



Why VRS Does Not Invest or Divest for Non-Financial Reasons

The Virginia Retirement System manages retirement assets solely to support members' retirement benefits. From time to time, VRS is urged to divest from certain companies, industries or assets, or to invest in others, to advance political, social or ideological objectives. VRS does not make investment or divestment decisions based on those non-financial considerations.

Calls for divestment or targeted investment are often framed as ways to influence corporate behavior or demonstrate positions on social or political issues. By design, such proposals seek to advance public policy goals rather than improve investment performance. Although these proposals may be well-intentioned, Virginia's public pension assets must not be used for purposes unrelated to financial outcomes.

Instead, VRS has a legal and fiduciary duty to put members first financially. State and federal law* require VRS to invest solely to support members' retirement benefits and to manage the trust fund based only on financial factors, including risk, expected return and long-term stability. Using pension assets to pursue non-financial objectives would be inconsistent with that responsibility.

How VRS Operates and Makes Investment Decisions

VRS collects contributions from members and their employers and invests those funds to ensure retirement benefits can be paid both today and in the future. Investment earnings account for approximately two-thirds of all retirement benefit payments. As a result, VRS evaluates investment decisions based on financial risk, expected return and how well they support the system's long-term ability to pay benefits.

VRS investments are managed under an [Investment Policy](#) approved by the Board of Trustees, who are the highest level fiduciaries for the fund. That policy, together with the [VRS Investment Beliefs](#), establishes clear standards for how the trust fund is invested and overseen.

In fulfilling this responsibility, VRS focuses on:

- Long-term performance.
- Careful risk management.
- Diversification across asset types, including stocks, bonds and real assets, to strengthen the portfolio.

By contrast, making investment or divestment decisions for non-financial reasons would:

- Shift decision-making away from factors that affect investment performance.
- Limit available investment options, which can increase risk.
- Increase costs — both upfront and ongoing — for screening, monitoring, trading and customization.
- Require VRS to act inconsistently with its legal and fiduciary requirements.

VRS closely monitors and regularly reviews its investments to ensure compliance with applicable laws, regulations and investment policies.

VRS' Commitment

VRS remains committed to prudently managing the trust fund, reviewing its policies regularly and safeguarding retirement benefits for more than 860,000 members, retirees and beneficiaries who serve the Commonwealth of Virginia.

* **Applicable Laws**

Article X, § 11 of the *Virginia Constitution* provides the “The Board shall discharge its duties with respect to the Retirement System solely in the interest of the beneficiaries thereof(.)”

The *Code of Virginia* § 51.1-124.30(C) requires the VRS Board of Trustees to oversee investment of VRS assets to maximize return for a given level of risk (the “prudent person” rule) and to protect the value of the trust fund for the long-term benefit of members and their beneficiaries.

Federal law [26 U.S.C. § 401(a)(2)] expressly provides that government retirement plans must be maintained “for the exclusive benefit” of the beneficiaries of the plans.

The *Code of Virginia* § 51.1-124.1 provides that VRS was established “for the purposes of providing adequate benefits and pensions to members[.]”