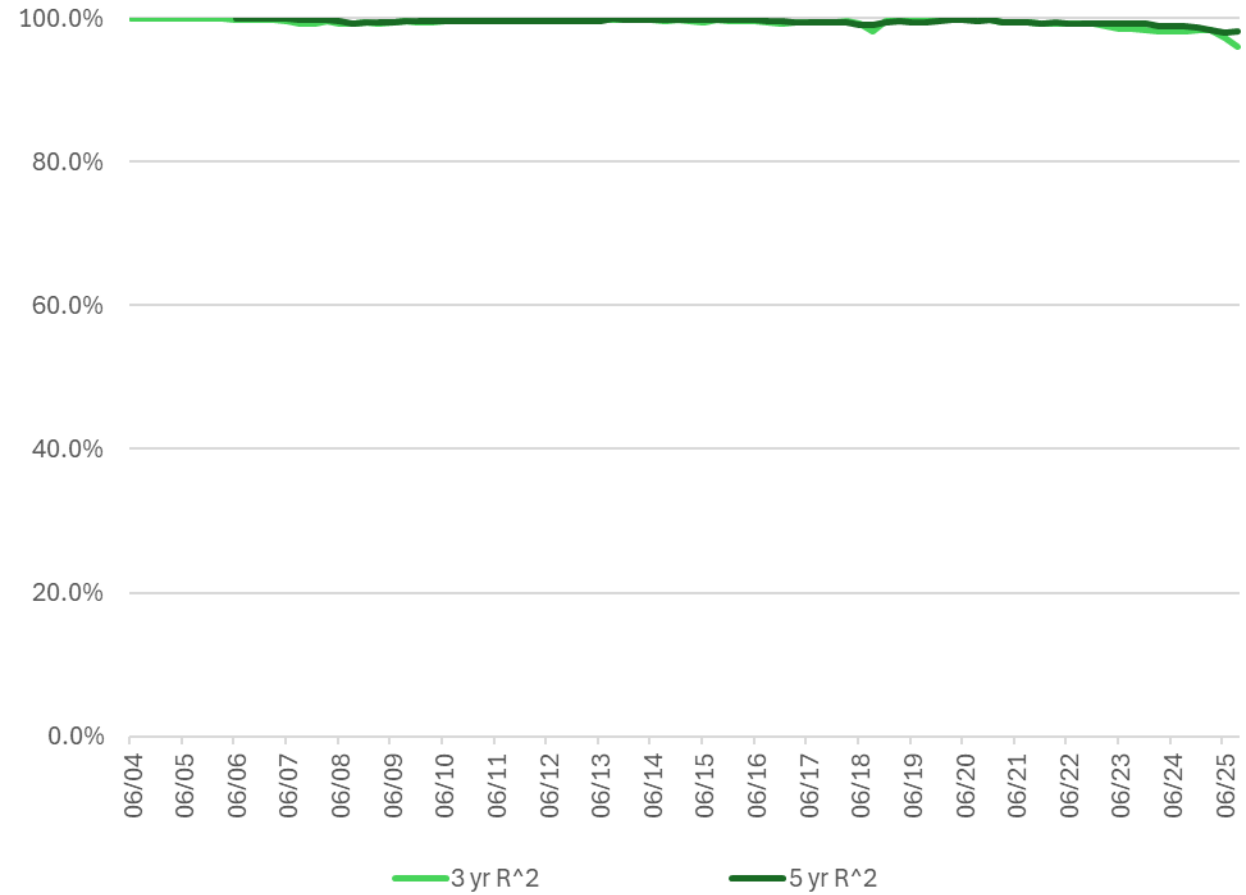
# Why is the Current Private Equity Benchmark Problematic?

Comparison vs. Public Equity: Analytics Details – Public Equity (traditional)

Rolling 3-year Excess vs. Hurdles



Rolling 3- and 5-year R-squared

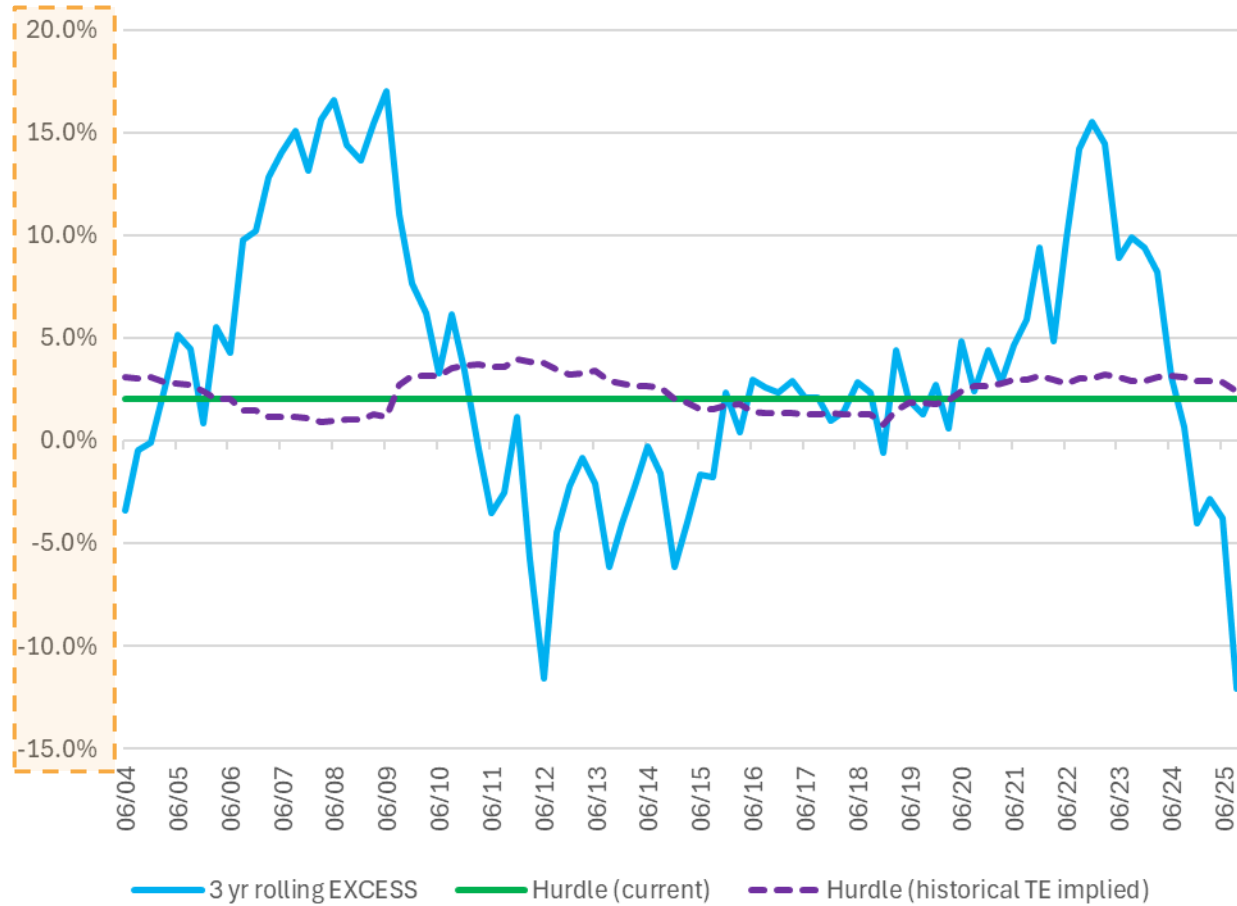




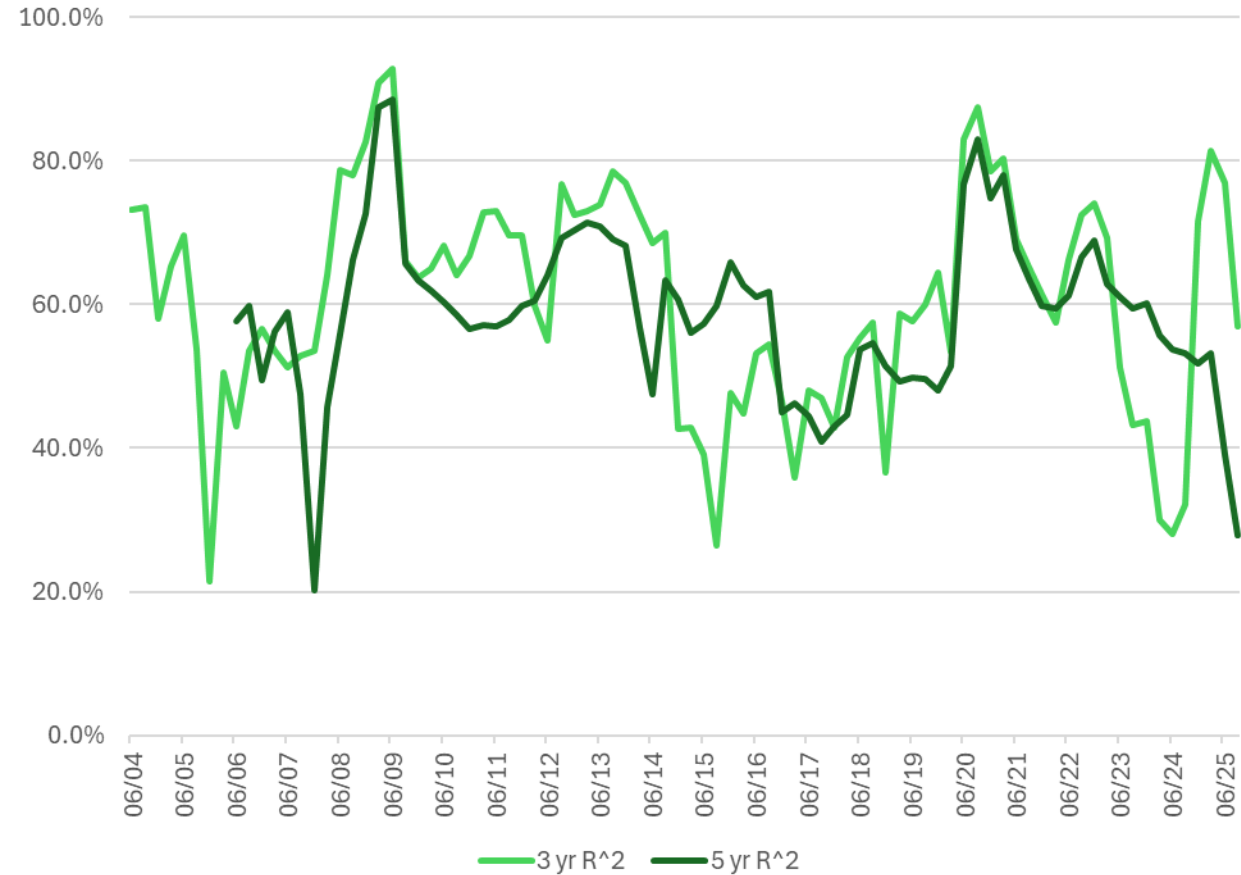
# Why is the Current Private Equity Benchmark Problematic?

Comparison vs. Public Equity: Analytics Details – Private Equity – Current Benchmark

Rolling 3-year Excess vs. Hurdles



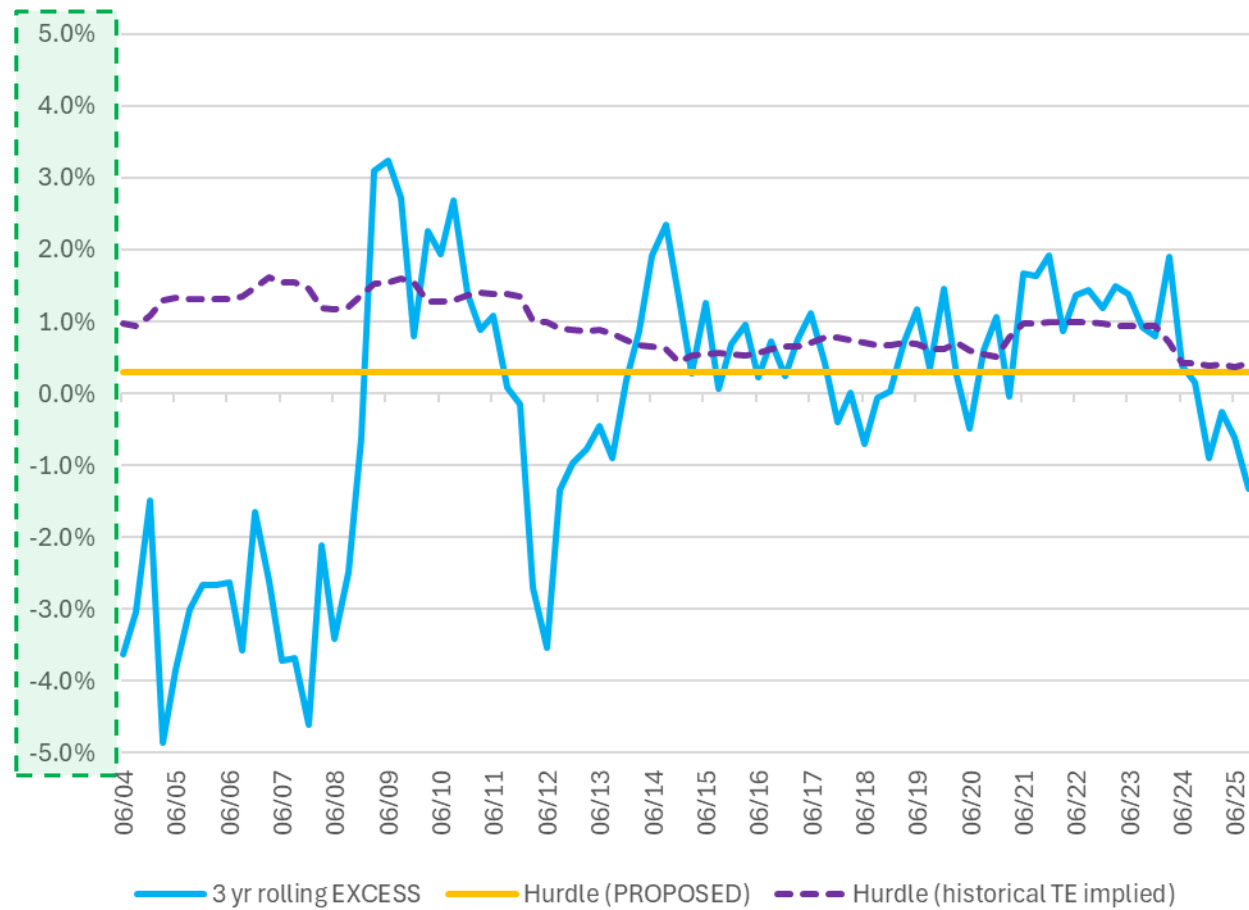
Rolling 3- and 5-year R-squared



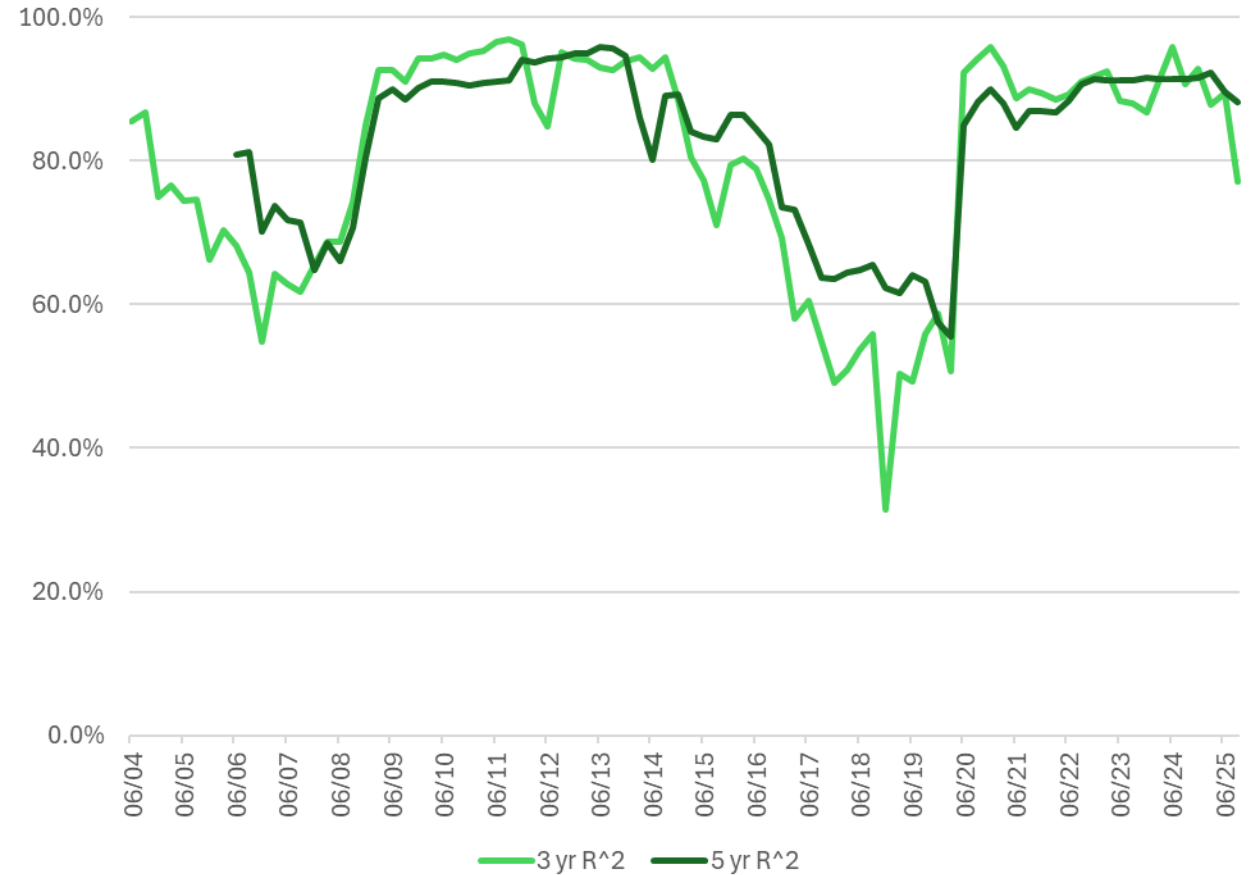
# How does the New Private Equity Benchmark Help?

Comparison vs. Public Equity: Analytics Details – Private Equity – New Benchmark

Rolling 3-year Excess vs. Hurdles



Rolling 3- and 5-year R-squared



# Private Equity – Impact of Change to New Benchmark

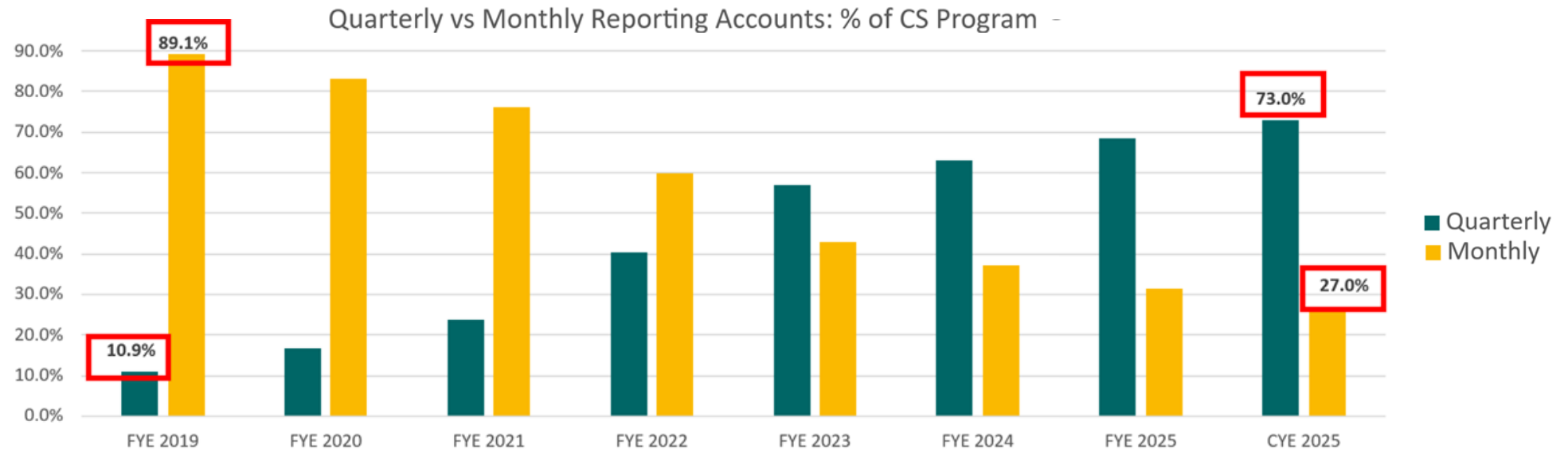
*Analysis based on quarterly rolling returns*

- Historical analysis using the new private markets benchmark shows a better fit and a higher explanatory power (R-Squared) than the current public market-based benchmark.
- Success rates are shown for a range of hurdles above the new benchmark.
- **Mercer proposes a hurdle of 30bps.**

Private Equity	Avg 3yr R-Squared	Avg 5yr R-Squared	Last 5yrs R-Squared	Hurdle (bps)	3yr success rate	5yr success rate	3yr success rate post-GFC	5yr success rate post-GFC
Current benchmark	61%	59%	<b>28%</b>	200	59%	58%	47%	56%
New benchmark	80%	83%	88%	40	44%	47%	51%	60%
				<b>30</b>	<b>47%</b>	<b>56%</b>	<b>55%</b>	<b>72%</b>
				20	51%	62%	62%	77%

# Credit Strategies – What is Changing and Why?

- Benchmark remains 50% Morningstar LSTA Performing Loan Index / 50% Bloomberg US HY Ba/B 2% Issuer Cap Index but **it will be lagged by 3 months.**
- Asset class has become more private credit-focused (as illustrated in the chart below\*) – the benchmark change improves alignment between the (now) less-liquid portfolio and benchmark.



- **Mercer agrees with the planned change.**
- Similar underlying exposures so **hurdle should remain appropriate.**

# Credit Strategies – Impact of Change to New Benchmark

*Analysis based on quarterly rolling returns*

- New benchmark (with lags) shows a better fit and a higher explanatory power (R-Squared) than the current benchmark (no lags).
- Success rates are relatively unchanged with the same hurdle – **Mercer does not propose any change.**

Credit Strategies	Avg 3yr R-Squared	Avg 5yr R-Squared	Last 5yrs R-Squared	Hurdle (bps)	3yr success rate	5yr success rate
Current benchmark	88%	92%	<b>57%</b>	75	55%	70%
New benchmark	92%	95%	<b>76%</b>	75	55%	68%

# Diversifying Strategies – What is Changing and Why?

- Benchmark is changing from 3-Month US T-Bills plus 250bps p.a. to 75% 3-Month US T-Bills plus 250bps p.a. / 25% HFRI Institutional Trend Index.
- Asset class represents a combination of underlying strategies intended to provide diversification with other asset classes.
  - Trend-based strategies are one of the underlying strategies\* – **conceptually sound** to introduce HFRI trend index.
  - Mercer factor analysis shows that trend is only significant risk factor exposure\*\* – **suggests the choice of benchmark is appropriate.**
- **Mercer agrees with the planned change.**
- VRS requested that Mercer **propose an incentive hurdle** for the asset class.

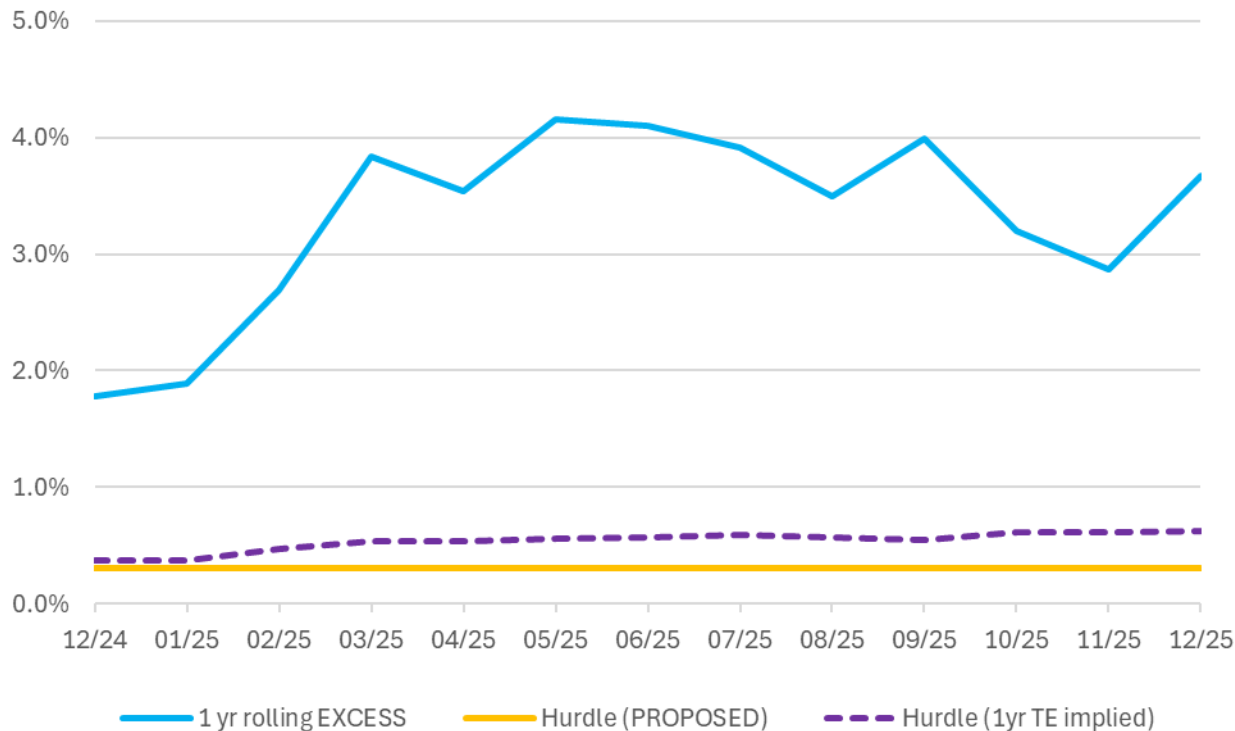
Factor exposures	Portfolio	Benchmark
Bonds	-0.13	0.00
Equity	-0.03	0.00
Trend	<b>0.44</b>	<b>0.50</b>
Inflation	0.15	0.01
Value	0.09	0.00
Size	-0.09	0.00

# Diversifying Strategies – Impact of Change to New Benchmark

*Analysis based on monthly rolling returns*

- Prior hurdles for Dynamic Strategies and Risk Based Investments (which were combined to form Diversifying Strategies) were in line with Public Equity and Fixed Income asset classes (25-30bps), reflecting the similar opportunity set.

Rolling 1-year Excess vs. Hurdles



- The historical data available for performance analysis using the new benchmark is very limited, meaning the success rate and R-squared metrics are less useful (and not comparable to the current benchmark measures – which reflect a much longer period).
  - The last two years was also a particularly poor period for trend strategies.
- Considering the above, **Mercer recommends setting a 30bps hurdle** and suggests reassessing when more data is available.

# Total Fund – Impact of Change to New Benchmark

- The Total Fund benchmark is a blend of the underlying asset class benchmarks at policy weights.
- The change to the Private Equity benchmark has the biggest impact on Total Fund excess returns.
- The new Private Equity benchmark is more difficult to outperform – this is reflected in the proposed Private Equity hurdle of 30bps, which has been reduced from 200bps.
- Historical performance analysis of the proposed Total Fund Benchmark shows that a hurdle of 30bps results in similar success rates and is consistent with the historical tracking error.

Total Fund	Hurdle (bps)	3yr success rate	5yr success rate
Current benchmark	45	53%	63%
New benchmark	30	61%	50%

- **Mercer**, therefore, **proposes a new hurdle of 30bps** for the Total Fund.



# Performance Analysis Detail

# Analytics Details – Public Equity (traditional)

3yr Success rate: 53%

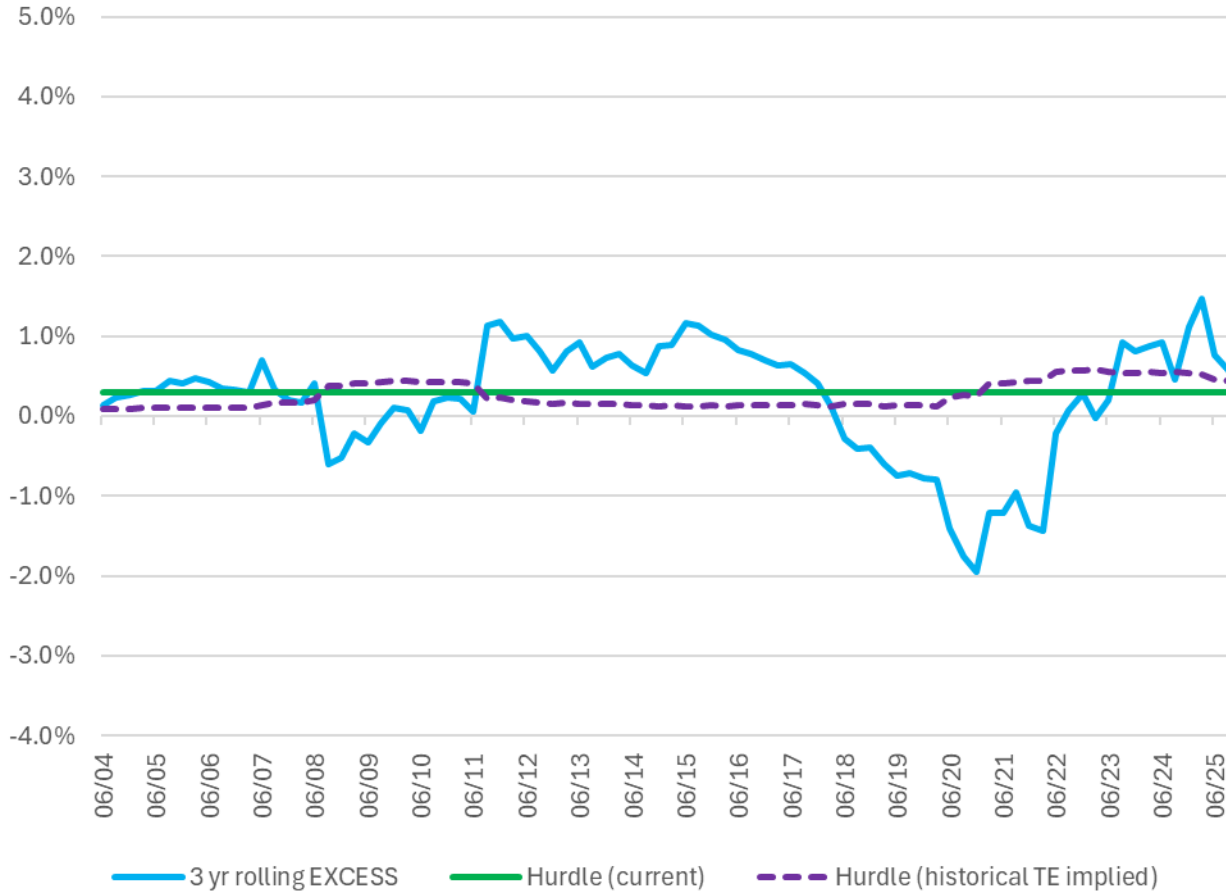
TE implied hurdle (bps): 26

Current hurdle (bps): 30

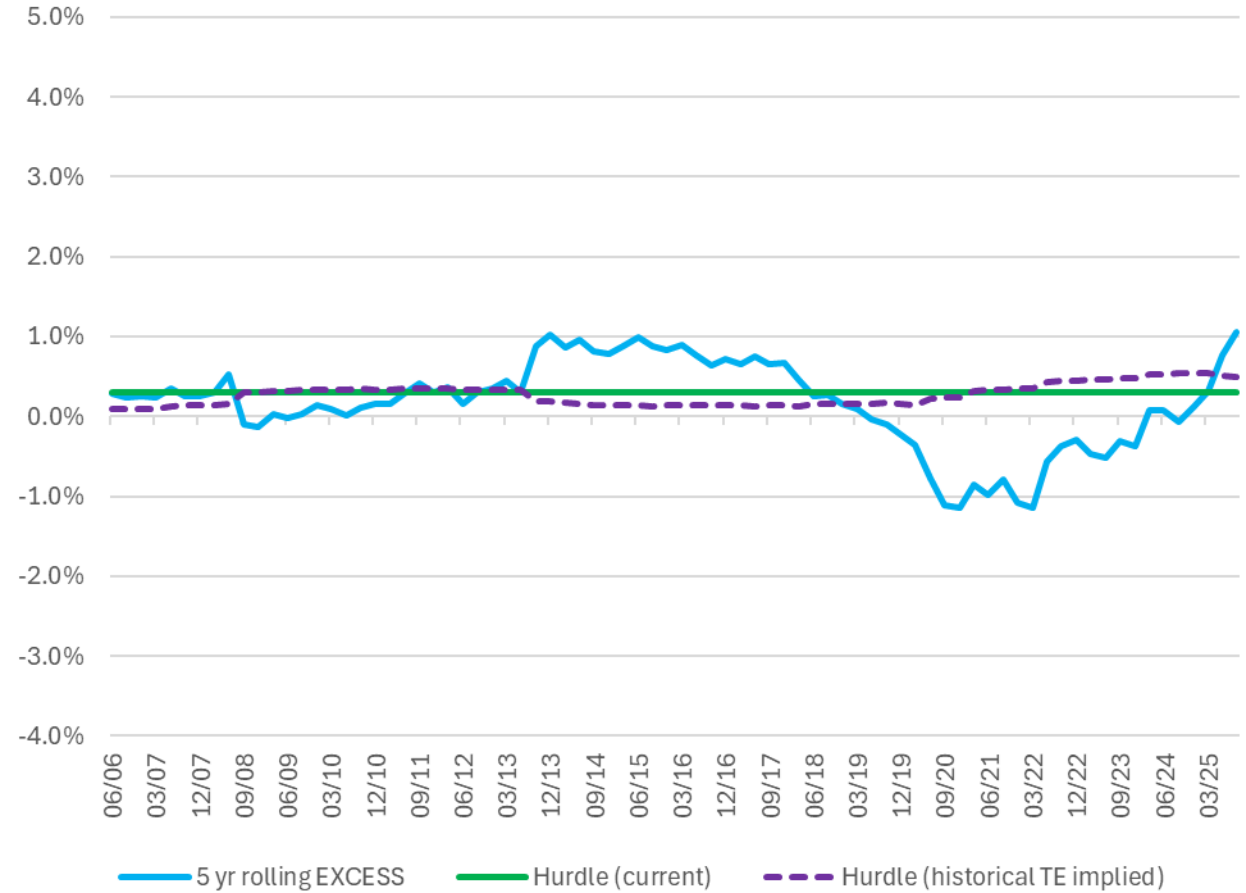
5yr Success rate: 40%

TE implied hurdle (bps): 27

Rolling 3-year Excess vs. Hurdles



Rolling 5-year Excess vs. Hurdles



# Analytics Details – Public Equity (traditional)

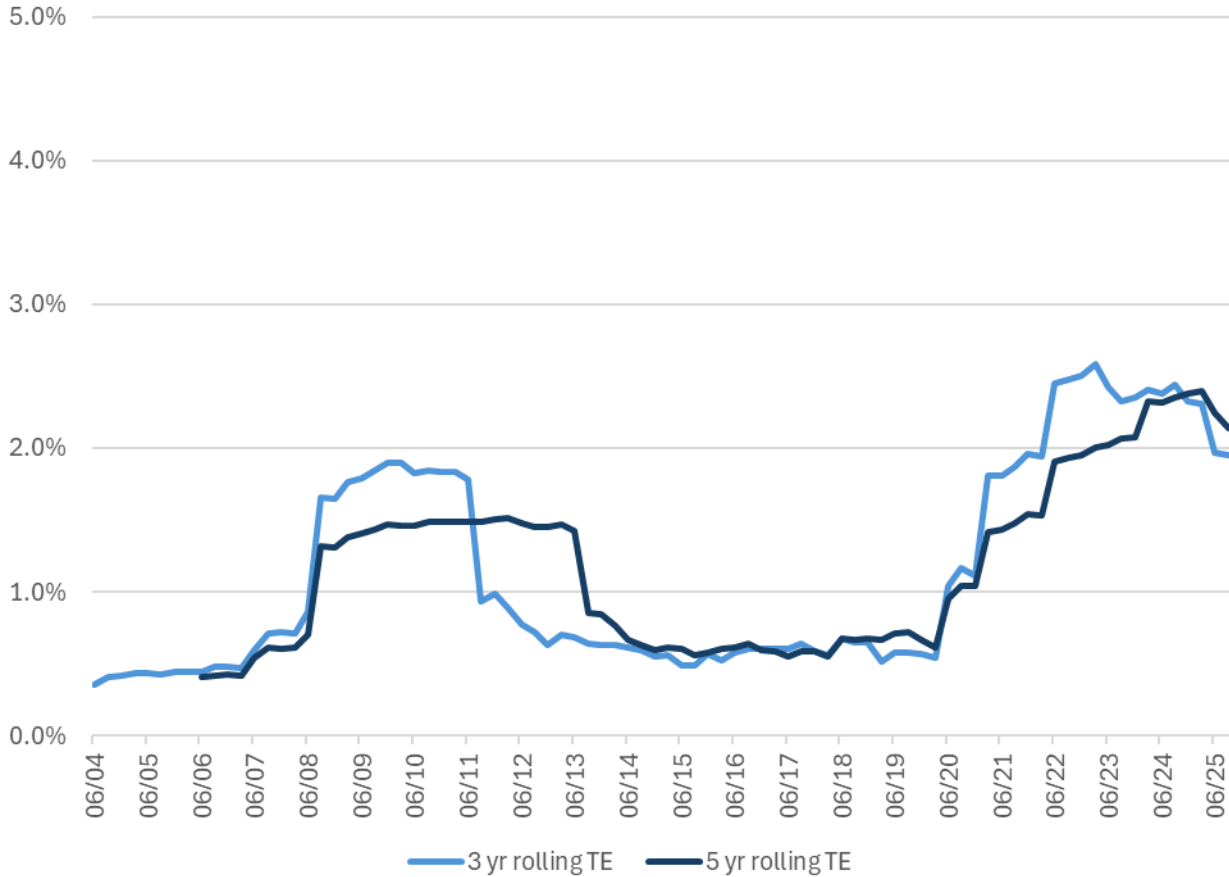
Avg 3yr TE: 1.1%

Avg 5yr TE: 1.2%

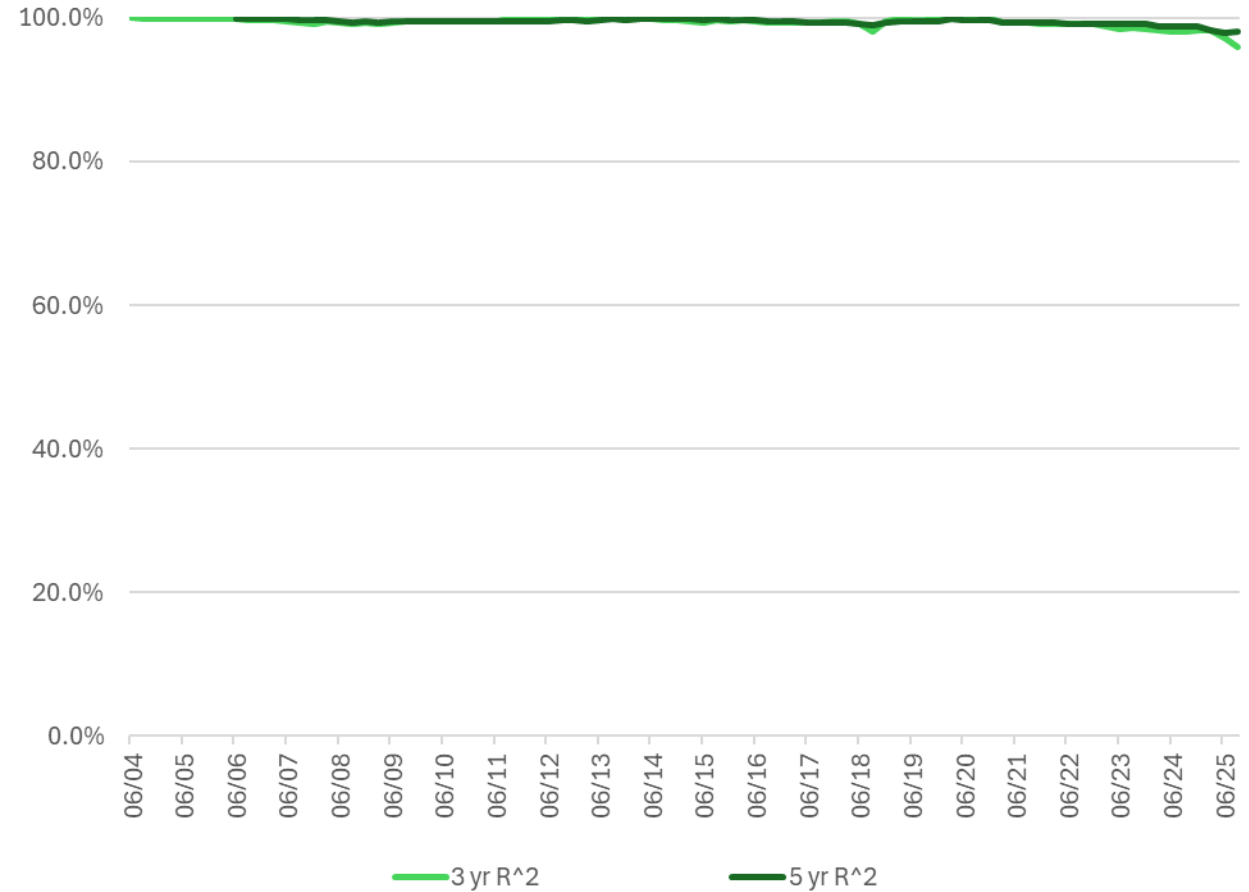
Avg 3yr R-Squared 99%

Avg 5yr R-Squared 99%

Rolling 3- and 5-year Tracking Error



Rolling 3- and 5-year R-squared



# Analytics Details – Public Equity (internal)

3yr Success rate: 60%

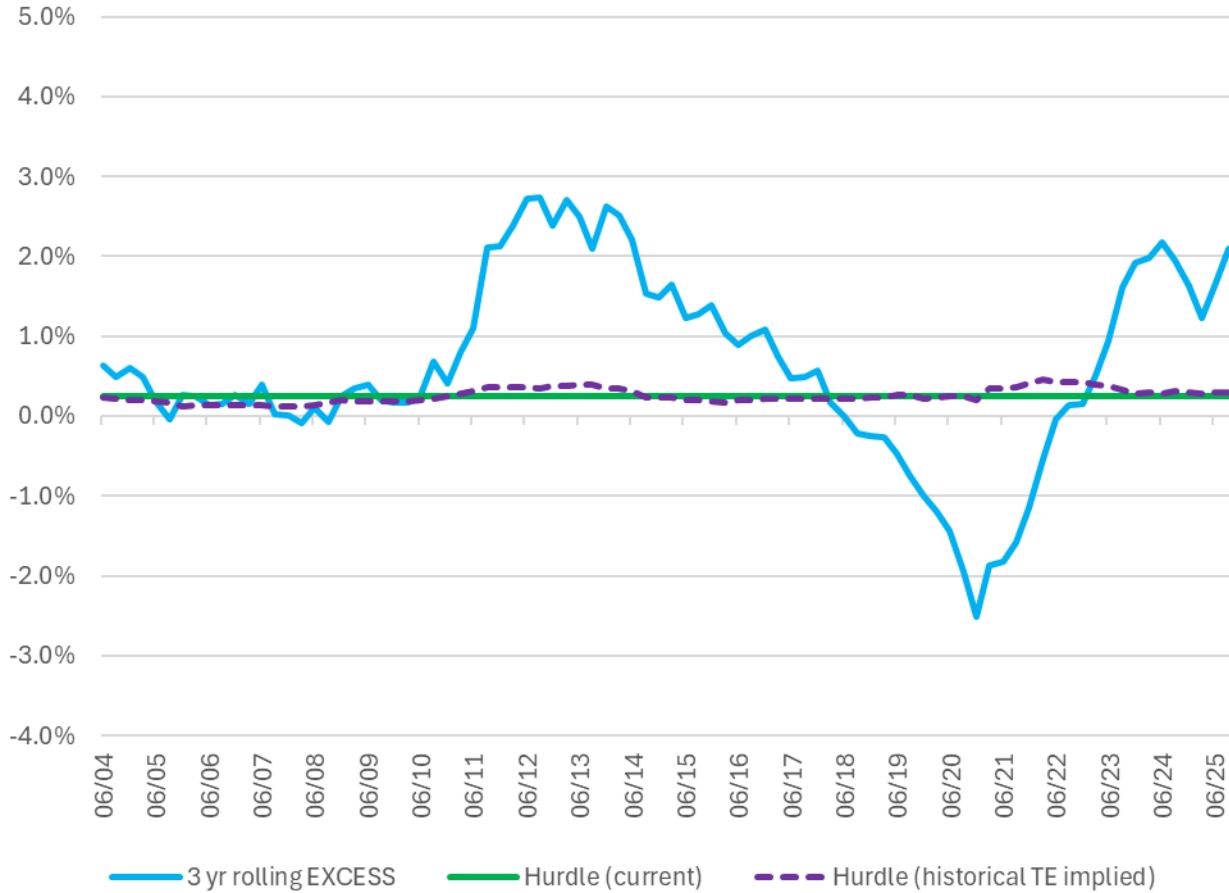
TE implied hurdle (bps): 25

Current hurdle (bps): 25

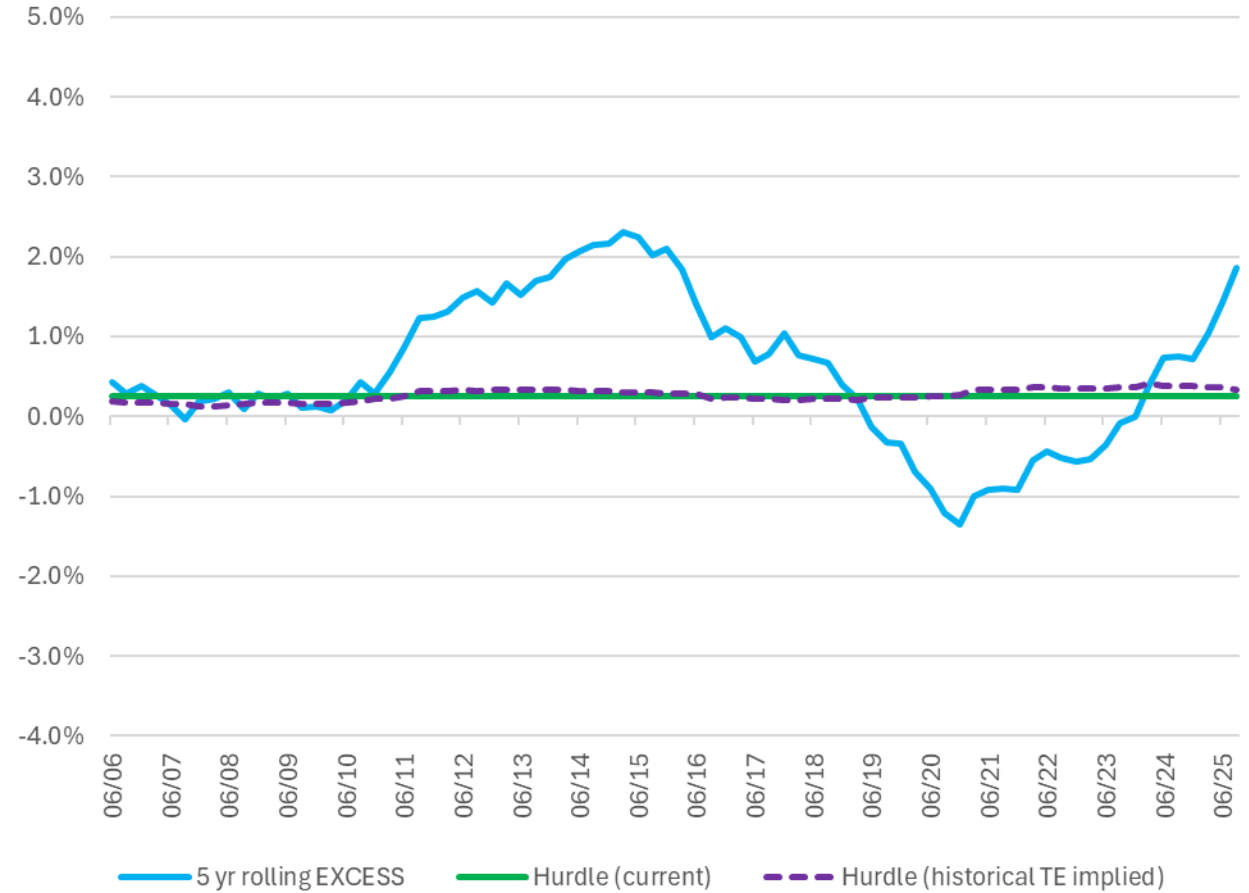
5yr Success rate: 62%

TE implied hurdle (bps): 27

Rolling 3-year Excess vs. Hurdles



Rolling 5-year Excess vs. Hurdles



# Analytics Details – Public Equity (internal)

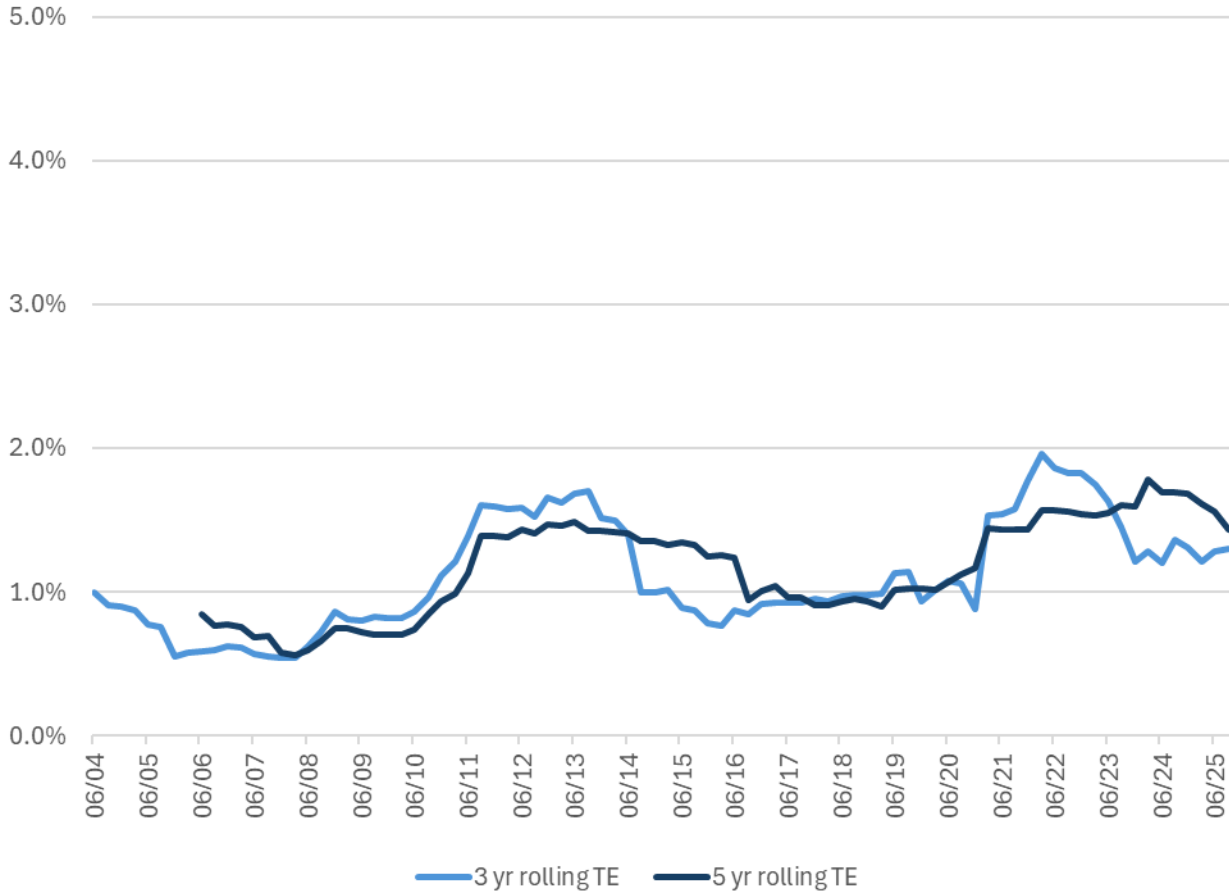
Avg 3yr TE: 1.1%

Avg 5yr TE: 1.2%

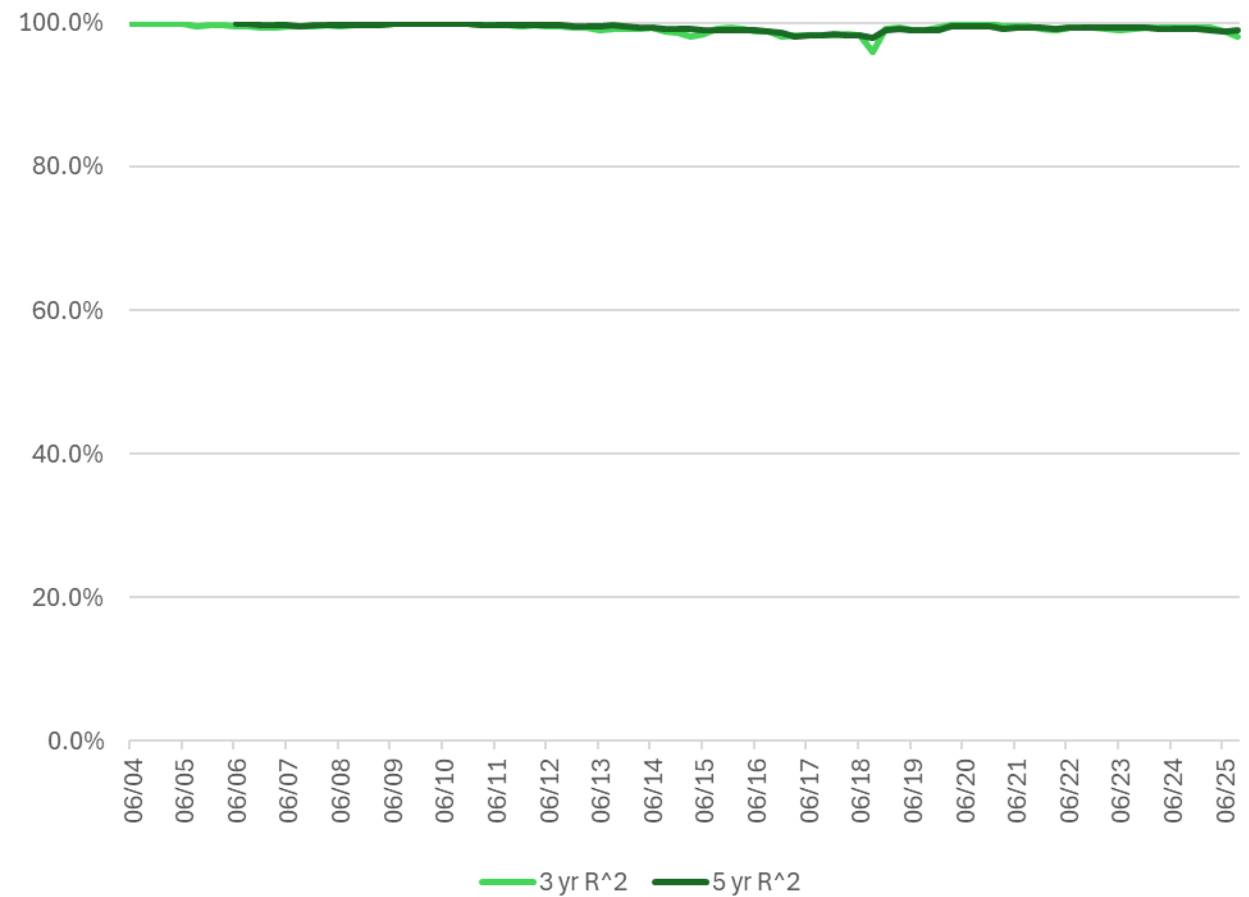
Avg 3yr R-Squared 99%

Avg 5yr R-Squared 99%

Rolling 3- and 5-year Tracking Error



Rolling 3- and 5-year R-squared



# Analytics Details – Private Equity

3yr Success rate: 59%

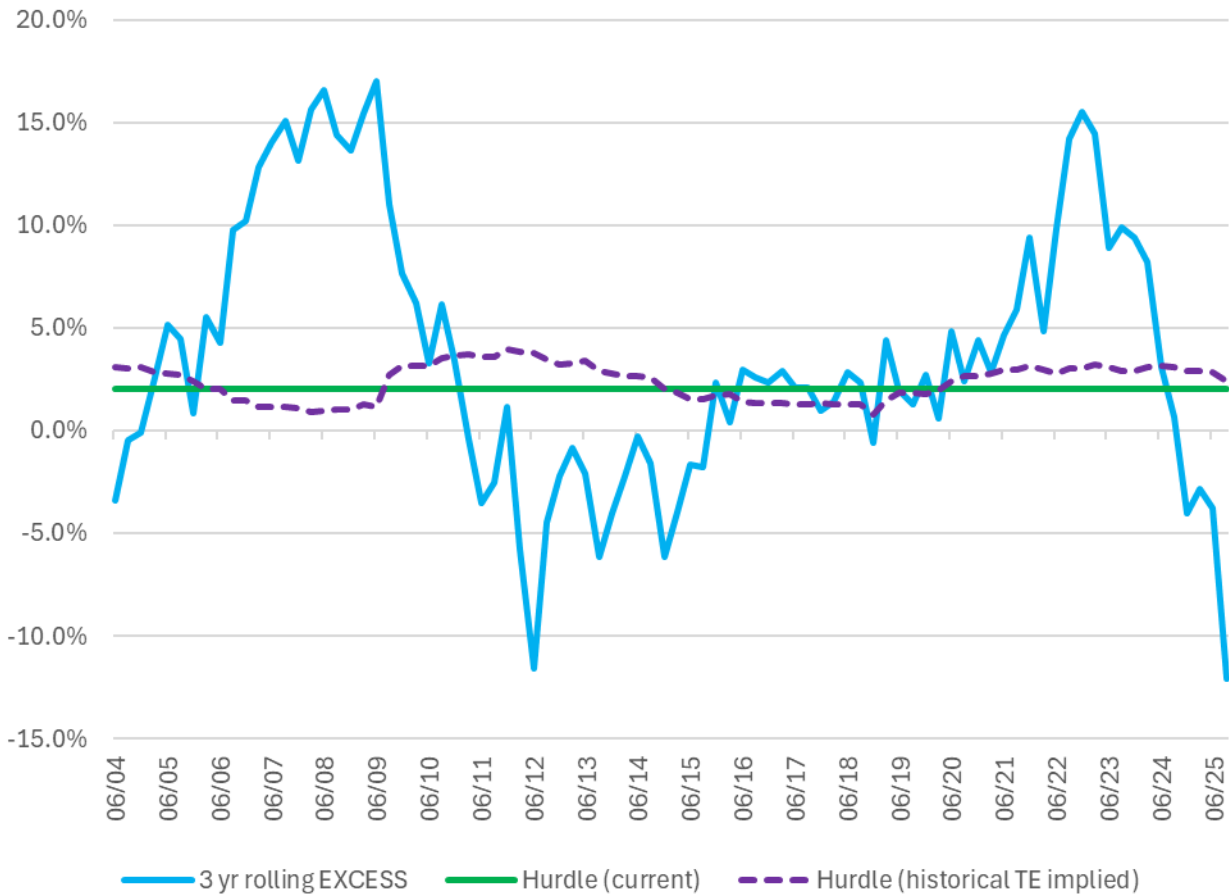
TE implied hurdle (bps): 236

Current hurdle (bps): 200

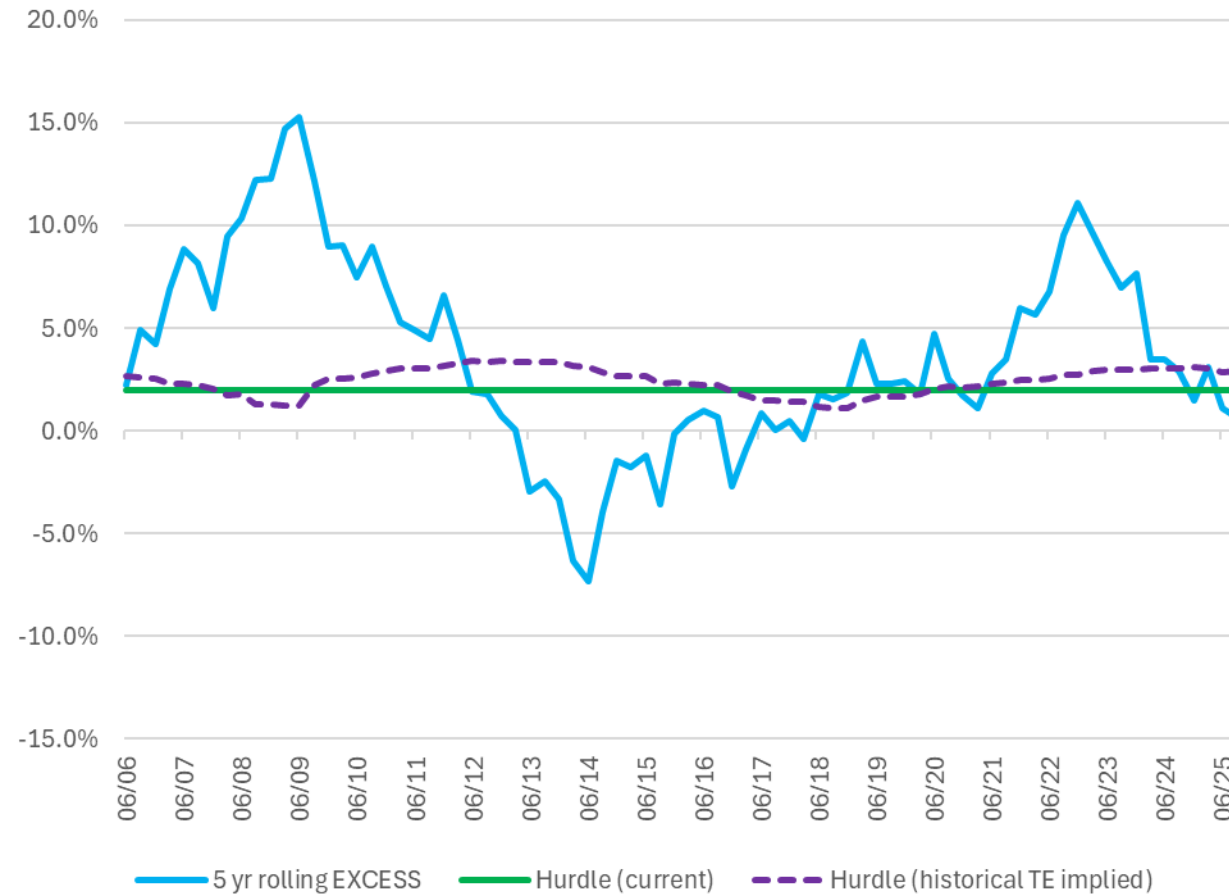
5yr Success rate: 58%

TE implied hurdle (bps): 241

Rolling 3-year Excess vs. Hurdles



Rolling 5-year Excess vs. Hurdles



# Analytics Details – Private Equity

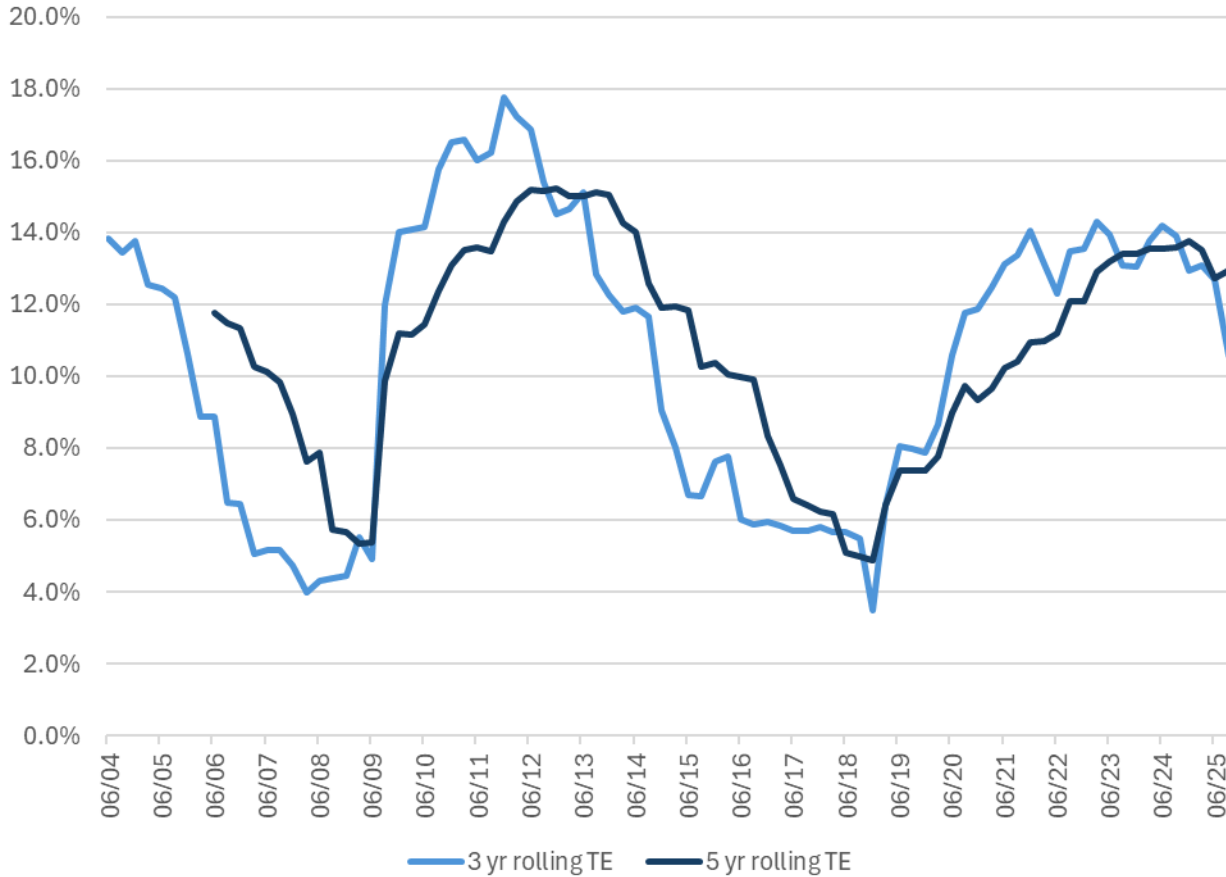
Avg 3yr TE: 10.5%

Avg 5yr TE: 10.7%

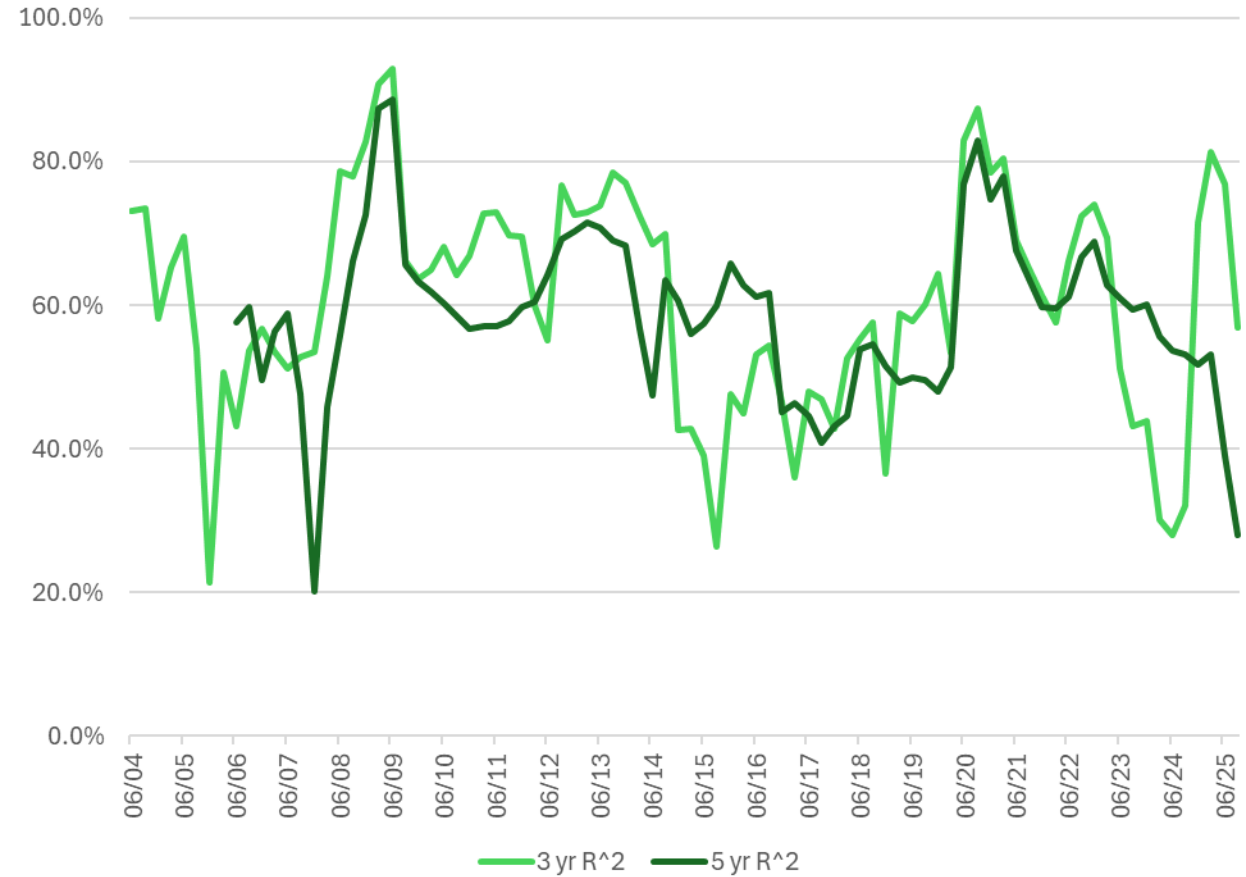
Avg 3yr R-Squared: 61%

Avg 5yr R-Squared: 59%

Rolling 3- and 5-year Tracking Error



Rolling 3- and 5-year R-squared



# Analytics Details – Private Equity New Benchmark

3yr Success rate: 47%

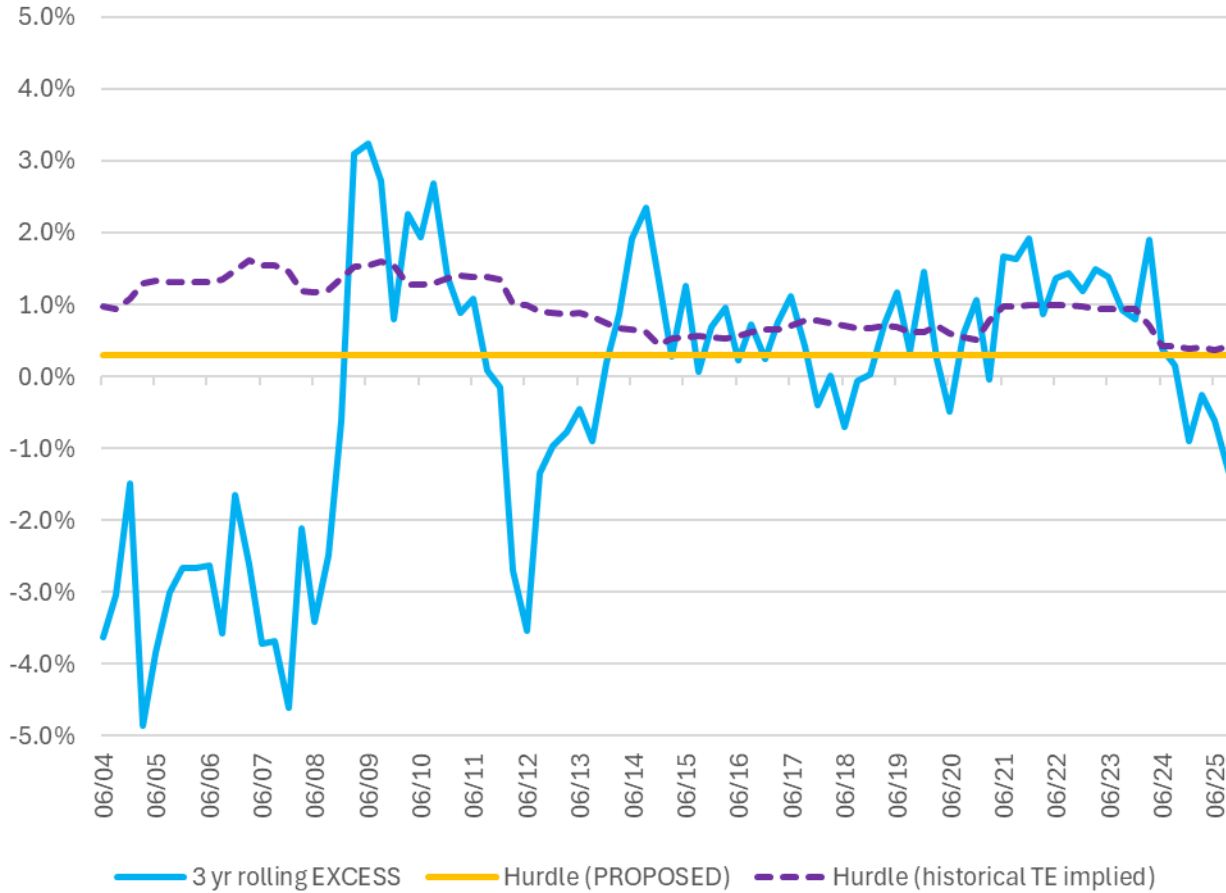
TE implied hurdle (bps): 94

Proposed hurdle (bps): 30

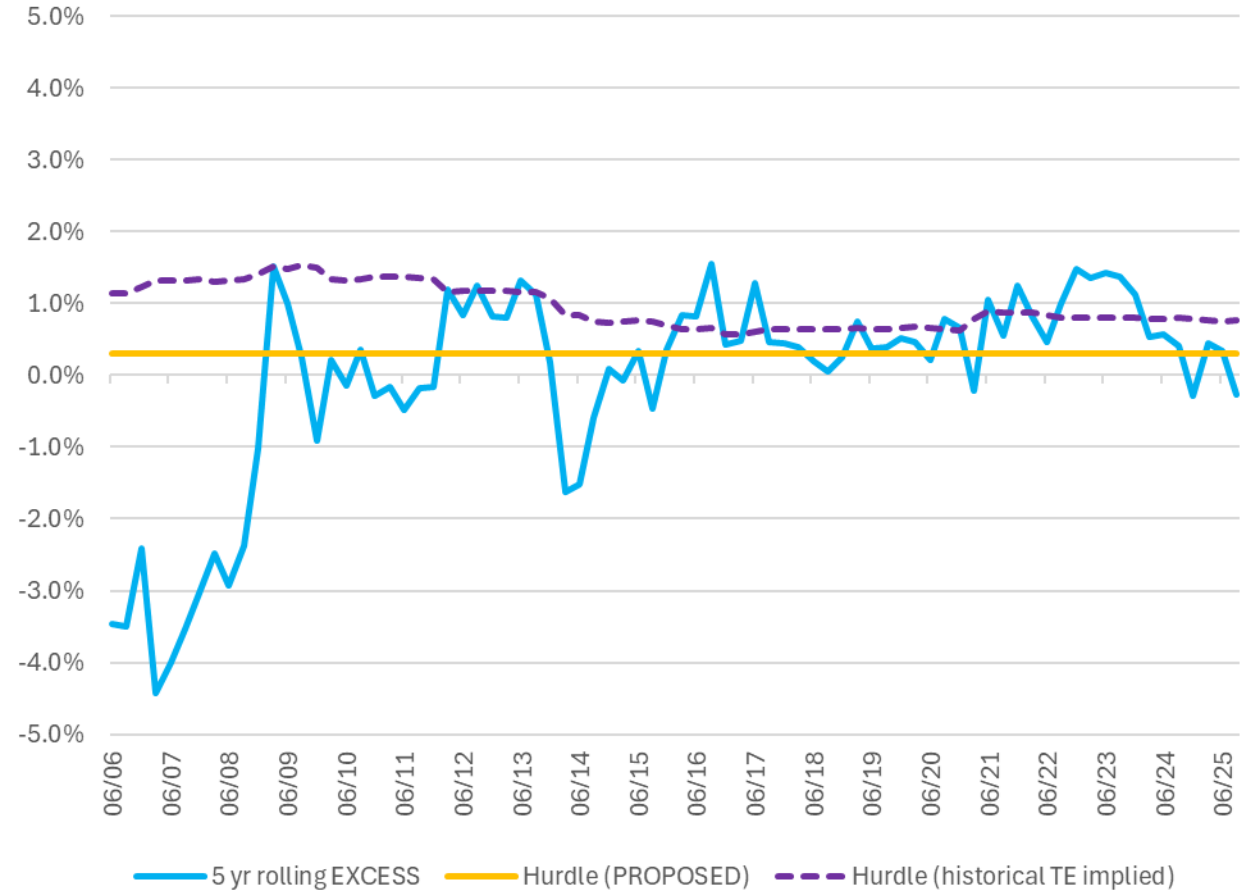
5yr Success rate: 56%

TE implied hurdle (bps): 95

Rolling 3-year Excess vs. Hurdles



Rolling 5-year Excess vs. Hurdles





# Analytics Details – Private Equity New Benchmark

Avg 3yr TE: 4.1%

Avg 5yr TE: 4.2%

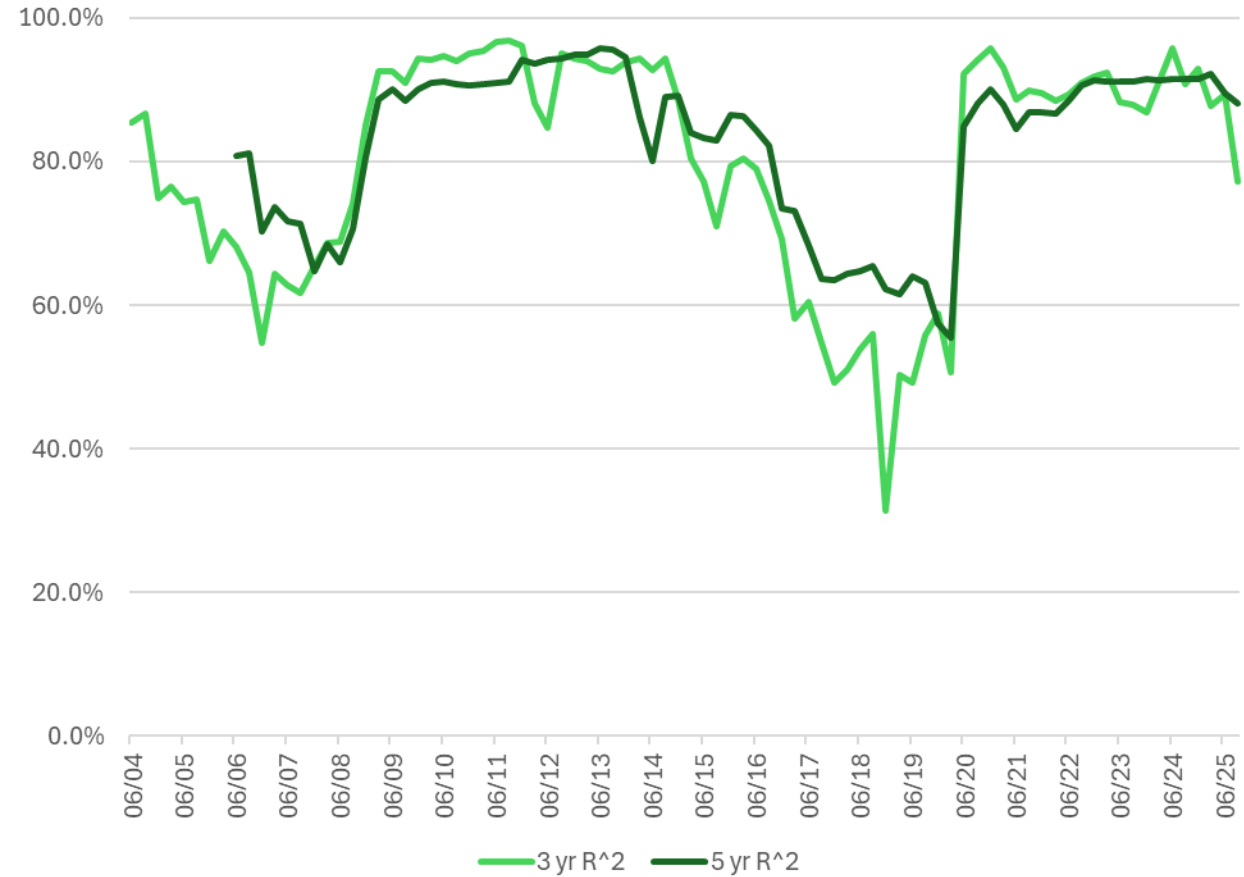
Avg 3yr R-Squared: 80%

Avg 5yr R-Squared: 83%

Rolling 3- and 5-year Tracking Error



Rolling 3- and 5-year R-squared



# Analytics Details – Real Assets

3yr Success rate: 80%

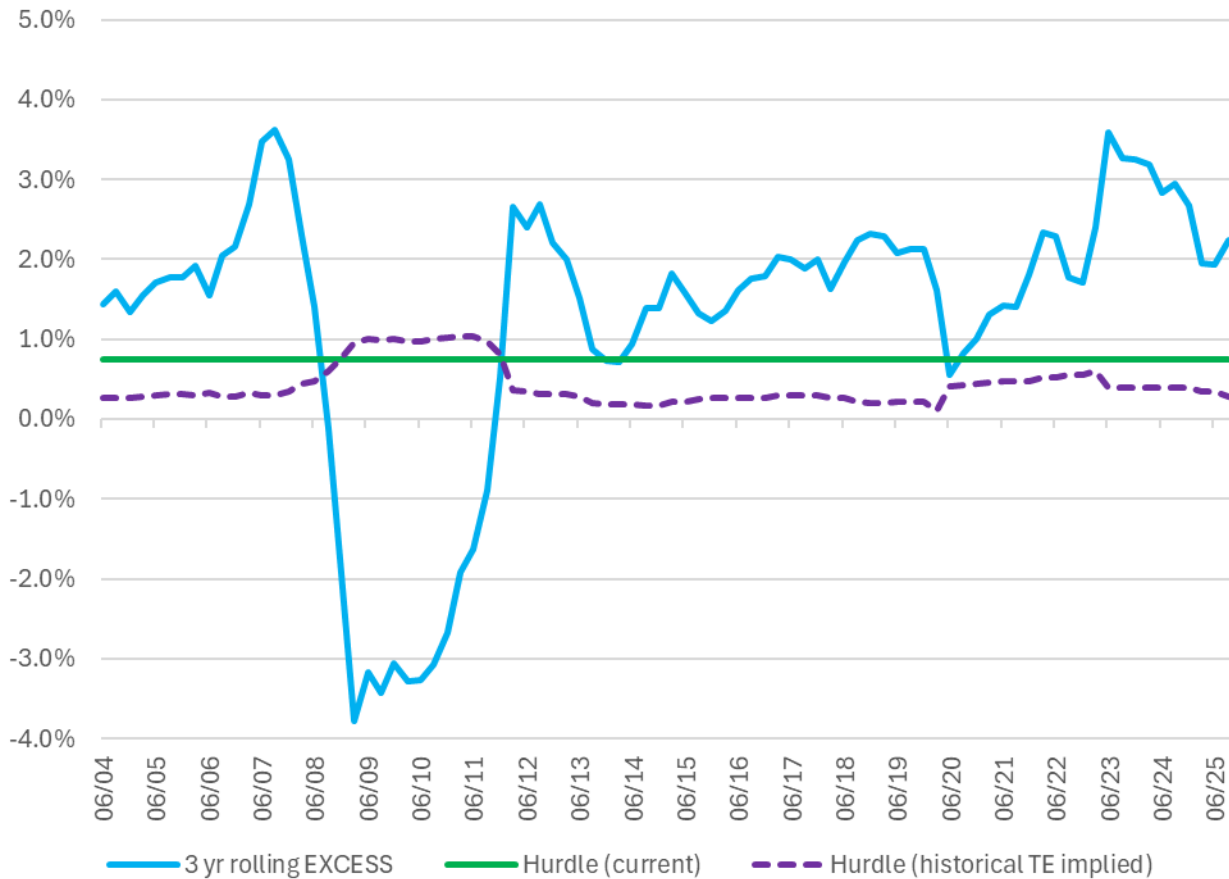
TE implied hurdle (bps): 42

Current hurdle (bps): 75

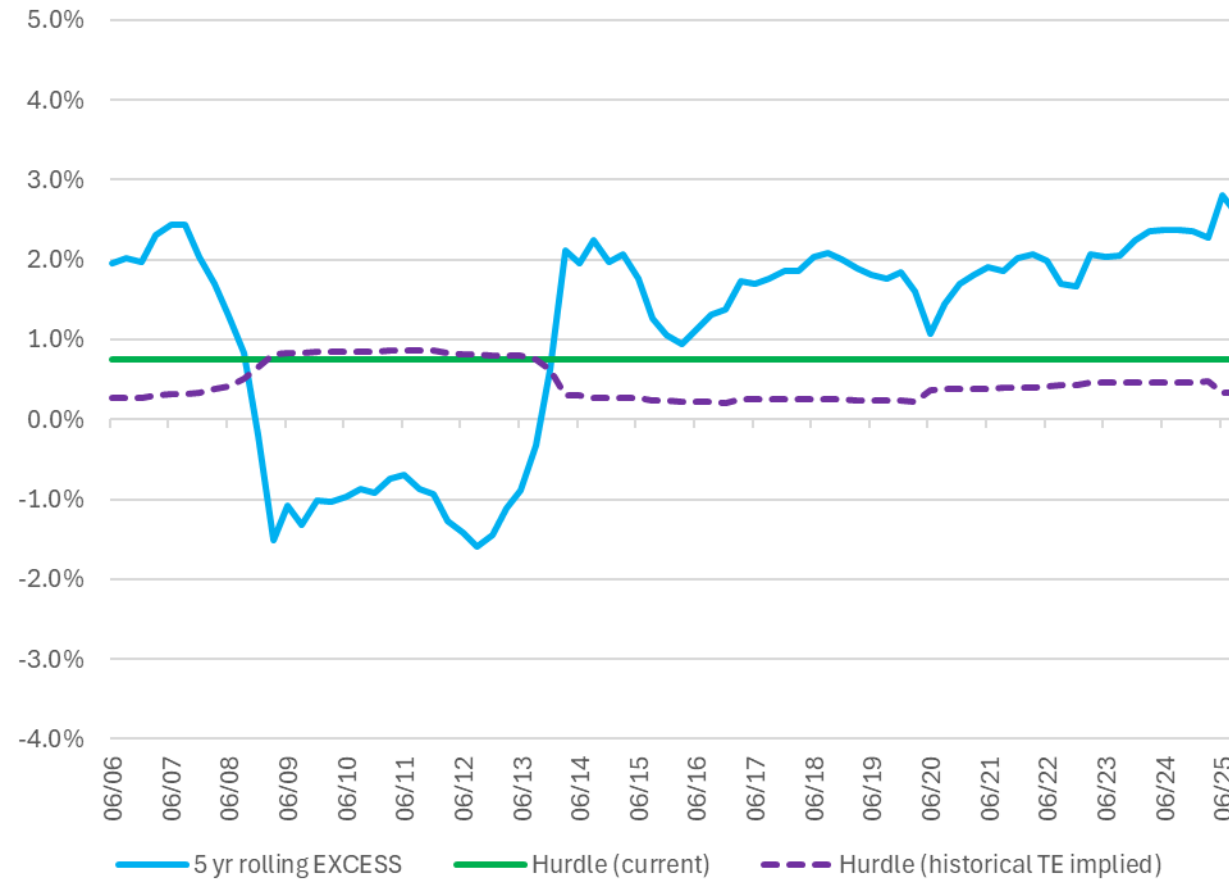
5yr Success rate: 73%

TE implied hurdle (bps): 46

Rolling 3-year Excess vs. Hurdles



Rolling 5-year Excess vs. Hurdles

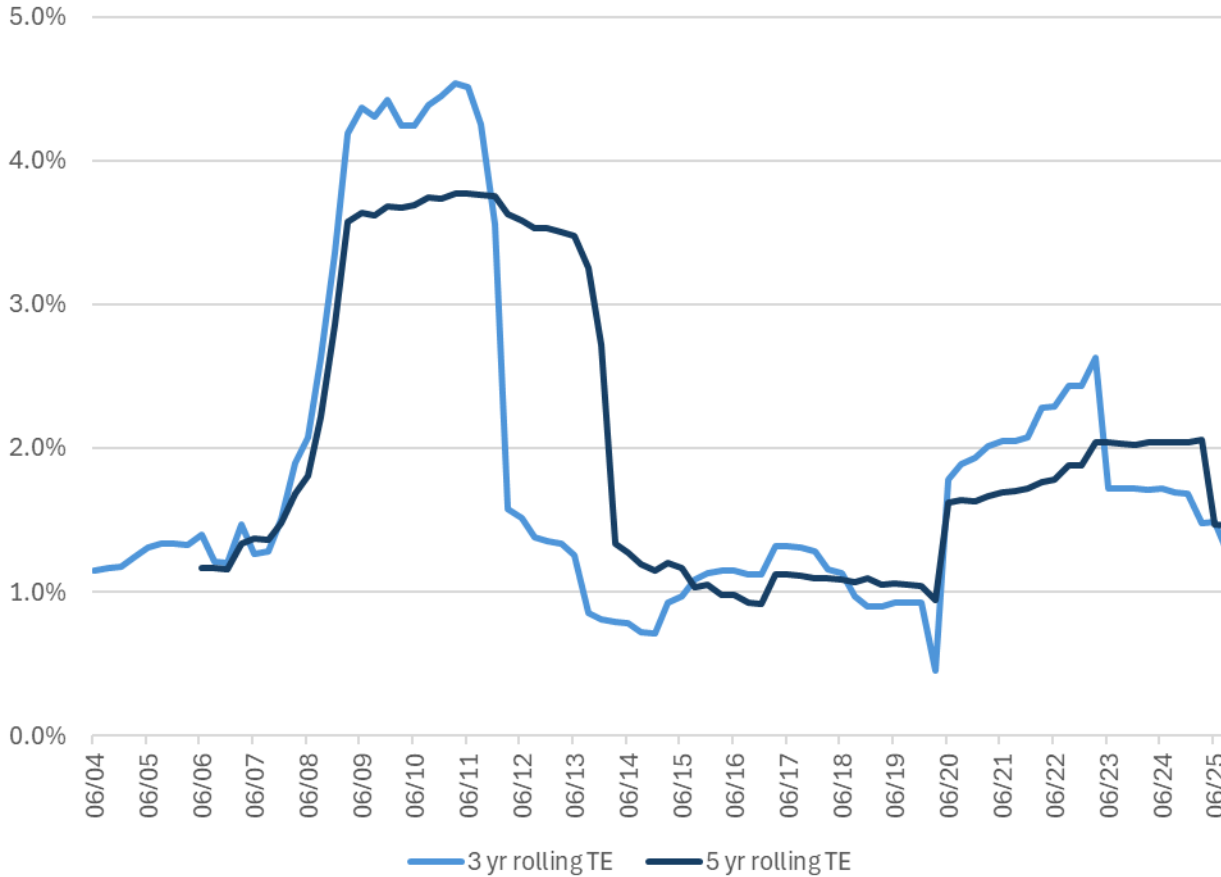


# Analytics Details – Real Assets

Avg 3yr TE: 1.8%

Avg 5yr TE: 2.0%

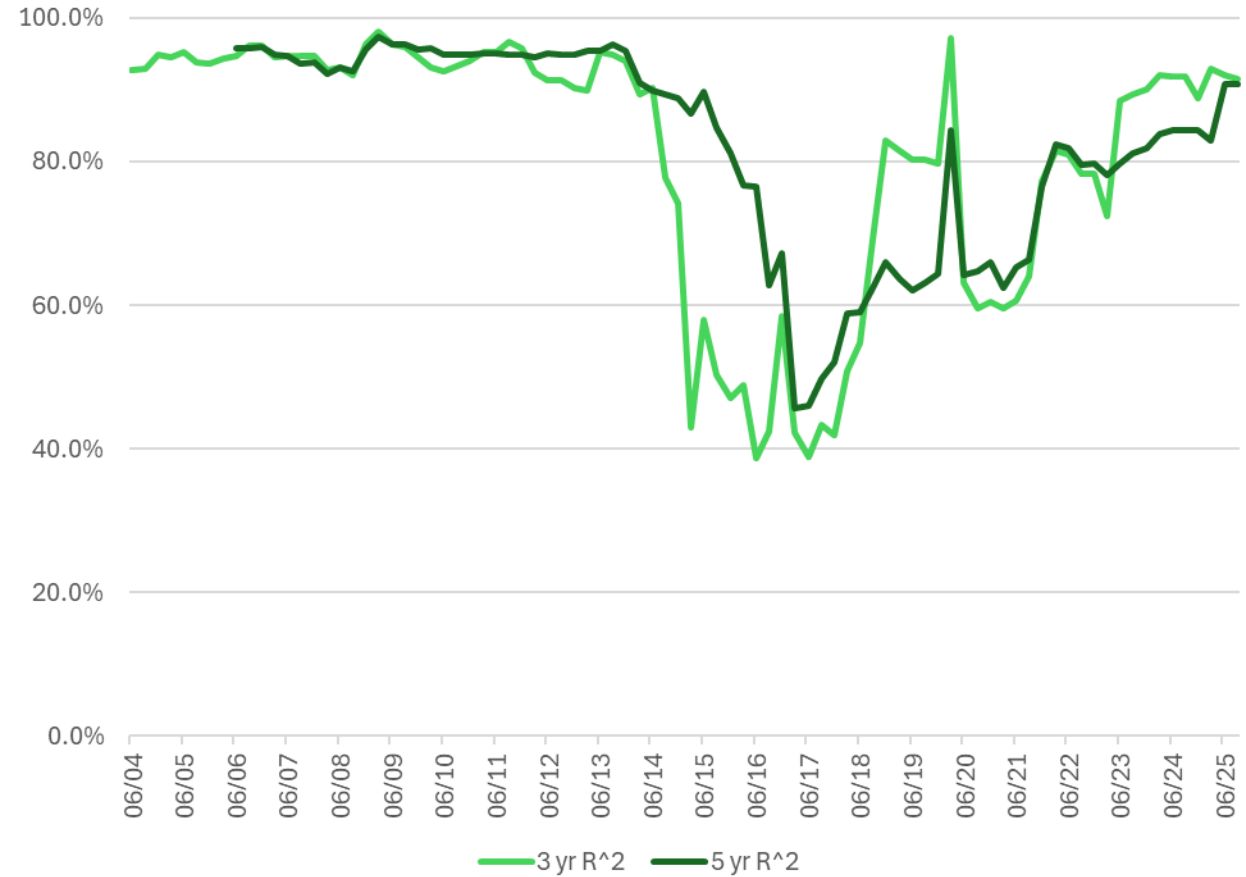
Rolling 3- and 5-year Tracking Error



Avg 3yr R-Squared: 81%

Avg 5yr R-Squared: 82%

Rolling 3- and 5-year R-squared



# Analytics Details – Credit Strategies

3yr Success rate: 55%

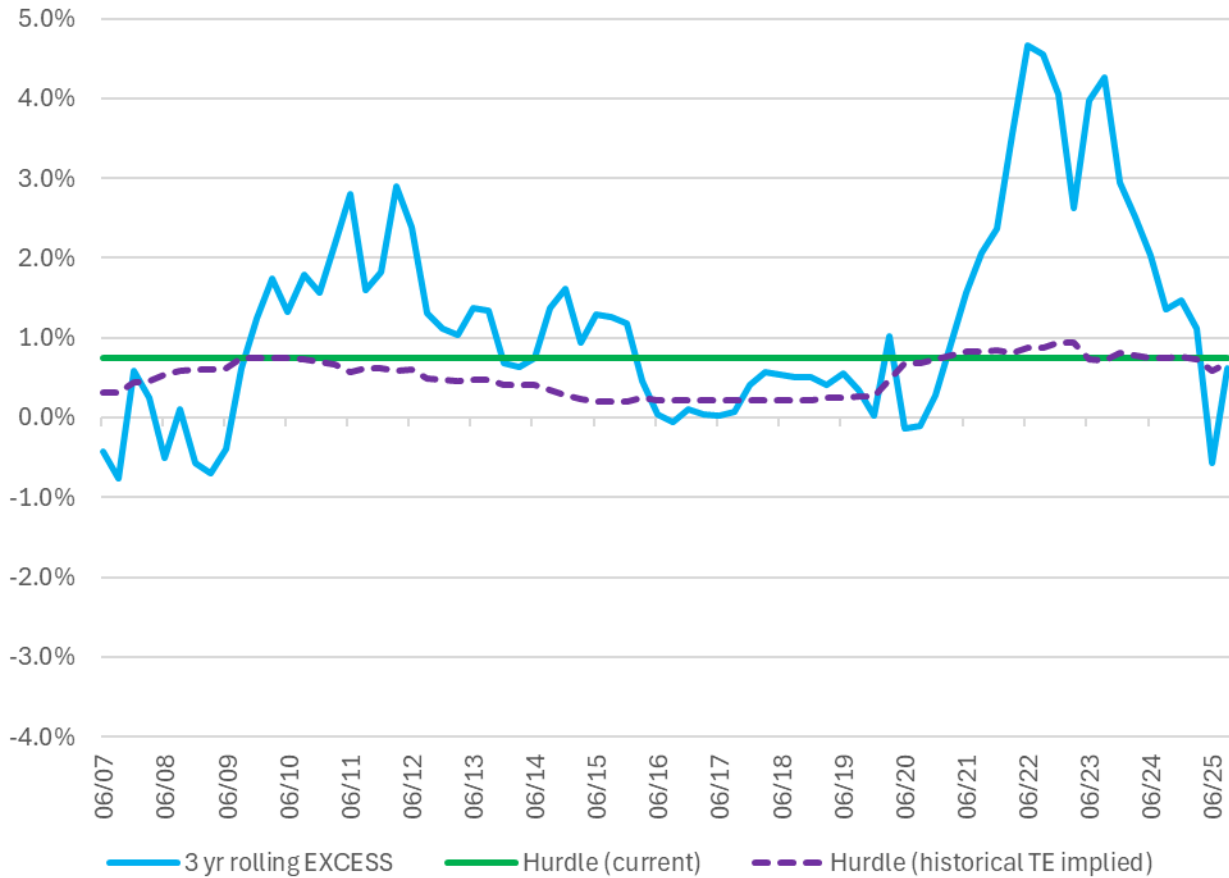
TE implied hurdle (bps): 52

Current hurdle (bps): 75

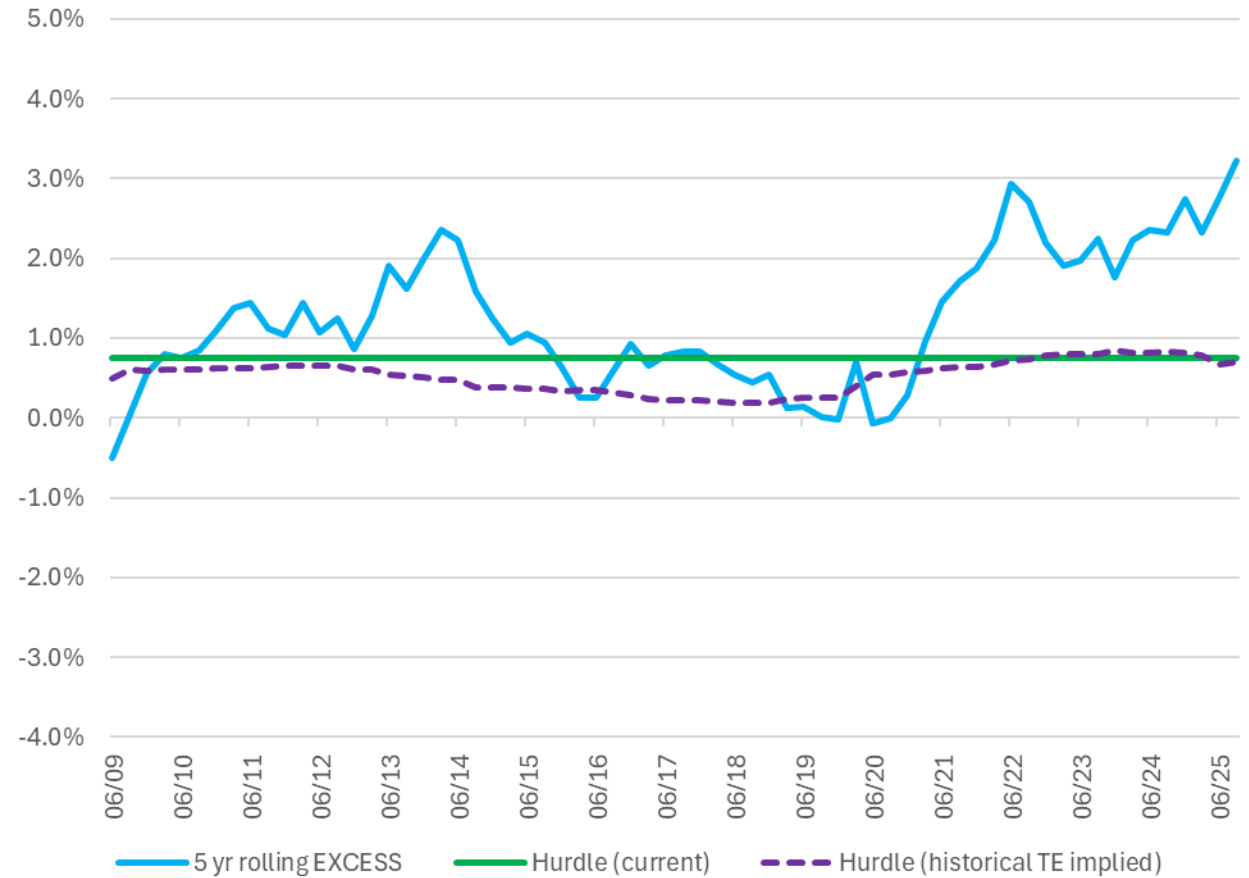
5yr Success rate: 70%

TE implied hurdle (bps): 53

Rolling 3-year Excess vs. Hurdles



Rolling 5-year Excess vs. Hurdles



# Analytics Details – Credit Strategies

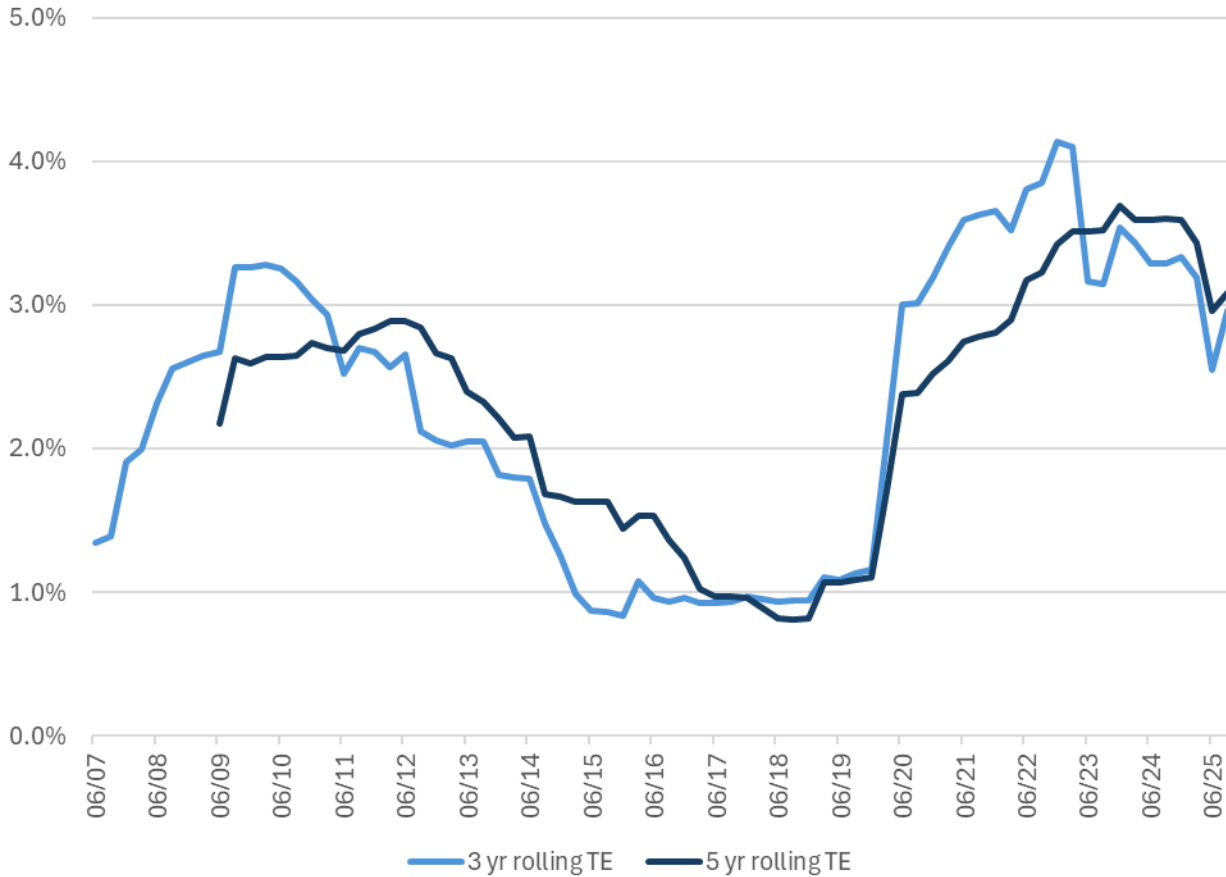
Avg 3yr TE: 2.3%

Avg 5yr TE: 2.3%

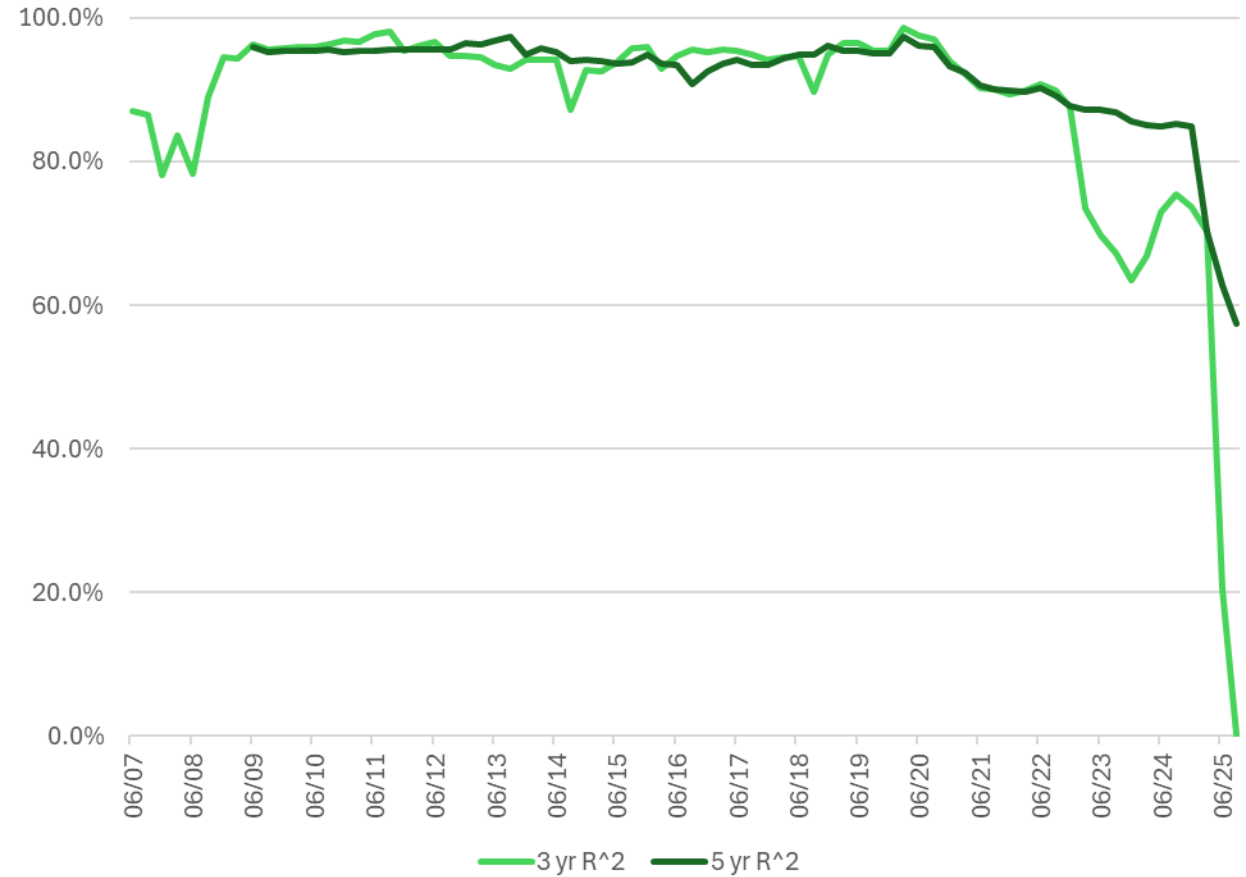
Avg 3yr R-Squared 88%

Avg 5yr R-Squared 92%

Rolling 3- and 5-year Tracking Error



Rolling 3- and 5-year R-squared



# Analytics Details – Credit Strategies New Benchmark

3yr Success rate: 55%

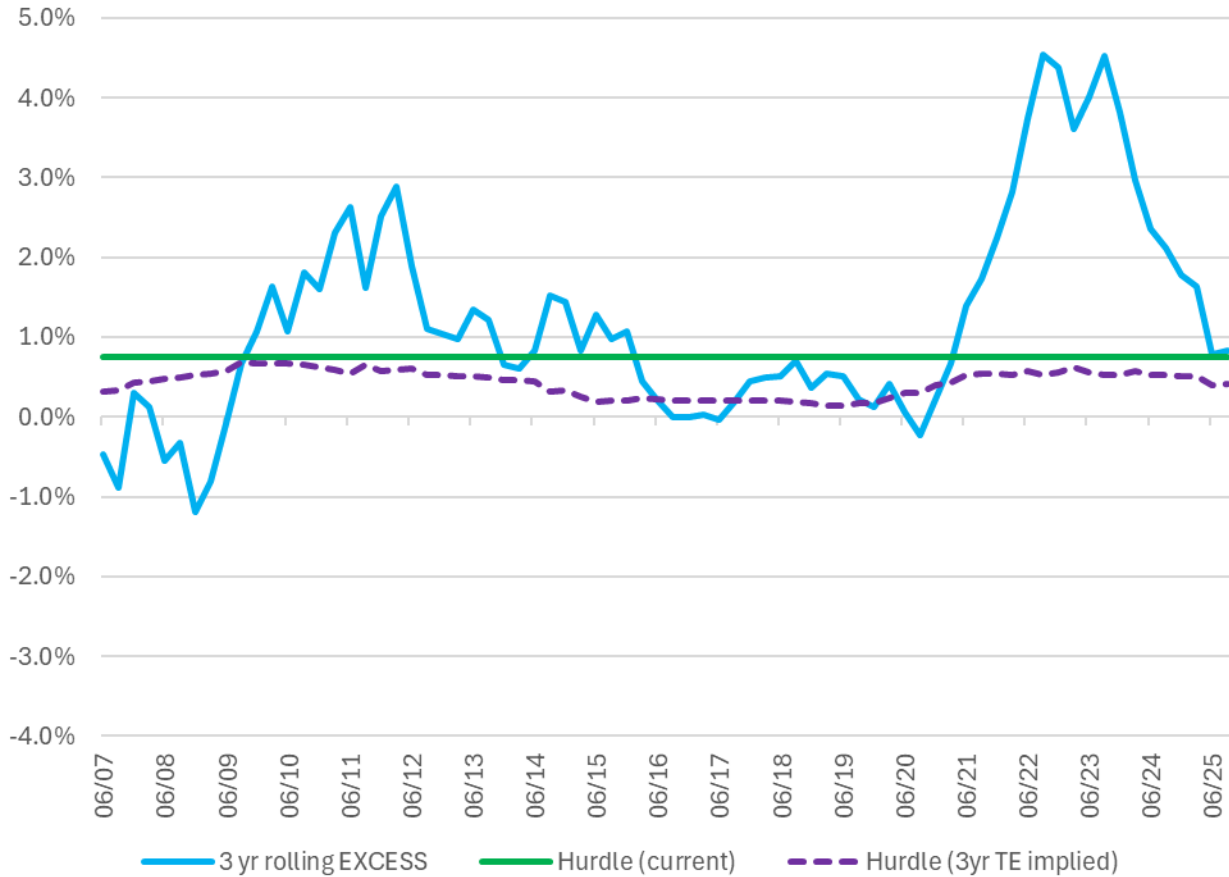
TE implied hurdle (bps): 42

Current hurdle (bps): 75

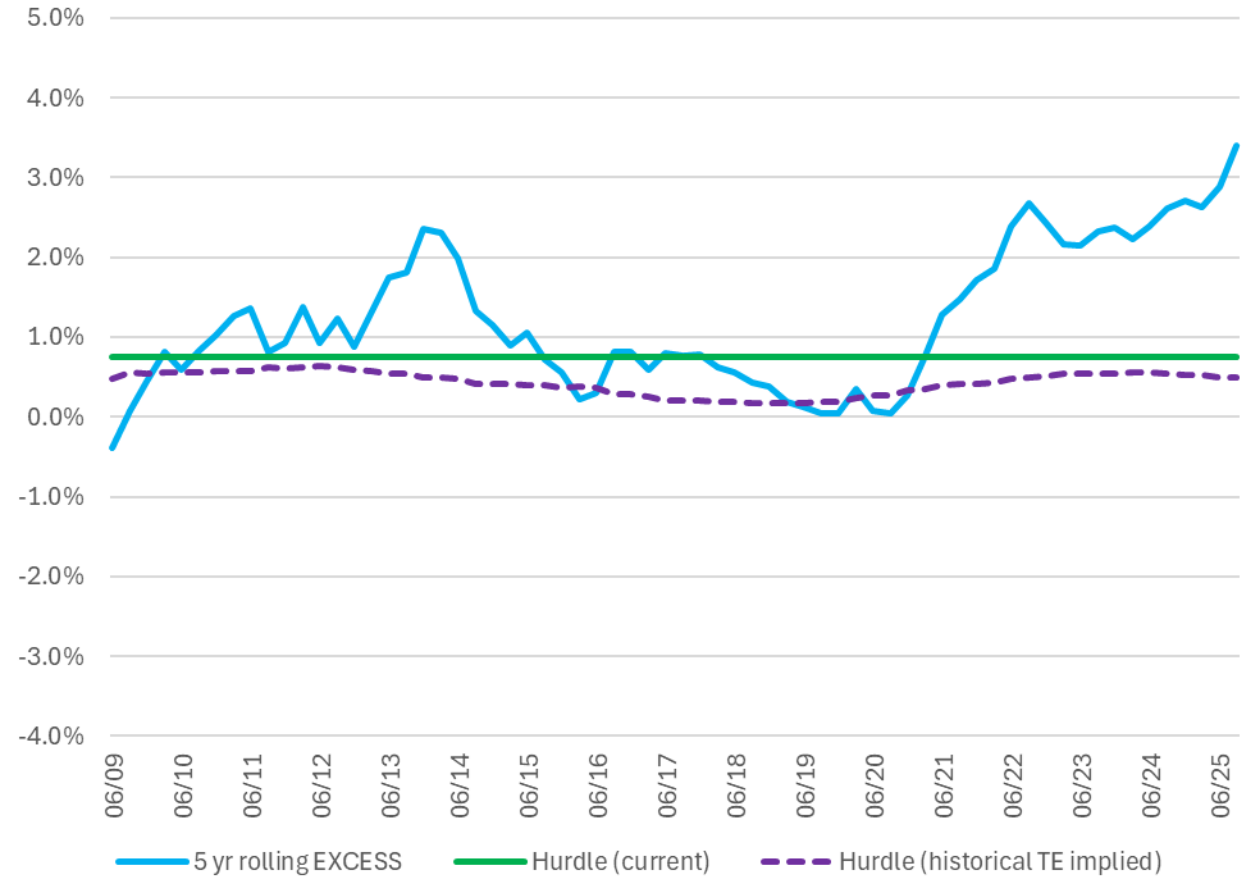
5yr Success rate: 68%

TE implied hurdle (bps): 43

Rolling 3-year Excess vs. Hurdles



Rolling 5-year Excess vs. Hurdles



# Analytics Details – Credit Strategies **New Benchmark**

Avg 3yr TE: 1.8%

Avg 5yr TE: 1.9%

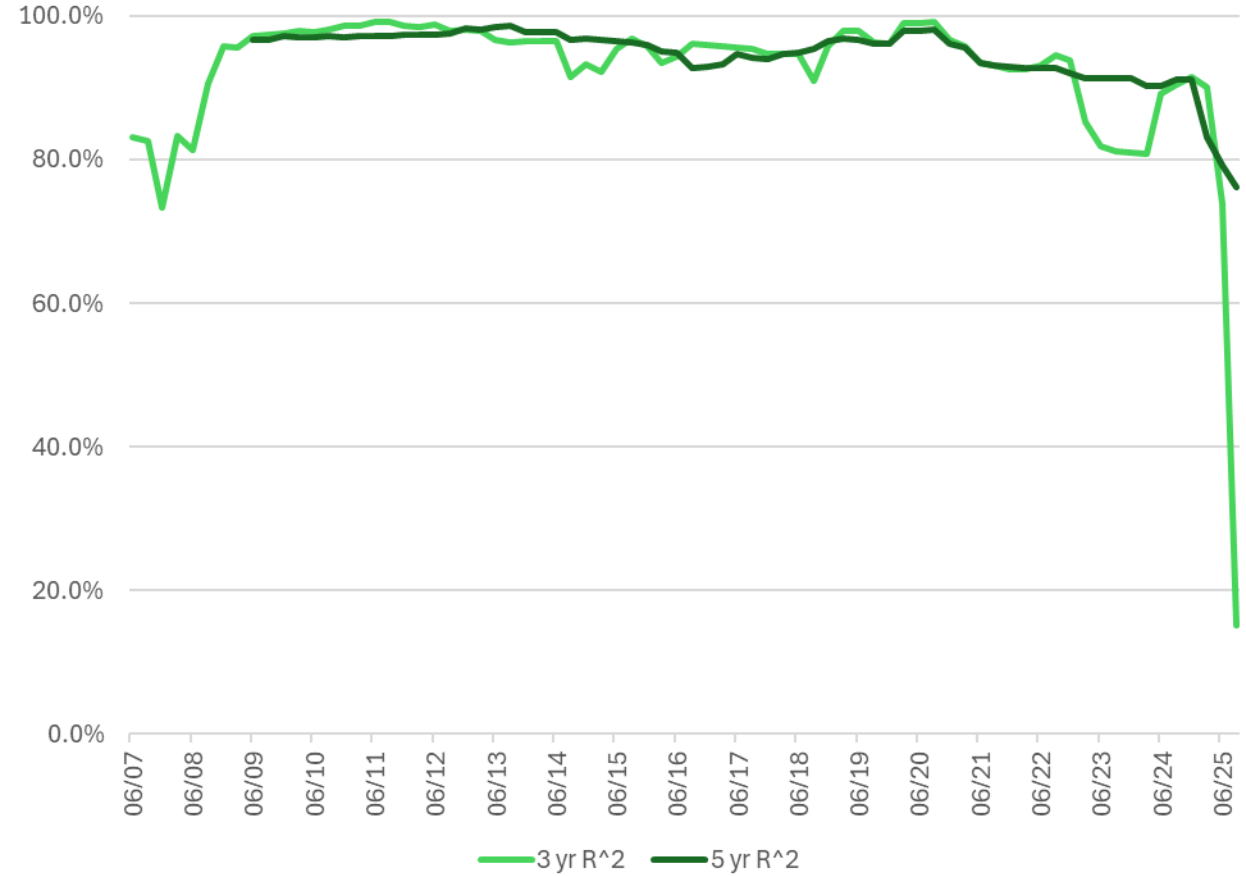
Avg 3yr R-Squared 92%

Avg 5yr R-Squared 95%

Rolling 3- and 5-year Tracking Error



Rolling 3- and 5-year R-squared



# Analytics Details – Diversifying Strategies

3yr Success rate: 61%

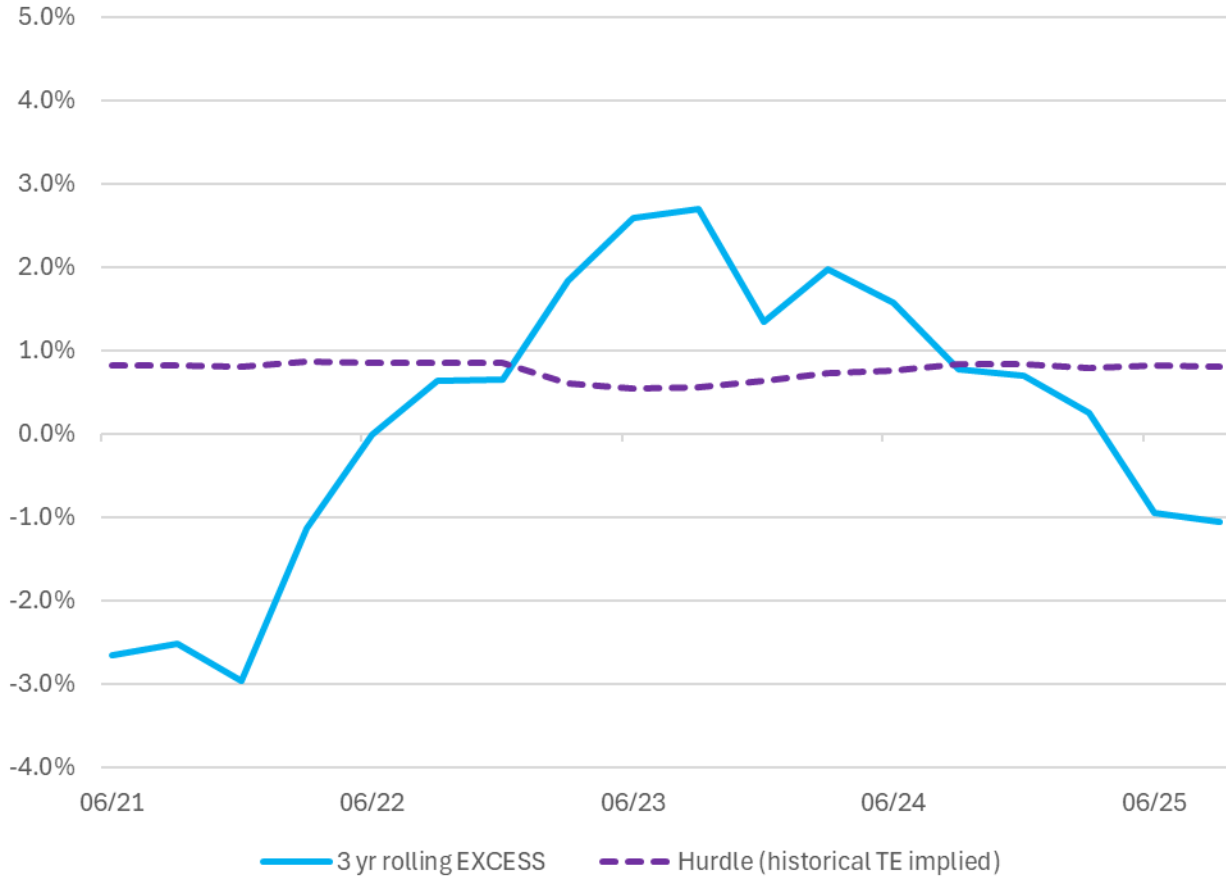
TE implied hurdle (bps): 76

Current hurdle (bps): n/a

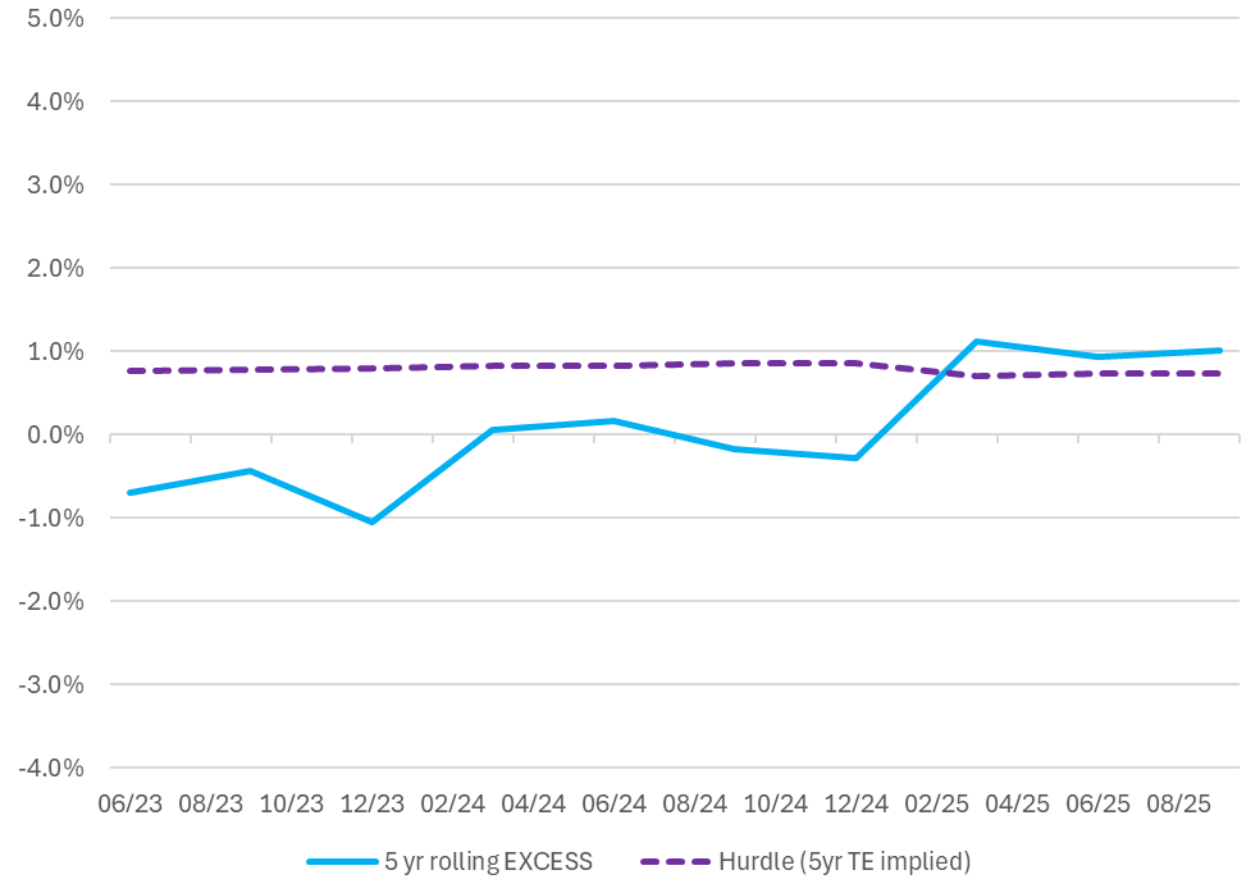
5yr Success rate: 50%

TE implied hurdle (bps): 78

Rolling 3-year Excess vs. Hurdles



Rolling 5-year Excess vs. Hurdles





# Analytics Details – Diversifying Strategies

Avg 3yr TE: 3.3%

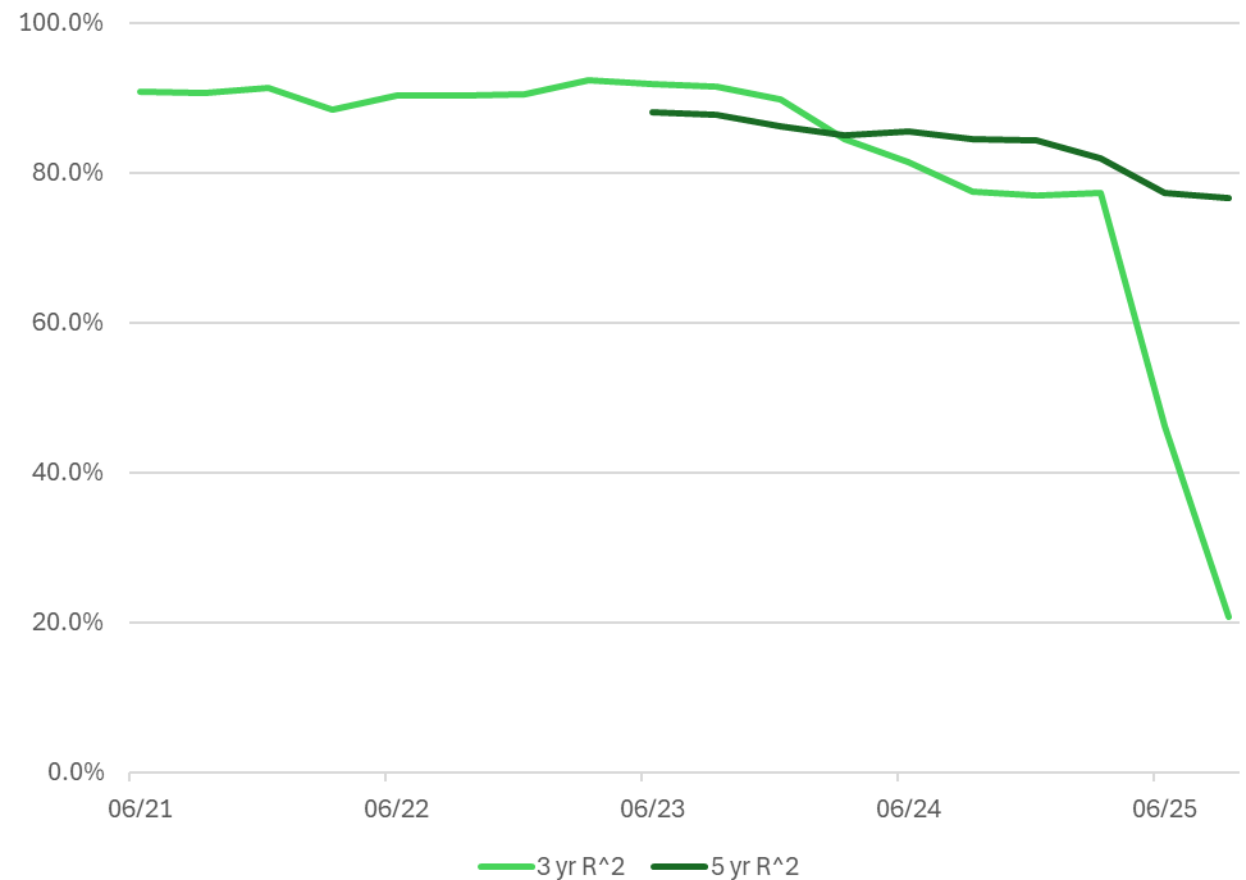
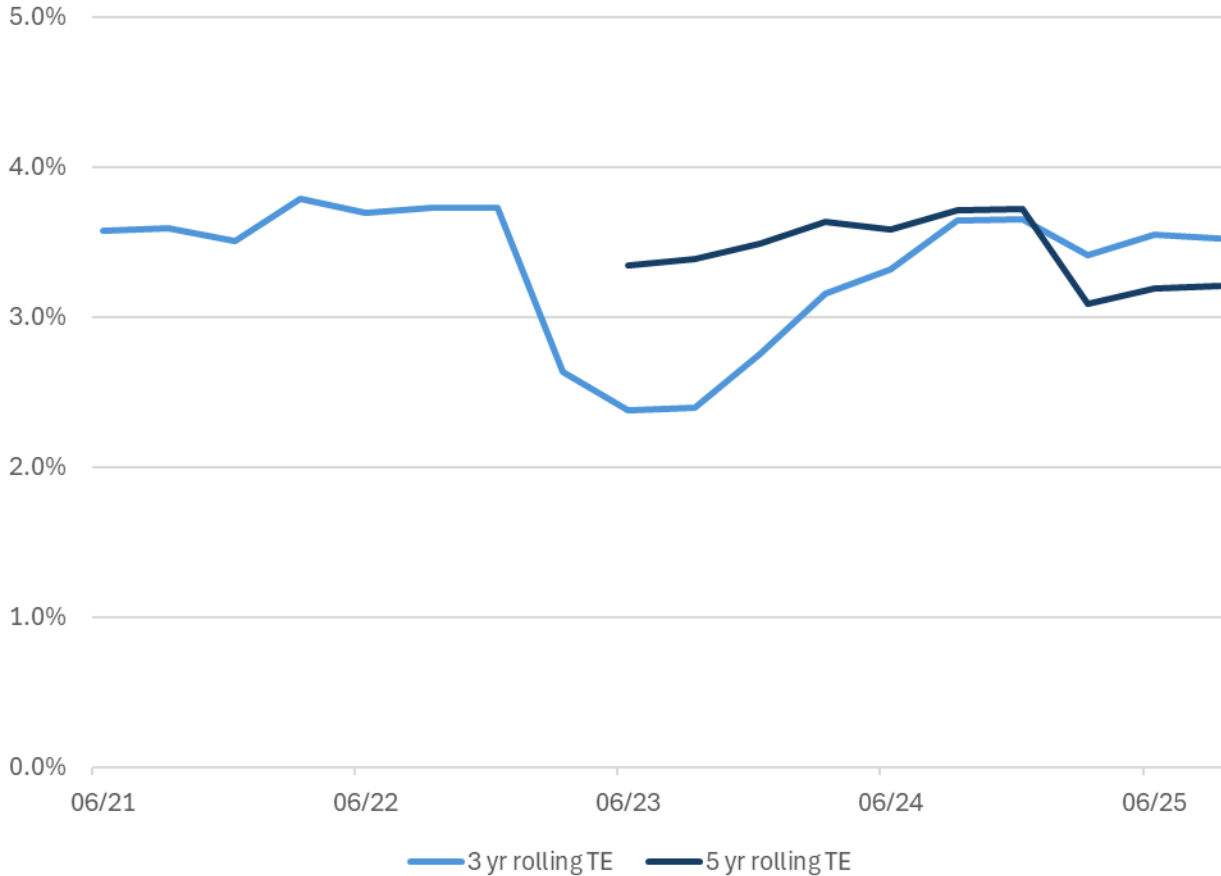
Avg 5yr TE: 3.4%

Avg 3yr R-Squared 81%

Avg 5yr R-Squared 84%

Rolling 3- and 5-year Tracking Error

Rolling 3- and 5-year R-squared



# Analytics Details – Diversifying Strategies **New Benchmark**

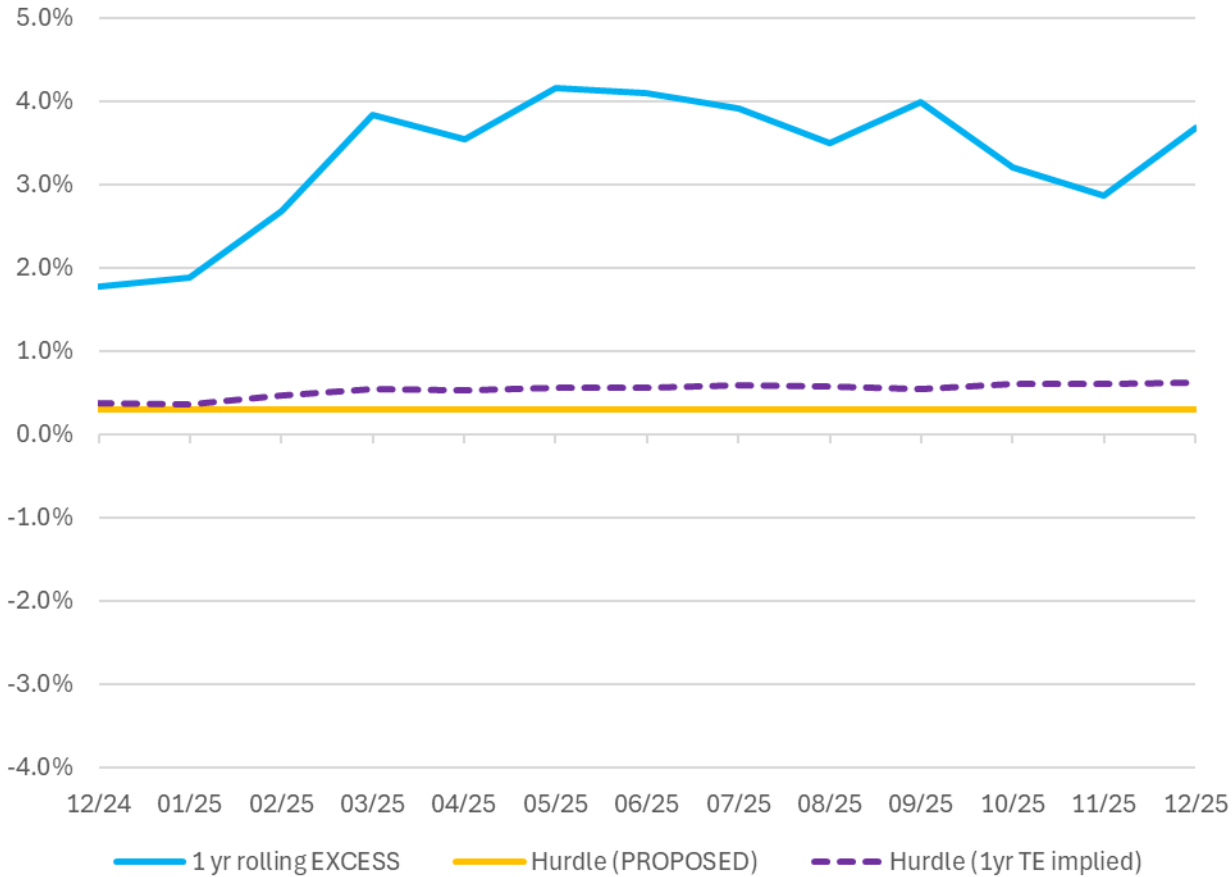
1yr Success rate: 100%

TE implied hurdle (bps): 51

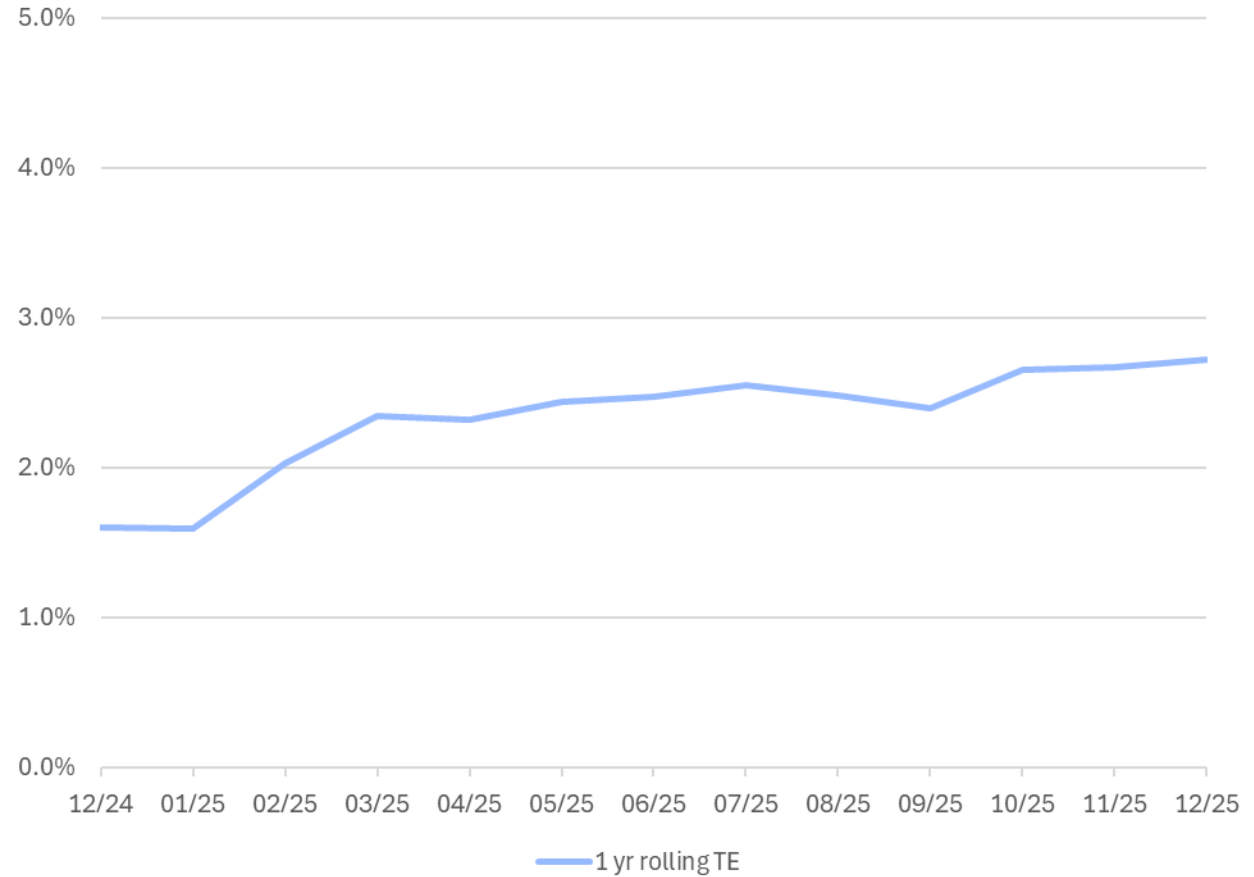
Proposed hurdle (bps): 30

Avg 1yr TE 2.3%

Rolling 1-year Excess vs. Hurdles



Rolling 12-month Tracking Error



# Analytics Details – Fixed Income

3yr Success rate: 80%

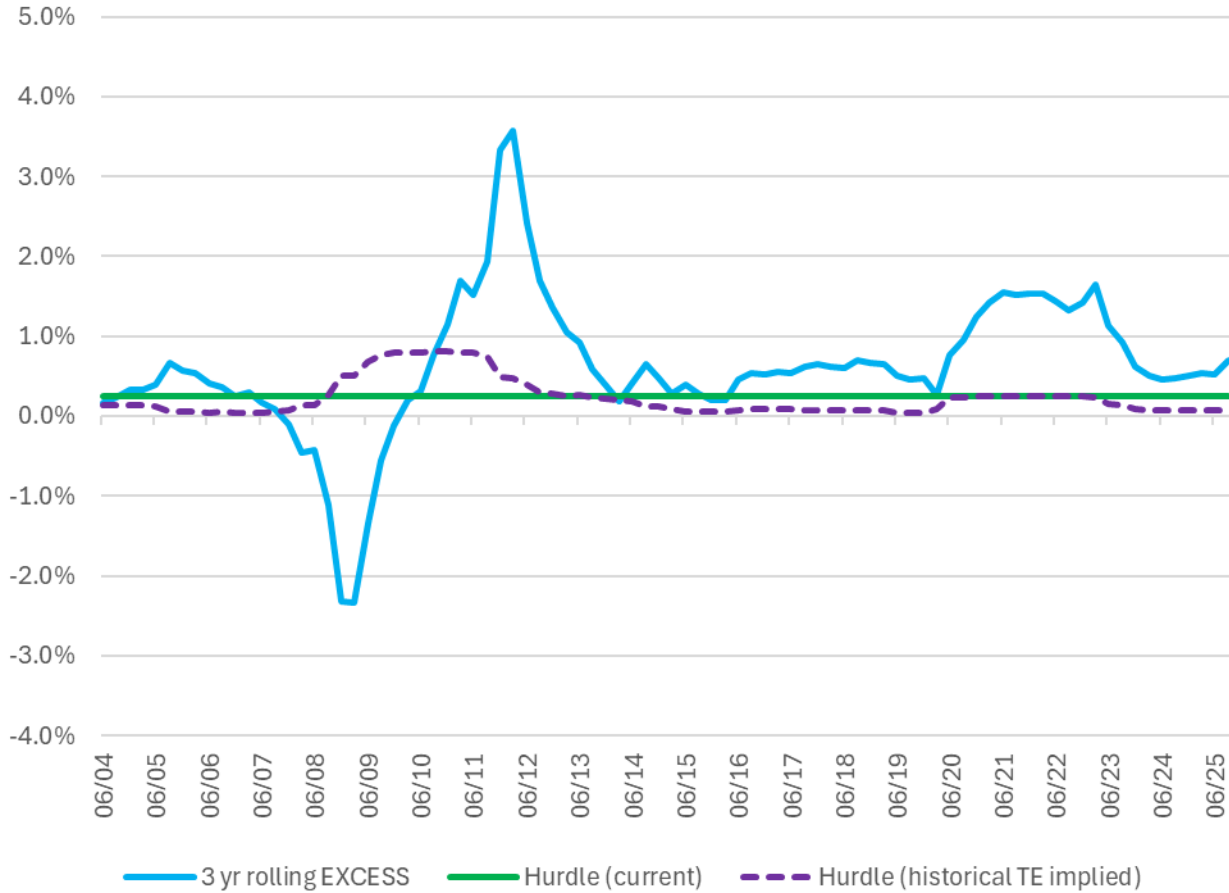
TE implied hurdle (bps): 22

Current hurdle (bps): 25

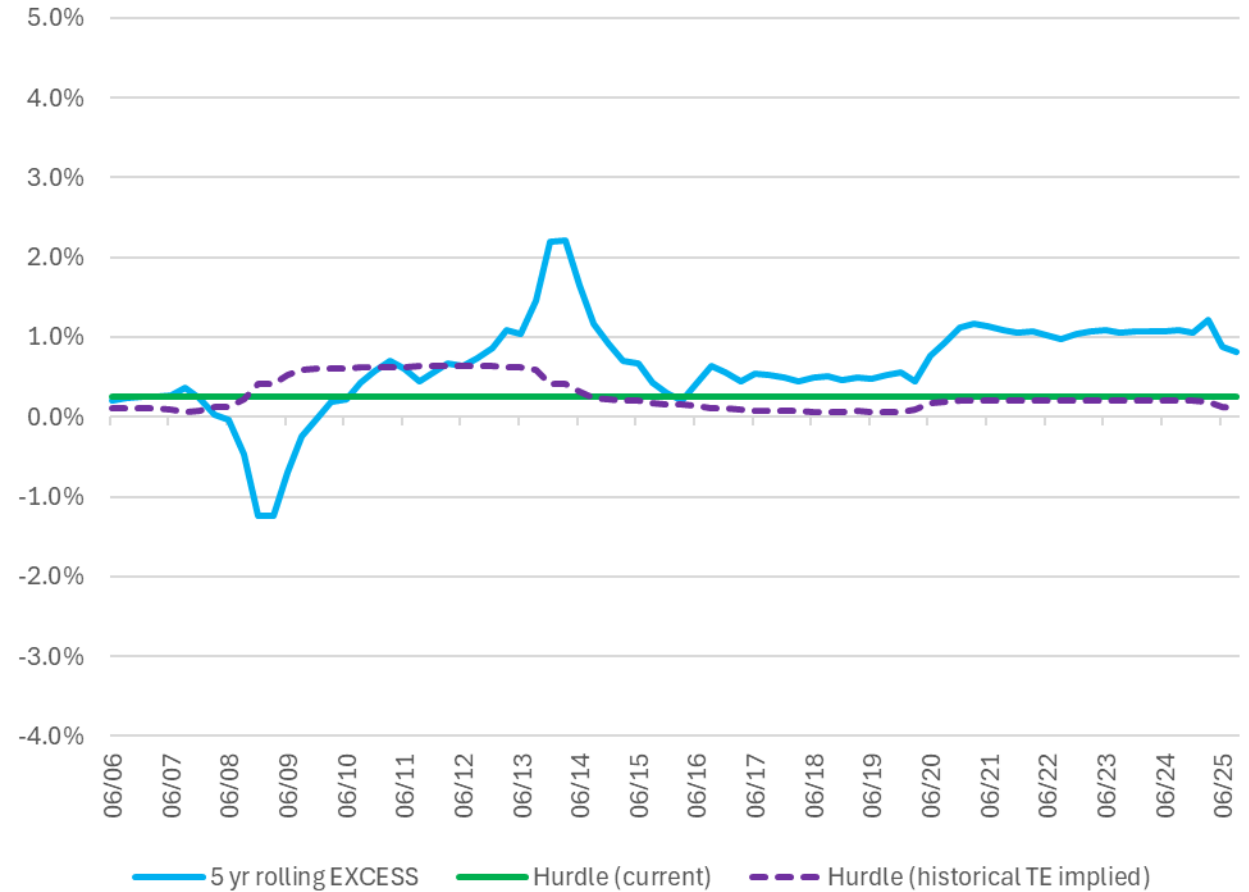
5yr Success rate: 81%

TE implied hurdle (bps): 27

Rolling 3-year Excess vs. Hurdles



Rolling 5-year Excess vs. Hurdles



# Analytics Details – Fixed Income

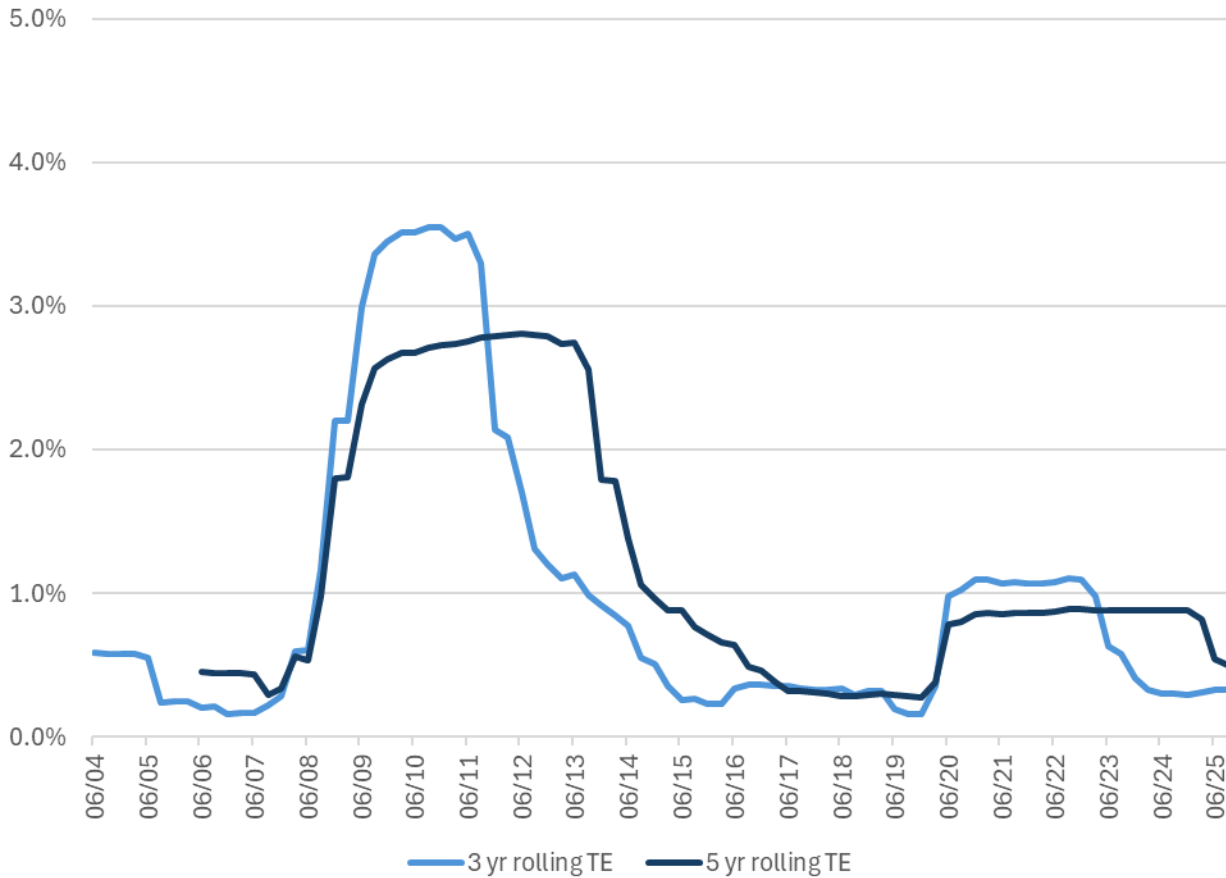
Avg 3yr TE: 1.0%

Avg 5yr TE: 1.2%

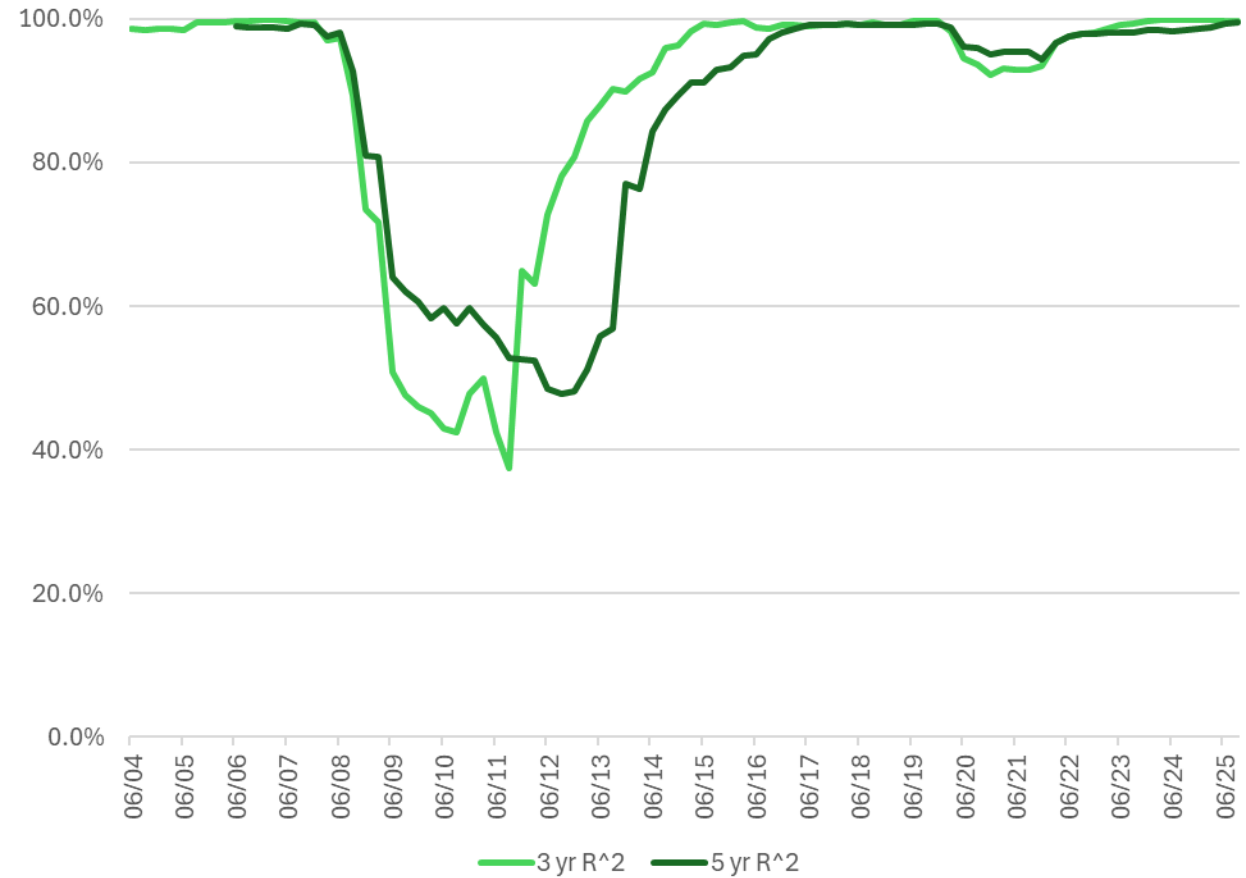
Avg 3yr R-Squared 89%

Avg 5yr R-Squared 86%

Rolling 3- and 5-year Tracking Error



Rolling 3- and 5-year R-squared



# Analytics Details – Total Fund

3yr Success rate: 56%

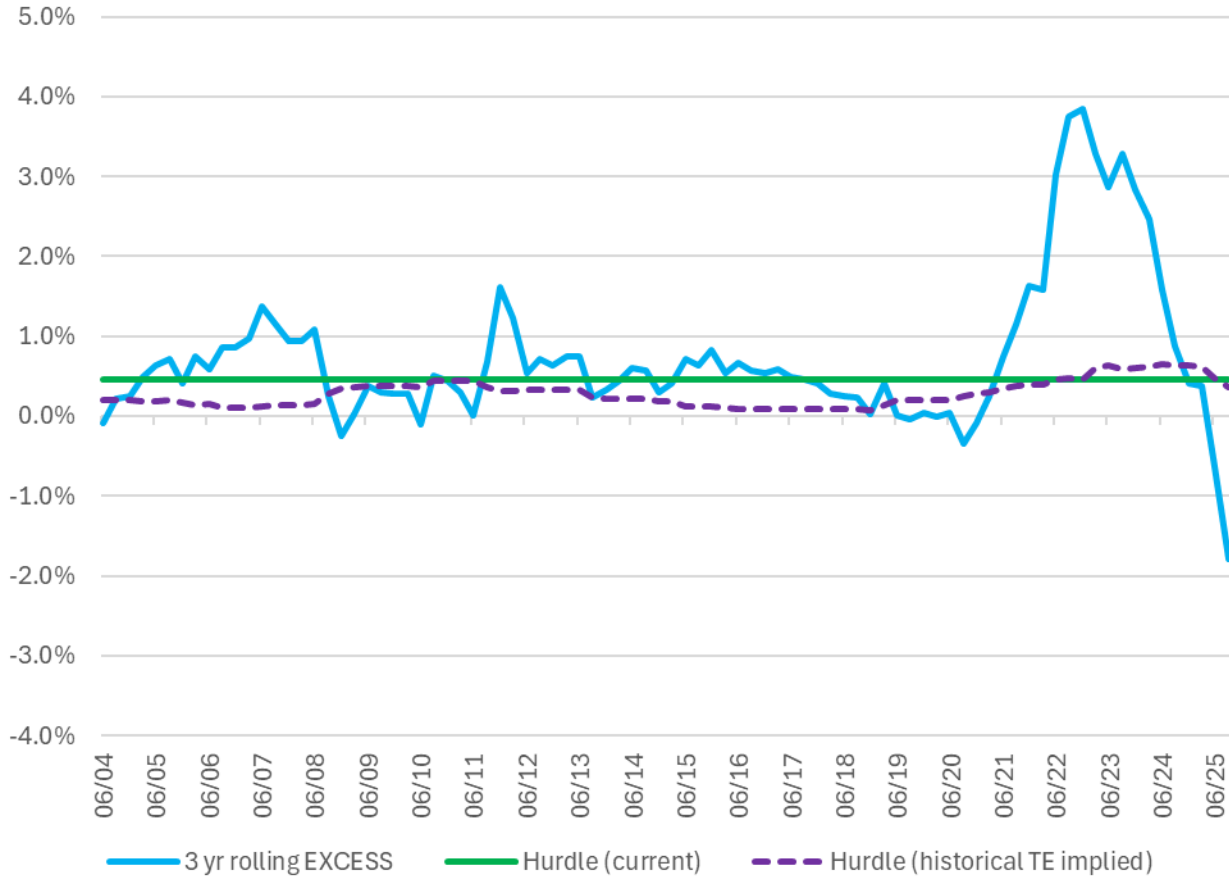
TE implied hurdle (bps): 28

Current hurdle (bps): 45

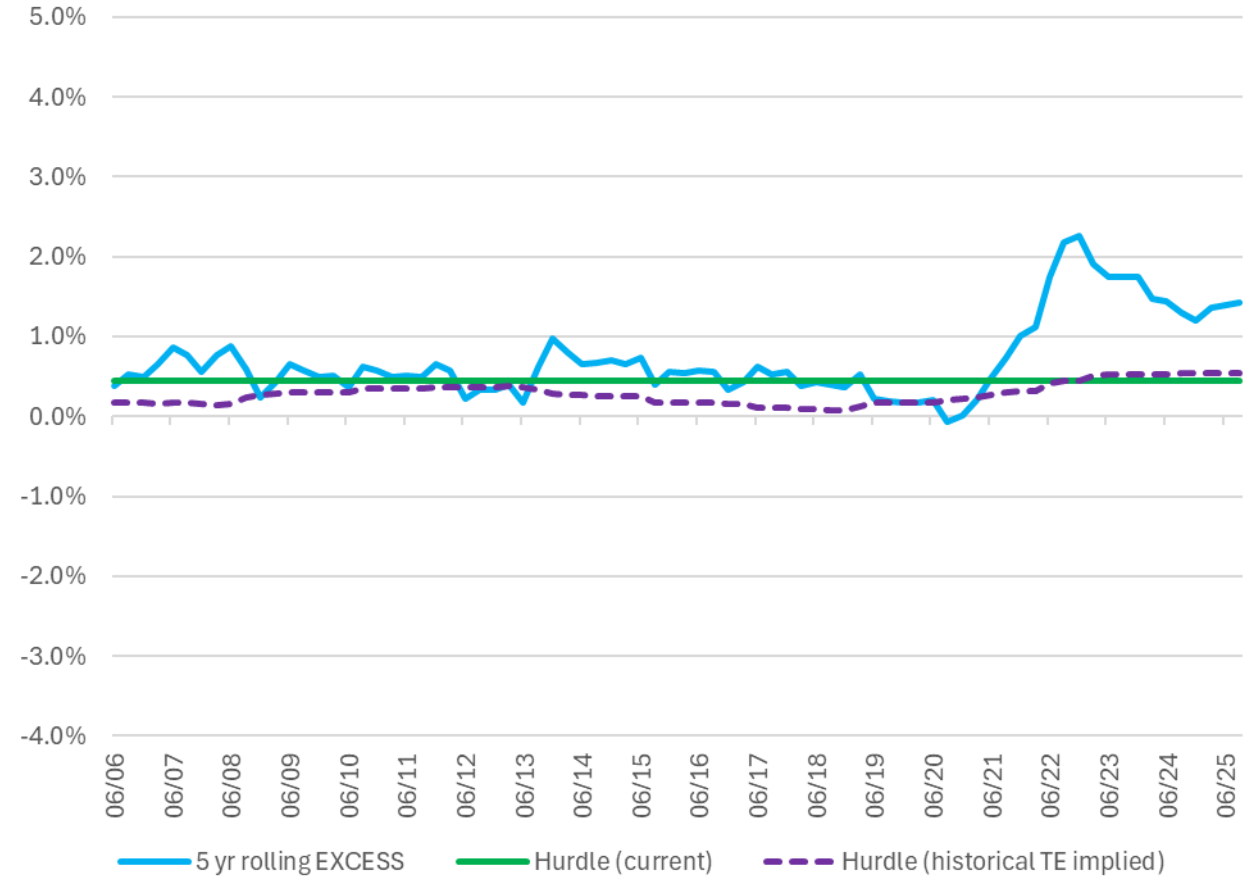
5yr Success rate: 69%

TE implied hurdle (bps): 28

Rolling 3-year Excess vs. Hurdles



Rolling 5-year Excess vs. Hurdles



# Analytics Details – Total Fund

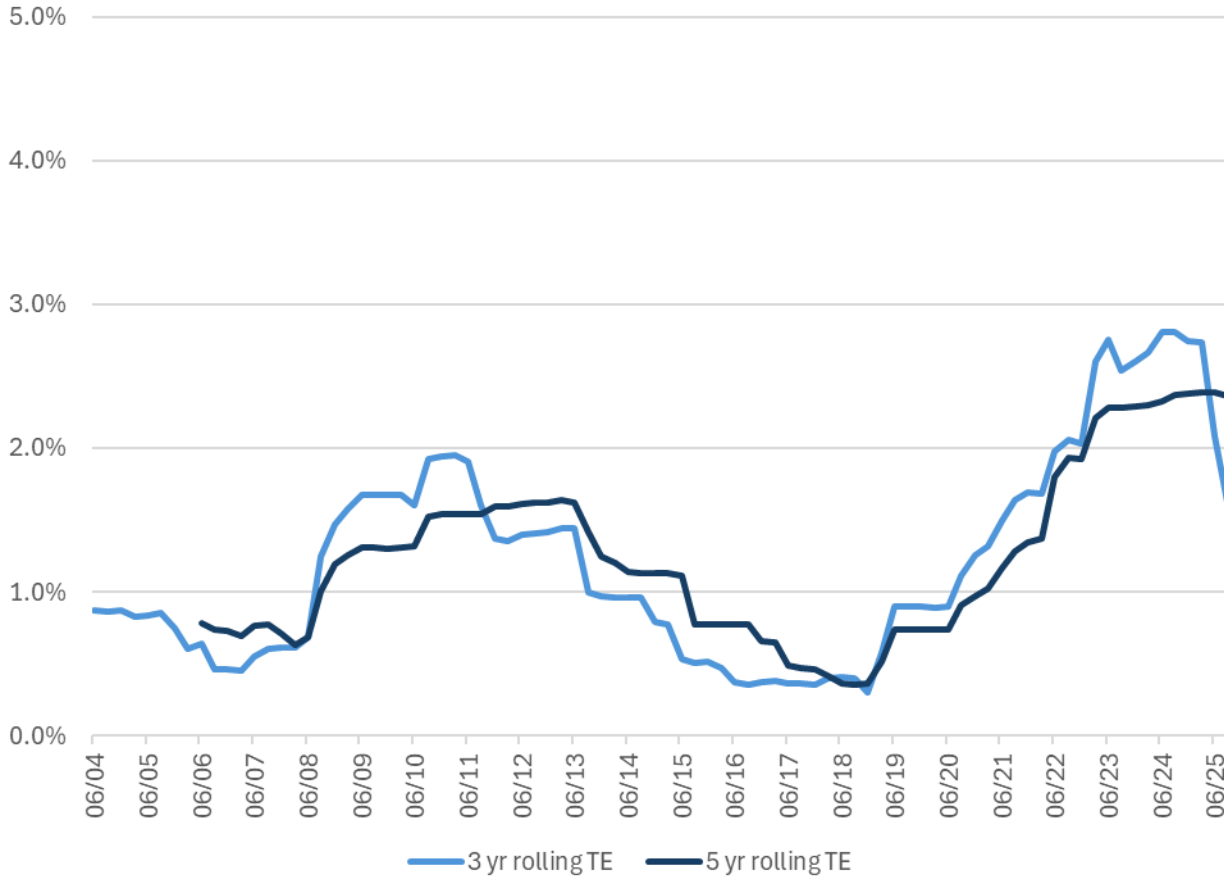
Avg 3yr TE: 1.2%

Avg 5yr TE: 1.2%

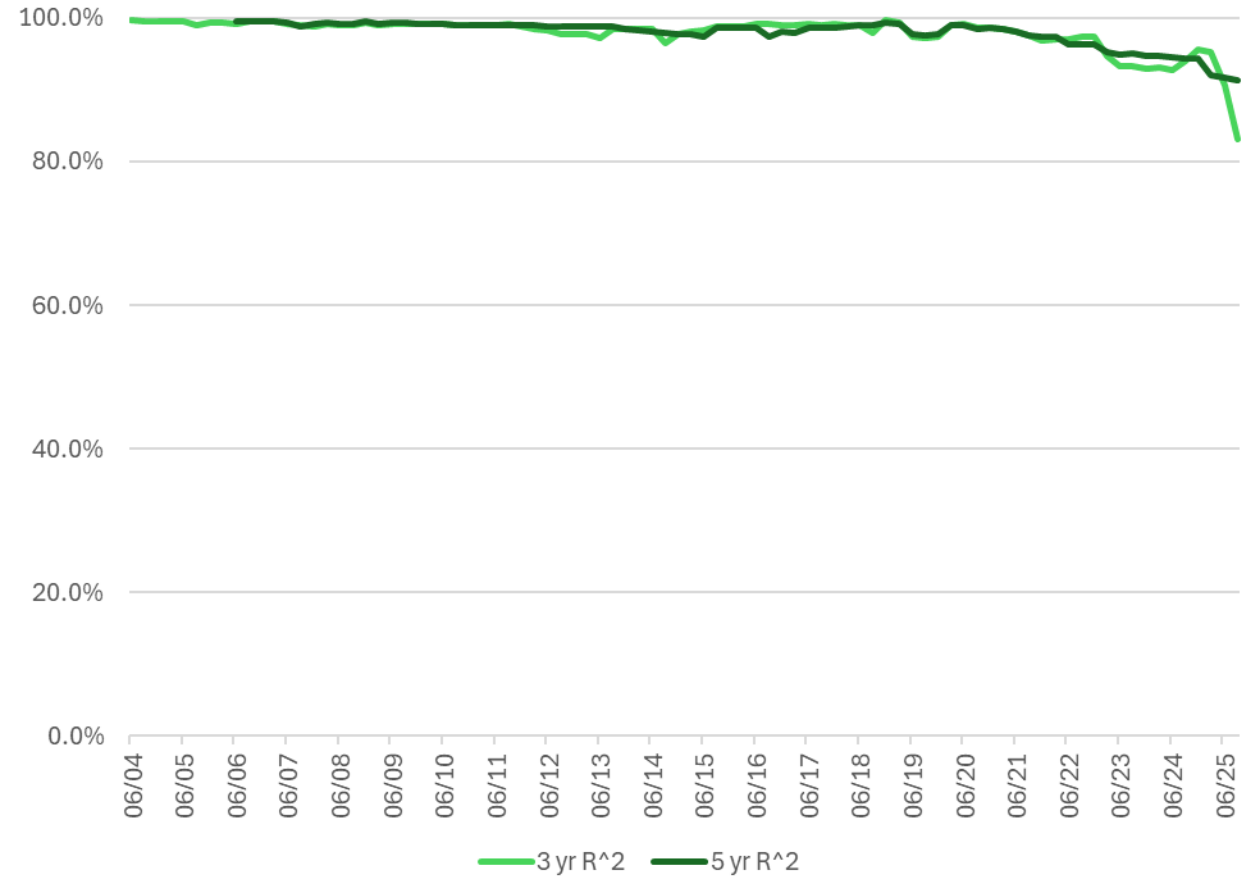
Avg 3yr R-Squared 98%

Avg 5yr R-Squared 98%

Rolling 3- and 5-year Tracking Error



Rolling 3- and 5-year R-squared



# Analytics Details – Total Fund New Benchmark

3yr Success rate: 61%

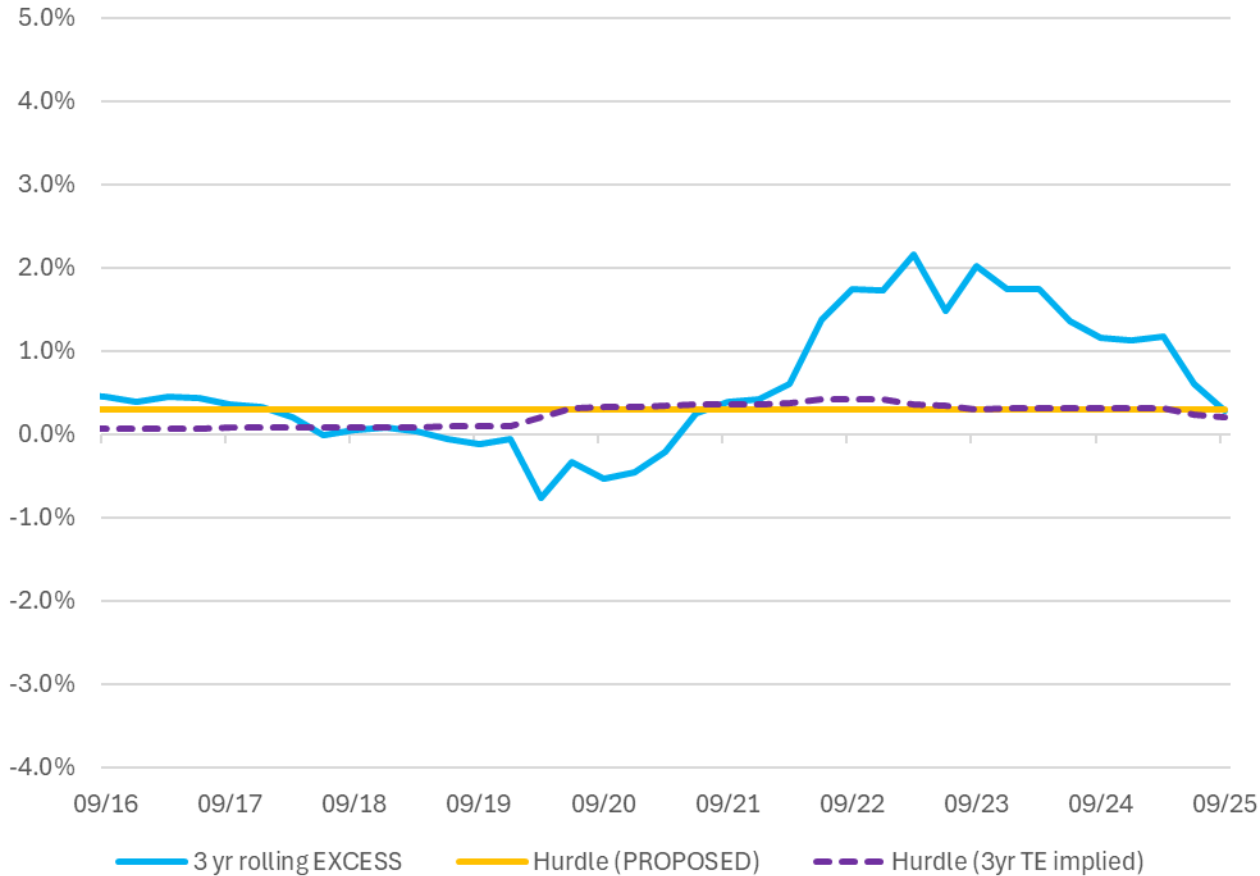
TE implied hurdle (bps): 23

Proposed hurdle (bps): 30

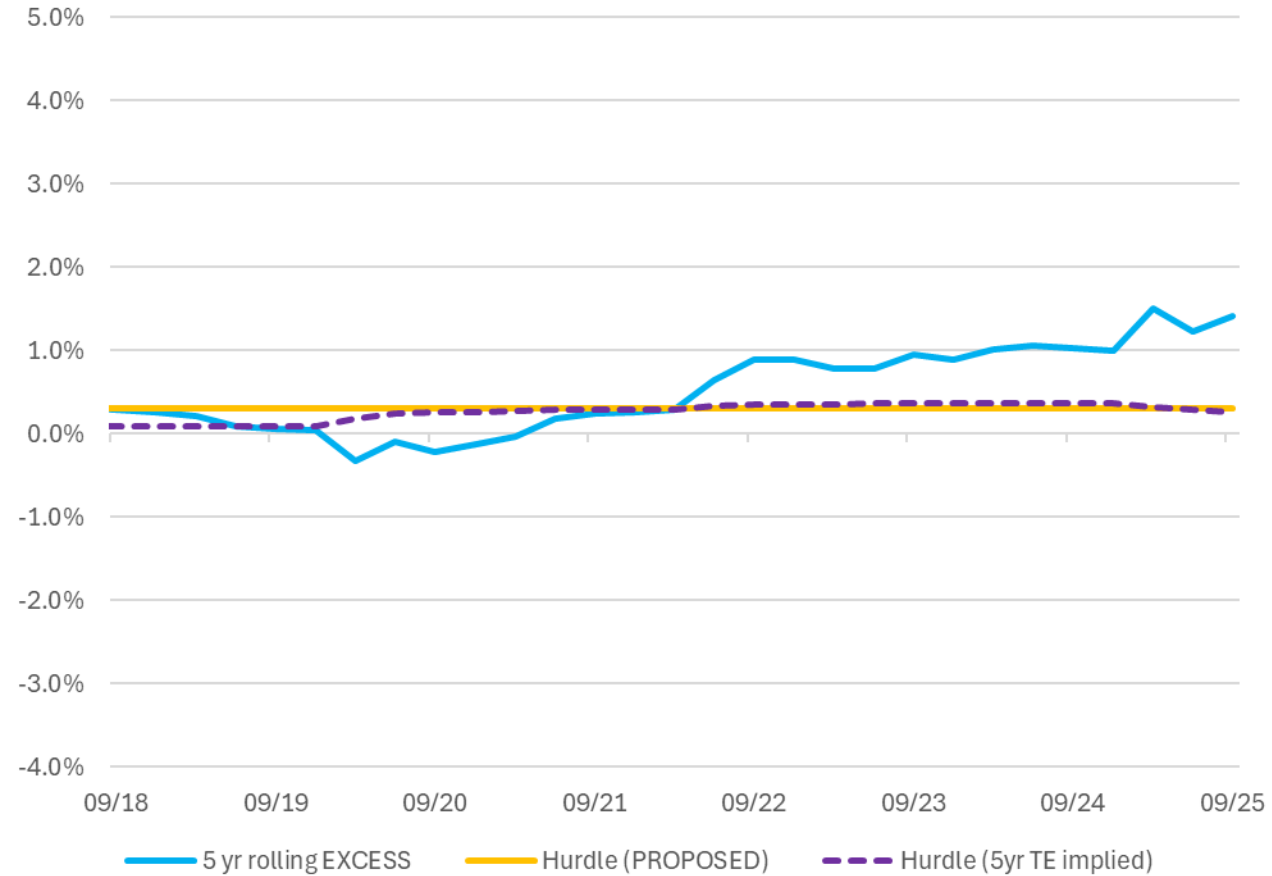
5yr Success rate: 50%

TE implied hurdle (bps): 26

Rolling 3-year Excess vs. Hurdles



Rolling 5-year Excess vs. Hurdles



# Analytics Details – Total Fund New Benchmark

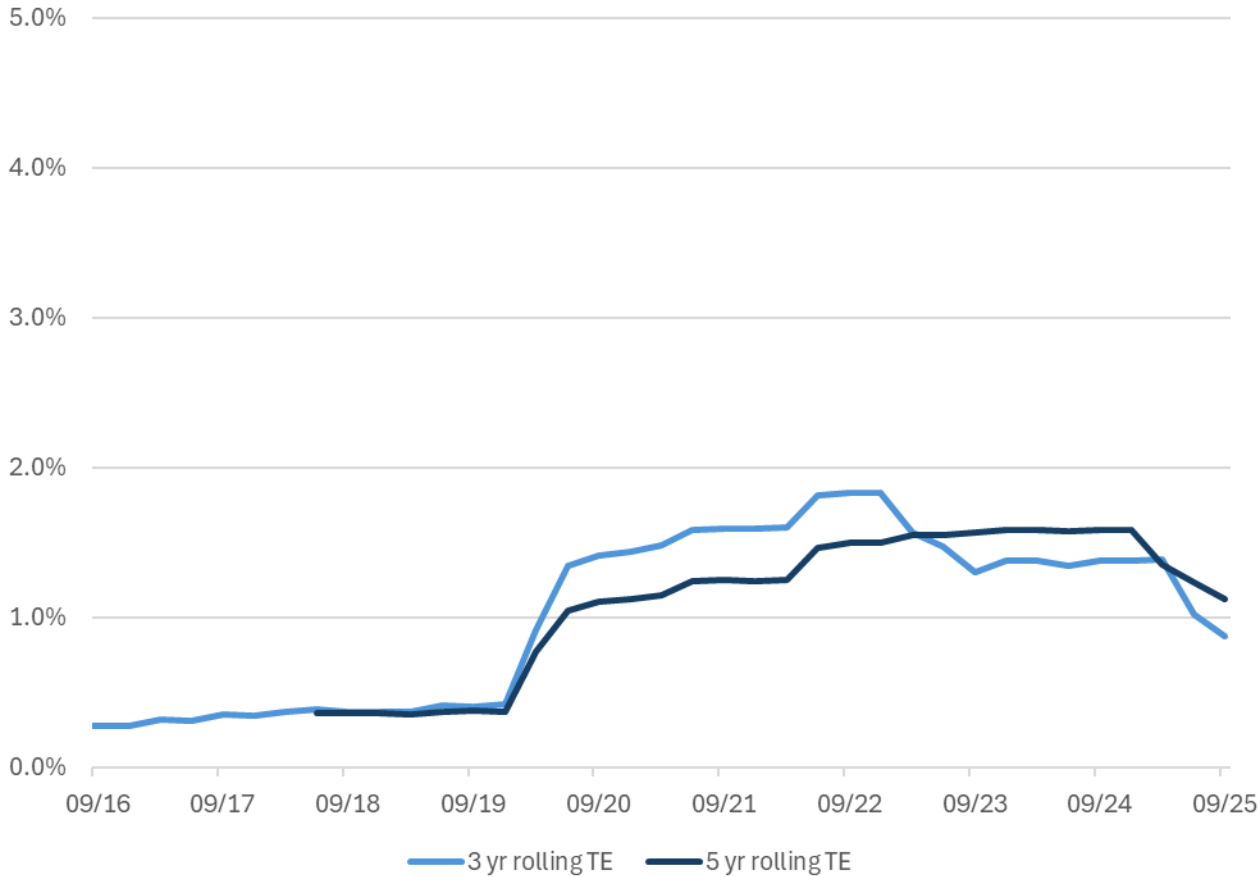
Avg 3yr TE: 1.0%

Avg 5yr TE: 1.1%

Avg 3yr R-Squared 98%

Avg 5yr R-Squared 98%

Rolling 3- and 5-year Tracking Error









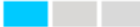









Rolling 3- and 5-year R-squared





# Appendix

# Assessment of Private Markets Benchmark Providers

				
<b>PE coverage</b>	 3,186 funds (since 1980)	 ~2,600 funds (since 1982)	 2,079 funds (since 1983)	 1,531 funds (since 1990)
<b>VC coverage</b>	 4,185 funds (since 1978)	 ~1,200 funds (since 1981)	 3,429 funds (since 1981)	 1,982 funds (since 1981)
<b>Data sources</b>	Private LP cash flow data (anonymized)	Private LP cash flow data (anonymized)	Private LP cash flow data (anonymized)	Private LP cash flow data (anonymized)
<b>Data quality</b>	 Industry standard	 High (limited customizability)	 Very high	 Very high

We are leaders in risk, strategy and people. One company, with four global businesses, united by a shared purpose to build the confidence to thrive through the power of perspective.

## **Report**

The Defined Contribution Plans Advisory Committee (DCPAC) convened on March 12, 2026, at 1:00 p.m. and took up the following matters:

### **WELCOME AND INTRODUCTION**

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

### **APPROVAL OF MINUTES**

The Committee approved the minutes of its December 4, 2025, meeting.

### **ADMINISTRATION**

#### **Administrative Report & Communications**

Staff provided an overview of the Defined Contribution Plans, as well as an update on administrative reports for the fourth quarter of 2025, which included reviewing assets and accounts across the various plans. Staff advised the Committee that plan assets increased, hitting \$12 billion, and the total number of plan accounts increased as well.

Staff provided an update regarding website access and registrations following the transition to Voya, along with an overview of Voya's annual review, which took place in February. Staff reviewed usage of the unforeseen emergency withdrawal provisions across the COV 457 and Hybrid 457 Plan. Usage was in line with expectations with the primary drivers being medical expenses and prevention of eviction/foreclosure.

#### **Hybrid Plan Update**

Staff provided an update on the auto-escalation that occurred in January 2026. Auto-escalation occurs at the plan level every three years. During the opt out window preceding the escalation, 1.3% of the eligible population opted out of the increase and 1.4% made an active election to increase their contribution with the majority of those using active election choosing to maximize their voluntary contributions at 4%.

Leading up to the escalation, there is a variety of communications for both employees and employers to ensure awareness. Following the escalation, staff will monitor the impacted population to track activity and ensure compliance.

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### ORPHE Update

Staff provided an overview of ORPHE reports for the fourth quarter of 2025, including plan assets and accounts. There is approximately \$1.5 billion in ORPHE assets and a total of approximately 11,000 accounts.

### Retirement Income Solutions

Staff provided information related to VRS retirement plans and annuities. Specifically, staff discussed how annuities work generally and specifically operate in retirement plans like VRS. In addition, staff provided information related to DC Plan distributions and the participant behavior over the last years.

## **INVESTMENTS**

### Performance Reports

Staff provided the Committee with a review of January 31, 2026, performance reports for the unbundled DC plans, and the TIAA Optional Retirement Plan for Higher Education (ORPHE). Staff informed the Committee that after market close on January 30, 2026, the International Stock Fund transitioned from a MSCI ACWI IMI ex USA Index strategy to a MSCI ACWI IMI ex USA, ex China, ex Hong Kong strategy to align with VRS' Foreign Adversaries Policy. Staff continue to work with stakeholders to explore opportunities for other affected funds to make this transition as new funds come to the DC plans marketplace.

### Policy Statements Updates

Staff performed a review of the DC Plans Investment Belief Statements, the Investment Policy Statement for an Unbundled DC Plan Structure and the Investment Policy Statement for a Bundled DC Plan Structure and recommended document updates to incorporate references to VRS' Foreign Adversaries Policy and address other plan needs.

1. *Recommend RBA for Revised Defined Contribution Plans Investment Belief Statements*

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

***Request for Board Action: The Board approves the Revised Defined Contribution Plans Investment Belief Statements***

2. *Recommend RBA for Revised Unbundled and Bundled Defined Contribution Plans Investment Policy Statements*

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

***Request for Board Action: The Board approves the Revised Unbundled and Bundled Defined Contribution Plans Investment Policy Statements***

## **OTHER BUSINESS**

### **Legislative Updates**

Staff presented the Committee with an overview of the 2026 General Assembly session. At the beginning of the session, there were twenty-eight VRS specific bills that were being tracked with approximately 50 more bills that could have an impact on the agency. The only bill remaining of the 28 is bill HB139, which addresses several changes for school boards and their employees, including a purchase of prior service provision that would not change VRS current procedures. The remainder of the bills were unsuccessful.

The committee was informed that Mr. Foster's appointment to the Board was confirmed for a five-year term, with additional board member appointments pending. With respect to the proposed budget, both the House and the Senate introduced budgets included salary increases for state employees, teachers and state supported local employees as budget actions, but the budget is not yet final.

### **Discussion of New Ideas**

No new ideas were presented.

## **2026 MEETINGS**

Del. James confirmed the DCPAC meeting dates for 2026:

- May 14, 2026, at 1:00 pm
- September 10, 2026, at 1:00 pm (Annual investment review)
- December 3, 2026, at 1:00 pm
  - a. Board Retreat (not a meeting of the DCPAC): March 17 – 18, 2026

There was no other business to come before the Committee.

Submitted to the Board of Trustees on April 23, 2026.

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



**Approve revised Defined Contribution Plans  
Investment Belief Statements.**

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**Requested Action**

The VRS Board of Trustees approves the revised Defined Contribution Plans Investment Belief Statements effective April 23, 2026.

**Description/Background**

The VRS Board of Trustees approved the current Defined Contribution Plans Investment Belief Statements on September 21, 2021.

As a result of the implementation of the VRS Foreign Adversaries Policy, staff performed an internal review of the Defined Contribution Plans Investment Belief Statements. Both a red line and black line version of the revised Defined Contribution Plans Investment Belief Statements are attached.

**Rationale for Requested Action**

The proposed revision adds a reference to the VRS Foreign Adversaries Policy to the Defined Contribution Plans Investment Belief Statements.

**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 51.1-124.30.

The above action is approved.

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A. Scott Andrews, Chair  
VRS Board of Trustees

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Date



**APPROVED BY THE BOARD OF TRUSTEES: APRIL 23, 2026\***

## I. Introduction

The Virginia Retirement System (VRS) fulfills the fiduciary obligations outlined in the *Code of Virginia*, which require the VRS Board of Trustees (Board) to discharge its duties with respect to the defined contribution (DC) plans solely in the interest of the beneficiaries thereof and affords the Board the opportunity to contract with private corporations or institutions subject to the standards set forth in § 51.1-124.30 to provide investment products and services. The Board, therefore, developed these Defined Contribution Plans Investment Beliefs to guide the strategic management of the VRS DC Plans investment program. These statements represent a high-level framework for making decisions that require balancing multiple, often competing, factors and issues. In addition, the Defined Contribution Plans Investment Beliefs provide context for VRS actions and reflect VRS values, with a focus on maintaining the long-term commitment to provide benefits to participants.

## II. VRS DC Investment Belief Statements

The Board developed the following Defined Contribution Plans Investment Belief Statements to guide decisions and provide an anchor to the stated goals and objectives.

### **Goals and Objectives**

A defined contribution plan provides participants an individual account to exercise discretion over their retirement assets using investment options selected by VRS or selected by the participant through the brokerage window. Each participant has an individual risk tolerance, time horizon and investment objectives.

1. The primary objective of the VRS DC Plans is to provide participants with an array of investment choices across a range of asset classes, risk levels and investment strategies so participants have the opportunity to develop a retirement income stream that complements the VRS Defined Benefit (DB) Plan or other retirement income.
2. Given the vital role of the DC Plans in VRS' primary retirement plan offerings, appropriate governance of the DC Plans is critical.
  - a. The VRS Board of Trustees has overall fiduciary authority over the DC investment program. To assist the Board in fulfilling its duty the Board has appointed a Defined Contribution Plans Advisory Committee to provide the Board with objective DC plan design and investment advice.

(Continued)

\*Originally adopted November 12, 2015. Amended September 21, 2021 and April 23, 2026.



- b.** Governing documents such as the Charter for the DC Plans Advisory Committee, DC Investment Policy Statements, Master Trusts and Plan Documents delineate various roles and responsibilities of the Board, the Committee, VRS staff and other interested parties. The Foreign Adversaries Policy provides guidance regarding the security selection.
- 3.** VRS is responsible for offering a reasonable range of diversified portfolios to serve as the Plans' default investment option and for participants who do not have the time, desire, or expertise to design and manage a diversified portfolio.
- 4.** To the extent possible, VRS will explore and implement capabilities, controls and procedures that are transferrable from VRS' DB plan activities to VRS' DC plans activities, particularly with respect to investments.
- a.** Well-structured alternative investments can enhance an individual participant's portfolio risk/reward profile. VRS will examine methods for providing qualifying alternative investment options into its menu of pre-mixed diversified investment options, where feasible.
- 5.** VRS will monitor and evaluate DC plans industry best practices and incorporate them where feasible to seek to enhance plan outcomes as demonstrated by qualitative and quantitative measures.
- 6.** Controlling and managing costs is critical to a successful DC plan investment program.
- a.** Investment options should provide competitive net-of-cost risk-adjusted returns.
  - b.** The DC Plans' costs should be transparent to the individual participant.
  - c.** Given VRS' large-scale presence in the institutional marketplace, it is beneficial for the individual participant to access VRS' expertise and capabilities.
  - d.** Unbundling of DC administration and investment activities should lead to improved cost management.
- 7.** Investment offerings should present wide-ranging options to accommodate participants' varying investment knowledge and/or interest in managing their investments while addressing the differences among participants at varying career stages.
- a.** Individuals should be educated to recognize that their specific investment plans require a long-term, multi-decade planning/investment horizon.
  - b.** Investment horizons are unique to the individual participant and may extend beyond the accumulation phase into the retirement (decumulation) phase.

*(Continued)*

- c. In keeping with industry best practice, the administrative and investment aspects of the individual's overall investment plan should be unbundled/disaggregated to allow for maximum design flexibility.
  - d. VRS should continue efforts to contact eligible employees who are not participating in the VRS DC plans to build awareness of plan benefits.
- 8. The self-directed brokerage window that VRS provides in the VRS DC Plans can serve as an effective investment tool for individual participants.
- 9. VRS should continue to explore viable solutions to assist participants in managing the critically important task of decumulation of retirement assets.
- 10. Participant investment education is a valuable resource to participants and can enhance a successful program.
  - a. Participant investment education should cover certain key topics consistent with industry best practices including:
    - i. Identifying principal retirement planning risks (see Belief Statement 11).
    - ii. Understanding the accumulation phase versus the decumulation phase.
    - iii. Analyzing the costs associated with various investment options.
    - iv. Considering the impact of non-plan (outside) assets.
    - v. Considering other potential sources of retirement income.
  - b. VRS should also consider making various investment advice and financial planning solutions/products available to participants.
- 11. VRS should seek to inform DC plan participants about fundamental retirement planning risks.
  - a. *Shortfall risk* – The probability or potential that individuals may not meet their long-term retirement savings goal.
  - b. *Longevity risk* – The potential that individuals may outlive their retirement assets.
  - c. *Drawdown risk* – The impact that short-term declines in a portfolio can have on long-term values.



APPROVED BY THE BOARD OF TRUSTEES: APRIL 23, 2026 \*~~SEPTEMBER 21, 2021~~

## I. Introduction

The Virginia Retirement System (VRS) fulfills the fiduciary obligations outlined in the *Code of Virginia*, which require the VRS Board of Trustees (Board) to discharge its duties with respect to the defined contribution (DC) plans solely in the interest of the beneficiaries thereof and affords the Board the opportunity to contract with private corporations or institutions subject to the standards set forth in § 51.1-124.30 to provide investment products and services. The Board, therefore, developed these Defined Contribution Plans Investment Beliefs to guide the strategic management of the VRS DC Plans investment program. These statements represent a high-level framework for making decisions that require balancing multiple, often competing, factors and issues. In addition, the Defined Contribution Plans Investment Beliefs provide context for VRS actions and reflect VRS values, with a focus on maintaining the long-term commitment to provide benefits to participants.

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2. Given the vital role of the DC Plans in VRS' primary retirement plan offerings, appropriate governance of the DC Plans is critical.
  - a. The VRS Board of Trustees has overall fiduciary authority over the DC investment program. To assist the Board in fulfilling its duty the Board has appointed a Defined Contribution Plans Advisory Committee to provide the Board with objective DC plan design and investment advice.

(Continued)

- b.** Governing documents such as the Charter for the DC Plans Advisory Committee, DC Investment Policy Statements, Master Trusts and Plan Documents delineate various roles and responsibilities of the Board, the Committee, VRS staff and other interested parties. **The Foreign Adversaries Policy provides guidance regarding the security selection.**
- 3.** VRS is responsible for offering a reasonable range of diversified portfolios to serve as the Plans' default investment option and for participants who do not have the time, desire, or expertise to design and manage a diversified portfolio.
- 4.** To the extent possible, VRS will explore and implement capabilities, controls and procedures that are transferrable from VRS' DB plan activities to VRS' DC plans activities, particularly with respect to investments.
  - a.** Well-structured alternative investments can enhance an individual participant's portfolio risk/reward profile. VRS will examine methods for providing qualifying alternative investment options into its menu of pre-mixed diversified investment options, where feasible.
- 5.** VRS will monitor and evaluate DC plans industry best practices and incorporate them where feasible to seek to enhance plan outcomes as demonstrated by qualitative and quantitative measures.
- 6.** Controlling and managing costs is critical to a successful DC plan investment program.
  - a.** Investment options should provide competitive net-of-cost risk-adjusted returns.
  - b.** The DC Plans' costs should be transparent to the individual participant.
  - c.** Given VRS' large-scale presence in the institutional marketplace, it is beneficial for the individual participant to access VRS' expertise and capabilities.
  - d.** Unbundling of DC administration and investment activities should lead to improved cost management.
- 7.** Investment offerings should present wide-ranging options to accommodate participants' varying investment knowledge and/or interest in managing their investments while addressing the differences among participants at varying career stages.
  - a.** Individuals should be educated to recognize that their specific investment plans require a long-term, multi-decade planning/investment horizon.
  - b.** Investment horizons are unique to the individual participant and may extend beyond the accumulation phase into the retirement (decumulation) phase.

*(Continued)*

- c. In keeping with industry best practice, the administrative and investment aspects of the individual's overall investment plan should be unbundled/disaggregated to allow for maximum design flexibility.
  - d. VRS should continue efforts to contact eligible employees who are not participating in the VRS DC plans to build awareness of plan benefits.
- 8. The self-directed brokerage window that VRS provides in the VRS DC Plans can serve as an effective investment tool for individual participants.
- 9. VRS should continue to explore viable solutions to assist participants in managing the critically important task of decumulation of retirement assets.
- 10. Participant investment education is a valuable resource to participants and can enhance a successful program.
  - a. Participant investment education should cover certain key topics consistent with industry best practices including:
    - i. Identifying principal retirement planning risks (see Belief Statement 11).
    - ii. Understanding the accumulation phase versus the decumulation phase.
    - iii. Analyzing the costs associated with various investment options.
    - iv. Considering the impact of non-plan (outside) assets.
    - v. Considering other potential sources of retirement income.
  - b. VRS should also consider making various investment advice and financial planning solutions/products available to participants.
- 11. VRS should seek to inform DC plan participants about fundamental retirement planning risks.
  - a. *Shortfall risk* – The probability or potential that an individual~~s~~ may not meet his/~~her~~ ~~their~~ long-term retirement savings goal.
  - b. *Longevity risk* – The potential that an individual~~s~~ may outlive his/~~her~~ ~~their~~ retirement assets.
  - c. *Drawdown risk* – The impact that short-term declines in a portfolio can have on long-term values.





**Approve revised Unbundled and Bundled Defined Contribution Plans Investment Policy Statements.**

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**Requested Action**

The VRS Board of Trustees approves the revised VRS Investment Policy Statement for an Unbundled Defined Contribution Plan Structure and the revised VRS Investment Policy Statement for a Bundled Defined Contribution Plan Structure effective April 23, 2026.

**Description/Background**

The VRS Board of Trustees approved the current Unbundled Plan and Bundled Plan Investment Policy Statements on January 2, 2020.

As a result of the implementation of the VRS Foreign Adversaries Policy, staff performed an internal review of the Unbundled Plan and Bundled Plan Investment Policy Statements. Both a red line and black line version of the revised Investment Policy Statements are attached.

**Rationale for Requested Action**

The proposed revisions adds a Foreign Adversaries section as well as other updates to address the current needs of the plans to the VRS Investment Policy Statement for an Unbundled Defined Contribution Plan Structure and the VRS Investment Policy Statement for a Bundled Defined Contribution Plan Structure.

**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 51.1-124.30.

The above action is approved.

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A. Scott Andrews, Chair  
VRS Board of Trustees

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Date



**APPROVED BY THE BOARD OF TRUSTEES:  
EFFECTIVE APRIL 23, 2026\***

The Virginia Retirement System (VRS) sponsors several primary and supplemental defined contribution (DC) plans. Most plans operate fully under an unbundled (open architecture) approach whereby the investment function is contracted separately from the recordkeeping, enrollment and marketing functions. The purposes of the plans are set forth in the Plan Documents and Master Trusts, which are accessible on the VRS website at [dcpemployers.varetire.org](http://dcpemployers.varetire.org).

This Investment Policy Statement has been adopted by the VRS Board of Trustees (Board) to provide guidelines for the investment offerings under an unbundled plan construct. Plans using an unbundled structure approach include the Deferred Compensation Plan of the Commonwealth of Virginia, the Virginia Cash Match Plan, the Optional Retirement Plan of the Commonwealth of Virginia for Political Appointees, the Optional Retirement Plan of the Commonwealth of Virginia for Public School Superintendents, the Virginia Supplemental Retirement Plan, the defined contribution component of the Hybrid Retirement Plan and the Optional Retirement Plan of the Commonwealth of Virginia for Employees of Institutions of Higher Education.

## 1. Investment Objectives

In a defined contribution investment program, each participant has his or her own risk tolerance, time horizon and investment objectives. Participants are responsible for their own investment decisions. To help meet these varying needs, the VRS unbundled DC plans seek to provide participants with an array of investment choices across a range of asset classes, risk levels, and investment strategies so they can construct and/or invest in portfolios that address their individual needs, and do so using investment vehicles and structures that provide competitive risk-adjusted returns at a reasonable cost. Additionally, institutionally priced out-of-plan and/or in-plan guaranteed or non-guaranteed retirement income solutions may be made available.

The Board recognizes that DC plan participants have varying levels of investment knowledge and/or interest in actively managing their investments. The following organizational framework has been designed to categorize the types of investment options available to VRS unbundled DC plan participants:

- *Do-It-For-Me Investors:* These investors may have limited investment knowledge, confidence, or interest in managing their investments. For whatever reason, they prefer a pre-packaged, diversified investment option that has been designed to reasonably fit most people of their ages and retirement planning horizons. To meet this need, a series of Target Date Portfolios is made available whose investment policy, glide paths, and investment strategies are expected to meet the general needs of the average DC plan participant, based on a periodic analysis of the demographic characteristics of participants and the long-term investment opportunity set.

\* Originally adopted February 16, 2012. Amended November 14, 2013, February 9, 2017, January 2, 2020 and April 23, 2026.

(Continued)

- *Help-Me-Do-It Investors:* These investors have some knowledge of investments and want to be more involved in structuring their portfolios, but they would like the ability to pick from a menu of fund options that have been screened by VRS and for which investment fees and expenses have been negotiated to institutional price levels through VRS bargaining power. To meet this need, a menu of Core Investment Options is made available, each targeted to a different asset class or strategy. The core fund lineup will generally consist of funds representing the constituent asset classes included in the target date portfolios, but there may be funds included in the core lineup that are not included in the target date portfolios, and vice versa.
- *Do-It-Myself Investors:* Some investors are very knowledgeable and/or desire to take a very active approach to their investments, and, therefore, may desire investment alternatives in addition to those offered as part of the Target Date Portfolios or Core Investment Options. To meet this need, a self-directed brokerage account (SDBA) is made available to self-designated knowledgeable investors who are willing to accept all risks, costs, and operational rules and procedures related to participating in a SDBA.

## 2. Decision Making

The Board is responsible for the following:

- Selection of the default investment option. (Appendix 1)
- Within Target Date Portfolios, ensuring a robust process is used to establish the glide path's asset allocation and to determine which asset classes and strategies to include. (Appendix 1)
- Within the Core Investment Options, included asset classes. (Appendix 2)
- Whether to offer a Self-Directed Brokerage Account (SDBA). (Appendix 3)
- Whether individual investment advice and/or managed accounts will be provided and the terms on which it will be available to participants.

Beyond these guidelines, the Board delegates to the Chief Investment Officer (CIO) all other decisions related to VRS unbundled defined contribution investments. Changes that are contemplated are expected to be done with due consideration of administrative needs as to the operations, outreach, and communications, etc. The CIO or a designee will report regularly to the Defined Contribution Plans Advisory Committee (DCPAC) and Board on the status and investment results of the DC investment program. Included in such reporting will be performance benchmarks selected by the CIO to appropriately measure or compare the risk and investment objectives of the various investment options.

In carrying out its fiduciary duty to oversee DC investments, the Board will consider advice and recommendations provided by the DCPAC. The specific duties and responsibilities of the DCPAC are described in the DCPAC Charter.

Additionally, the Board developed a set of Defined Contribution Plans Investment Belief Statements intended to help guide the strategic management of the VRS DC investment program.

(Continued)



### **3. Plan Level Policies**

The CIO has full authority to hire and terminate investment managers and negotiate or renegotiate fees. The CIO shall develop policies and procedures for hiring, monitoring and terminating investment managers and other investment-related service providers. The CIO shall also develop procedures for appropriate mapping of plan assets and/or funds as situations arise. Mapping means the transfer of assets from a discontinued investment option or terminated investment manager to another investment option or investment manager under the DC plans. The CIO works with the Director to coordinate implementation relating to changes to the unbundled DC plans investment program and may consult with the DCPAC as needed.

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 in compliance with applicable regulatory requirements.

### **4. Trading Restrictions and Redemption Fees**

The Board and the investment managers may impose restrictions and/or fees that discourage investment trading that could have an adverse impact on the management of a fund, other plan participants, or clients of the fund's management.

### **5. 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, subscription agreements, service agreements and consulting contracts.

### **6. Best Execution**

Generally, all investment transactions executed on behalf of the plans should 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.

### **7. 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, security regulation, and economic policies related to the economic activities of U.S. persons. The Board delegates to the CIO all decisions relating to the implementation and administration of such exposure.

## 8. Use of Consultants/Service Providers

The CIO has the authority to hire consultants, research providers, and other service providers providing that such expenditures align with the Board-approved operating budget.

## 9. 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 of Code of Ethics and Standards of Professional Conduct](#).

**Target Date Portfolios  
As of April 23, 2026  
Appendix 1**

A series of target date portfolios with investment policy glide paths and investment strategies that are expected to meet the general needs of the average DC plan participant in different age cohorts is offered through the plans. A glide path represents the changes made to the asset allocation mix over time as the target date approaches. There is a higher equity allocation in the longer dated portfolios because of the long-term investment time horizon. Over time, the equity allocation decreases as the investment time horizon decreases.

The Board expects target date portfolios to be broadly diversified. These portfolios may include exposure to various sub-segments of the broad asset classes as well as to alternative asset classes as determined by the target date provider using reasonable optimization techniques to measure the risk/reward trade off. Asset classes used within target date portfolios may include: large cap domestic equity; small/mid cap domestic equity; international equity; emerging market equity and debt; domestic core fixed income; high-yield bonds; inflation-protected securities; international/global fixed income; commodities; real estate; and cash. A target date portfolio is not required to include each of these asset classes and may include other asset classes. If feasible, a retirement income solution may be incorporated within those portfolios near, at and through retirement.

The target date portfolios' glide paths shall be based on sound investment theory and investment methodology as well as reasonable capital market assumptions. Plan demographics shall be taken into consideration when developing a custom glide path or selecting an off-the-shelf provider. Based on work done by a consultant together with VRS staff, advice from the DCPAC, and general investment philosophy of VRS, the Board expects to employ a glide path that is more on the conservative side of the target date portfolios available at the time of the study. The percentage allocation to equities in a more conservative glide path is comparatively lower than that of an aggressive glide path at retirement.

The target date portfolios serve as the unbundled DC plans default investment option.

### Asset Classes: Core Funds

#### As of April 23, 2026

#### Appendix 2

Core investment options shall represent the broad asset classes available in the capital markets to the extent they are practical and, when prudent, certain sub-asset classes. The core fund lineup will generally consist of funds representing the constituent asset classes included in the target date portfolios, but there may be funds included in the core lineup that are not included in the target date portfolios, and vice versa. From time-to-time additional asset classes may be added or existing asset classes may be deleted in order to maintain an array of investment options that address participants' changing needs or changes in the investment industry. If feasible, retirement income solutions may be included as part of the menu of core investment options.

The Board delegates to the CIO decisions as to 1) whether a fund investment option shall utilize a passive or active investment strategy or a combination of both; 2) whether a fund should exhibit a large, mid, or small capitalization structure or a combination thereof; 3) whether a fund should exhibit a growth, value, blended style, or targeted volatility orientation; 4) whether a fund should have a single investment manager or use multiple investment managers or firms; and 5) whether a fund invests in a single asset class or more than one asset class.

The following asset class categories are considered for possible inclusion in the plans:

#### Capital Preservation

- Money Market
- Stable Value

#### Fixed Income

- Investment grade (short-term, intermediate, long-term)
- Inflation-Protected
- High-Yield
- International/Global

#### Global Public Equity

- U.S. Equity
- Non-U.S. Developed Equity
- Emerging Equity

#### Real Estate (public & private)

#### Asset Allocation

- VRS unitized investment portfolio (VRSIP) – includes all asset classes utilized in the VRS investment portfolio.

**Self-Directed Brokerage Account  
As of April 23, 2026  
Appendix 3**

A Self-Directed Brokerage Account (SDBA) is available for self-designated knowledgeable investors who acknowledge and understand the SDBA's operational rules and procedures as well as the risks and costs associated with the investments allowed in the SDBA. Subject to limitations imposed by the SDBA provider, allowable SDBA investments include mutual funds, exchange traded funds (ETFs) and individual securities. Participants must complete the SDBA enrollment materials prior to investing in the SDBA.

The SDBA is made available through the plans' third-party administrator (record keeping contract) and is not contracted for separately. The third-party administrator (record keeper) may change the SDBA provider from time to time.





**APPROVED BY THE BOARD OF TRUSTEES:**  
**EFFECTIVE ~~JANUARY~~ APRIL 23, 2026\***

The Virginia Retirement System (VRS) sponsors several primary and supplemental defined contribution (DC) plans. Most plans operate fully under an unbundled (open architecture) approach whereby the investment function is contracted separately from the record keeping, enrollment and marketing functions. The purposes of the plans are set forth in the Plan Documents and Master Trusts, which are accessible on the VRS website at [dcpemployers.varetire.org](http://dcpemployers.varetire.org).

This Investment Policy Statement has been adopted by the VRS Board of Trustees (Board) to provide guidelines for the investment offerings under an unbundled plan construct. Plans using an unbundled structure approach include the Deferred Compensation Plan of the Commonwealth of Virginia, the Virginia Cash Match Plan, the Optional Retirement Plan of the Commonwealth of Virginia for Political Appointees, the Optional Retirement Plan of the Commonwealth of Virginia for Public School Superintendents, the Virginia Supplemental Retirement Plan, the defined contribution component of the Hybrid Retirement Plan and the Optional Retirement Plan of the Commonwealth of Virginia for Employees of Institutions of Higher Education.

## 1. Investment Objectives

In a defined contribution investment program, each participant has his or her own risk tolerance, time horizon and investment objectives. Participants are responsible for their own investment decisions. To help meet these varying needs, the VRS unbundled DC plans seek to provide participants with an array of investment choices across a range of asset classes, risk levels, and investment strategies so they can construct and/or invest in portfolios that address their individual needs, and do so using investment vehicles and structures that provide competitive risk-adjusted returns at a reasonable cost. Additionally, institutionally priced out-of-plan and/or in-plan guaranteed or non-guaranteed retirement income solutions may be made available.

The Board recognizes that DC plan participants have varying levels of investment knowledge and/or interest in actively managing their investments. The following organizational framework has been designed to categorize the types of investment options available to VRS unbundled DC plan participants:

- *Do-It-For-Me Investors:* These investors may have limited investment knowledge, confidence, or interest in managing their investments. For whatever reason, they prefer a pre-packaged, diversified investment option that has been designed to reasonably fit most people of their ages and retirement planning horizons. To meet this need, a series of Target Date Portfolios is made available whose investment policy, glide paths, and investment strategies are expected to meet the general needs of the average DC plan participant, based on a periodic analysis of the demographic characteristics of participants and the long-term investment opportunity set.

\* Originally adopted February 16, 2012. Amended November 14, 2013, February 9, 2017, ~~and~~ January 2, 2020 and April 23, 2026.

(Continued)

- *Help-Me-Do-It Investors:* These investors have some knowledge of investments and want to be more involved in structuring their portfolios, but they would like the ability to pick from a menu of fund options that have been screened by VRS and for which investment fees and expenses have been negotiated to institutional price levels through VRS bargaining power. To meet this need, a menu of Core Investment Options is made available, each targeted to a different asset class or strategy. The core fund lineup will generally consist of funds representing the constituent asset classes included in the target date portfolios, but there may be funds included in the core lineup that are not included in the target date portfolios, and vice versa.
- *Do-It-Myself Investors:* Some investors are very knowledgeable and/or desire to take a very active approach to their investments, and therefore may desire investment alternatives in addition to those offered as part of the Target Date Portfolios or Core Investment Options. To meet this need, a self-directed brokerage account (SDBA) is made available to self-designated knowledgeable investors who are willing to accept all risks, costs, and operational rules and procedures related to participating in a SDBA.

## 2. Decision Making

The Board is responsible for the following:

- Selection of the default investment option. (Appendix 1)
- Within Target Date Portfolios, ensuring a robust process is used to establish the glide path's asset allocation and to determine which asset classes and strategies to include. (Appendix 1)
- Within the Core Investment Options, included asset classes. (Appendix 2)
- Whether to offer a Self-Directed Brokerage Account (SDBA). (Appendix 3)
- Whether individual investment advice and/or managed accounts will be provided and the terms on which it will be available to participants.

Beyond these guidelines, the Board delegates to the Chief Investment Officer (CIO) all other decisions related to VRS unbundled defined contribution investments. Changes that are contemplated are expected to be done with due consideration of administrative needs as to the operations, outreach, and communications, etc. The CIO or a designee will report regularly to the Defined Contribution Plans Advisory Committee (DCPAC) and Board on the status and investment results of the DC investment program. Included in such reporting will be performance benchmarks selected by the CIO to appropriately measure or compare the risk and investment objectives of the various investment options.

In carrying out its fiduciary duty to oversee DC investments, the Board will consider advice and recommendations provided by the DCPAC. The specific duties and responsibilities of the DCPAC are described in the DCPAC Charter.

Additionally, the Board developed a set of ~~twelve~~ Defined Contribution Plans Investment Belief Statements intended to help guide the strategic management of the VRS DC investment program.

(Continued)

### 3. Plan Level Policies

The CIO has full authority to hire and terminate investment managers and negotiate or renegotiate fees. The CIO shall develop policies and procedures for hiring, monitoring, and terminating investment managers and other ~~investment-related~~investment-related service providers. The CIO shall also develop procedures for appropriate mapping of plan assets and/or funds as situations arise. Mapping means the transfer of assets from a discontinued investment option or terminated investment manager to another investment option or investment manager under the DC plans. The CIO works with the Director to coordinate implementation relating to changes to the unbundled DC plans investment program and may consult with the DCPAC as needed.

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 in compliance with applicable regulatory requirements.

### 4. Trading Restrictions and Redemption Fees

The Board and the investment managers may impose restrictions and/or fees that discourage investment trading that could have an adverse impact on the management of a fund, other plan participants, or clients of the fund's management.

### 5. 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, subscription agreements, service agreements and consulting contracts.

### ~~5.6.~~ Best Execution

Generally, all investment transactions executed on behalf of the plans should 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.

### 7. 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, security regulation, and economic policies related to the economic activities of U.S. persons. The Board delegates to the CIO all decisions relating to the implementation and administration of such exposure.



## ~~6.8.~~ **Use of Consultants/Service Providers**

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

## ~~7.9.~~ **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 of Code of Ethics and Standards of Professional Conduct](#).

## Target Date Portfolios

As of **April 23, 2026**

~~November 14, 2013~~

### Appendix 1

A series of target date portfolios with investment policy glide paths and investment strategies that are expected to meet the general needs of the average DC plan participant in different age cohorts is offered through the plans. A glide path represents the changes made to the asset allocation mix over time as the target date approaches. There is a higher equity allocation in the longer dated portfolios because of the long-term investment time horizon. Over time, the equity allocation decreases as the investment time horizon decreases.

The Board expects target date portfolios to be broadly diversified. These portfolios may include exposure to various sub-segments of the broad asset classes as well as to alternative asset classes as determined by the target date provider using reasonable optimization techniques to measure the risk/reward trade off. Asset classes used within target date portfolios may include: large cap domestic equity, small/mid cap domestic equity, international equity, emerging market equity and debt, domestic core fixed income, high-yield bonds, inflation-protected securities, international/global fixed income, commodities, real estate, and cash. A target date portfolio is not required to include each of these asset classes and may include other asset classes. If feasible, a retirement income solution may be incorporated within those portfolios near, at and through retirement.

The target date portfolios' glide paths shall be based on sound investment theory and investment methodology as well as reasonable capital market assumptions. Plan demographics shall be taken into consideration when developing a custom glide path or selecting an off-the-shelf provider. Based on work done by a consultant together with VRS staff, advice from the DCPAC, and general investment philosophy of VRS, the Board expects to employ a glide path that is more on the conservative side of the target date portfolios available at the time of the study. The percentage allocation to equities in a more conservative glide path is comparatively lower than that of an aggressive glide path at retirement.

The target date portfolios serve as the unbundled DC plans default investment option.

## Asset Classes: Core Funds

As of **April 23, 2026**

~~November 14, 2013~~

### Appendix 2

Core investment options shall represent the broad asset classes available in the capital markets to the extent they are practical and, when prudent, certain sub-asset classes. The core fund lineup will generally consist of funds representing the constituent asset classes included in the target date portfolios, but there may be funds included in the core lineup that are not included in the target date portfolios, and vice versa. From time-to-time additional asset classes may be added or existing asset classes may be deleted in order to maintain an array of investment options that address participants' changing needs or changes in the investment industry. If feasible, retirement income solutions may be included as part of the menu of core investment options.

The Board delegates to the CIO decisions as to 1) whether a fund investment option shall utilize a passive or active investment strategy or a combination of both; 2) whether a fund should exhibit a large, mid, or small capitalization structure or a combination thereof; 3) whether a fund should exhibit a growth, value, blended style, or targeted volatility orientation; 4) whether a fund should have a single investment manager or use multiple investment managers or firms; and 5) whether a fund invests in a single asset class or more than one asset class.

The following asset class categories are considered for possible inclusion in the plans:

#### Capital Preservation

- Money Market
- Stable Value

#### Fixed Income

- Investment grade (short-term, intermediate, long-term)
- Inflation-Protected
- High-Yield
- International/Global

#### Global Public Equity

- U.S. Equity
- Non-U.S. Developed Equity
- Emerging Equity

#### Real Estate (public & private)

#### Asset Allocation

- VRS unitized investment portfolio (VRSIP) – includes all asset classes utilized in the VRS investment portfolio.

**Self-Directed Brokerage Account  
As of ~~November 14, 2013~~April 23,  
2026  
Appendix 3**

A Self-Directed Brokerage Account (SDBA) is available for self-designated knowledgeable investors who acknowledge and understand the SDBA's operational rules and procedures as well as the risks and costs associated with the investments allowed in the SDBA. Subject to limitations imposed by the SDBA provider, allowable SDBA investments include mutual funds, exchange traded funds (ETFs) and individual securities. Participants must complete the SDBA enrollment materials prior to investing in the SDBA.

The SDBA is made available through the plans' third-party administrator ~~/(record keeping contract)~~ and is not contracted for separately. The third-party administrator ~~/(record keeper)~~ may change the SDBA provider from time to time.



**APPROVED BY THE BOARD OF TRUSTEES:  
EFFECTIVE APRIL 23, 2026\***

This Investment Policy Statement has been adopted by the VRS Board of Trustees (Board) to provide guidelines for the investment offerings provided to participants of the Optional Retirement Plan of the Commonwealth of Virginia for Employees of Institutions of Higher Education (ORPHE) when a bundled plan construct is utilized. The purpose of the plan is set forth in the Plan Document and Master Trust, which are accessible on the VRS website at [dcpemployers.varetire.org](http://dcpemployers.varetire.org). Bundled plans use the same company for investments, recordkeeping, enrollment and marketing services. A bundled plan provider's investment platform may include the provider's proprietary investment options as well as non-proprietary options.

## 1. Investment Objectives

In a defined contribution (DC) investment program, each participant has his or her own risk tolerance, time horizon and investment objectives. Participants are responsible for their own investment decisions. To help meet these varying needs, the VRS ORPHE seeks to provide participants with an array of investment choices across a range of asset classes, risk levels, and investment strategies so they can construct and/or invest in portfolios that address their individual needs, and do so using investment vehicles and structures that provide competitive risk-adjusted returns at a reasonable cost within a bundled plan construct. Additionally, institutionally priced out-of-plan and/or in-plan guaranteed or non-guaranteed retirement income solutions may be made available.

The Board recognizes that DC plan participants have varying levels of investment knowledge and/or interest in actively managing their investments, and, therefore, may desire investment alternatives in addition to those offered as part of a core investment lineup. To meet this need, a self-directed brokerage account (SDBA) is made available to self-designated knowledgeable investors who are willing to accept all risks, costs, and operational rules and procedures related to participating in a SDBA.

## 2. Decision Making

The Board is responsible for the following:

- Selection of the plan default investment option. (Appendix 1)
- Within the fund lineup, included asset classes. (Appendix 2)
- Whether to offer a Self-Directed Brokerage Account (SDBA). (Appendix 3)
- Whether individual investment advice will be provided and the terms on which it will be available to participants.

*(Continued)*

\* Originally adopted February 16, 2012. Amended November 14, 2013, February 9, 2017, January 2, 2020 and April 23, 2026.



Beyond these guidelines, the Board delegates to the Chief Investment Officer (CIO) all other investment decisions related to the ORPHE as it relates to the bundled plan structure. The CIO or a designee will report regularly to the Defined Contribution Plans Advisory Committee (DCPAC) and Board on the status and investment results of the investment program. Included in such reporting will be performance benchmarks selected by the CIO to appropriately measure or compare the risk and investment objectives of the various investment options.

In carrying out its fiduciary duty to oversee DC investments, the Board will consider advice and recommendations provided by the DCPAC. The specific duties and responsibilities of the DCPAC are described in the DCPAC Charter.

Additionally, the Board developed a set of Defined Contribution Plans Investment Belief Statements intended to help guide the strategic management of the VRS DC investment program.

### **3. Plan Level Policies**

The CIO shall work with the VRS Director and the DCPAC when hiring and terminating a bundled plan provider. The CIO has full authority to select or eliminate fund options within a bundled plan provider's investment program using reasonable processes and to negotiate or renegotiate investment fees. The CIO shall also develop procedures for appropriate mapping of bundled plan assets and/or funds as situations arise. Mapping means the transfer of assets from a discontinued investment option or terminated provider to another investment option or provider under the ORPHE. The CIO works with the Director to coordinate implementation relating to changes to the bundled plan investment program and may consult with the DCPAC as needed.

The CIO is responsible for ensuring that adequate due diligence is performed when evaluating potential and existing investments, and that all investment activity will be in compliance with applicable regulatory requirements.

### **4. Trading Restrictions and Redemption Fees**

The Board and the bundled plan provider(s) may impose restrictions and/or fees that discourage investment trading that could have an adverse impact on the management of a fund, other participants, or clients of the provider companies.

*(Continued)*

### **5. Best Execution**

Taking into consideration the nature of a bundled DC plan structure, generally all investment transactions executed on behalf of the plan should 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.

### **6. 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, security regulation and economic policies related to the economic activities of U.S. persons. The Board delegates to the CIO all decisions relating to the implementation and administration of such exposure.

### **7. Use of Consultants/Service Providers**

The CIO has the authority to hire consultants, research providers and other service providers providing that such expenditures align with the Board-approved operating budget.

### **8. 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 of Code of Ethics and Standards of Professional Conduct](#).

**Default Investment Option  
Effective January 2, 2020  
Appendix 1**

TIAA-CREF Program: BlackRock LifePath Index Funds



**Asset Classes: Investment Options  
Effective April 23, 2026  
Appendix 2**

Investment options shall represent the broad asset classes available in the capital markets to the extent they are practical and, when prudent, certain sub-asset classes. From time to time additional asset classes may be added, or existing asset classes may be deleted in order to maintain an array of investment options that address participants' changing needs or changes in the investment industry. If feasible, retirement income solutions may be included as part of the menu of core investment options and embedded within asset allocation funds (i.e., target date funds).

The Board notes that due to the nature of the bundled plan structure, investment decisions are limited to investment options that are, or can be made, available on a provider's investment platform. It is possible that bundled plan constraints may limit the scope of investment options available to participants, limit access to more attractive options within the asset classes and limit the extent to which negotiations can be made relative to investment management and investment related fees.

The Board delegates to the CIO decisions as to 1) whether a fund investment option shall utilize a passive or active investment strategy or a combination of both; 2) whether a fund should exhibit a large, mid, or small capitalization structure or a combination thereof; 3) whether a fund should exhibit a growth, value, blended style, or targeted volatility orientation; 4) whether a fund should have a single investment manager or use multiple investment managers or firms and; 5) whether a fund invests in a single asset class or more than one asset class.

The following asset class categories are considered for possible inclusion in the plan:

**Capital Preservation**

- Money Market
- Stable Value
- Fixed Annuity

**Fixed Income**

- Investment grade (short-term, intermediate, long-term)
- Inflation-Protected
- High-Yield
- International/Global

**Global Public Equity**

- U.S. Equity
- Non-U.S. Developed Equity
- Emerging Equity

**Real Estate (public & private)**

**Asset Allocation**

- Target Date
- Risk Based

*(Continued)*

**Asset Classes: Investment Options**  
**Effective April 23, 2026**  
**Appendix 2 (continued)**

The Board expects asset allocation funds to be diversified portfolios. These portfolios may include exposure to various sub-segments of the broad asset classes as well as to alternative asset classes as determined by the provider company using reasonable optimization techniques to measure the risk/reward trade off. Asset classes used within asset allocation funds may include: large cap domestic equity, small/mid cap domestic equity, international equity, emerging market equity and debt, domestic core fixed income, high-yield bonds, inflation-protected securities, international/global fixed income, commodities, real estate and cash. An asset allocation fund is not required to include each of these asset classes and may include other asset classes. Glide paths for target date portfolios shall be based on sound investment theory and investment methodology as well as reasonable capital market assumptions. A glide path represents the changes made to the asset allocation mix over time as the target date approaches. There is a higher equity allocation in the longer dated portfolios because of the long-term investment time horizon. Over time, the equity allocation decreases as the investment time horizon decreases.

**Self-Directed Brokerage Account  
Effective April 23, 2026  
Appendix 3**

A Self-Directed Brokerage Account (SDBA) is made available through the plan's bundled provider(s) and is not contracted for separately. A bundled plan provider may change its SDBA provider from time to time.

The SDBA is available for self-designated knowledgeable investors who acknowledge and understand the SDBA's operational rules and procedures as well as the risks and costs associated with the investments allowed in the SDBA. Subject to limitations imposed by the SDBA provider, allowable investments include mutual funds, exchange traded funds (ETFs) and individual securities. Participants must complete the SDBA enrollment materials prior to investing in the SDBA.



**APPROVED BY THE BOARD OF TRUSTEES:  
EFFECTIVE ~~JANUARY~~ APRIL 23, 2026\***

This Investment Policy Statement has been adopted by the VRS Board of Trustees (Board) to provide guidelines for the investment offerings provided to participants of the Optional Retirement Plan of the Commonwealth of Virginia for Employees of Institutions of Higher Education (ORPHE) when a bundled plan construct is utilized. The purpose of the plan is set forth in the Plan Document and Master Trust, which are accessible on the VRS website at [dcpemployers.varetire.org](http://dcpemployers.varetire.org). Bundled plans use the same company for investments, recordkeeping, enrollment and marketing services. A bundled plan provider's investment platform may include the provider's proprietary investment options as well as non-proprietary options.

## 1. Investment Objectives

In a defined contribution (DC) investment program, each participant has his or her own risk tolerance, time horizon and investment objectives. Participants are responsible for their own investment decisions. To help meet these varying needs, the VRS ORPHE seeks to provide participants with an array of investment choices across a range of asset classes, risk levels, and investment strategies so they can construct and/or invest in portfolios that address their individual needs, and do so using investment vehicles and structures that provide competitive risk-adjusted returns at a reasonable cost within a bundled plan construct. Additionally, institutionally priced out-of-plan and/or in-plan guaranteed or non-guaranteed retirement income solutions may be made available.

The Board recognizes that DC plan participants have varying levels of investment knowledge and/or interest in actively managing their investments, and, therefore, may desire investment alternatives in addition to those offered as part of a core investment lineup. To meet this need, a self-directed brokerage account (SDBA) is made available to self-designated knowledgeable investors who are willing to accept all risks, costs, and operational rules and procedures related to participating in a SDBA.

## 2. Decision Making

The Board is responsible for the following:

- Selection of the plan default investment option. (Appendix 1)
- Within the fund lineup, included asset classes. (Appendix 2)
- Whether to offer a Self-Directed Brokerage Account (SDBA). (Appendix 3)
- Whether individual investment advice will be provided and the terms on which it will be available to participants.

(Continued)

\* Originally adopted February 16, 2012. Amended November 14, 2013,

February 9, 2017, ~~and~~ January 2, 2020 and April 23, 2026.

Beyond these guidelines, the Board delegates to the Chief Investment Officer (CIO) all other investment decisions related to the ORPHE as it relates to the bundled plan structure. The CIO or a designee will report regularly to the Defined Contribution Plans Advisory Committee (DCPAC) and Board on the status and investment results of the investment program. Included in such reporting will be performance benchmarks selected by the CIO to appropriately measure or compare the risk and investment objectives of the various investment options.

In carrying out its fiduciary duty to oversee DC investments, the Board will consider advice and recommendations provided by the DCPAC. The specific duties and responsibilities of the DCPAC are described in the DCPAC Charter.

Additionally, the Board developed a set of ~~twelve~~ Defined Contribution Plans Investment Belief Statements intended to help guide the strategic management of the VRS DC investment program.

### 3. Plan Level Policies

The CIO shall work with the VRS Director and the DCPAC ~~relative to when~~ hiring and terminating a bundled plan provider. The CIO has full authority to select or eliminate fund options within a bundled plan provider's investment program using reasonable processes and to negotiate or renegotiate investment fees. The CIO shall also develop procedures for appropriate mapping of bundled plan assets and/or funds as situations arise. Mapping means the transfer of assets from a discontinued investment option or terminated provider to another investment option or provider under the ORPHE. The CIO works with the Director to coordinate implementation relating to changes to the bundled plan investment program and may consult with the DCPAC as needed.

The CIO is responsible for ensuring that adequate due diligence is ~~being performed in the evaluation of when evaluating~~ potential and existing investments, and that all investment activity will be in compliance with applicable regulatory requirements.

### 4. Trading Restrictions and Redemption Fees

The Board and the bundled plan provider(s) may impose restrictions and/or fees that discourage investment trading that could have an adverse impact on the management of a fund, other participants, or clients of the provider companies.

*(Continued)*



## 5. Best Execution

Taking into consideration the nature of a bundled DC plan structure, generally all investment transactions executed on behalf of the plan should 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.

## 6. 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, security regulation, and economic policies related to the economic activities of U.S. persons. The Board delegates to the CIO all decisions relating to the implementation and administration of such exposure.

### 6.7. Use of Consultants/Service Providers

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

### 7.8. 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 of Code of Ethics and Standards of Professional Conduct.

**Default Investment Option  
Effective January 2, 2020  
Appendix 1**

TIAA-CREF Program: BlackRock LifePath Index Funds



**Asset Classes: Investment Options**  
**Effective ~~April 23, 2026~~ November**  
**~~14, 2013~~**  
**Appendix 2**

Investment options shall represent the broad asset classes available in the capital markets to the extent they are practical and, when prudent, certain sub-asset classes. From time to time additional asset classes may be added, or existing asset classes may be deleted in order to maintain an array of investment options that address participants' changing needs or changes in the investment industry. If feasible, retirement income solutions may be included as part of the menu of core investment options and embedded within asset allocation funds (i.e., target date funds).

The Board notes that due to the nature of the bundled plan structure, investment decisions are limited to investment options that are, or can be made, available on a provider's investment platform. It is possible that bundled plan constraints may limit the scope of investment options available to participants, limit access to more attractive options within the asset classes and limit the extent to which negotiations can be made relative to investment management and investment related fees.

The Board delegates to the CIO decisions as to 1) whether a fund investment option shall utilize a passive or active investment strategy or a combination of both; 2) whether a fund should exhibit a large, mid, or small capitalization structure or a combination thereof; 3) whether a fund should exhibit a growth, value, blended style, or targeted volatility orientation; 4) whether a fund should have a single investment manager or use multiple investment managers or firms and; 5) whether a fund invests in a single asset class or more than one asset class.

The following asset class categories are considered for possible inclusion in the plan:

Capital Preservation

- Money Market
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Fixed Income

- Investment grade (short-term, intermediate, long-term)
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Global Public Equity

- U.S. Equity
- Non-U.S. Developed Equity
- Emerging Equity

Real Estate (public & private)

Asset Allocation

- Target Date
- Risk Based

*(Continued)*

**Asset Classes: Investment Options**  
**Effective ~~April 23, 2026~~ November**  
**~~14, 2013~~**

**Appendix 2 (continued)**

The Board expects asset allocation funds to be diversified portfolios. These portfolios may include exposure to various sub-segments of the broad asset classes as well as to alternative asset classes as determined by the provider company using reasonable optimization techniques to measure the risk/reward trade off. Asset classes used within asset allocation funds may include: large cap domestic equity, small/mid cap domestic equity, international equity, emerging market equity and debt, domestic core fixed income, high-yield bonds, inflation-protected securities, international/global fixed income, commodities, real estate and cash. An asset allocation fund is not required to include each of these asset classes and may include other asset classes. Glide paths for target date portfolios shall be based on sound investment theory and investment methodology as well as reasonable capital market assumptions. A glide path represents the changes made to the asset allocation mix over time as the target date approaches. There is a higher equity allocation in the longer dated portfolios because of the long-term investment time horizon. Over time, the equity allocation decreases as the investment time horizon decreases.

**Self-Directed Brokerage Account**  
**Effective ~~April 23, 2026~~ February 9, 2017**  
**Appendix 3**

A Self-Directed Brokerage Account (SDBA) is made available through the plan's bundled provider(s) and is not contracted for separately. A bundled plan provider may change its SDBA provider from time to time.

The SDBA is available for self-designated knowledgeable investors who acknowledge and understand the SDBA's operational rules and procedures as well as the risks and costs associated with the investments allowed in the SDBA. Subject to limitations imposed by the SDBA provider, allowable investments include mutual funds, exchange traded funds (ETFs) and individual securities. Participants must complete the SDBA enrollment materials prior to investing [in](#) the SDBA.



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**Reappointment of IAC Members**

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**Requested Action**

The Board reappoints to the Investment Advisory Committee William “Hance” West and Nancy G. Leake, each for a two-year term ending December 31, 2027, and W. Bryan Lewis for a two-year term ending March 31, 2028.

**Rationale for Requested Action**

Mr. West, Ms. Leake, and Mr. Lewis all currently serve on the Investment Advisory Committee and each is willing to be reappointed for another two-year term. Mr. West is the retired Chief Investment Officer and Managing Director of Investure. Ms. Leake was previously an Advisory Partner with Partners Group (USA) Inc. and currently serves on several investment advisory boards. Mr. Lewis is the Chief Investment Officer and a Vice-President with the United States Steel Corporation. Copies of their biographies are attached.

**Authority for Requested Action**

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

The above action is approved.

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A. Scott Andrews, Chair  
VRS Board of Trustees

---

Date

# William H. West, Jr., CFA

[LinkedIn Profile](#)

## Professional Summary

Accomplished Senior Investment Executive and CFA Charterholder with over 30 years of experience in endowment management, hedge fund portfolios, fixed income portfolio management, and asset securitization. Proven track record in leading prestigious investment offices, managing multi-billion dollar portfolios (\$12B+), and pioneering the outsourced investment office (OCIO) model for non-profit organizations.

---

## Professional Experience

### **West Enterprises** | *Jan 2024 – Present* **Retired / Private Investor**

- Managing personal investments and providing service to non-profits.

### **Investure, LLC** | *Jan 2004 – Dec 2023* **Managing Director**

- Served as a Co-Founder and key leader for a pioneer in the full-service outsourced investment office (OCIO) model.
- Managed a select group of prestigious college endowments and foundations with total AUM exceeding **\$12 Billion**.
- Oversaw asset allocation and investment strategy across all asset classes, ensuring long-term growth for non-profit clients.
- Built and maintained institutional-grade relationships, providing mid-sized endowments with the capabilities of a large-scale investment office.

### **UVIMCO (University of Virginia Investment Management Company)** | *Jun 2000 – Dec 2003* **Director**

- Co-managed the hedge fund portfolio and the internal fixed-income portfolio for the University endowment.
- Directly managed the University's operating funds account, balancing liquidity needs with risk-adjusted returns.

## **Dynex Capital | Jul 1996 – May 2000 Executive Vice President**

- Directed all portfolio management and securitization efforts for a publicly traded Real Estate Investment Trust (REIT).
- Led strategic initiatives in capital markets and structured finance.

## **Mentor Investment Group – Wheat First Butcher Singer | Aug 1993 – Jun 1996 Managing Director / Portfolio Manager**

- Managed institutional investment portfolios and contributed to firm-wide investment strategy and market analysis.
- 

## **Education**

### **University of Rochester – Simon Business School**

- **MBA in Finance** (1986 – 1988)
  - *Activities:* Investment Club

### **Virginia Tech – Pamplin College of Business**

- **BS in Accounting** (1982 – 1986)
    - *Activities:* Alpha Kappa Psi (Professional Business Fraternity)
- 

## **Certifications & Skills**

- **Chartered Financial Analyst (CFA):** CFA Institute (Issued Aug 1994)
- **Expertise:** Endowment & Foundation Management, Asset Allocation, Hedge Funds, Fixed Income, Securitization, REITs, and Institutional Relationship Management.

**Nan Leake** currently serves on the Investment Advisory Committee of the Virginia Retirement System and the Board of VCU Investment Management Company. She also serves on the Advisory Board of Hodes Weill & Associates, a global capital advisory firm focused on the real estate investment and funds management industry. Previously, she served on the Funds & Co-investments Investment Committee of Blue Earth Capital, a global impact investing firm based in Switzerland, and on both the Board and Investment Advisory Committee of the Richmond Retirement System.

Ms. Leake retired as a Partner in the Private Real Estate business unit at Partners Group, a global private markets investment manager with \$174 billion in assets under management. During her decade-long tenure at Partners Group, Ms. Leake was responsible for advancing the firm's real estate investment strategies and managing investor relationships. Throughout her 35-year career, Ms. Leake has been involved in all aspects of real estate investing, having worked exclusively with institutional investors to design, structure and implement their global real estate investment strategies. Prior to joining Partners Group, Ms. Leake was a senior consultant at Pension Consulting Alliance, Inc. ("PCA"), whose discretionary real estate asset management business was integrated into Partners Group in 2007. Before joining PCA, she worked at Property Investment Advisors, Inc., the Virginia Retirement System and NBS Realty Advisors.

Ms. Leake is also involved with Shalom Farms, a leading grower and provider of local produce and food access programing in at-risk communities in Richmond, Virginia. She has served on the boards of both Shalom Farms and The Maxwellton-Lachlan Foundation, which provides summer camp scholarships to needy youth. Ms. Leake also served on the UVA Real Estate Committee, a volunteer group of alumni with expertise across the real estate industry, championing an effort to raise significant private philanthropy to launch a formal University of Virginia Real Estate Center.

Ms. Leake is active in timber investing, regenerative agriculture and land management in Central Virginia. She resides on her farm in Goochland County with her husband and beloved dog.





## Bryan Lewis

### Vice President & Chief Investment Officer

Bryan Lewis joined U. S. Steel in August 2019 as vice president and chief investment officer. He has executive responsibility for the company's global investments for both the defined contribution and defined benefit plans, as well as other related programs.

Mr. Lewis arrived at U. S. Steel from the Pennsylvania State Employees' Retirement System (SERS), where he served as chief investment officer and managed a \$30 billion pension fund for the prior three years. Prior to that, he served as the executive director of the \$20 billion Illinois State Universities Retirement System.

Mr. Lewis is a member of the board of directors for Essential Utilities, as well as several non-profit and community organizations. In addition, Mr. Lewis was a fellow of the inaugural class of the Finance Leaders Fellowship and is a member of the Aspen Global Leadership Network.

A native of Rocky Mount, N.C., Mr. Lewis earned a bachelor's degree in economics from the University of Maryland at College Park, and completed a master's degree in business administration at the University of Miami in Coral Gables, Fla.

-o0o-



# Global Internal Audit Standards Essential Conditions Education

## Opportunities for VRS Trustee Engagement

Spring 2026

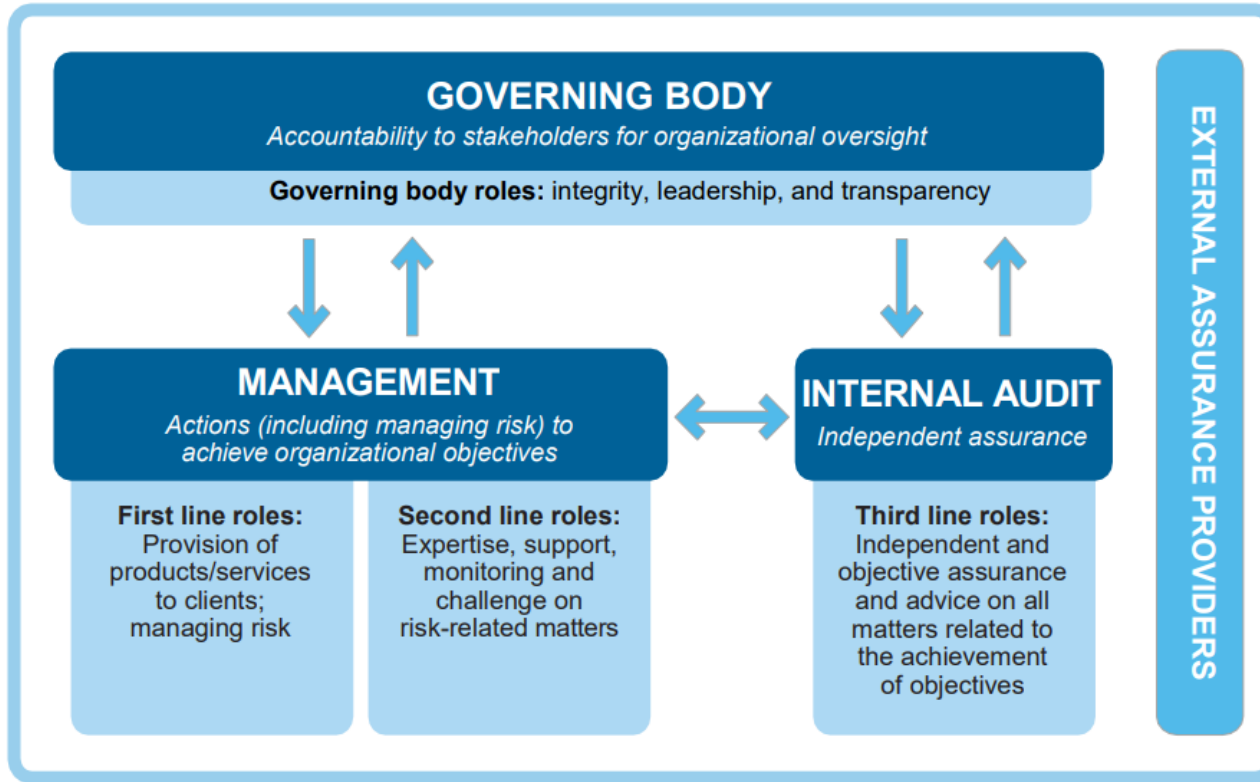
# Global Internal Audit Standards



**The Institute of Internal Auditors' Global Internal Audit Standards require periodic education describing the essential relationship between the Board, Senior Management and Internal Audit.**

# The Purpose of Internal Auditing

## Three Lines of Defense Model



**KEY:**    ↑ Accountability, reporting    ↓ Delegation, direction, resources, oversight    ↔ Alignment, communication coordination, collaboration



Internal auditing strengthens the organization’s ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

# The Importance of Internal Auditing

***An effective internal audit function will enhance:***



The Board's ability to exercise its oversight responsibilities.



Senior management's ability to achieve organizational objectives.



The organization's ability to administer, protect and comply with its legislatively designated duties.

**Leading to organizational success!**



# The Importance of Collaboration

*To support each other in enabling organizational success*, the Board, Senior Management and Internal Audit must have a mutual understanding of and agreement on each party's responsibilities.

**“Essential conditions”** reflect Board and Senior Management commitments critical to supporting Internal Audit's ability to fulfill its purpose.



# Governing the Internal Audit Function

## Principle 6 – Authorized by the Board

The Board establishes, approves and supports the mandate of the internal audit function.

## Principle 7 – Positioned Independently

The Board establishes and protects the internal audit function's independence and qualifications.

## Principle 8 – Overseen by the Board

The Board oversees the internal audit function to ensure the function's effectiveness.



# Principle 6 - Authorized by Board

## Board Responsibilities

- ✓ Determine the appropriate authority, role and responsibilities of the internal audit function (the mandate).
- ✓ Ensure the Audit Director reports to a level that allows Internal Audit to fulfill its mandate.
- ✓ Promote unrestricted access.
- ✓ Approve departmental charter, audit plan and budget.
- ✓ Independently communicate with the Audit Director.



# Principle 6 – Authorized by Board: In practice



The mandate is defined and captured in the Internal Audit Charter, approved by the A&C Committee and governance is addressed in governance policies approved by the Board.



Audit Director reports functionally to the Board (including performance management) and administratively to VRS' Director.



Unrestricted access is acknowledged within the Board Governance Policy, A&C Committee Charter and Internal Audit Charter.



Discussion of resources and approval of audit plans annually by the A&C Committee and Board.



Review and approval of budget bi-annually through the AFT Committee and Board.



Independent communication occurs as necessary throughout the year.

# Principle 7 – Positioned Independently

## Board Responsibilities

- ✓ Ensure Internal Audit reports functionally to Board.
- ✓ Understand and approve the qualifications and competencies desired for the Audit Director position.
- ✓ Authorize the appointment and removal of the Audit Director.
- ✓ Provide the Audit Director’s performance assessment.
- ✓ Take action to protect Internal Audit’s independence if responsibilities beyond the traditional scope of internal auditing are delegated to the Audit Director or function.

# Principle 7 – Positioned Independently: In practice



Audit Director reports functionally to the Board (including performance management) and administratively to VRS' Director.



The Board, through the A&C Committee, :

- Assesses the Audit Director's performance.
- Periodically reviews the Audit Director's compensation and position description in consultation with the HR director.
- Addresses the appointment and removal of the Audit Director, as needed.



As defined in the Internal Audit Charter, VRS' internal audit mandate is limited to assurance and advisory activities which fall within the scope of internal auditing.

# Principle 8 – Overseen by Board

## Needed from the Board

- ✓ Assist Audit Director in determining priorities.
- ✓ Work with Audit Director to ensure sufficient resources.
- ✓ Approve Internal Audit's performance objectives annually.
- ✓ Set expectations for frequency of communications and escalation criteria.
- ✓ Discuss and mediate disagreements.

# Principle 8 – Overseen by Board: In practice



Audit Director develops long-range and annual audit plans with input from the Board.



Discussion of and attestation to the sufficiency of resources, acknowledging any limitations, occurs annually through the development of the annual plan and presentation of the annual report.



Approvals of performance objectives annually by the A&C Committee.



Expectations for communications with the A&C Committee and Board as well as escalation criteria where disagreements remain unresolved are captured in the Internal Audit Charter.

# Principle 8 – Overseen by Board

## Needed from the Board

- ☑ Discuss the Quality Assurance Improvement Program (QAIP) with the Audit Director.
- ☑ Assess the effectiveness and efficiency of Internal Audit.
- ☑ Discuss the External Quality Assurance (EQA) review of the internal audit function once every five years.
- ☑ Review and approve the Audit Director’s plan for an EQA and receive results from the assessor.
- ☑ Review and approve the Audit Director’s plans and timeline to address any deficiencies and opportunities for improvement.

# Principle 8 – Overseen by Board: In practice



QAIP approach, efforts and results are highlighted annually at the December A&C Committee meeting.



Every five years Internal Audit undertakes an EQA review, which begins with a discussion and approval of the approach with, at a minimum the Chair of the A&C Committee, in the Spring of that year.



Results of the EQA, including any opportunities for enhancement within the internal audit function, are presented at the December A&C Committee meeting of that year.



QAIP and EQA observations requiring action and therefore ongoing monitoring are included in the Audit Recommendation Follow-Up System (ARFUS) annual reporting.

# Essential Conditions Summary



An effective internal audit function enables strong corporate governance and the organization's ability to create, protect and sustain value.



A collaborative partnership among the Board, Senior Management and Internal Audit is crucial to achieving effective internal auditing.



Together, the Board's and Senior Management's efforts to address these essential conditions provide the necessary support to the Audit Director and enable effective internal auditing at VRS.



# Questions?



**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 ~~5<sup>th</sup>~~ 23<sup>rd</sup> day of ~~February~~ April 2026 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~~ Director, 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 forwarded 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

\_\_\_\_\_  
Curtis Doughtie, 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

\_\_\_\_\_  
Amanda Nies-Berger, Procurement  
Manager (vacant) Director

\_\_\_\_\_  
Richard E. Budaji, General Services  
Administrator

\_\_\_\_\_  
Deputy Chief Financial Officer (vacant)

\_\_\_\_\_  
Senior Procurement  
Analyst (vacant)

COMMONWEALTH OF VIRGINIA  
CITY OF RICHMOND, TO-WIT:

The foregoing instrument was acknowledged before me this 5<sup>th</sup>-23<sup>rd</sup> day of February April 2026 by A. Scott Andrews; Patricia S. Bishop; Mark A. Rein; Curtis Doughtie; Andrew H. Junkin; Michael P. Cooper; Robert L. Irving; Curtis M. Mattson; Amanda Nies-Berger; and Richard E. Budaji.

\_\_\_\_\_  
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 23<sup>rd</sup> day of April 2026 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 Director, 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 forwarded 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

\_\_\_\_\_  
Curtis Doughtie, Chief Financial Officer

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Andrew H. Junkin, Chief Investment Officer

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Officer – Investments

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Amanda Nies-Berger, Procurement Director

\_\_\_\_\_  
Richard E. Budaji, General Services  
Administrator

\_\_\_\_\_  
Deputy Chief Financial Officer (vacant)

\_\_\_\_\_  
Senior Procurement  
Analyst (vacant)

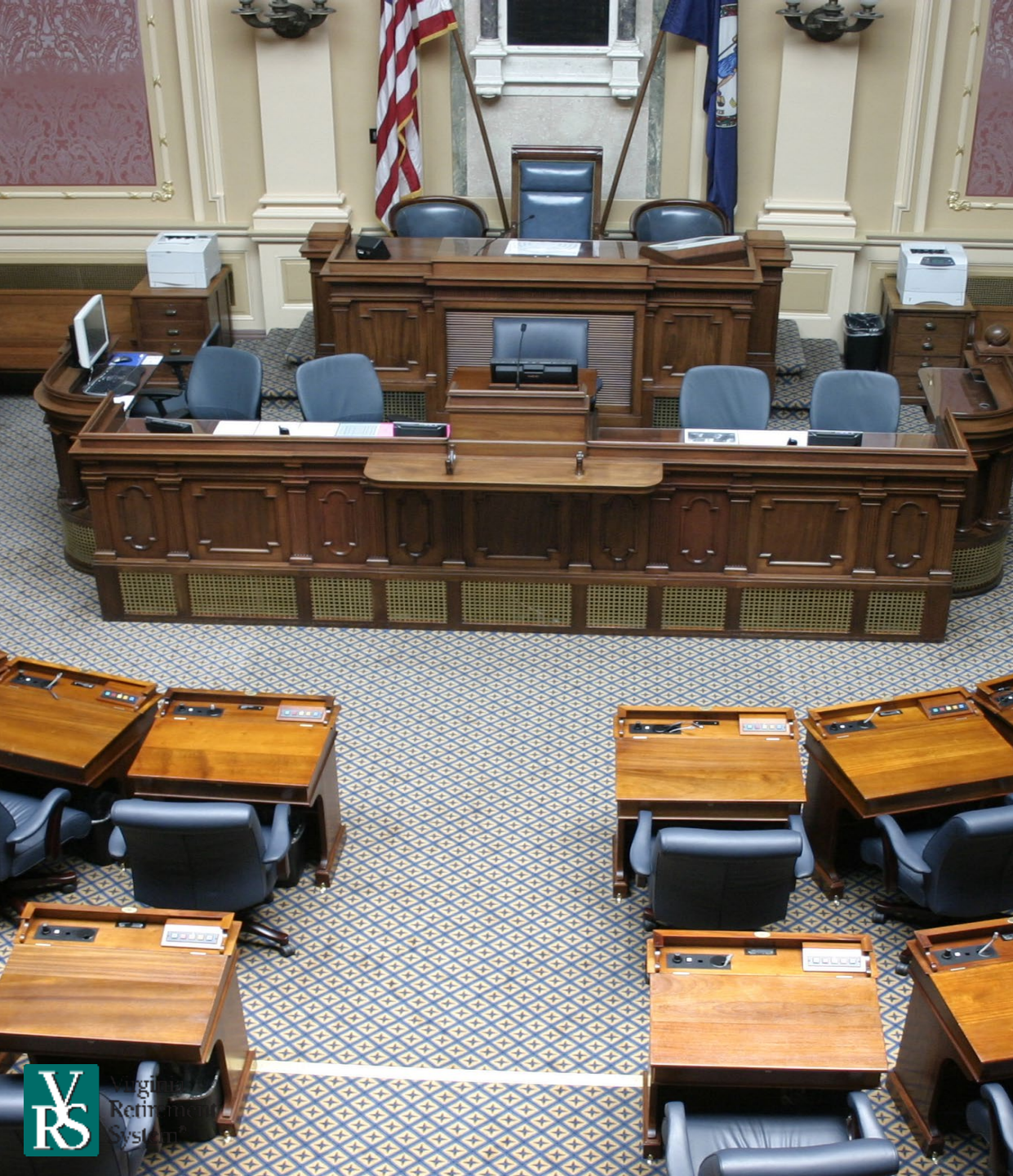
COMMONWEALTH OF VIRGINIA  
CITY OF RICHMOND, TO-WIT:

The foregoing instrument was acknowledged before me this 23<sup>rd</sup> day of April 2026 by A. Scott Andrews; Patricia S. Bishop; Mark A. Rein; Curtis Doughtie; Andrew H. Junkin; Michael P. Cooper; Robert L. Irving; Curtis M. Mattson; Amanda Nies-Berger; and Richard E. Budaji.

\_\_\_\_\_  
LaShaunda B. King, Notary Public

My commission expires September 30, 2026.





# 2026 Legislation\*

\*Updated through 4/16/2026 am



# General Assembly

- The General Assembly convened on January 14.
- Crossover was February 17, which was the final day for each chamber to complete work on its own legislation.
- Session concluded on March 14. Governor's deadline for signing bills was midnight on April 13.
- Reconvened (veto) session began April 22. Special session is April 23.



# 2026 VRS-Related Bill

Bill Number	Patron	Description
HB 139	Simonds	<p>Requires each school board to adopt a policy that requires the school board to approve unpaid educational leave for school board employees who are state employee association officers and for at least two school board employees who are local employee association officers for a maximum of four years per officer. The bill permits employee association officers approved for such leave to purchase service credit with the Virginia Retirement System for such period of leave.</p> <p>A substitute was introduced changing provisions for school boards, however the bill and substitute codify for school board employees the existing VRS PPS policy regarding unpaid educational leave. (Signed. Chap. 563.)</p>





# Board Appointments

# Board Appointment

Bill Number	Patron	Description
SJ 72	Rouse	Virginia Retirement System Board of Trustees: John Clifford Foster of Richmond, Virginia, Member, appointed March 14, 2025, for a term of five years beginning March 1, 2025, and ending February 28, 2030, to succeed Michael Disharoon.

\*Governor Spanberger announced the appointment of William Leighty, Richmond, to the Board of Trustees on March 13, 2026. A resolution confirming Mr. Leighty's appointment by the General Assembly will be forthcoming.





# Budget- Salary Actions

Item	Description
Item 469 R(1)(l) HB 30	Out of the appropriation for this item, \$92,321,275 the first year and \$203,442,509 the second year from the general fund is provided to increase the base salary of the following employees by two percent on July 10, 2026 and an additional two percent on June 10, 2027...(l) Full-time employees of ...the Virginia Retirement System.
Item 469 R(5) SB 30	The base rates of pay, and related employee benefits, for wage employees may be increased by up to two percent no earlier than July 10, 2026 and an additional two percent no earlier than June 10, 2027. The cost of such increases for wage employees shall be borne by existing funds appropriated to each agency.
Item 469 #1s SB 30 Amendment	This amendment provides \$48.8 million GF the first year and \$109.0 million GF the second year to increase the proposed two percent salary increase to three percent for state employees included in the introduced budget.
Item 125 #8s SB 30 Amendment	This amendment provides \$63.6 million GF the first year and \$129.7 million GF the second year to increase teacher salaries by 1.0 percent each year, bringing the total teacher salary increase to 3.0 percent each year when combined with the Governor's introduced budget.



# Introduced Budget- Contribution Rates



Item	Description
Item 469 (H)(1) HB 30	H.1. Contribution rates paid to VRS for the retirement benefits of public school teachers, state employees, state police officers, state judges, and state law enforcement officers eligible for the Virginia Law Officers Retirement System shall be based on a valuation of retirement assets and liabilities that are consistent with the provisions of Title 51.1, Code of Virginia.
Item 469(H)(1) SB 30	<p>2. Retirement defined benefit contribution rates, excluding the applicable employee contribution, shall be:</p> <p>Public school teachers  FY 27: 12.20% FY 28: 12.20%</p> <p>State employees  FY 27: 11.07% FY 28: 11.07%</p> <p>State Police Officers' Retirement System  FY 27: 31.67% FY 28: 31.67%</p> <p>Virginia Law Officers' Retirement System  FY 27: 22.60% FY 28: 22.60%</p> <p>Judicial Retirement System  FY 27: 30.49% FY 28: 30.49%</p>





# Failed Legislation

# 2026 VRS-Related Bills - Failed

Bill Number	Patron	Description
HB 204	Cherry	Extends membership in the Virginia Law Officers' Retirement System (VaLORS) to emergency dispatchers who are employed by the Department of State Police, Capitol Police, and agencies whose law-enforcement officers are eligible for membership in VaLORS. The bill has a delayed effective date of July 1, 2027, and provides that such membership would apply only to service earned on or after July 1, 2027.
HB 1269	Nivar	

# 2026 VRS-Related Bills - Failed

Bill Number	Patron	Description
HB 1267	Nivar	Adds (i) full-time sworn members of the enforcement division of the Department of Motor Vehicles, (ii) probation officers employed by the Department of Corrections, (iii) full-time sworn law-enforcement officers employed by the Department of Corrections, and (iv) full-time sworn law-enforcement officers employed by the Department of Juvenile Justice to membership in the Virginia Law Officers' Retirement System. The bill has a delayed effective date of July 1, 2027, and provides that such membership applies only to service earned on or after July 1, 2027.
HB 1055	Phillips	Extends membership in the Virginia Law Officers' Retirement System to full-time sworn unit investigators appointed by the Attorney General. The bill has a delayed effective date of July 1, 2027, and provides that such membership applies only to service earned on or after July 1, 2027.

# 2026 VRS-Related Bills - Failed

Bill Number	Patron	Description
HB 205	Cherry	Allows local governments to provide enhanced retirement benefits for hazardous duty service to full-time salaried 911 dispatchers. The bill provides that such enhanced retirement benefits apply only to service earned as a full-time salaried 911 dispatcher on or after July 1, 2027, but allows an employer, as that term is defined in relevant law, to provide such enhanced retirement benefits for service earned as a full-time salaried 911 dispatcher before July 1, 2027, in addition to service earned on or after that date. The bill has a delayed effective date of 7/1/27.
HB 750	Runion	
SB 304	Jordan	
HB 1128	Reid	Allows local governments to provide enhanced retirement benefits for hazardous duty service, other than a hazardous duty supplement, to full-time salaried 911 dispatchers. The bill provides that such enhanced retirement benefits apply only to service earned as a full-time salaried 911 dispatcher on or after July 1, 2027, but allows an employer, as that term is defined in relevant law, to provide such enhanced retirement benefits for service earned as a full-time salaried 911 dispatcher before July 1, 2027, in addition to service earned on or after that date. The bill has a delayed effective date of July 1, 2027.

# 2026 VRS-Related Bills - Failed

Bill Number	Patron	Description
SB 154	Hackworth	Virginia Retirement System; enhanced retirement benefits for animal control officers. Adds full-time animal control officers to the list of local employees eligible to receive enhanced retirement benefits for hazardous duty service for service earned in such positions on or after July 1, 2027. Under current law, localities may provide such benefits to first responders, including firefighters and emergency medical technicians, and certain other hazardous duty positions. The bill has a delayed effective date of July 1, 2027.
HB 585	Ballard	Allows local governments to provide enhanced retirement benefits for hazardous duty service to full-time salaried animal control officers and 911 dispatchers. The bill provides that such enhanced retirement benefits apply only to service earned as a full-time salaried animal control officer or 911 dispatcher on or after July 1, 2027, but allows an employer, as that term is defined in relevant law, to provide such enhanced retirement benefits for service earned as a full-time salaried animal control officer or 911 dispatcher before July 1, 2027, in addition to service earned on or after that date. The bill has a delayed effective date of 7/1/27.



# 2026 VRS-Related Bills - Failed

Bill Number	Patron	Description
SB 419	Craig	Awards an individual who has reached normal retirement age under the State Police Officers' Retirement System (SPORS) or Virginia Law Officers' Retirement System (VaLORS), as determined by relevant law, one additional year of creditable service for every five full years of creditable service earned (i) as a member of SPORS, (ii) as a member of VaLORS, or (iii) while employed by a locality that has elected to provide SPORS-benefits to its employees. This bill only affects those retirements that take place on or after July 1, 2027.

# 2026 VRS-Related Bills - Failed

Bill Number	Patron	Description
SB 238	Head	Permits the Board of Visitors of the Virginia School for the Deaf and the Blind to establish a campus police department, in compliance with the provisions of law relating to campus police departments established by institutions of higher education, and to employ campus police officers therein.



# 2026 VRS-Related Bills - Failed

Bill Number	Patron	Description
SB 523	Deeds	Provides that if a deceased person, as that term is defined in the Line of Duty Act, died as a result of certain cancers within 7 years from his date of retirement, his beneficiary shall be entitled to the payment of certain benefits. Under current law, such beneficiary shall be entitled to such payment if the deceased person's death (i) arose out of and in the course of his employment or (ii) was within five years from his date of retirement.

# 2026 VRS-Related Bills - Failed

Bill Number	Patron	Description
SB 113	Craig	Allows a retired law-enforcement officer to continue to receive his service retirement allowance during a subsequent period of employment by a local law-enforcement agency in a civilian role that does not require law-enforcement certification as a fingerprint examiner, forensics specialist, property and evidence technician, background investigator, or firearms instructor, so long as he has a break in service of at least six calendar months between retirement and reemployment, did not retire under an early retirement program, did not retire under the Workforce Transition Act of 1995, and retired in good standing from his sworn law-enforcement officer position.
HB 1306	Cornett	Reduces from six months to one month the length of the required break in service after retirement for a teacher before such person may return to work full time and continue to receive his pension under the Virginia Retirement System.

# 2026 VRS-Related Bills - Failed

Bill Number	Patron	Description
HB 1488	Bulova	Allows a retired sworn law-enforcement officer to return to work full time in any covered position and continue to receive his pension under the Virginia Retirement System if such person has a break in service of at least six calendar months before reemployment and meets certain other requirements, including having retired in good standing from his sworn law-enforcement officer position. The bill has a delayed effective date of January 1, 2027.

# 2026 VRS-Related Bills - Failed

Bill Number	Patron	Description
SB 695	Jordan	<p>Requires each school board to enter into a collaborative agreement with the local law-enforcement agency to employ at least one school resource officer in each public elementary and secondary school in the local school division. The bill requires localities to provide enhanced retirement benefits to school resource officers. The bill also allows a retired law-enforcement officer to work as a school resource officer after a break in service of at least six months without impacting his retirement benefits.</p> <p>A substitute was introduced in subcommittee that removed the requirement for enhanced hazardous duty benefits but kept the return-to-work provisions.</p>

# 2026 VRS-Related Bills - Failed

Bill Number	Patron	Description
HB 1107	Kilgore	Allows Virginia Retirement System (VRS) members who return to work full time at the Department of Corrections as a correctional officer or an instructional employee required to be licensed by the Board of Education to continue to receive their VRS pension if (i) the person has a break in service of at least six calendar months between retirement and returning to work full time for the Department of Corrections, (ii) the person is not receiving a retirement benefit pursuant to an early retirement incentive program offered by the Department of Corrections, and (iii) those returning to work as a correctional officer successfully complete the minimum training standards established by the Department of Criminal Justice Services within 12 months of the hiring date. If the person makes the election to continue to receive a VRS pension during such new employment at the Department of Corrections, then (a) such service and compensation shall not affect any other retirement benefits, (b) such person shall still be eligible for cash match plan benefits, and (c) the employer shall include the person's compensation in membership payroll subject to certain employer contributions.

# 2026 VRS-Related Bills - Failed

Bill Number	Patron	Description
HB 1296	Glass	Increases the amount of monthly health insurance credits received by retired general registrars and employees of general registrars with a minimum of 15 years of creditable service from \$1.50 to \$1.75 per month per year of creditable service not to exceed \$52.50 per month beginning July 1, 2026.
HB 659	Kent	Allows a state retiree who elects to participate in the state retiree health plan but later discontinues participation one opportunity to return to participation in the plan, provided that such return to participation occurs within five years after the date of such employee's retirement. Under current law, a state retiree who elects to participate in the state retiree health plan but later discontinues participation is barred from participating in the plan.

# 2026 VRS-Related Bills - Failed

Bill Number	Patron	Description
HB 987	Garrett	Provides that a member of the Virginia Retirement System shall be eligible for additional years of service credit for service earned as a teacher in the field of career and technical education. The amount of service credit earned shall determined as follows: (i) for service earned as a member who is 45 years of age or older but younger than 55 years of age at the time of such service, such service shall be multiplied by the weighted years of service factor of 2.0 and (ii) for service earned as a member who is 55 years of age or older at the time of such service, such service shall be multiplied by the weighted years of service factor of 2.5.



# 2026 LODA Bills - Failed

Bill Number	Patron	Description
HB 491	Guzman	Provides that a sheriff or deputy sheriff shall be eligible for Line of Duty Act benefits. Under current law, sheriffs or deputy sheriffs are only eligible for Line of Duty Act benefits in the City of Richmond.
HB 1317	Willett	Provides that if a deceased person, as that term is defined in the Line of Duty Act, died as a result of certain cancers within 10 years from his date of retirement, his beneficiary shall be entitled to the payment of certain benefits. Under current law, such beneficiary shall be entitled to such payment if the deceased person's death (i) arose out of and in the course of his employment or (ii) was within five years from his date of retirement.

# 2026 VRS-Related Bills - Failed

Bill Number	Patron	Description
HR 9	Maldonado	Directs the Joint Legislative Audit and Review Commission to perform a two-year comprehensive evaluation of the Virginia Retirement System's retirement plans, including Plan 1, Plan 2, and the Hybrid Retirement Plan, with particular attention to benefit adequacy, employee affordability, and impacts on workforce recruitment and retention.



**VRS Project Portfolio**  
**FISCAL YEAR 2026**  
**March 2026 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	2025						2026											
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun						
Data Quality Enhancements - Phase 2	Digital Transformation and Secure Service Delivery	●																		
Demographic Data Collection and Maintenance Initiative - Phase 1	Digital Transformation and Secure Service Delivery	●																		
VNAV Enhancements - Phase 2	Digital Transformation and Secure Service Delivery	▲																		
Human Resource Information System (HRIS) Implementation - Phase 3	Organizational Strength, Culture and Engagement	●																		
Agency Initiatives		Status	2025						2026											
Develop and Implement Returned Mail Address Validation Policy and Procedures	Superior Governance and Long-Term Financial Health	●																		
Purchase of Refunded Service Process	Digital Transformation and Secure Service Delivery	●																		
Enhance Options for Retirees to Opt-Out of Paper Tax Documents	Digital Transformation and Secure Service Delivery	★																		
Benefit Payment Policy Implementation	Superior Governance and Long-Term Financial Health	●																		
Implement updates consistent with Website Content Accessibility Guidelines (WCAG) 2.1	Superior Governance and Long-Term Financial Health	●																		
James Center Relocation including Network/Wifi/Infrastructure build	Superior Governance and Long-Term Financial Health	★																		
Windows 11 Implementation	Technology Infrastructure	●																		
Replacement of re-captcha for myVRS	Digital Transformation and Secure Service Delivery	★																		
Explore establishment of AI Center of Excellence	Digital Transformation and Secure Service Delivery	●																		
ECM Solution Implementation	Digital Transformation and Secure Service Delivery	●																		
Conduct Review and Analysis of Early Retirement Reduction Factors	Superior Governance and Long-Term Financial Health	●																		
Legislation <small><a href="https://www.varetire.org/about/legislation/">https://www.varetire.org/about/legislation/</a></small>		Status	2025						2026											
SB 934 - Certain unclaimed property presumed abandoned; Volunteer Firefighters' and Rescue Squad Workers' Service Award Fund.	Legislation	★																		
SB 950 - Virginia Retirement System; increased retirement allowance for certain judges.	Legislation	●																		
SB 1201 - Virginia Law Officers' Retirement System; conservation officers.	Legislation	★																		
VLPD - HB 1705 - Virginia Retirement System; disability benefits; emergency dispatchers	Legislation	●																		
LODA - HB 1815/SB 1142 - Line of Duty Act; campus police officers; private police officers.	Legislation	●																		
LODA/VaLORS - SB 797/HB 2507	Legislation	★																		
Operational/Ongoing Activities		Status	2025						2026											
COLA 2025	Operations	★																		
FYE 2025	Operations	★																		
EDGE	Operations	●																		
Retirement Wave 2025	Operations	★																		
Teacher Contracts	Operations	★																		
MBPs	Operations	★																		
Annual Code of Ethics Training	Operations	★																		
Annual Security Awareness Training	Operations	★																		
FOIA Training	Operations	N/S																		
ACFR	Operations	★																		
PAFR	Operations	★																		
LODA Annual Report	Operations	★																		
GASB 67	Operations	●																		
GASB 68	Operations	●																		
GASB 74	Operations	●																		
GASB 75	Operations	●																		
Actuarial Valuations	Operations	★																		
myVRS Annual Updates	Operations	★																		
Update Contribution Rates in VNAV	Operations	★																		
1099/W2	Operations	★																		

Operational/Ongoing Activities		Status	2025						2026						
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Annual Roadmap Review	Operations	N/S													
FYE 2026	Operations	N/S													
Retirement Wave 2026	Operations	N/S													
ORPHE Surcharge Billing for FY 2025	Operations	★													
Data Fixes	Operations	●													
ALM Backlog Prioritization	Operations	●													
Employer VNAV Security Review	Operations	N/S													
VRS Fund Sensitivity and Stress Testing Report for GA	Operations	●													
Legislation FY 2026	Operations	●													

### Yellow Status Items

Item	Due Date	Comments
VNAV Enhancements – Phase 2	TBD	In an effort to ensure long-term project success, additional time adjusting the staffing plan has been made to ensure the Program Manager and project team will be sufficiently resourced and supported. This work continues at this time.

### Red Status Items

Item	Due Date	Comments
N/A		

### Realignments/Adjustments

Item	Due Date	Comments
N/A		



# Director's Report

April 23, 2026

Trish Bishop, VRS Director

# New Employer Coverage

Coverage Elected	Details
<b>Virginia Law Officers' Retirement System (VaLORS) for Campus Police Department</b>	<ul style="list-style-type: none"><li>▪ <b>Southside Virginia Community College</b> (Brunswick County), Retroactively Effective April 1, 2025</li></ul>
<b>Commonwealth of Virginia 457 Deferred Compensation Plan</b>	<ul style="list-style-type: none"><li>▪ <b>Botetourt County Public Schools,</b> Effective May 1, 2026</li></ul>
<b>Full-time Classification of Transportation and Maintenance Employees</b>	<ul style="list-style-type: none"><li>▪ <b>Henrico County Public Schools,</b> Effective July 1, 2026</li></ul>

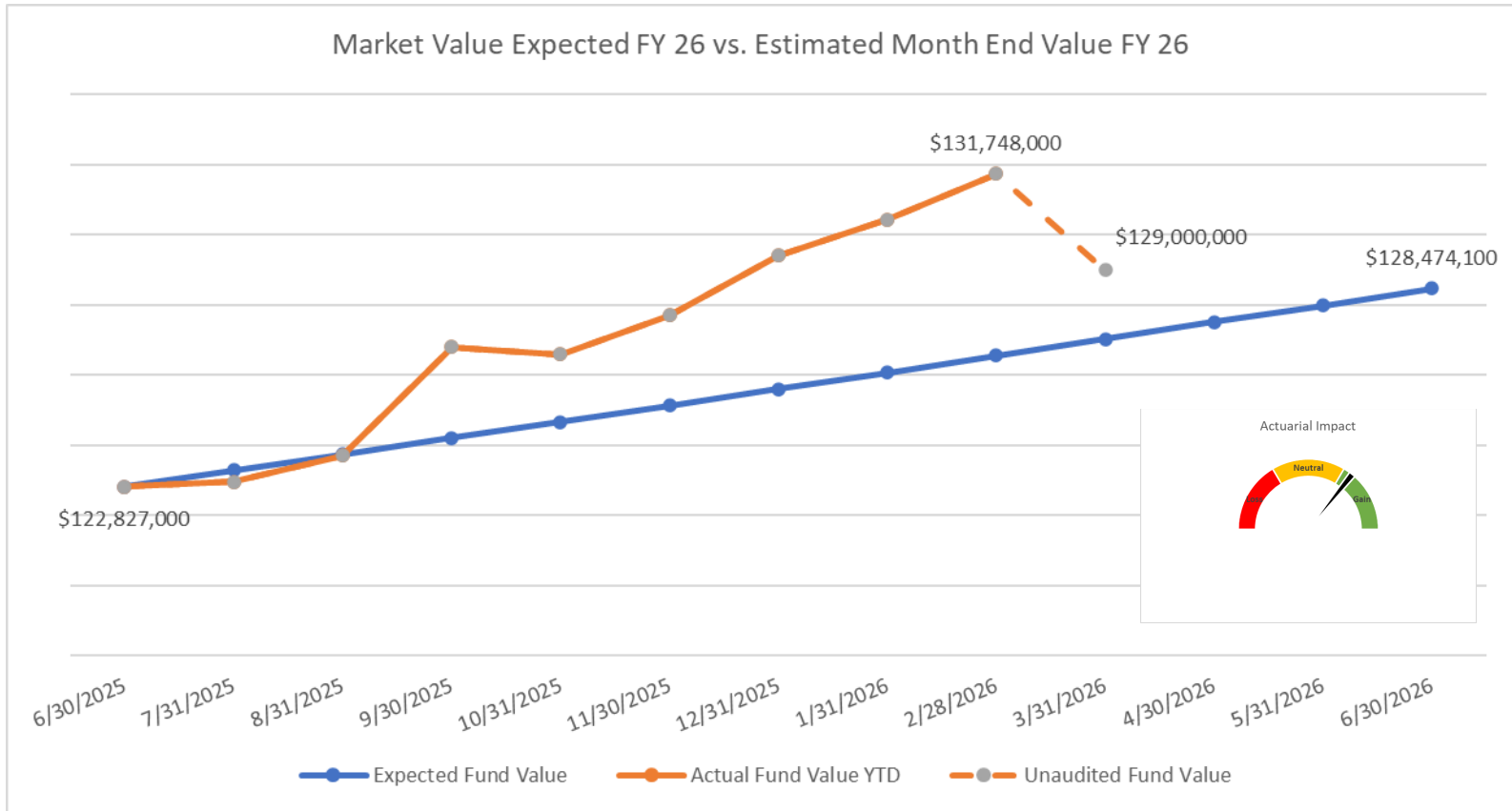


# Actuarial Measures Key Indicators



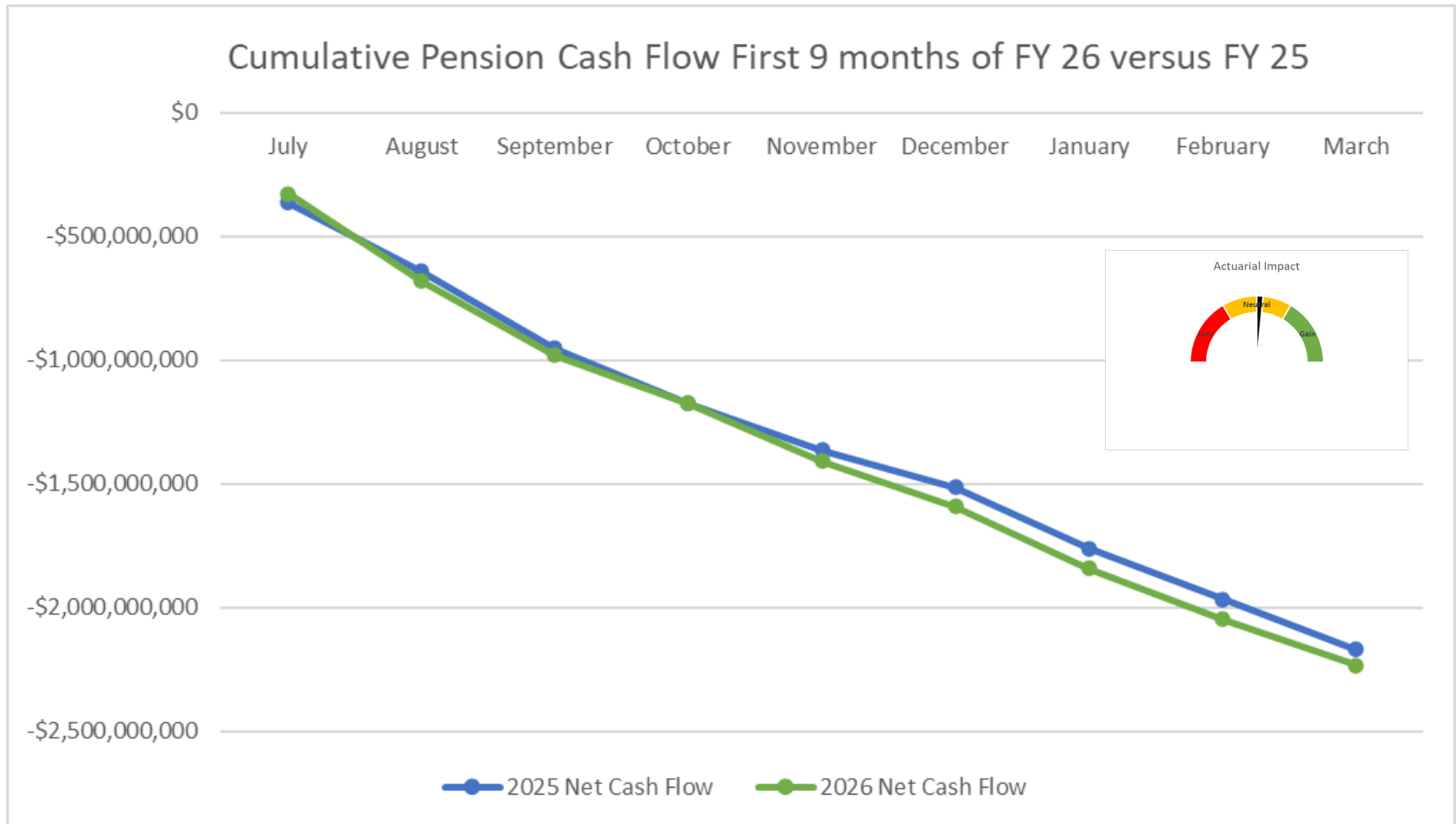


# Fund Market Value Actual vs. Expected – FY 2026



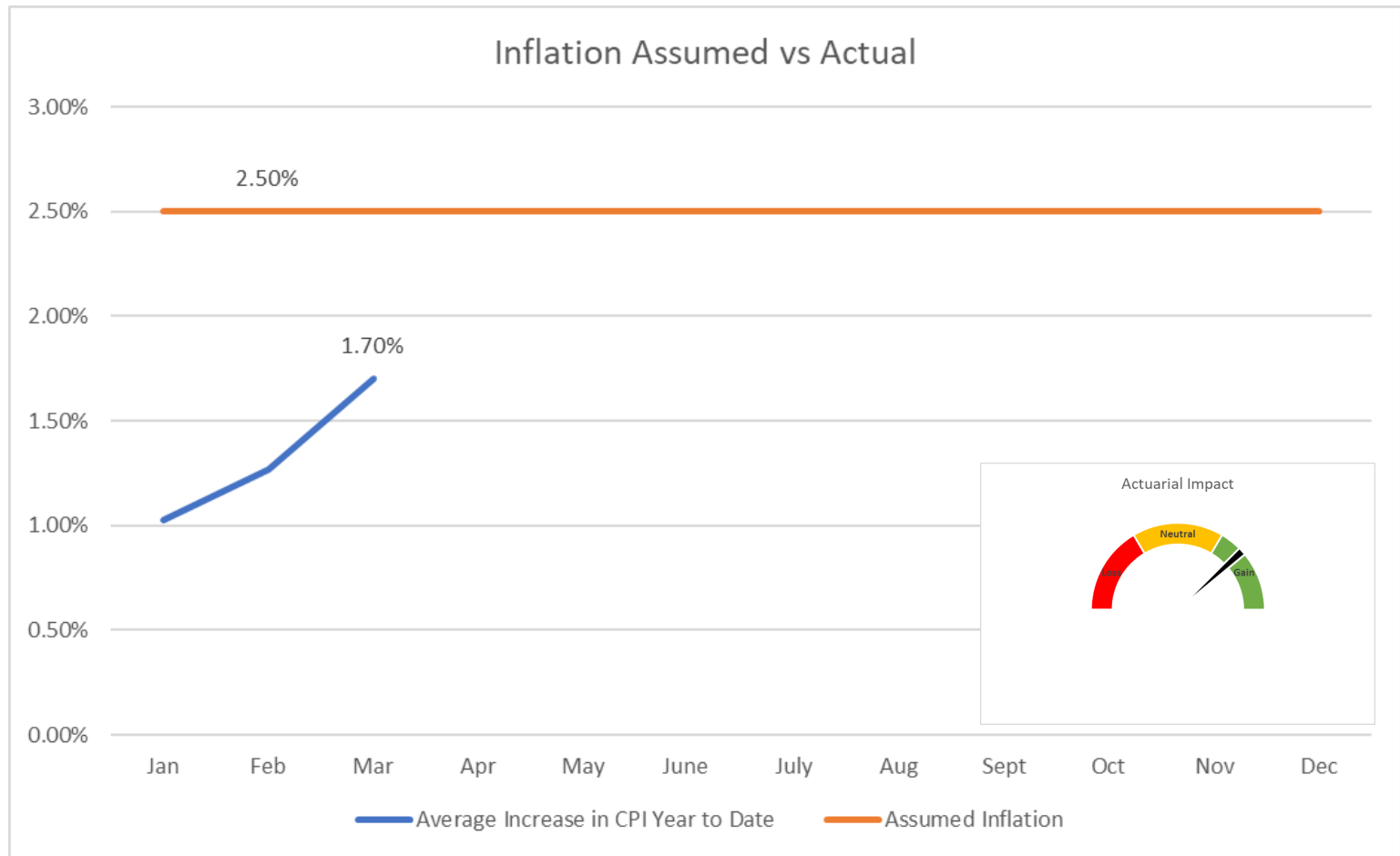
- Through first nine months of FY 2026 the estimated fund value is trending slightly higher than expected based on an assumed rate of return of 6.75%.

# Pension Cash Flow



- Pension cash flows for first nine months of Fiscal year 2026 are slightly more negative than those observed in first nine months of Fiscal year 2025.

# Inflation – Average Increase in CPI Year to Date

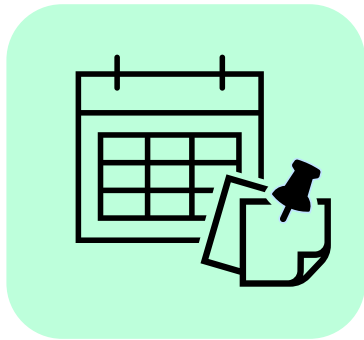




# Preview of Upcoming Board Meetings

# Preview: May-June 2026

## May



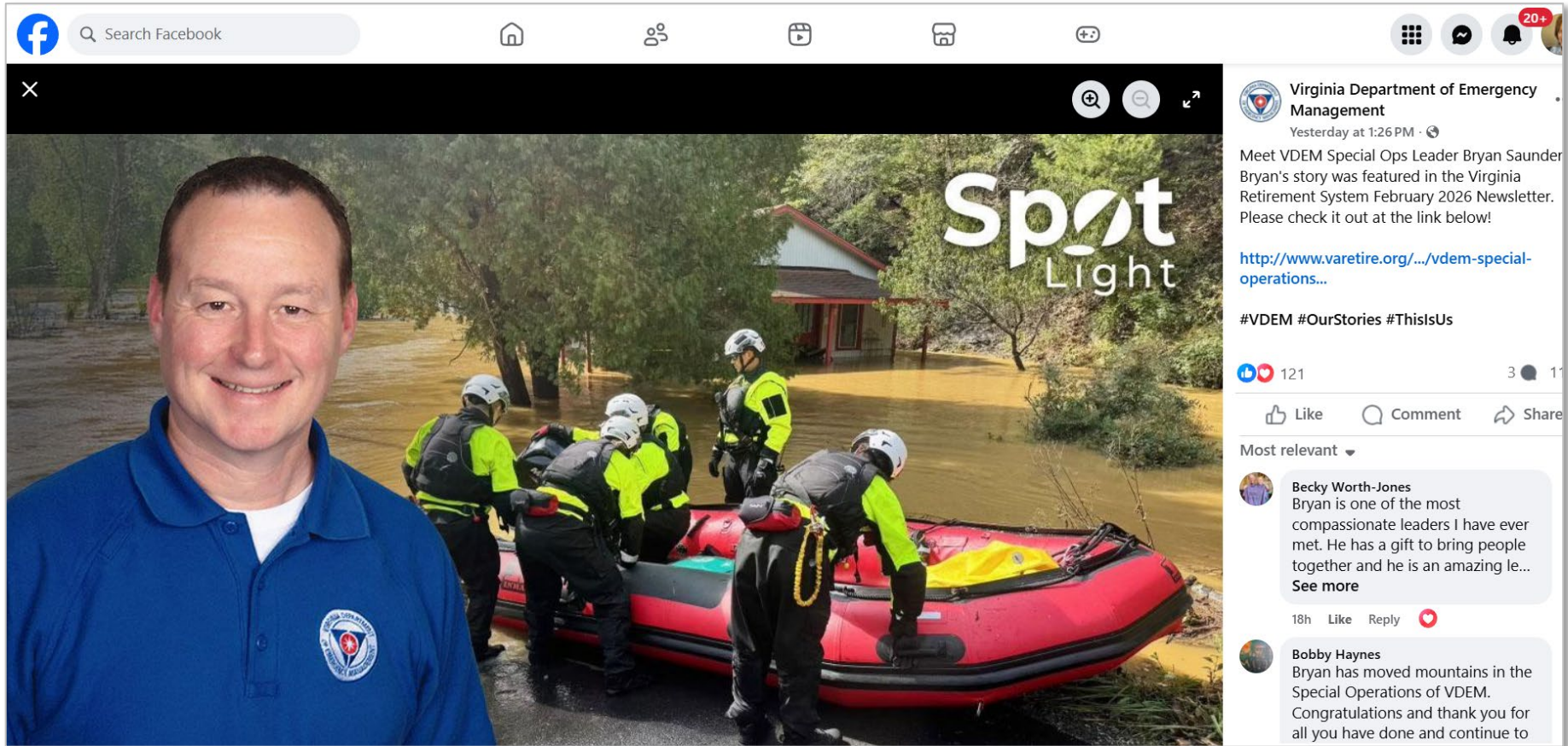
- ✦ 13 – Administration, Finance and Talent Management Committee
- ✦ 14 – Defined Contribution Plans Advisory Committee

## June

- ✦ 9 – Audit and Compliance Committee
- ✦ 10 – Benefits and Actuarial Committee
- ✦ 17 – Administration, Finance and Talent Management Committee
- ✦ 17 – Board of Trustees

# VRS Member News Spotlight Resonates

## VDEM Reposts VRS Article on Facebook and X



- **121** Facebook likes; several comments and shares
- **400+** views on X