



April 12, 2024

MEMORANDUM

TO: VRS Board of Trustees

FROM: Patricia S. Bishop
Director

RE: Agenda Materials for April 18th Board Meeting

We are looking forward to the April 18th Board meeting beginning at 1:00 p.m. in the VRS Boardroom (Chesapeake conference room) located at 1111 East Main Street, Bank of America - Pavilion Building, 3rd floor. Enclosed are the agenda and meeting materials. Boxed lunches will be available beginning at 12:00 p.m.

Please note that the Benefits and Actuarial Committee meeting scheduled for April 17th at 1:00 p.m. has been canceled.

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

Attachments

cc: The Honorable Stephen E. Cummings, Secretary of Finance
Craig Burns, Department of Taxation
Michael Jay, House Appropriations Committee
April Kees, Senate Finance Committee
Mike Tweedy, Senate Finance Committee
Zack Borgerding, Auditor of Public of Accounts
Jon Howe, Department of Planning and Budget
Dean Lynch, VA Association of Counties
Katie Boyle, VA Association of Counties
Bea Snidow, VA Education Association
Jamie Bitz, Joint Legislative Audit & Review Commission
Kimberly Sarte, Joint Legislative Audit & Review Commission
Hal Greer, Joint Legislative Audit & Review Commission
Elizabeth B. Myers, Office of the Attorney General
Josette Bulova, VA Municipal League
Lawrence Kochard, VRS Investment Advisory Committee
Bonnie Atwood, VA Retired Teachers Association



Board of Trustees Meeting
VRS, 1111 E. Main St., 3rd
Floor Board Room
Thursday, 4/18/2024
1:00 - 3:30 PM ET

I. Approve Minutes

- **February 8, 2024**
Board Meeting Minutes 2.8.24 - Page 4
- **March 19, 2024 (Retreat)**
Board Retreat Minutes 3.19.24 - Page 12
- **March 20, 2024 (Retreat)**
Board Retreat Minutes 3.20.24 - Page 14

II. Election of Vice Chair

III. Committee Assignments

VRS Board of Trustees and Committee Assignments - Page 16

IV. Report of the Investment Advisory Committee

V. Report of the Chief Investment Officer

RVK - VRS Benchmark & Performance Hurdle Analysis - Page 18
Chief Investment Officer Report - April 2024 - Page 44
Asset Allocation Report February 2024 - Page 57
Daily Asset Allocation Report 4.9.24 - Page 58
Performance Summary 2.29.24 - Page 59
Plan Tracking Error - Page 60
New Investments and Terminations 4.18.24 - Page 61
DIME Quarterly Summary - QE 3.31.24 - Page 62
Manager Referral Quarterly Summary - QE 3.31.24 - Page 67

VI. Report of the Defined Contribution Plans Advisory Committee

DCPAC Report 3.14.24 - Page 68

- **RBA – Approve Amended and Restated Plan Documents**
RBA DC Plans escheatment - Page 70

VII. Approve Amended Pay Plans

- **RBA - Approve Amended Administrative Pay Plan, Investment Operations and Administration Pay Plan and Investment Professionals' Pay Plan**
RBA - Approve Revised Pay Plans - Page 86
Administrative Pay Plan - 6.10.24 - Page 88
Administrative Pay Plan - Redline 6.10.24 - Page 99
Investment Operations and Administrative Pay Plan - 6.10.24 - Page 110
Investment Operations and Administrative Pay Plan - Redline 6.10.24 - Page 121
Investment Professionals Pay Plan 6.10.24 - Page 132
Investment Professionals Pay Plan Redline 6.10.24 - Page 148

VIII. Commending Resolution for Joesph W. Montgomery

Joseph W. Montgomery - Commending Resolution - Page 165

IX. Operational Series Update: EDGE Initiative

EDGE Board Presentation - Page 166

X. Report of the Director

FY 2024 Agency Roadmap Update - March - Page 186

Director's Report - Page 188

XI. Closed Session

Minutes

A regular meeting of the Virginia Retirement System Board of Trustees was held on February 8, 2024, in Richmond, Virginia with the following members participating:

Board members:

A. Scott Andrews, Chair
Joseph W. Montgomery, Vice Chair
Hon. J. Brandon Bell, II
John M. Bennett
Susan T. Gooden, Ph.D.
Jessica Hood
Lindsey K. Pantele

VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, John Alouf, Advait Apte, Rory Badura, Parham Behrooz, Jessica Budd, Caroline Cardwell, Jeanne Chenault, Michael Cooper, Perry Corsello, David Cotter, Sara Denson, Laura Fields, Antonio Fisher, Josh Fox, Katherine Grawe, JT Grier, Mehtab Haleem, Rachel Hayes, KC Howell, Robert Irving, Sandy Jack, Ross Kasarda, Jeannie Kim, LaShaunda King, Kristina Koutrakos, Matt Lacy, Chung Ma, Audrey Manley, Curt Mattson, Justin Mitchell, Kidus Molla, Teresa Nguyen, Walker Noland, Greg Oliff, Laura Pugliese, Paula Reid, Mark Rein, Andrew Ringle, Jummai Sarki-Hurd, Dan Schlusser, Jillian Sherman, Emily Trent, Leslie Weldon, Dan Whitlock and Steve Woodall.

Guests:

Lauren Albanese, Financial Investment News; Harrison Bader and Brigid Schutsky, BlackRock; John Kevin Balaod, With Intelligence; Jamie Bitz, Joint Legislative Audit and Review Commission; Jack Keeler, Ashler Capital; Justin Michell, FundFire; and Elizabeth Myers, Office of the Attorney General.

The meeting convened at 1:00 p.m.

Opening Remarks

Mr. Andrews called the meeting to order and welcomed everyone to the February 8, 2024, meeting of the Virginia Retirement System Board of Trustees.

Approval of Minutes

Following a motion by Mr. Montgomery, with a second by Mr. Bennett, the VRS Board of Trustees approved the minutes from its December 7, 2023, meeting.

Report of the Chief Investment Officer

Mr. Junkin began his report by informing the Board that a VRS Investment Glossary is now available on Directors Desk. Mr. Junkin next 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.

Lastly, Mr. Junkin was pleased to congratulate Kristina Koutrakos, Director of Portfolio Strategy, on her appointment to the Board of Directors of the International Centre for Pension Management (ICPM) and Laura Pugliese, Portfolio Manager, on her appointment as Vice Chair of the Defined Contribution Institutional Investment Association's (DCIIA) Plan Sponsor Institute (PSI) Executive Committee.

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 16, 2023, meeting.

COST OF LIVING ADJUSTMENTS

Virginia Sickness and Disability Program

Rory Badura, Senior Staff Actuary, presented the recommendations of Gabriel, Roeder, Smith & Company (GRS), the plan actuary, regarding statutory annual adjustments to Virginia Sickness and Disability Program (VSDP) creditable compensation for members on long-term disability (LTD). For VSDP, Mr. Badura advised that GRS recommends an increase in the creditable compensation for VRS pension benefit purposes of 4.00%, effective July 1, 2024. In addition, a cost-of-living adjustment (COLA) in the amount of 3.56% shall be applied to long-term disability benefit payments for Plan 1 members vested prior to January 1, 2013. A COLA of 3.00% 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. Montgomery, the VRS Board of Trustees approved the following action:

Request for Board Action 2024-02-1: Effective July 1, 2024, 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 3.56% for Plan 1 members vested prior to January 1, 2013, or 3.00% 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) GRS recommends an increase in the creditable compensation used at retirement of 4.00%, effective July 1, 2024. 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. Montgomery, the VRS Board of Trustees approved the following action:

Request for Board Action 2024-02-2: Effective July 1, 2024, 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, 2024, is an increase of 4.00% to be applied to a recipient's creditable compensation.

Optional Life, Accidental Death and Dismemberment Insurance

Mr. Badura provided an overview of the increases to the maximum Optional Life, Accidental Death and Dismemberment insurance coverages recommended by GRS. The current maximum coverage for Optional Life, Accidental Death and Dismemberment insurance for insured active employees is \$800,000, and GRS has recommended an increase to \$975,000. In addition, GRS has recommended that the current maximum coverage for Optional Life insurance for insured retirees be increased from \$300,000 to \$375,000.

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

Request for Board Action 2024-02-3: Effective July 1, 2024, the maximum Optional Life, Accidental Death and Dismemberment insurance coverage for active employees shall increase to \$975,000, and the maximum Optional Life insurance coverage for active retirees shall increase to \$375,000.

VRS Funding Policy Update

Next, Mr. Badura reviewed the recommended updates to the VRS Funding Policy Statement. The updates would provide greater flexibility in obtaining funding for employers that no longer have active members covered by VRS. The current funding policy is structured assuming that employers are active ongoing entities and develops contributions as a percentage of active payroll. Currently, there are 14 employers with no active VRS members that still have liabilities associated with inactive or retired members. The proposed changes would provide VRS with additional means to ensure the funding of benefits for these employers.

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

Request for Board Action 2024-02-4: *The Board approves the changes to the VRS Funding Policy Statement (Funding Policy) to allow VRS to determine alternative funding requirements for employers with no active members who still have retirees or inactive members eligible for future VRS benefits. Such alternative funding requirements may include allowing ad hoc payments that may be necessary to cover future benefits if employer assets are insufficient to cover future cash flow needs.*

INFORMATION ITEMS

2024 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, 2024, of 3.56% is applicable to eligible Plan 1 members vested prior to January 1, 2013. A COLA increase of 3.00% is applicable to Plan 1 members not vested prior to January 1, 2013, and all Plan 2 and Hybrid Plan members effective July 1, 2024. 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 3.00%, effective July 1, 2024. The new minimum life insurance payout, effective July 1, 2024, will be \$9,532. The Group Life Insurance Program minimum did not require action by the Committee. The calculations were reviewed by VRS staff and Internal Audit.

2024 Legislative Update

Ms. Patricia Bishop, Director, and Ms. Sandy Jack, Director of Policy, Planning and Compliance, provided an update on VRS-related legislation in the 2024 General Assembly session.

2024 B&A Committee Meeting Schedule

- April 17 at 1:00 p.m.
- June 12 at 1:00 p.m.
- October 16 at 1:00 p.m.
- November 14 at 10:00 a.m.

Mr. Andrews thanked Mr. Bennett for his report.

Report of the Administration, Finance and Talent Management Committee

The VRS Board of Trustees received the report of the Administration, Finance and Talent Management Committee following its meeting on February 8, 2024, and placed it on file.

APPROVAL OF MINUTES

The Committee approved the minutes of its September 20, 2023, meeting.

APPROVE REVISED EDUCATION AND DEVELOPMENT FOR INVESTMENT PROFESSIONALS POLICY

Andrew Junkin, Chief Investment Officer (CIO), advised the Committee of proposed changes to the Education and Development for Investment Professionals Policy (Policy). The Policy provides the CIO the authority to require a tenure agreement for employees who receive reimbursement of education expenses up to \$100,000 and requires a tenure agreement of at least 48 months for reimbursable expenses in excess of \$100,000. If an employee leaves employment prior to completing the tenure agreement period, the employee must repay on a prorated basis any reimbursed amount within 30 days of separating employment. The amendment to the policy allows the CIO to authorize a repayment agreement as an alternative to the 30-day repayment requirement.

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

Request for Board Action 2024-02-5: *The VRS Board of Trustees approves amendments to the Education and Development for Investment Professionals Policy (Policy), effective February 8, 2024, to authorize the Chief Investment Officer to approve repayment agreements for the repayment of tuition reimbursement under the Policy.*

APPROVE REVISED PROXY VOTING AND LITIGATION POLICY

David Cotter, Director of Legislative and Government Affairs, advised the Committee of proposed changes to the Proxy Voting and Litigation Policy. The first change is to separate the policy into two separate policies: the Proxy Voting Policy and the Litigation Policy. The second revision pertains to the Litigation Policy, and includes substantive changes designed to streamline the process for approving decisions to participate in litigation.

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

Request for Board Action 2024-02-6: *The VRS Board of Trustees approves replacing the existing Proxy Voting and Litigation Policy with two separate policies: (i) Proxy Voting Policy and (ii) Litigation Policy.*

APPROVE REVISED INVESTMENT PROFESSIONALS' PAY PLAN POLICY

Paula Reid, HR Director, provided an overview of proposed changes to the Investment Professionals' Pay Plan (Pay Plan) and the Defined Contribution Incentive Plan (DCIP). Ms. Reid was joined by Maureen Reilly and Margot Nigro of McLagan who reviewed their recent classification and compensation analysis. Several resulting changes are proposed to the Pay Plan and DCIP.

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

Request for Board Action 2024-02-7: *The VRS Board of Trustees approves the amended Investment Professionals' Pay Plan (Pay Plan), effective February 10, 2024, and an amended Defined Contribution Incentive Plan (DCIP), effective July 1, 2023.*

Commending Resolution for W. Brett Hayes

Next, Mr. Andrews presented the following commending resolution of service for W. Brett Hayes:

WHEREAS, W. Brett Hayes, was first appointed to serve on the Virginia Retirement System Board of Trustees in March 2013, and was subsequently reappointed for a second term in June 2018; and

WHEREAS, Mr. Hayes served as a Member of the Investment Policy Committee; the Administration, Finance, and Talent Management Committee; and the Strategic Projects Committee, and contributed to these discussions by virtue of his broad knowledge of investment best practices; and

WHEREAS, Mr. Hayes served as a Member and then Chair of the Defined Contribution Plans Advisory Committee, and also served as Member, and then Vice Chair of the Audit and Compliance Committee, where his extensive knowledge of investments and retirement plans assisted him in successfully leading and contributing to Committee discussions and deliberations; and

WHEREAS, Mr. Hayes by virtue of his considerable experience in investments and his vast experience in financial and advisory services, asset management, and economic matters, contributed immeasurably to the success of the System.

NOW, THEREFORE, BE IT RESOLVED, that on February 8, 2024, we, the members of the Board of Trustees of the Virginia Retirement System, hereby acknowledge Mr. Hayes' loyal and faithful service to the Board of Trustees, the Virginia Retirement System, its members, retirees, and the Commonwealth of Virginia, and express our gratitude for his contributions, stewardship, and commitment as a member of the Board of Trustees.

Legislative Update

Next, Ms. Jack provided the Board with an update on VRS-related legislation in the 2024 General Assembly session. Ms. Jack provided an overview of legislation that would allow VRS members to purchase service credit for prior full-time active-duty military service of at least 180 consecutive days in any federally established branch of the armed services (adds Space Force and any other future new branches established). Further, it provides that any funds or other property held in a Virginia Retirement System defined contribution plan, deferred compensation plan, or cash match plan remaining unclaimed for more than five years shall be presumed abandoned under the Virginia Disposition of Unclaimed Property Act and may escheat to the state treasury.

Ms. Jack also reviewed legislation related to local enhanced hazardous duty benefits, the Virginia Law Officers' Retirement System (VaLORS), the Judicial Retirement System (JRS), and the Virginia Line of Duty Act (LODA).

Ms. Jack provided an overview of the introduced budget amendments and noted the General Assembly is expected to adjourn on March 9 and reconvene on April 17 to review the Governor's recommendations and vetoes.

Mr. Andrews thanked Ms. Jack for her presentation.

Report of the Director

Ms. Bishop began her report with an update on the agency roadmap for FY 2024, noting all projects are progressing as planned. Next, Ms. Bishop reviewed the new Employer Coverage Elections. Lastly, Ms. Bishop noted the Board Retreat will be held March 19-20 at the Westin Richmond Hotel.

Mr. Andrews thanked Ms. Bishop for her report.

Closed Session

Mr. Montgomery moved, with a second by Mr. Bennett, that the Virginia Retirement System Board of Trustees convene a closed meeting under the Virginia Freedom of Information Act for the purposes of (a) consultation with legal counsel about actual, pending litigation pursuant to the exemption contained in § 2.2-3711(A)(7) of the *Code of Virginia*.

Mr. Bell: Aye
Mr. Bennett: Aye
Dr. Gooden: Aye
Ms. Hood: Aye
Mr. Montgomery: Aye
Ms. Pantele: Aye
Mr. Andrews: Aye

Upon return to open meeting, Mr. Montgomery moved, with a second by Ms. Pantele, the following resolution:

WHEREAS, the Virginia Retirement System Board of Trustees convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS, § 2.2-3712 of the *Code of Virginia* requires a certification by this Board that such closed meeting was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED; that the Board certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements under this chapter were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered by the Board.

Mr. Bell: Aye
Mr. Bennett: Aye
Dr. Gooden: Aye
Ms. Hood: Aye
Mr. Montgomery: Aye
Ms. Pantele: Aye
Mr. Andrews: Aye

Other Business

Lastly, Mr. Andrews announced the Annual Retreat will be held on March 19 and March 20 at the Westin Richmond Hotel.

Adjournment

Following a motion by Mr. Montgomery, with a second by Ms. Pantele, the VRS Board of Trustees agreed to adjourn the meeting.

The meeting concluded at 2:04 p.m.

Chair

Secretary

Minutes

The Virginia Retirement System Board of Trustees held its annual retreat on March 19, 2024, at the Westin Richmond, 6631 West Broad Street, Richmond, Virginia with the following members participating:

Board members:

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

Investment Advisory Committee

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

Defined Contribution Plans Advisory Committee

C. Matt Harris
Arun Muralidhar
David Winter

VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, Stephen Adelaar, John Alouf, Advait Apte, Daniel Ball, Parham Behrooz, Matt Bennett, Jeanne Chenault, Michael Cooper, Perry Corsello, David Cotter, Sara Denson, Laura Fields, Josh Fox, Palmer Garson, Katie Grawe, JT Grier, Mehtab Haleem, Dane Honrado, KC Howell, Sandy Jack, Ross Kasarda, LaShaunda King, Kristina Koutrakos, Matt Lacy, Michael Loomis, Chung Ma, Curt Mattson, Kidus Molla, Moen Mostafavi, Teresa Nguyen, Walker Noland, Greg Oliff, Laura Pugliese, Paula Reid, Mark Rein, Jummai Sarki-Hurd, Kristy Scott, Larry Tentor, Viet Tran, Emily Trent, Corey Turner, Scott Weaver, Demory Williamson and Steve Woodall.

Guests:

Jeremy Bennett, Virginia Association of Counties; Jamie Bitz, Joint Legislative Audit and Review Commission; Gregory Bond and Ryan Donovan, Man Numeric; Hon. Betsy Carr, House of Delegates; Erin Shell and Amy Stokes, Auditor of Public Accounts; Declan Denehan, Anders Reinertsen and John Templeton, BNY Mellon; Joe Ebisa, Withintelligence.com; Rick Fowler and Marshall Terry, Virginia Governmental Employees Association; Karen Karniol-Tambour and Bill

Sweeny, Bridgewater; Zach Gonzalez and Thomas Kelly, Encore Global; David Lebowitz and John O’Shea, J. P. Morgan Asset Management; and Bea Snidow, Virginia Education Association.

Retreat Called to Order

Mr. Andrews welcomed everyone to the Virginia Retirement System Board of Trustees retreat. Mr. Andrews introduced the newest members of the Board of Trustees, Delegate Matthew James and Mr. Lawrence Bernert. Delegate James previously served as a member of the House of Delegates from the 80th House District. Delegate James is founder and CEO of MJames Consulting, LLC in Portsmouth with decades of experience in financial management and oversight, private and public sector regulations, and economic development. Mr. Bernert is Principal with Wilbanks, Smith and Thomas Asset Management, which is an investment advisory firm in Norfolk with a range of clients including endowments, foundations, pensions and profit-sharing plans. Mr. Andrews also thanked Brett Hayes and Joseph Montgomery for their service on the VRS Board of Trustees.

Opening Remarks

Trish Bishop, VRS Director, and Andrew Junkin, VRS Chief Investment Officer, provided opening remarks.

Presentations

Macro/Economic Overview

Guest speaker, David Lebovitz, Global Strategist, Multi-Asset Solutions with J. P. Morgan, provided a presentation titled *Making Sense of a Mixed Picture: A Guide to the Markets*.

Portfolio Resilience

Guest speaker, Karen Karniol-Tambour, Co-Chief Investment Officer with Bridgewater Associates, provided a presentation titled *Today’s Environment and Considerations for Engineering a Resilient Portfolio*.

Closing Remarks

Mr. Junkin thanked the speakers and everyone who attended. He reviewed the reception and dinner activities for the evening, as well as the meeting schedule for the next day. Mr. Junkin noted that the guest dinner speaker, Gregory Bond, Chief Executive Officer, Man Numeric, would be making a presentation titled, *A.I., Economic Growth & Competitive Advantage*.

Adjournment

The retreat concluded at approximately 5:05 p.m.

Chair

Secretary

Minutes

The Virginia Retirement System Board of Trustees held its annual retreat on March 20, 2024, at the Westin Richmond, 6631 West Broad Street, Richmond, Virginia with the following members participating:

Board members:

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

Investment Advisory Committee

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

Defined Contribution Plans Advisory Committee

Arun Muralidhar
David Winter

VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, John Alouf, Advait Apte, Daniel Ball, Parham Behrooz, Brock Bell, Erica Billingslea, Warren Chang, Jeanne Chenault, Tom Coleman, Michael Cooper, Perry Corsello, David Cotter, Sara Denson, Laura Fields, Josh Fox, Palmer Garson, Katie Grawe, JT Grier, Dane Honrado, KC Howell, Sandy Jack, Ross Kasarda, LaShaunda King, Kristina Koutrakos, Matt Lacy, Chung Ma, Curt Mattson, Walker Noland, Greg Oliff, Vera Pleasants, Laura Pugliese, Paula Reid, Mark Rein, Jummai Sarki-Hurd, Dan Schlusser, Kristy Scott, Michael Scott, Viet Tran, Emily Trent, Scott Weaver, Demory Williamson and Steve Woodall.

Guests:

Patrick Adelsbach, Aksia; Jamie Bitz and Kimberly Sarte, Joint Legislative Audit and Review Commission; Declan Denehan, BNY Mellon; Kevin Balaod, Withintelligence.com; Chris Carter, NGP; Janice Cook-Roberts and Ken Mehlman, KKR; Edmund Donaldson and Lou Jug, Affinius; Jonathan Faraci, Schroders; Rick Fowler and Marshall Terry, Virginia Governmental Employees Association; Emily Grimes, Virginia Department of Planning and Budget; Zach Gonzalez and Thomas Kelly, Encore Global; Robert Klausner, Klausner Kaufman Jensen and Levinson; Brian Patterson, NGP; and Bea Snidow, Virginia Education Association.

Opening Remarks

Patricia Bishop, VRS Director, welcomed the attendees to the second day of the retreat.

Presentations

Fiduciary & Governance Training

Guest speaker, Robert D. Klausner, Principal, Klausner Kaufman Jensen & Levinson, provided a presentation on Fiduciary & Governance.

Energy

Guest speaker, Chris Carter, Managing Partner, NGP, provided a presentation titled *The Changing Energy Investment Environment*.

Geopolitical Environment

Guest speaker, Ken Mehlman, Partner, Global Head of Public Affairs, Co-Head of KKR Global Impact, KKR, provided a presentation on Geopolitical Environment.

Real Assets

Guest speaker, Edmund Donaldson, Executive Managing Director of Portfolio Management, Affinius Capital, provided a presentation titled *Affinius Capital Real Estate Update*.

Private Credit

Guest speaker, Patrick Adelsbach, Co-Head, Advisory Americas, Aksai, provided a presentation titled *Private Credit Market Overview*.

Adjournment

The retreat concluded at approximately 1:00 p.m.

Chair

Secretary

**Proposed VRS Board of Trustees and Committee Assignments
(Effective April 18, 2024)**

VRS Board of Trustees
A. Scott Andrews, Chair J. Brandon Bell, II John M. Bennett Lawrence Bernert, III Michael P. Disharoon Susan T. Gooden, Ph.D. Jessica L. Hood Matthew James Lindsey K. Pantele
Administration, Finance and Talent Management Committee²
A. Scott Andrews, Chair Michael P. Disharoon Lawrence Bernert, III
Audit and Compliance Committee
J. Brandon Bell, II, Chair John Bennett A. Scott Andrews
Benefits and Actuarial Committee
John M. Bennett, Chair Lindsey K. Pantele Jessica L. Hood
Defined Contribution Plans Advisory Committee
Susan T. Gooden, Ph.D., Chair Matthew James, Vice Chair Ravindra A. Deo C. Matt Harris Rick Larson Brenda O. Madden Arun Muralidhar David A. Winter Vacant

**Proposed VRS Board of Trustees and Committee Assignments
(Effective April 18, 2024)**

Investment Policy Committee²
A. Scott Andrews, Chair J. Brandon Bell, II John M. Bennett Lawrence Bernert, III Michael P. Disharoon Susan T. Gooden, Ph.D. Jessica L. Hood Matthew James Lindsey K. Pantele
Investment Advisory Committee
Lawrence E. Kochard, Ph.D., Chair William “Hance” West, Vice Chair Michael Beasley Theodore Economou Palmer P. Garson Thomas S. Gayner Nancy G. Leake W. Bryan Lewis Rod Smyth

Notes:

1. *By charter, the Board chair appoints Board members to each committee.*
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 and Investment Policy Committee, the vice chair is elected by the committee members.*

March 2024

Benchmark & Performance Hurdle Analysis

Virginia Employees Retirement System



Virginia's Benchmark Definitions

Program	Benchmark Definition(s)
Public Equity	85% MSCI ACWI IMI (net VRS Tax Rate) and 15% MSCI World Min. Volatility (net VRS Tax Rate)
Fixed Income	90% Bloomberg US Aggregate Bond Index, 5% BB US High Yield Ba/B 2% Issuer Cap, and 5% JP Morgan EMBI Global Core Index
Credit Strategies	50% Morningstar LSTA Performing Loan Index and 50% BB US High Yield Ba/B 2% Issuer Cap
Real Assets	Market value weighted blend of NCREIF Private Real Estate Benchmark (ODCE Index) lagged by three months and other real assets custom benchmark (CPI-U + 400 bps lagged by three months)
Private Equity	Regional benchmarks of the MSCI ACWI IMI index (net VRS taxes) lagged by three months weighted to reflect the Private Equity opportunity set (75% North America, 20% Europe, and 5% Asia and Emerging Markets).
Multi-Asset Public Strategies, Dynamic Strategies, and RBI	ICE BofA US 3-Month Treasury Bill Index + 250 bps
Private Investment Partnerships (PIP)	33% Private Equity Custom Benchmark, 25% NCREIF Private Real Estate Benchmark, 8% Other Real Assets Custom Benchmark, 17% BB US High Yield Ba/B 2% Issuer Cap, 17% Morningstar LSTA Performing Loan Index
Leverage	Secured Overnight Financing Rate (SOFR) + 50 bps
Total Fund	33% Public Equities, 16% Fixed Income, 14% Credit Strategies, 14% Real Assets, 16% Private Equity, 4% Multi-Asset Public Strategies, 2% PIP, 2% Cash, and -1% Leverage

Benchmark Summary

RVK reviewed Virginia Employees Retirement System's ("VRS") investment policy statement, historical performance, current and historical benchmark and policy definitions, and current and historical incentive compensation hurdles.

We compared the benchmarks and policies to RVK's public defined benefit plans with assets over \$7.5 billion and a custom public universe that RVK produces annually. Each plan is unique and the composite and total fund benchmarking used by these plans are unique to them but the sentiment between them was similar.

The analysis indicated that VRS uses similar investment factors to its peers.

Besides peer comparison's we analyzed the benchmarks performance to their respective composite performance to approve of the fit. The analysis starts on page 15 and includes a rolling three and five-year beta and R-Squared calculation.

- An R-Squared calculation measures the strength or fit of the benchmark to the performance calculations.

The analysis also indicated the benchmarks are appropriate.

RVK also reviewed the leverage benchmark of SOFR + 50 bps. VRS' borrowing costs are in line with RVK's clients that use leverage. All RVK clients are using or changing to a SOFR reference benchmark and using a hurdle in the 40 to 60 bps range.

RVK found all the benchmarks used by VRS to be appropriate and reflective of the current investment environment and do not recommend any changes.

Performance Hurdles Summary

VRS Program	Current Hurdle (bps)	Recommended Hurdle (bps)
Fixed Income	25	25
Credit Strategies	75	75
Public Equity	30	30
Internal Equity	25	25
Private Equity	200	200
Real Assets	75	75
Total Fund	45	45

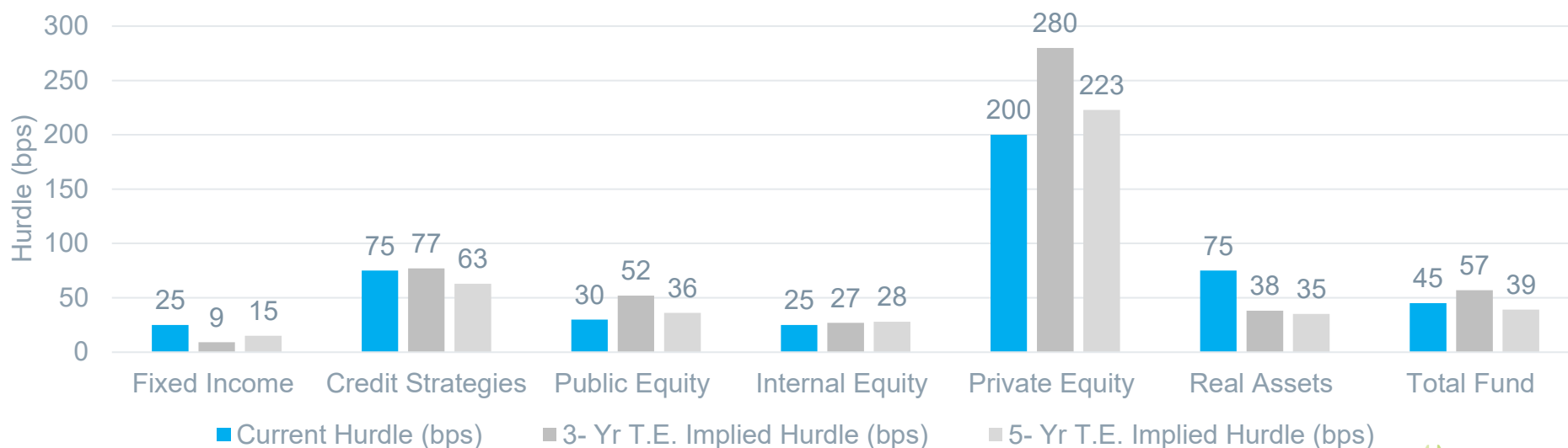
RVK is not recommending any changes to the current hurdle rates. Most were changed in 2020.

Four asset classes: fixed income, internal equity, private equity, and real assets have a win/loss greater than 50% on both the three and five year time periods.

Public equities had a win/loss ratio of less than 50% on both the three and five year time periods.

The rest: total fund and credit strategies were mixed in their win/loss ratio.

Recommended Hurdle Rate by Asset Class



Virginia Retirement System **Performance Hurdle Analysis**

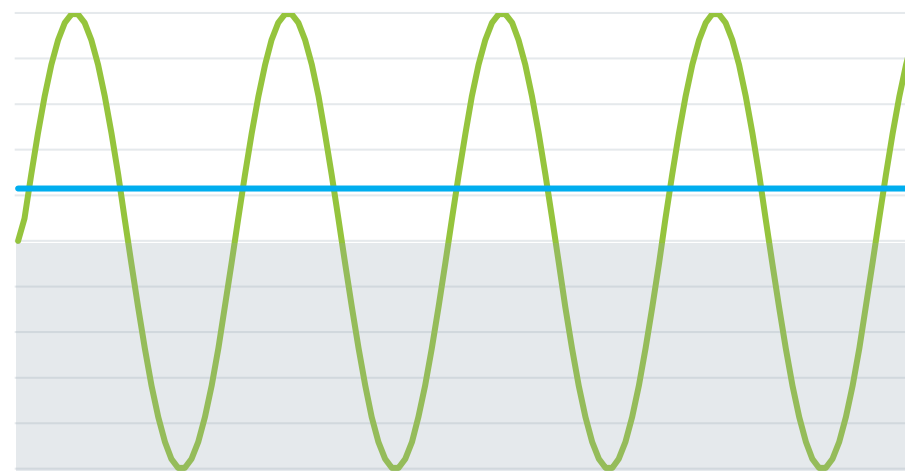


Methodology

- A program with higher levels of active risk would be expected to exhibit larger positive and negative swings in excess returns.
- Due to the asymmetric nature of incentive compensation, payouts aren't mirrored between outperformance and underperformance.
- We can calculate the expected value of an incentive program assuming no alpha and normally distributed excess returns.

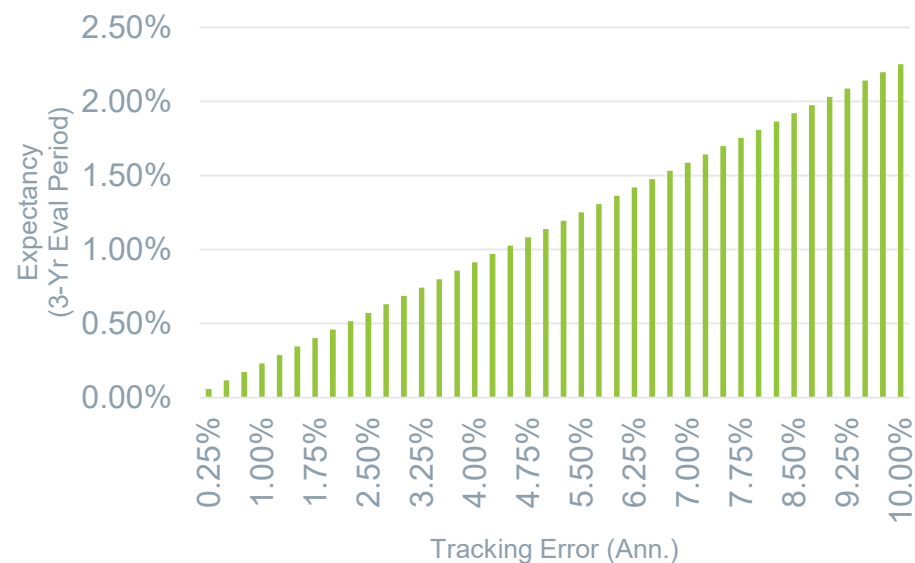
$$y \sqrt{1 + T \frac{1}{\sqrt{2\pi}} \sqrt{y} - 1}$$

- A hurdle rate based on the program's tracking error should remove compensation generated purely from "noise" over the long run.
- Because noise tends to cancel out over time, it is important to consider the evaluation period used for compensation to avoid overstating the hurdle rate.



— Alpha — Expectancy of Incentive

*for illustrative purposes only



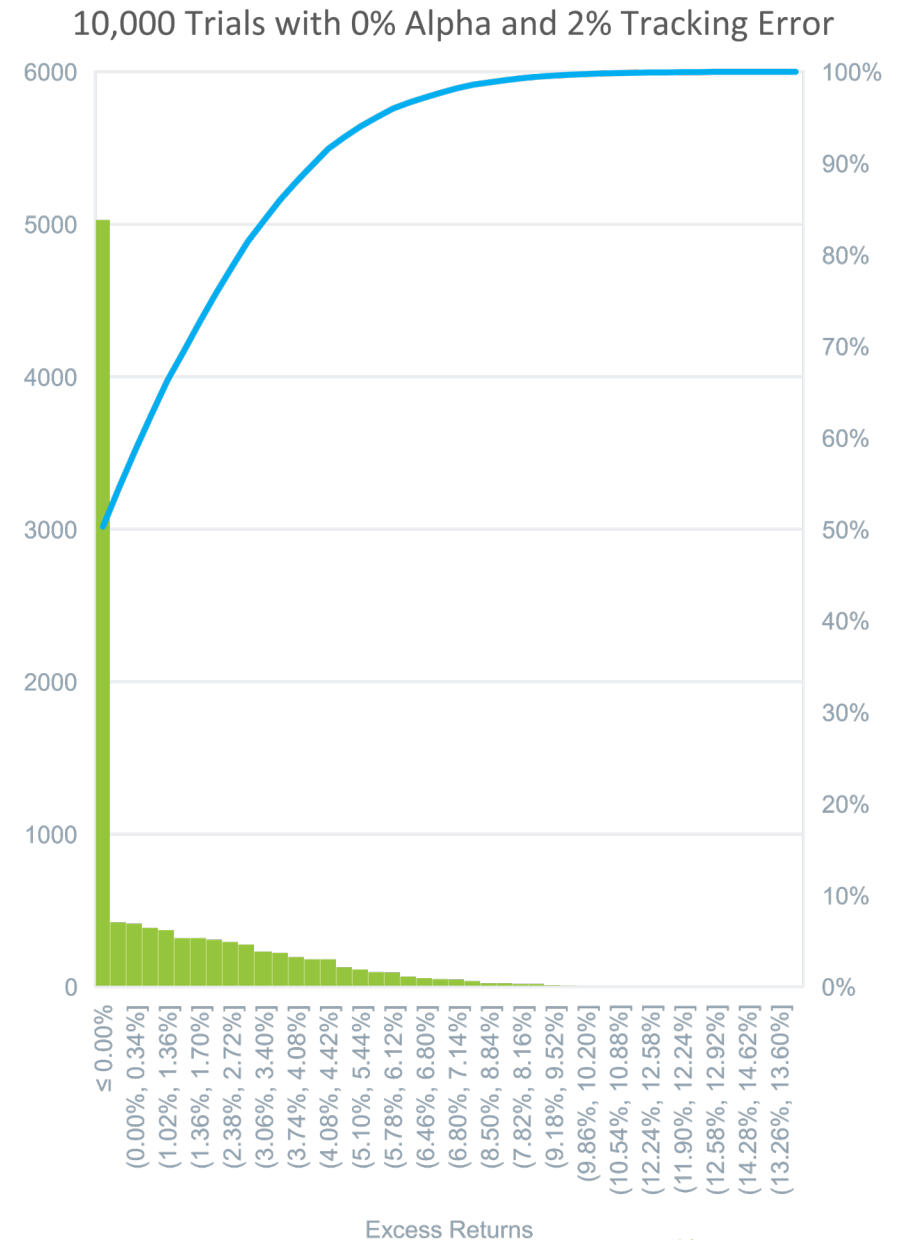
In the provided formula, y = number of years in the performance evaluation, T = tracking error, and $\frac{1}{\sqrt{2\pi}}$ is the probability density function of a normal distribution with a mean of 0 and a standard deviation of 1.

Example

- Assuming a tracking error of 2.00% and an evaluation period of 3 years, we can calculate the following hurdle:

$$\sqrt[3]{1 + .02 \frac{1}{\sqrt{2\pi}} \sqrt{3}} - 1$$

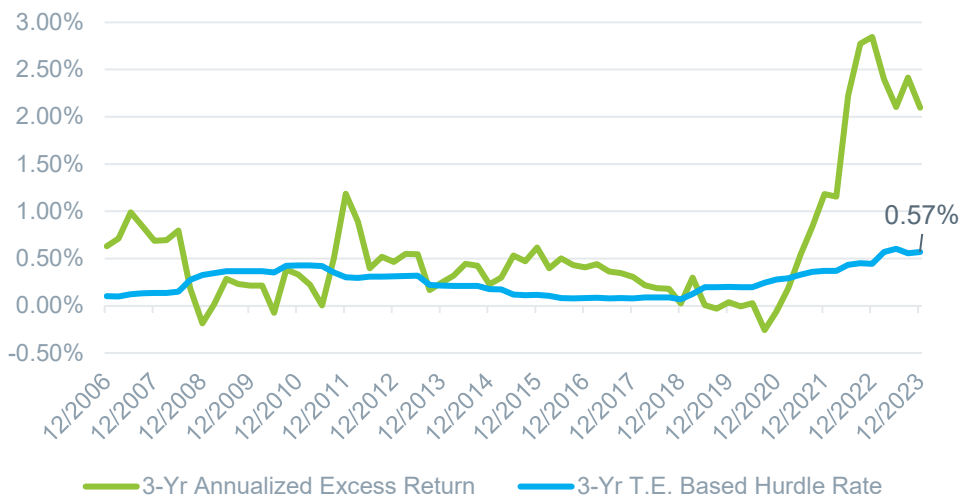
- This results in an expected incentive compensation of 46 bps, assuming no skill.
- A Monte Carlo simulation using alpha of 0% and tracking error of 2% reveals the same outcome of 46 basis points per year across 10,000 trials.
- Limitations: If negative skew is present, the hurdle rate may be understated. If kurtosis is wider than assumed in a normal distribution, larger swings will occur more frequently and may also result in an understated hurdle rate.



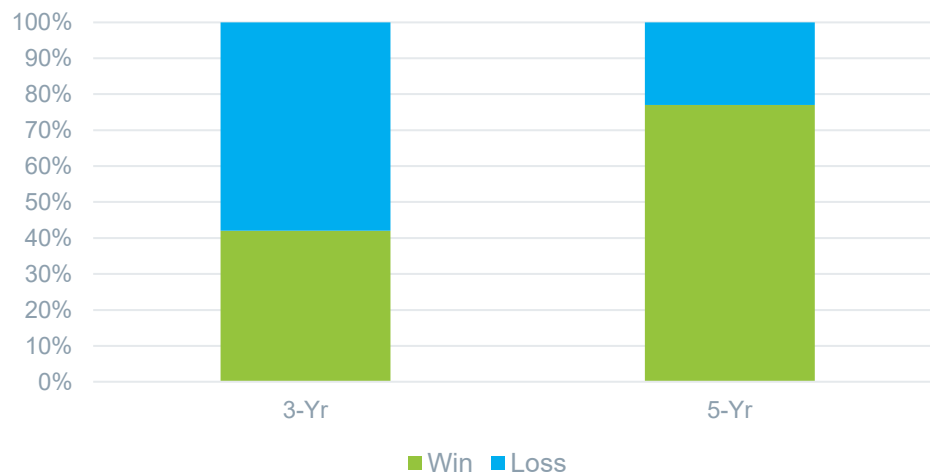
In the provided formula, y = number of years in the performance evaluation, T = tracking error, and $\frac{1}{\sqrt{2\pi}}$ is the probability density function of a normal distribution with a mean of 0 and a standard deviation of 1.

Total Fund

3-Yr Rolling Returns vs T.E. Hurdle



Win/Loss vs Current Hurdle



5-Yr Rolling Returns vs T.E. Hurdle

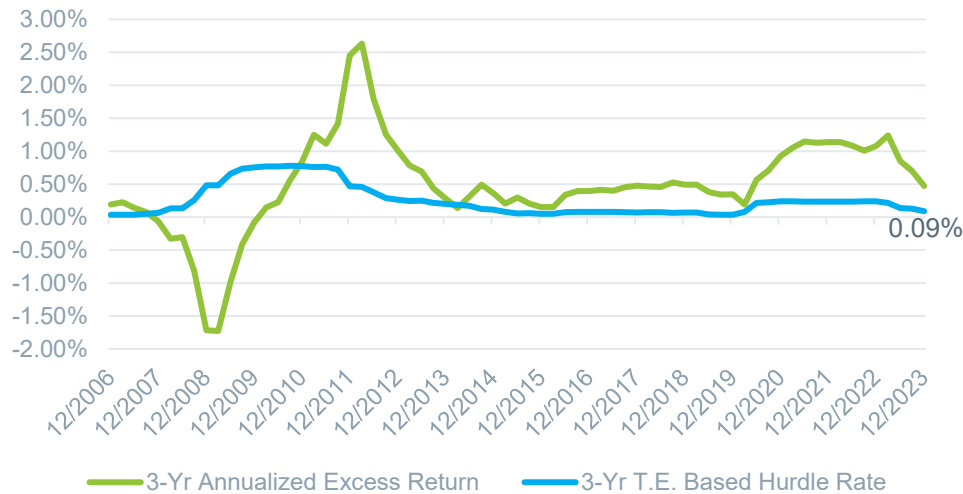


Stats vs Current Hurdle	3-Yr Rolling	5-Yr Rolling
Batting Average	42%	77%
Longest Consecutive Periods Above Hurdle (Quarters)	11	13
Longest Consecutive Dates Above Hurdle	06/30/2021 - 12/31/2023	03/31/2009 - 03/31/2012
Longest At or Below Hurdle (Quarters)	19	8
Longest Consecutive Dates Below Hurdle	09/30/2016 - 03/31/2021	06/30/2019 - 03/31/2021
Total Periods Evaluated	69	61

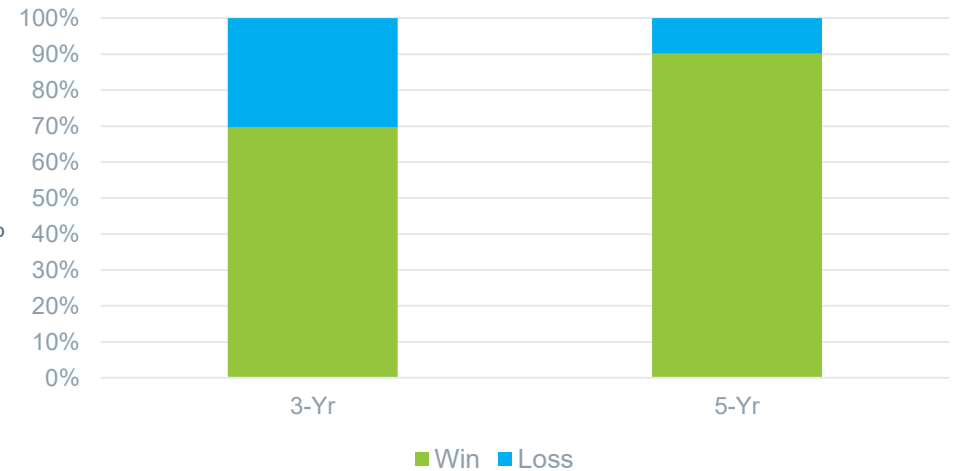
Current Hurdle: 45 bps

Fixed Income

3-Yr Rolling Returns vs T.E. Hurdle



Win/Loss vs Current Hurdle



5-Yr Rolling Returns vs T.E. Hurdle



Stats vs Current Hurdle	3-Yr Rolling	5-Yr Rolling
Batting Average	70%	90%
Longest Consecutive Periods Above Hurdle (Quarters)	15	55
Longest Consecutive Dates Above Hurdle	06/30/2016 - 12/31/2019	06/30/2010 - 12/31/2023
Longest At or Below Hurdle (Quarters)	15	6
Longest Consecutive Dates Below Hurdle	12/31/2006 - 06/30/2010	12/31/2008 - 03/31/2010
Total Periods Evaluated	69	61

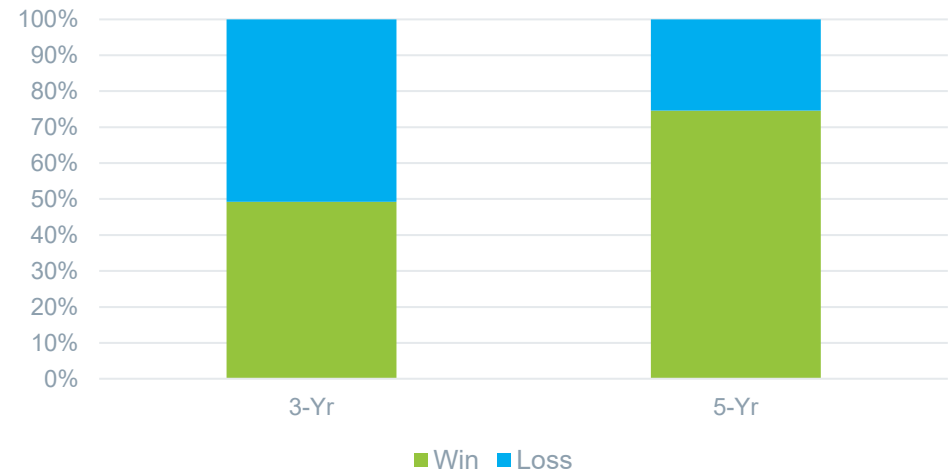
Current Hurdle: 25 bps

Credit Strategies

3-Yr Rolling Returns vs T.E. Hurdle



Win/Loss vs Current Hurdle



5-Yr Rolling Returns vs T.E. Hurdle

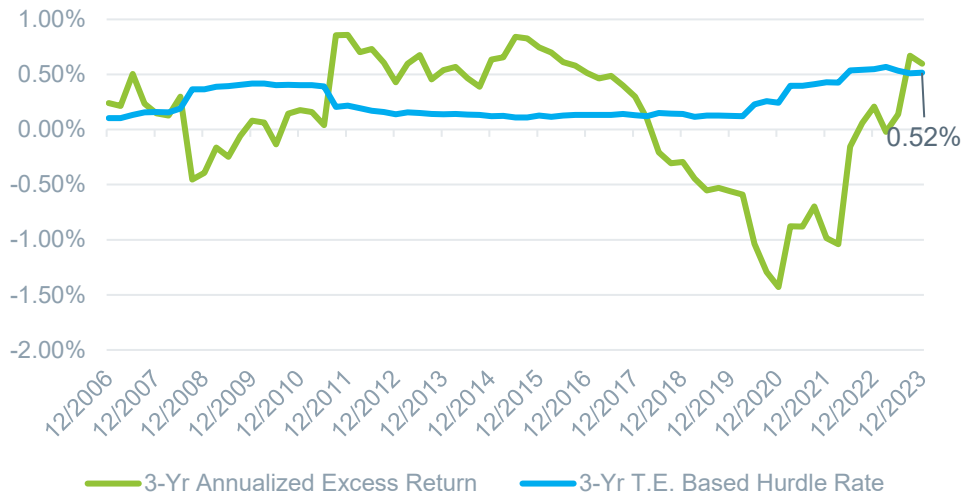


Stats vs Current Hurdle	3-Yr Rolling	5-Yr Rolling
Batting Average	49%	75%
Longest Consecutive Periods Above Hurdle (Quarters)	16	24
Longest Consecutive Dates Above Hurdle	12/31/2009 - 09/30/2013	03/31/2010 - 12/31/2015
Longest At or Below Hurdle (Quarters)	16	7
Longest Consecutive Dates Below Hurdle	03/31/2016 - 12/31/2019	06/30/2018 - 12/31/2019
Total Periods Evaluated	67	59

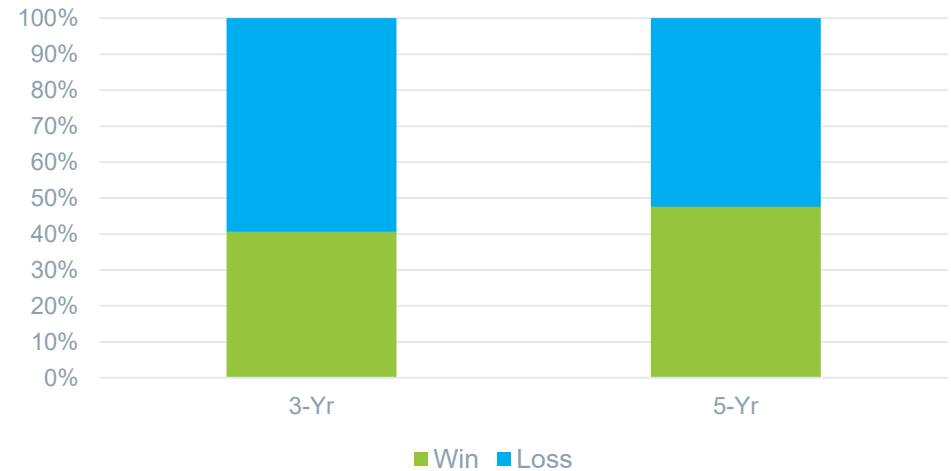
Current Hurdle: 75 bps

Public Equity

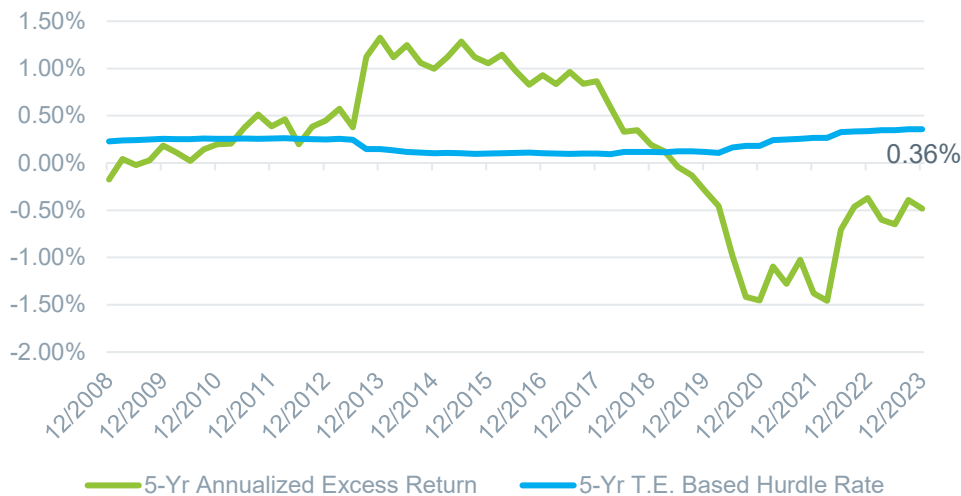
3-Yr Rolling Returns vs T.E. Hurdle



Win/Loss vs Current Hurdle



5-Yr Rolling Returns vs T.E. Hurdle

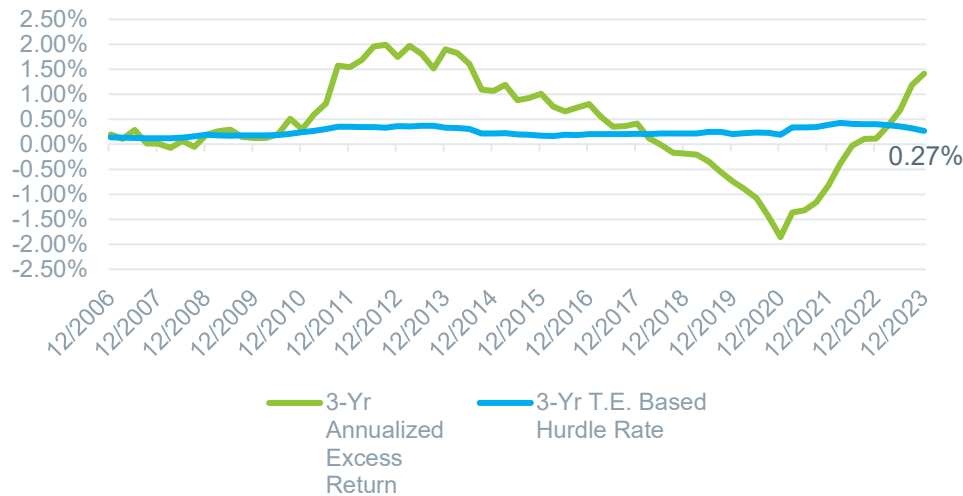


Stats vs Current Hurdle	3-Yr Rolling	5-Yr Rolling
Batting Average	41%	48%
Longest Consecutive Periods Above Hurdle (Quarters)	25	25
Longest Consecutive Dates Above Hurdle	09/30/2011 - 09/30/2017	09/30/2012 - 09/30/2018
Longest At or Below Hurdle (Quarters)	23	21
Longest Consecutive Dates Below Hurdle	12/31/2017 - 06/30/2023	12/31/2018 - 12/31/2023
Total Periods Evaluated	69	61

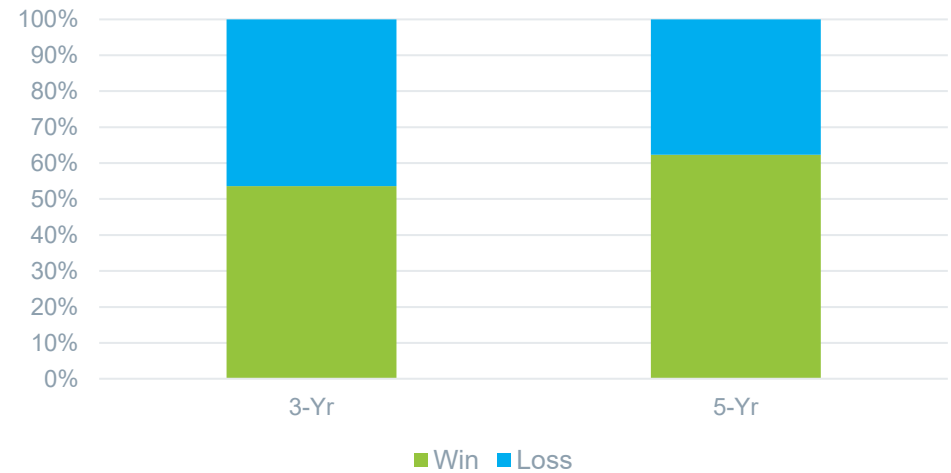
Current Hurdle: 30 bps

Internal Equity

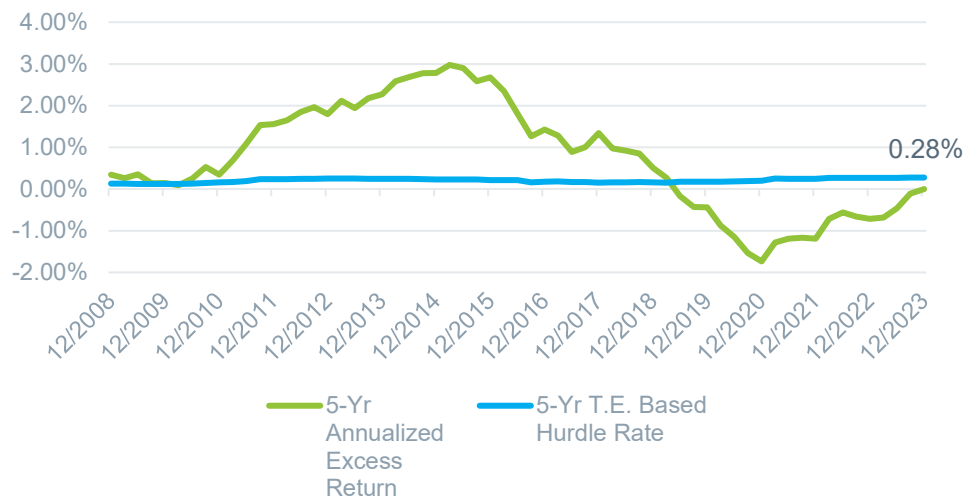
3-Yr Rolling Returns vs T.E. Hurdle



Win/Loss vs Current Hurdle



5-Yr Rolling Returns vs T.E. Hurdle

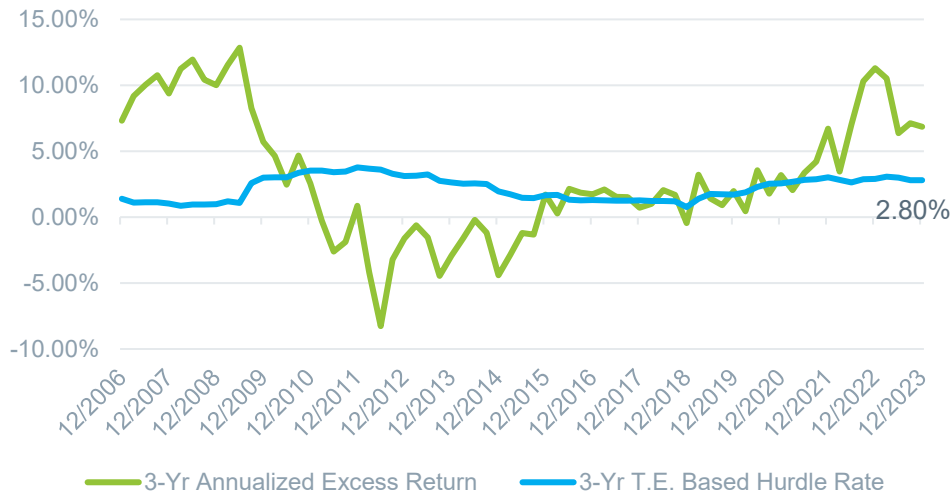


Stats vs Current Hurdle	3-Yr Rolling	5-Yr Rolling
Batting Average	54%	62%
Longest Consecutive Periods Above Hurdle (Quarters)	30	35
Longest Consecutive Dates Above Hurdle	09/30/2010 - 12/31/2017	09/30/2010 - 03/31/2019
Longest At or Below Hurdle (Quarters)	20	19
Longest Consecutive Dates Below Hurdle	03/31/2018 - 12/31/2022	06/30/2019 - 12/31/2023
Total Periods Evaluated	69	61

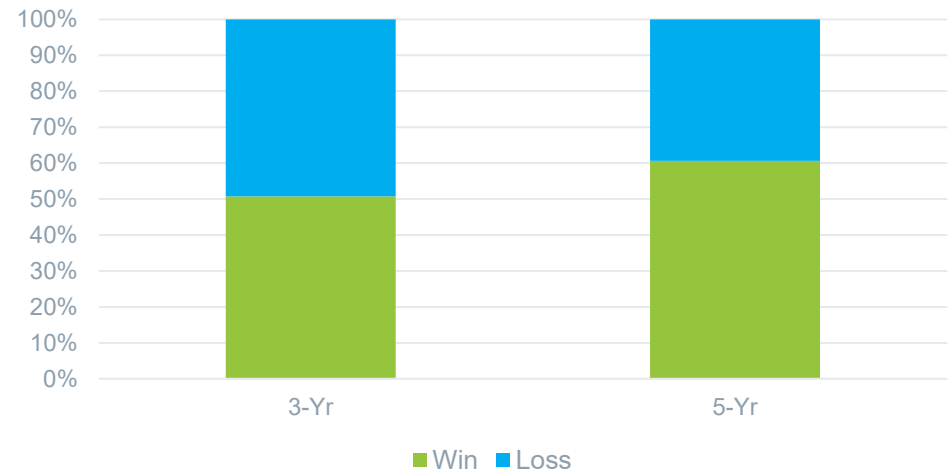
Current Hurdle: 25 bps

Private Equity

3-Yr Rolling Returns vs T.E. Hurdle



Win/Loss vs Current Hurdle



5-Yr Rolling Returns vs T.E. Hurdle



Stats vs Current Hurdle	3-Yr Rolling	5-Yr Rolling
Batting Average	51%	61%
Longest Consecutive Periods Above Hurdle (Quarters)	17	16
Longest Consecutive Dates Above Hurdle	12/31/2006 - 12/31/2010	12/31/2008 - 09/30/2012
Longest At or Below Hurdle (Quarters)	21	22
Longest Consecutive Dates Below Hurdle	03/31/2011 - 03/31/2016	12/31/2012 - 03/31/2018
Total Periods Evaluated	69	61

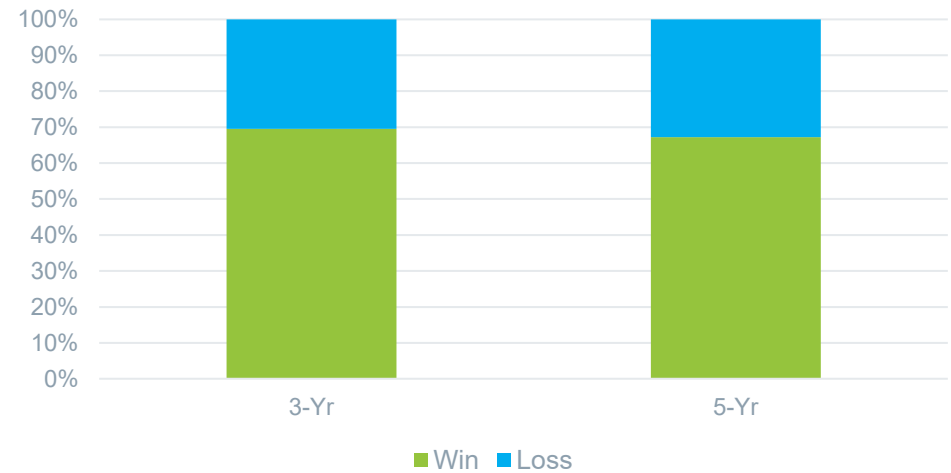
Current Hurdle: 200 bps

Real Assets

3-Yr Rolling Returns vs T.E. Hurdle



Win/Loss vs Current Hurdle



5-Yr Rolling Returns vs T.E. Hurdle



Stats vs Current Hurdle	3-Yr Rolling	5-Yr Rolling
Batting Average	70%	67%
Longest Consecutive Periods Above Hurdle (Quarters)	23	41
Longest Consecutive Dates Above Hurdle	09/30/2014 - 03/31/2020	12/31/2013 - 12/31/2023
Longest At or Below Hurdle (Quarters)	14	20
Longest Consecutive Dates Below Hurdle	09/30/2008 - 12/31/2011	12/31/2008 - 09/30/2013
Total Periods Evaluated	69	61

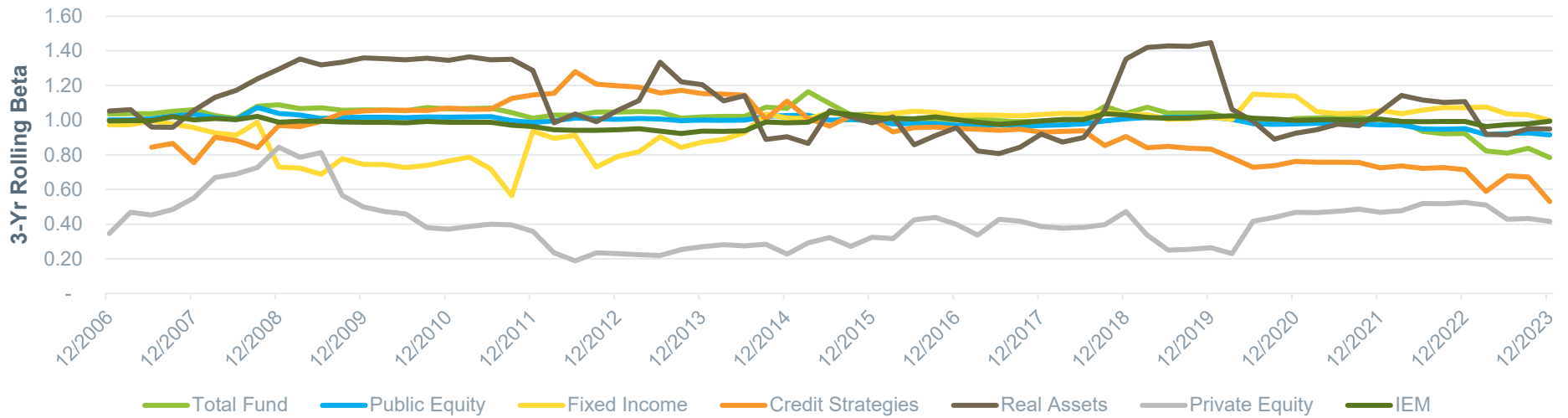
Current Hurdle: 75 bps

Virginia Retirement System **Benchmark Fit Analysis**

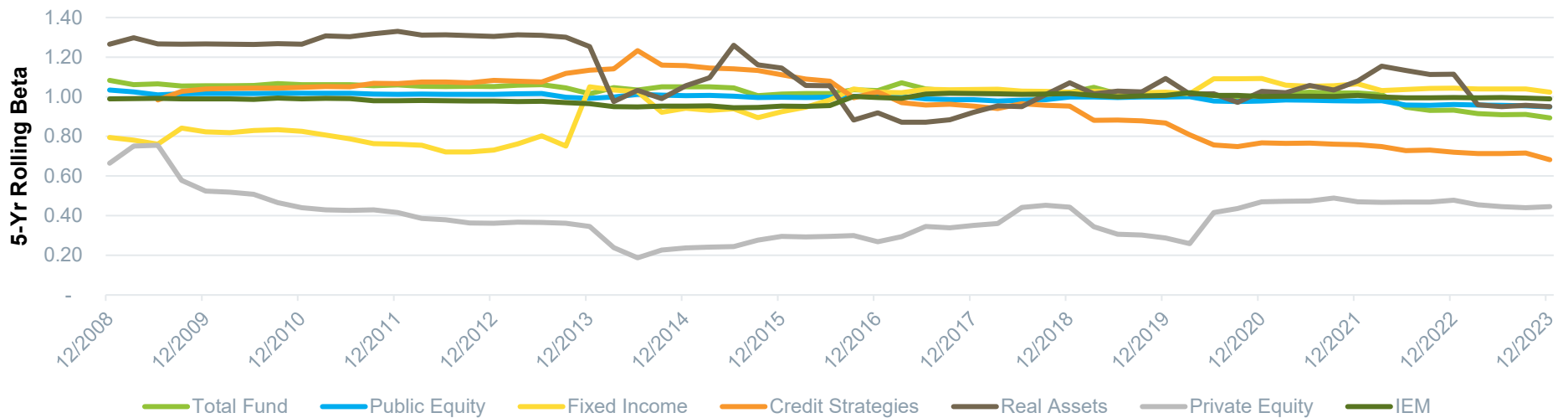


Program Beta to Respective Benchmarks

3-Yr Rolling Beta by Asset Class

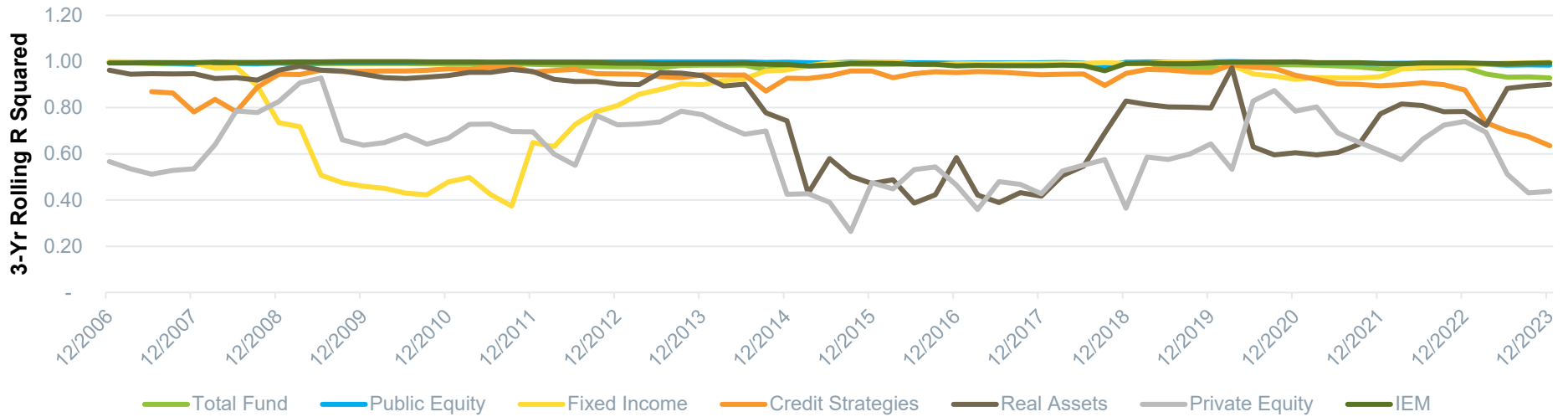


5-Yr Rolling Beta by Asset Class

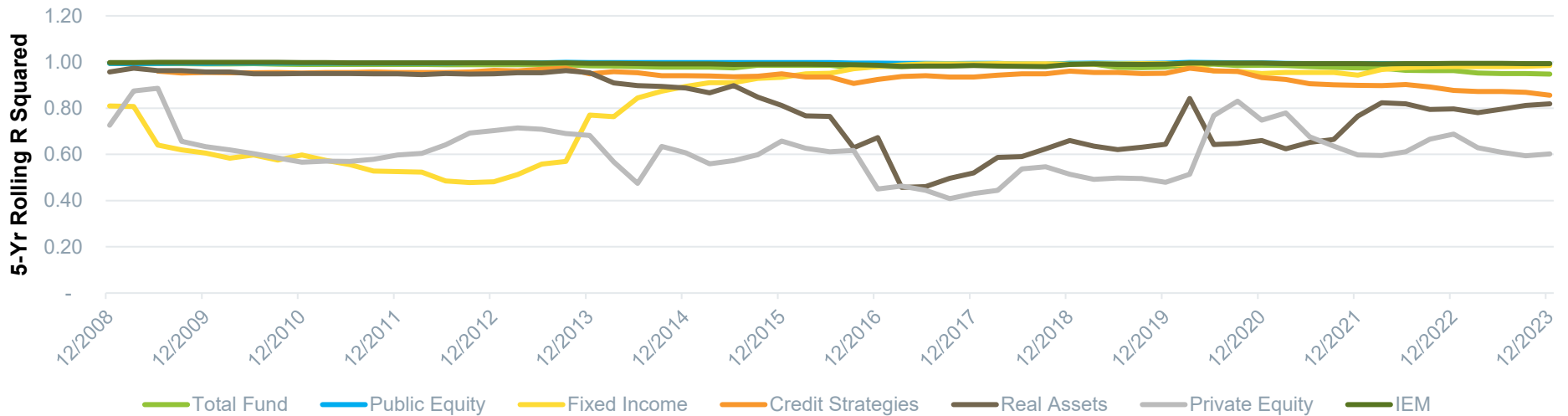


Program R Squared to Respective Benchmarks

3-Yr Rolling R Squared by Asset Class



5-Yr Rolling R Squared by Asset Class

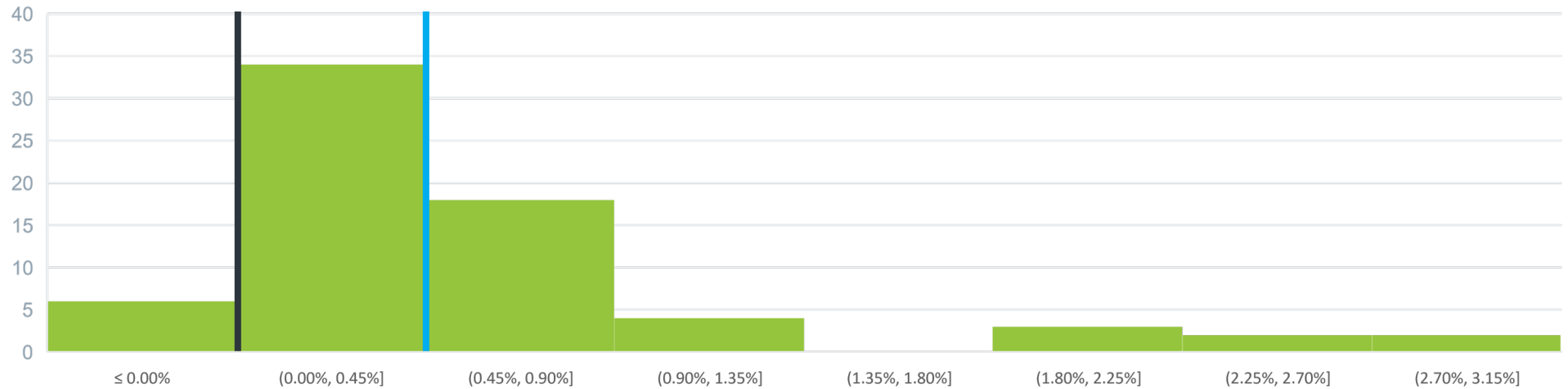


Virginia Retirement System **Appendix**

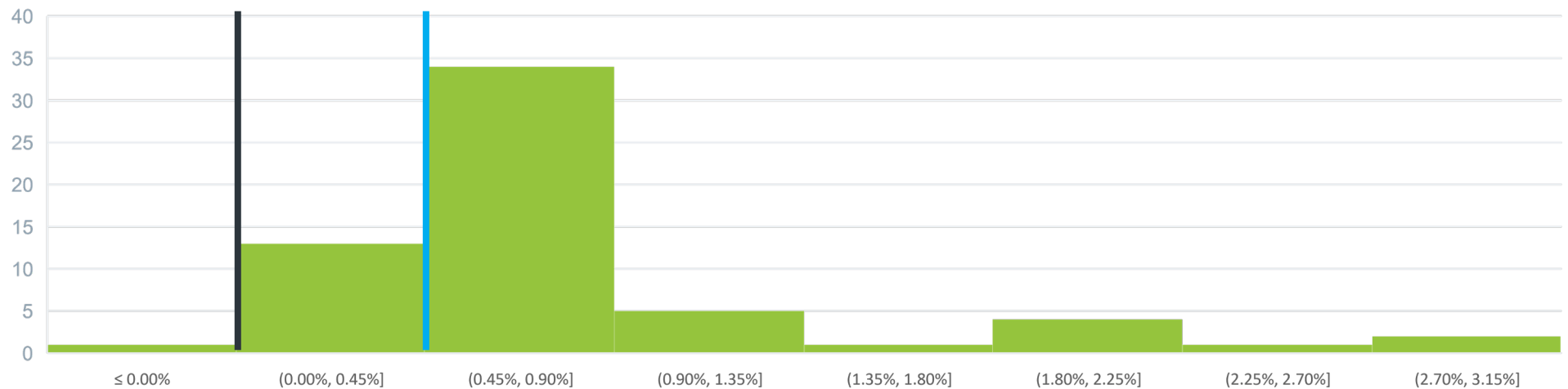


Total Fund Excess Returns Distribution – Hurdle Rate 45 bps

Total Fund Excess Returns Distribution
(Rolling 3 Years)



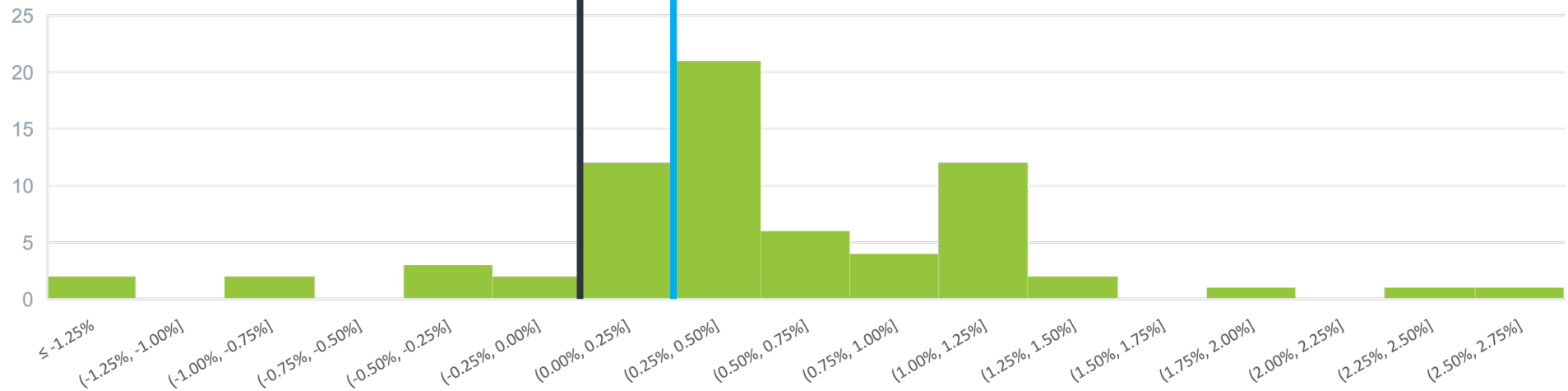
Total Fund Excess Returns Distribution
(Rolling 5 Years)



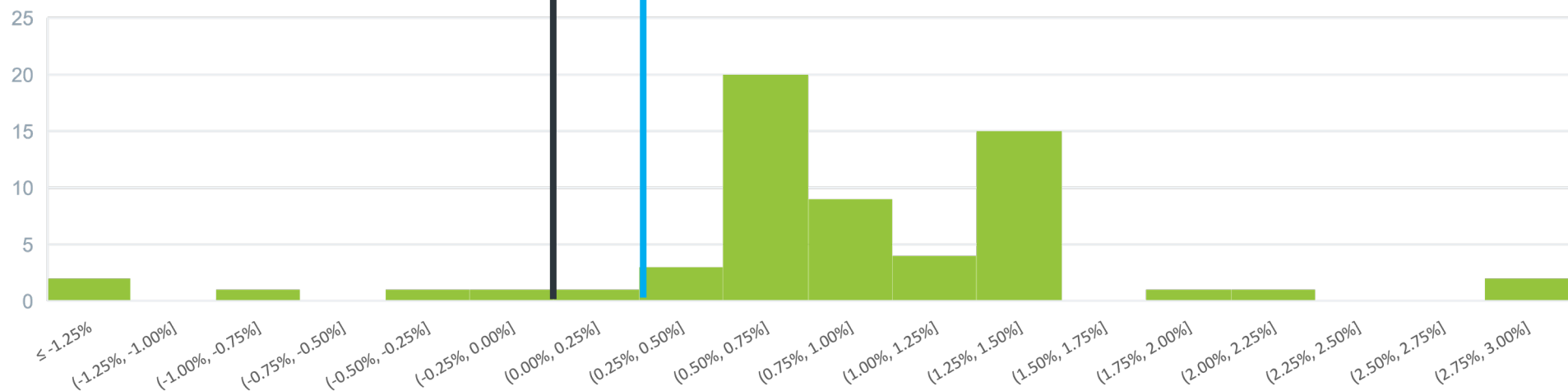
— Zero Bound — Current Hurdle

Fixed Income Excess Returns Distribution – Hurdle Rate 25 bps

Fixed Income Excess Returns Distribution
(Rolling 3 Years)



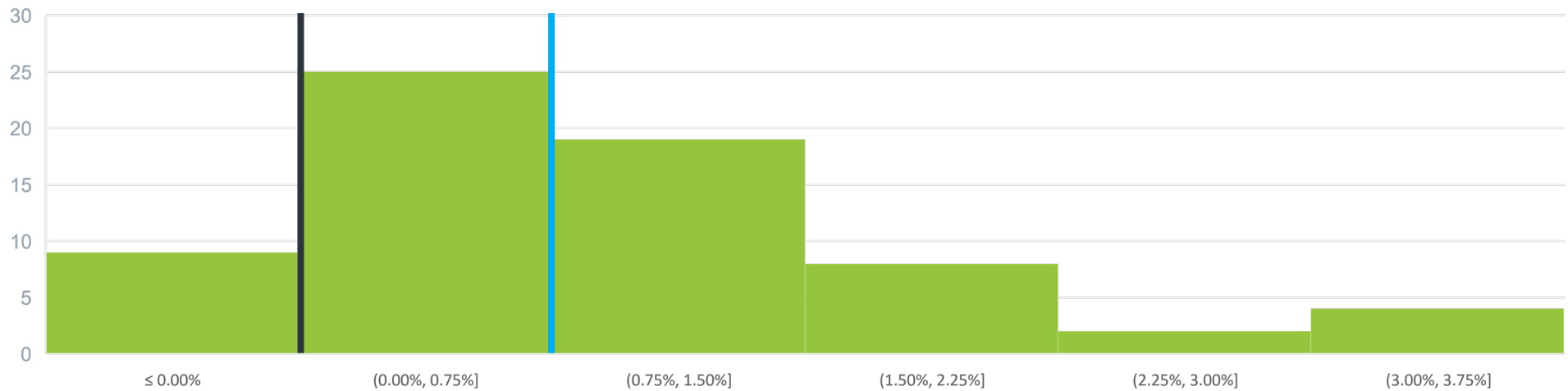
Total Fixed Income Excess Returns Distribution
(Rolling 5 Years)



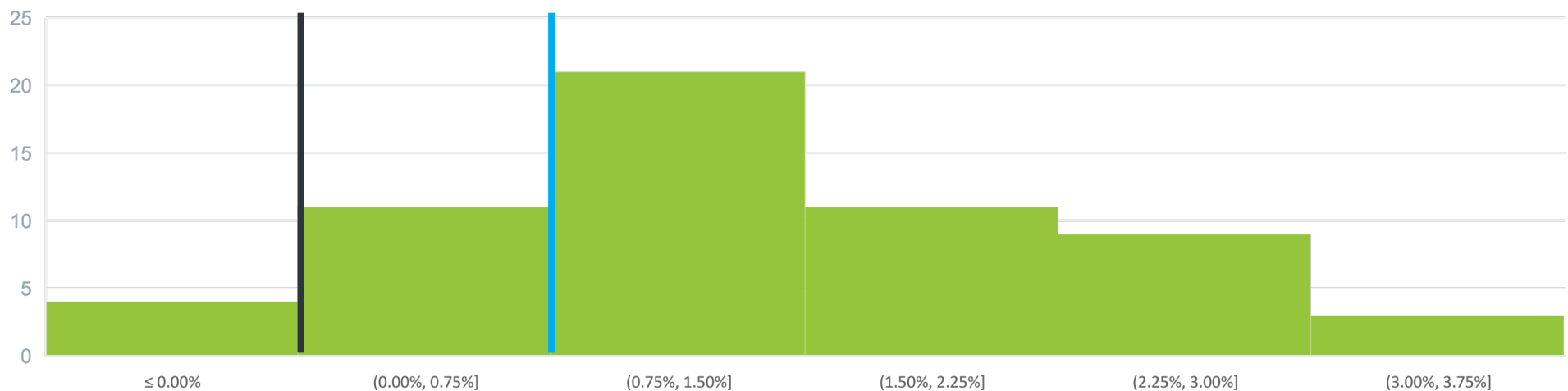
— Zero Bound — Current Hurdle

Credit Strategies Excess Returns Distribution – Hurdle Rate 75 bps

Credit Strategies Excess Returns Distribution
(Rolling 3 Years)



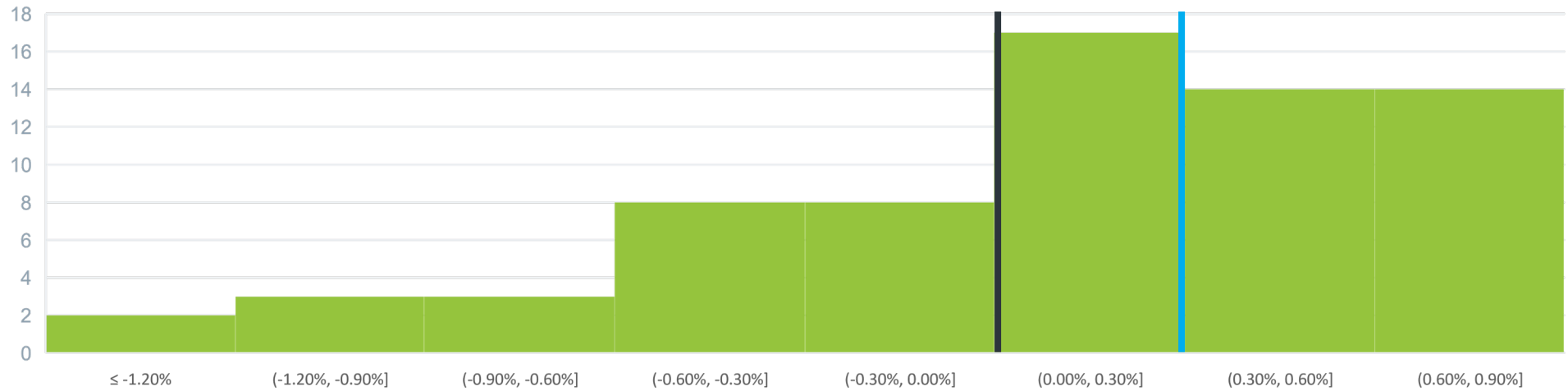
Credit Strategies Excess Returns Distribution
(Rolling 5 Years)



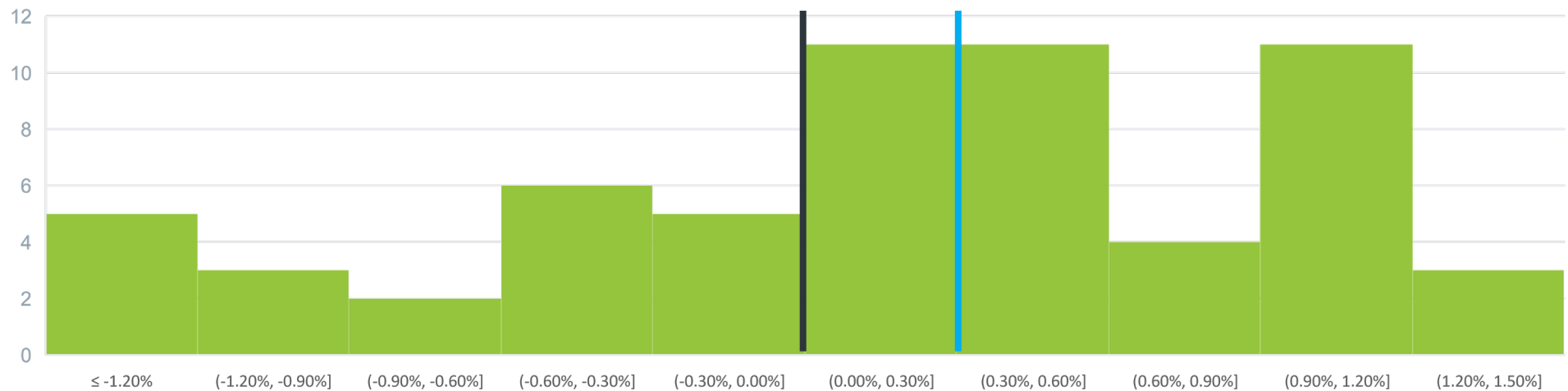
— Zero Bound — Current Hurdle

Public Equity Excess Returns Distribution – Hurdle Rate 30 bps

Public Equity Excess Returns Distribution
(Rolling 3 Years)



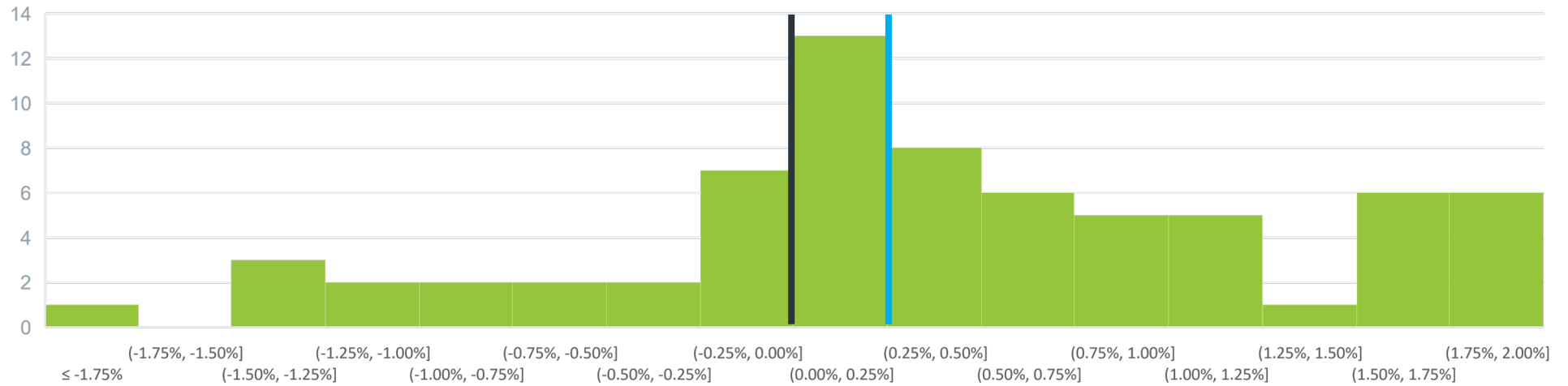
Public Equity Excess Returns Distribution
(Rolling 5 Years)



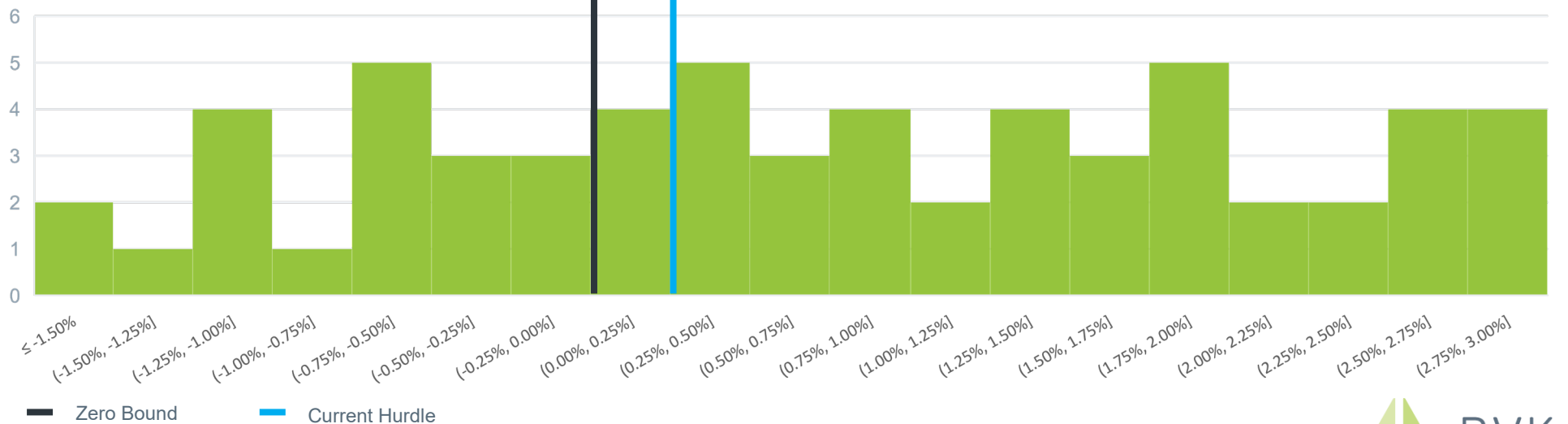
— Zero Bound — Current Hurdle

IEM Excess Returns Distribution – Hurdle Rate 25 bps

IEM Excess Returns Distribution
(Rolling 3 Years)



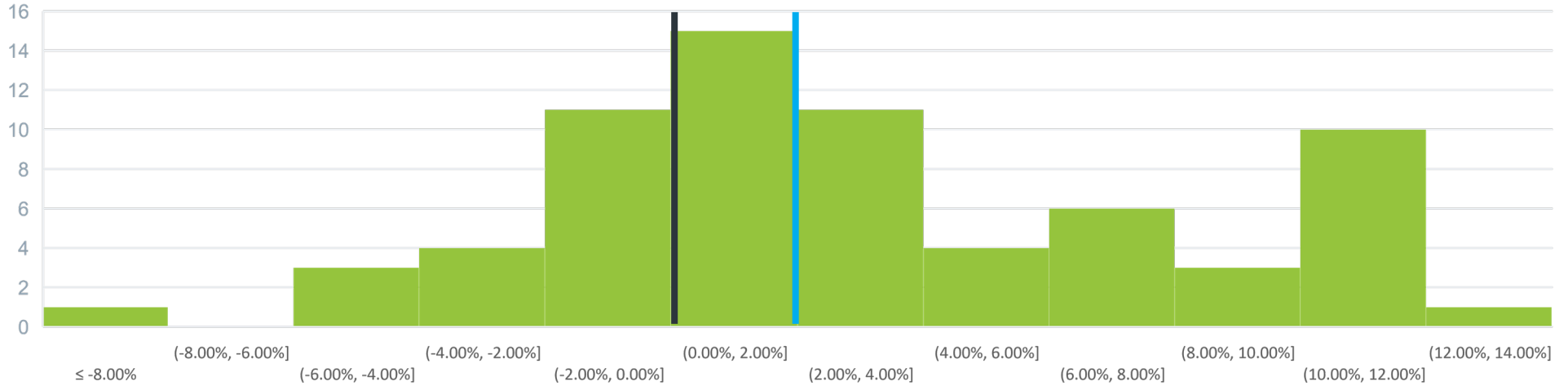
IEM Excess Returns Distribution
(Rolling 5 Years)



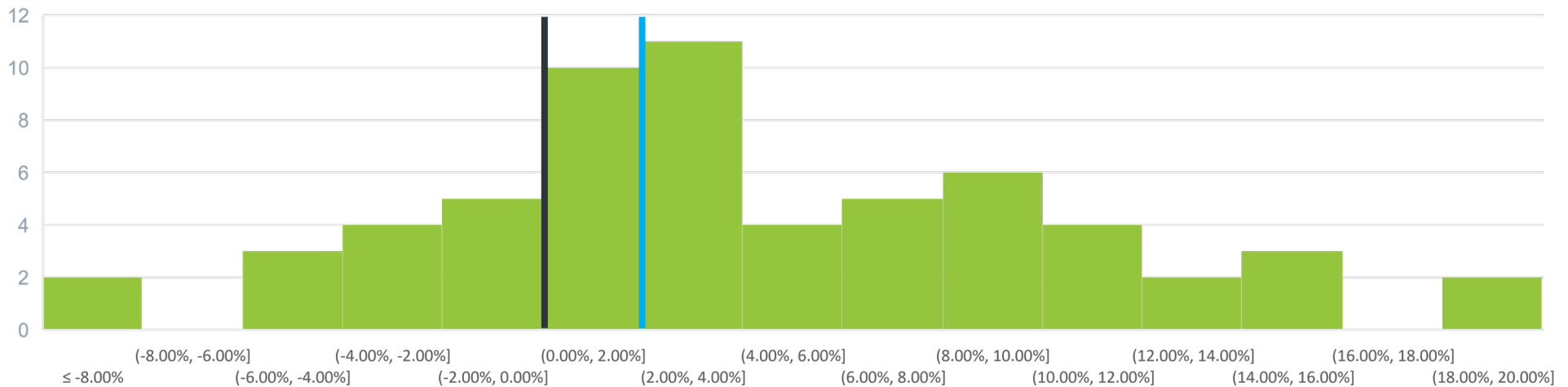
— Zero Bound — Current Hurdle

Private Equity Excess Returns Distribution – Hurdle Rate 200 bps

Private Equity Excess Returns Distribution
(Rolling 3 Years)



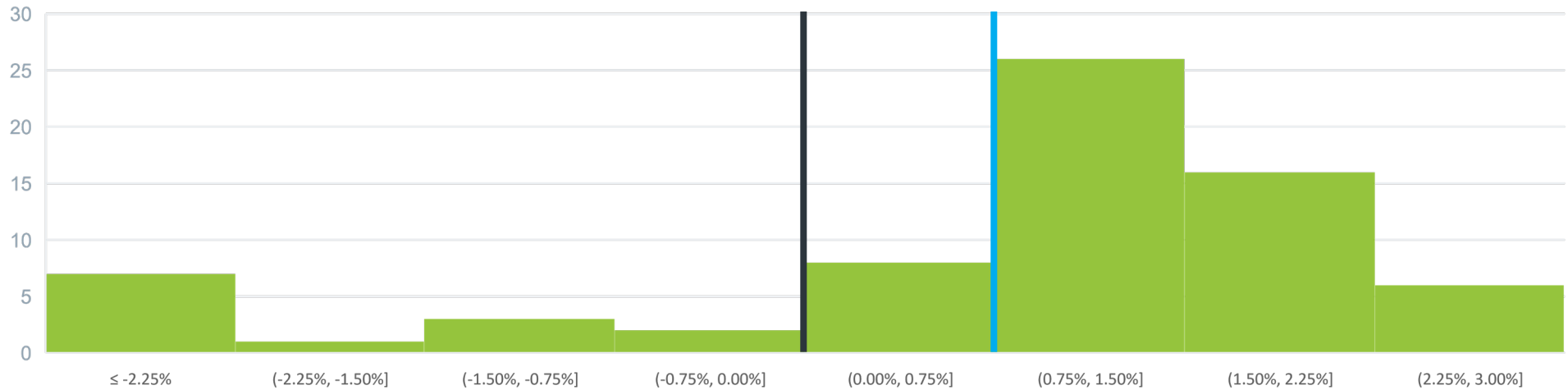
Private Equity Excess Returns Distribution
(Rolling 5 Years)



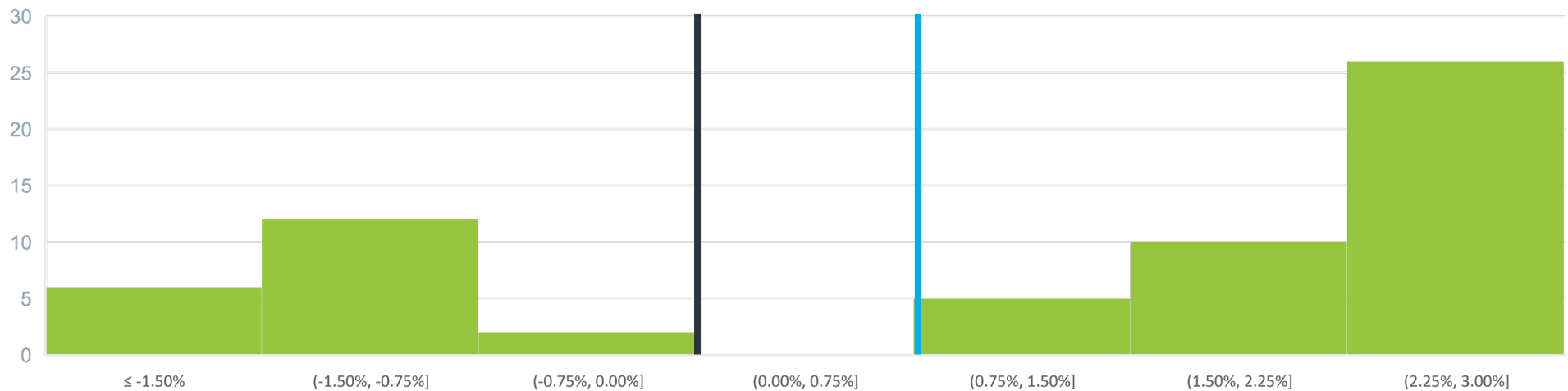
— Zero Bound — Current Hurdle

Real Assets Excess Returns Distribution – Hurdle Rate 75 bps

Real Assets Excess Returns Distribution
(Rolling 3 Years)



Real Assets Excess Returns Distribution
(Rolling 5 Years)



— Zero Bound — Current Hurdle

PORTLAND

BOISE

CHICAGO

NEW YORK

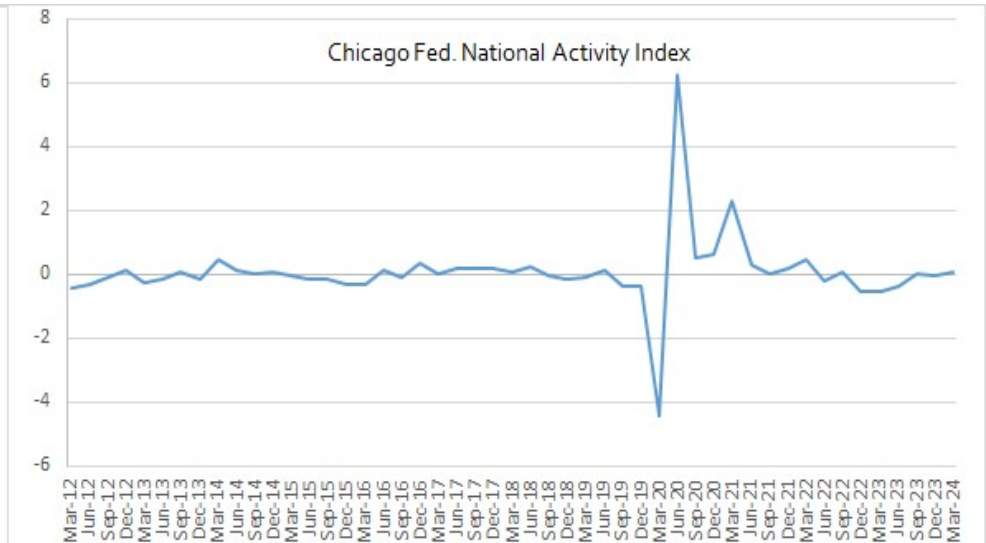
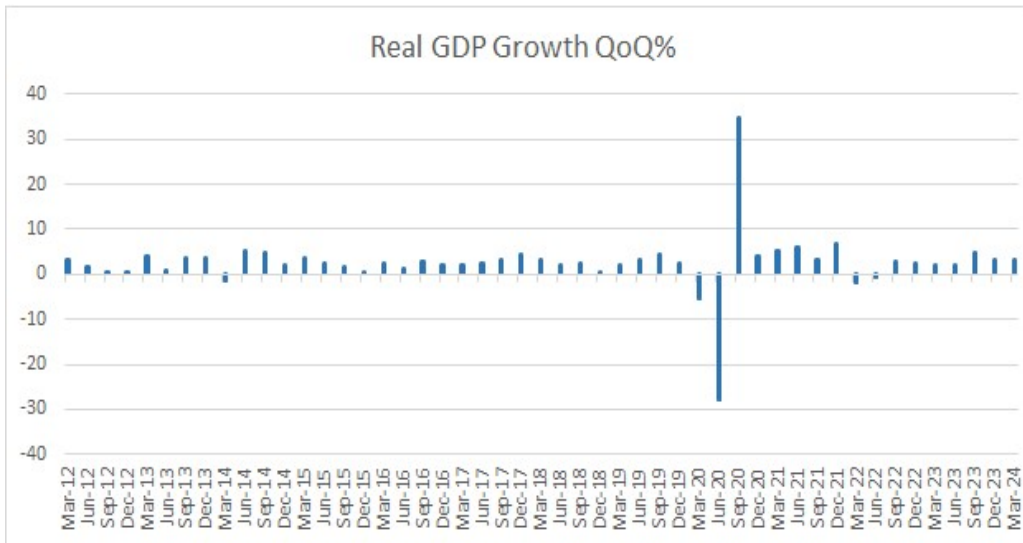
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Chief Investment Officer Report Market Review – April 2024 Andrew Junkin

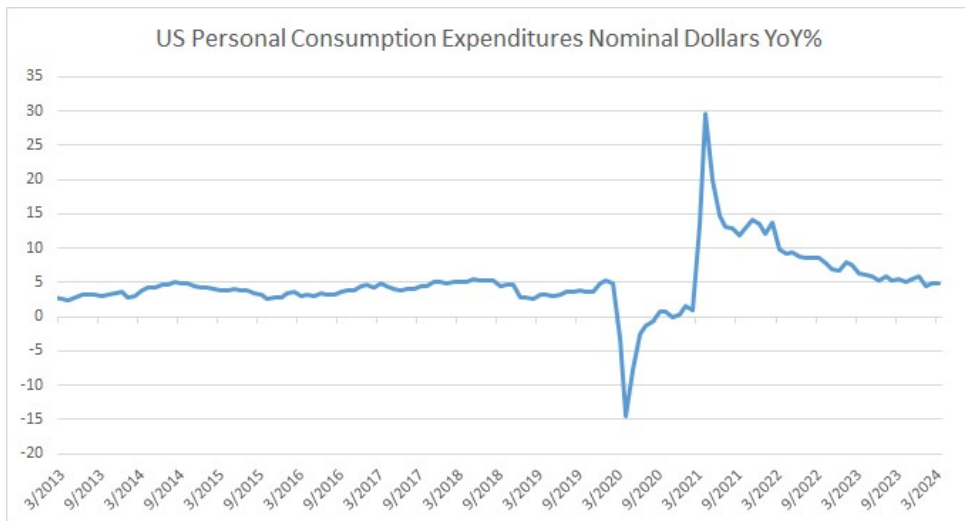
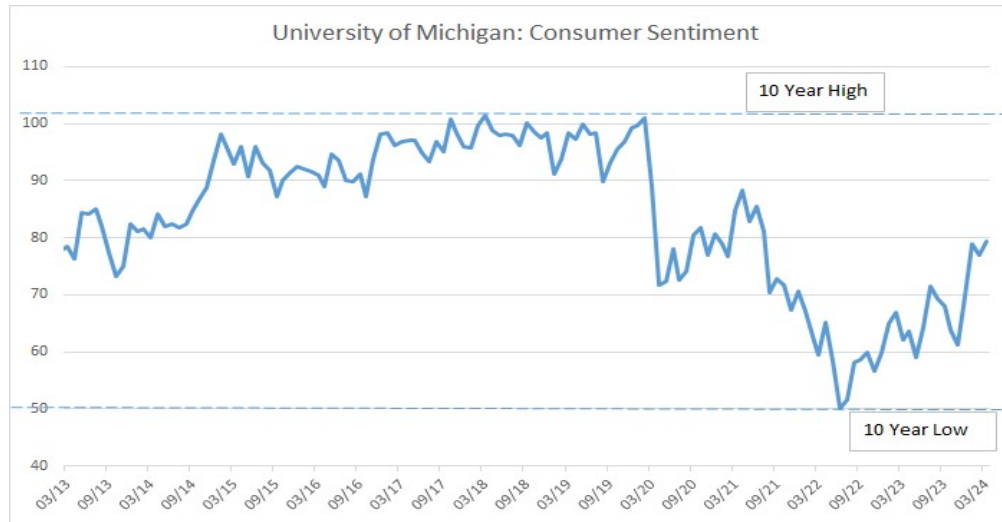


Economic Growth - Quarterly



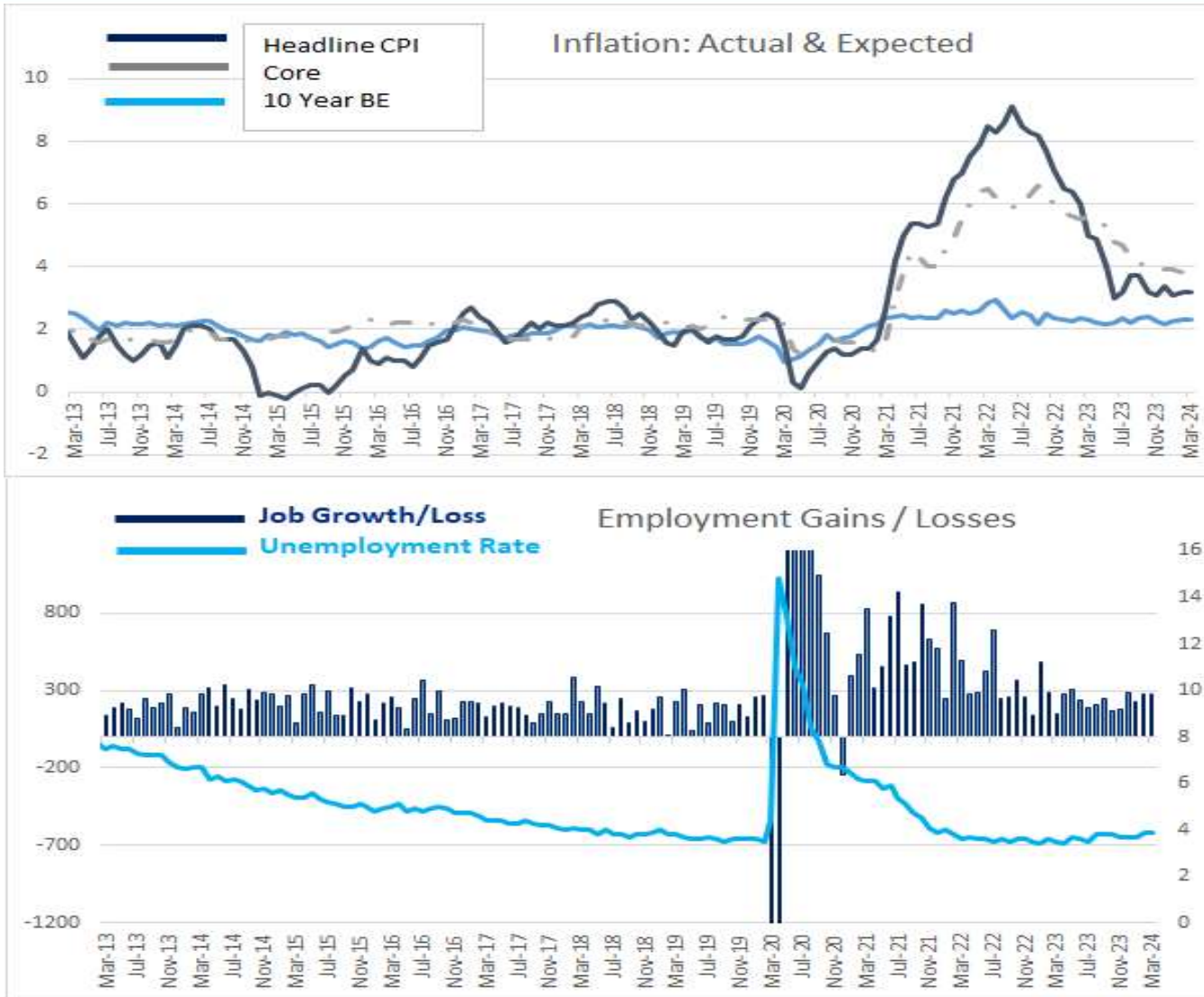
Data Source: Bloomberg

Consumer Activity



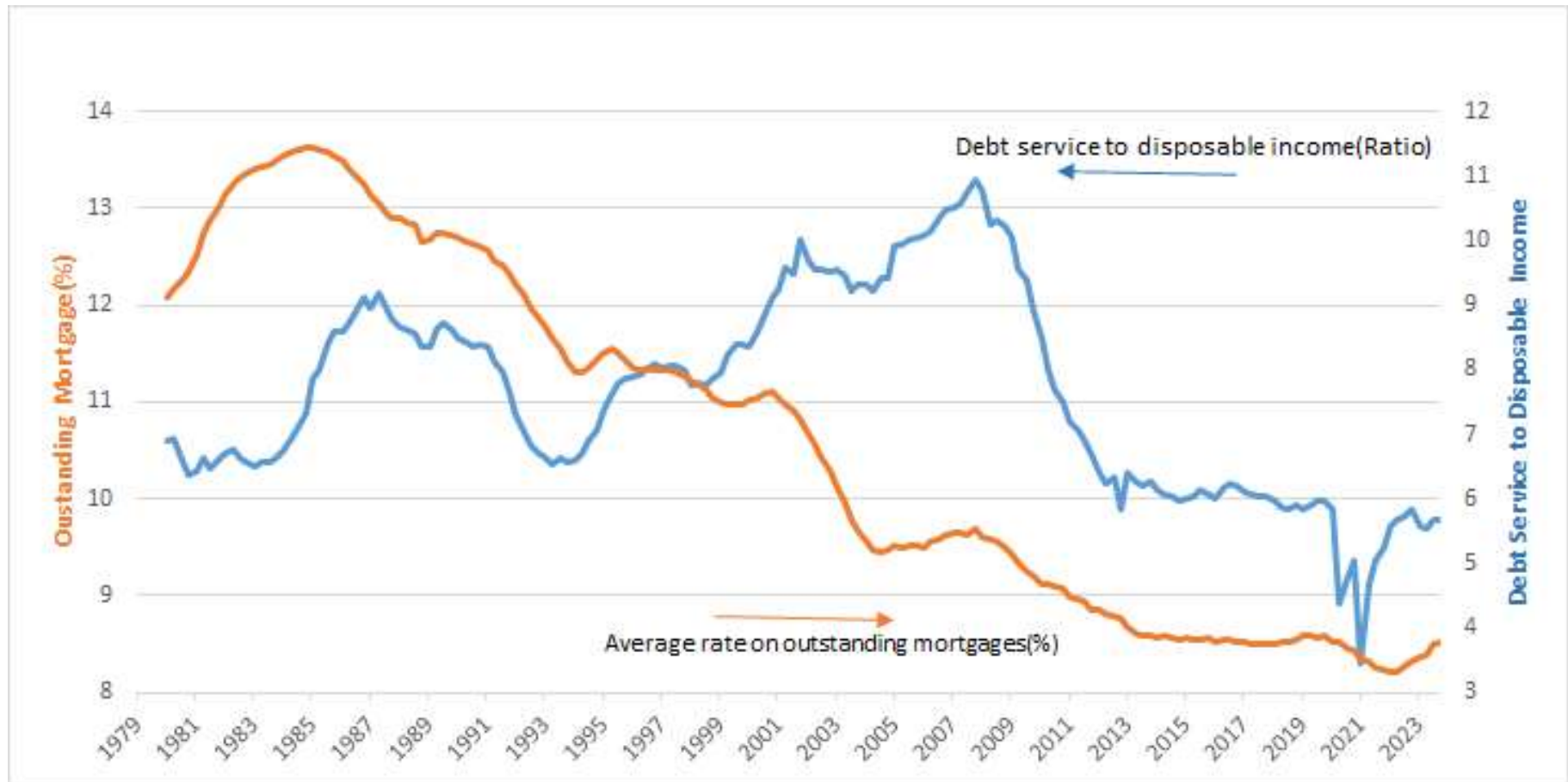
Data Source: Bloomberg

Inflation and Employment



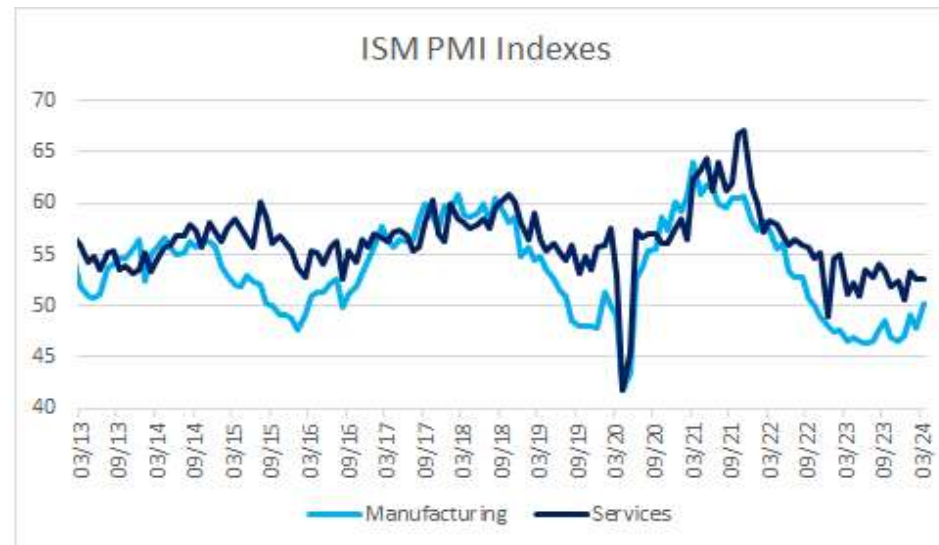
Data Source: Bloomberg

US Household Debt

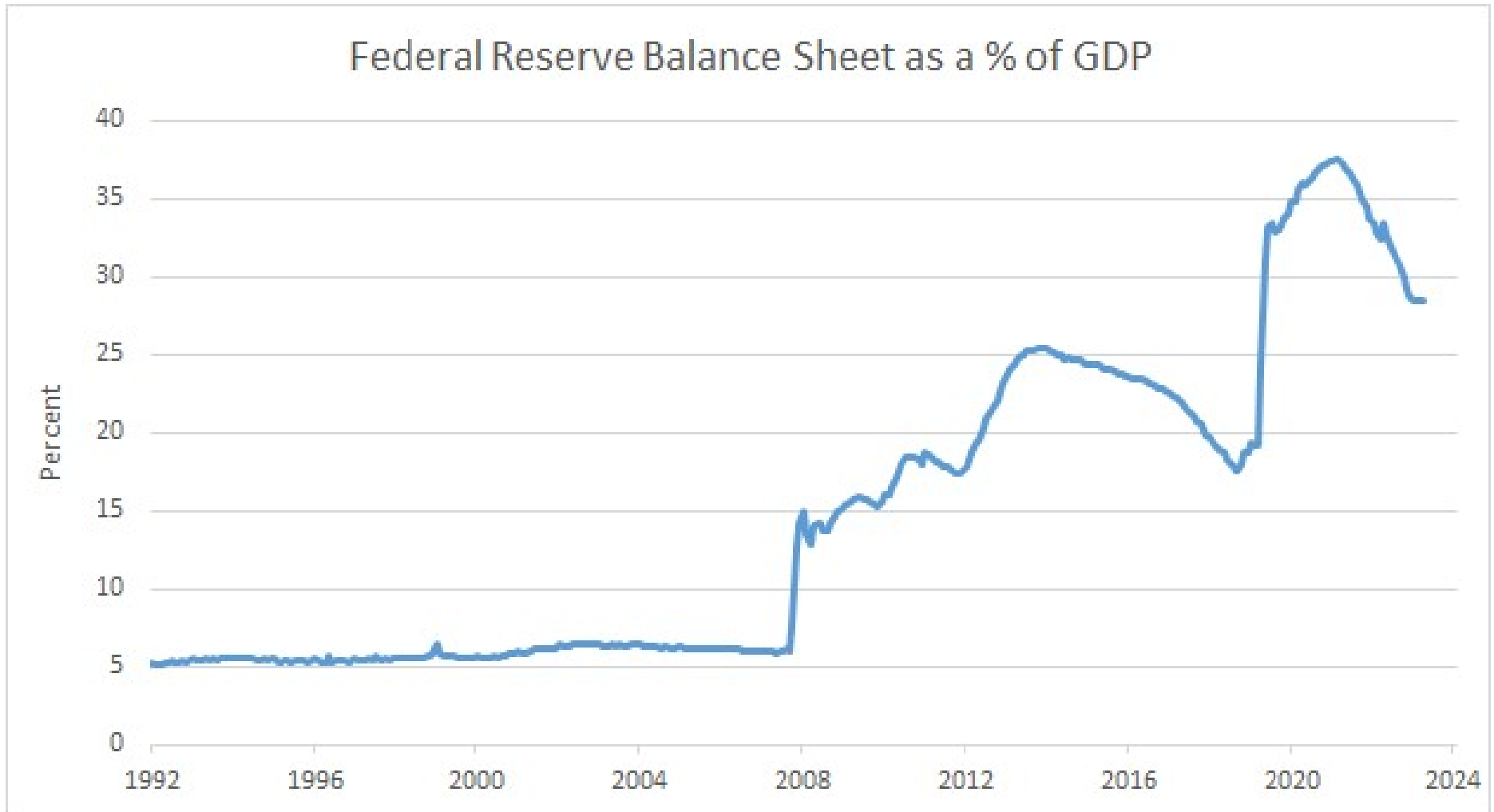


Data Source: Bloomberg, updated quarterly

Business Activity



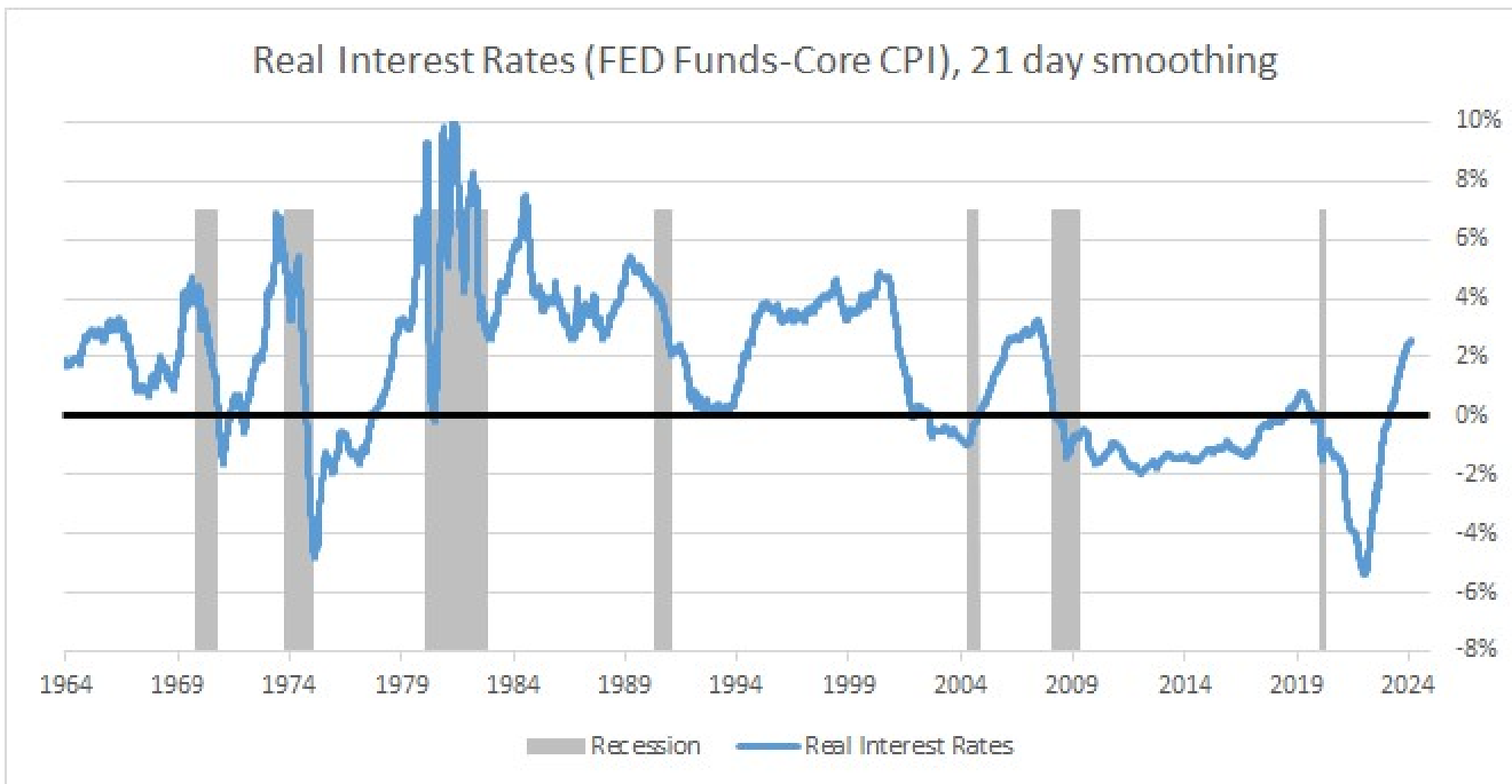
Data Source: Bloomberg



Data Source: Bloomberg

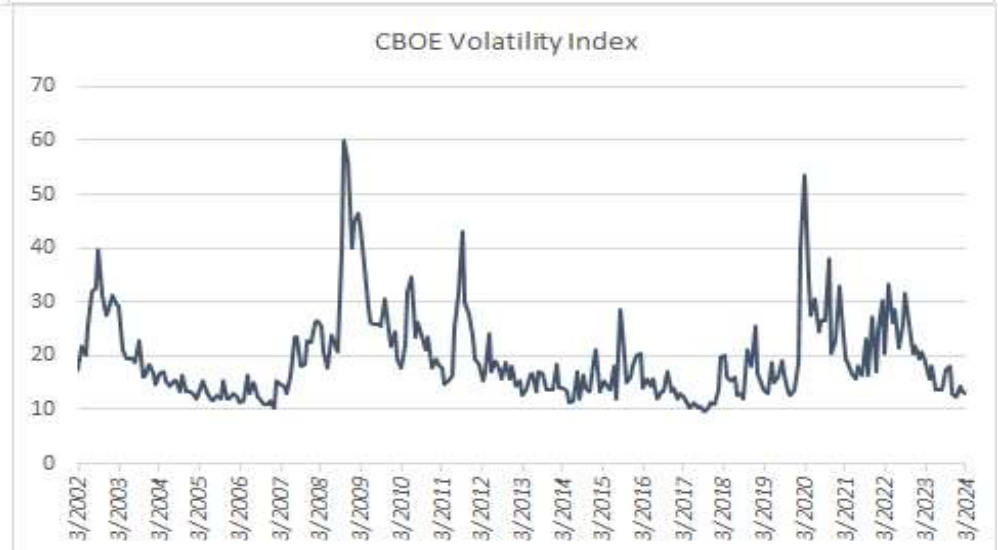
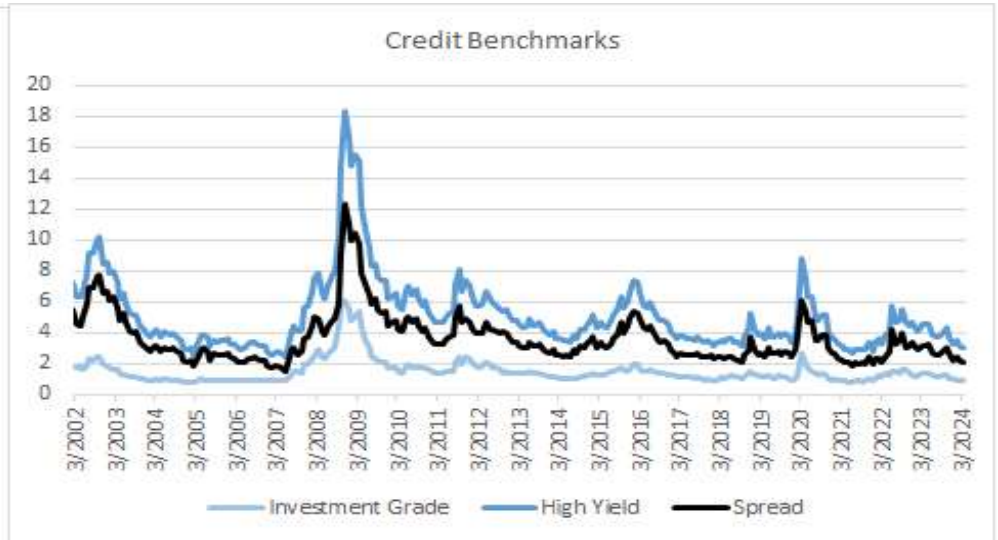
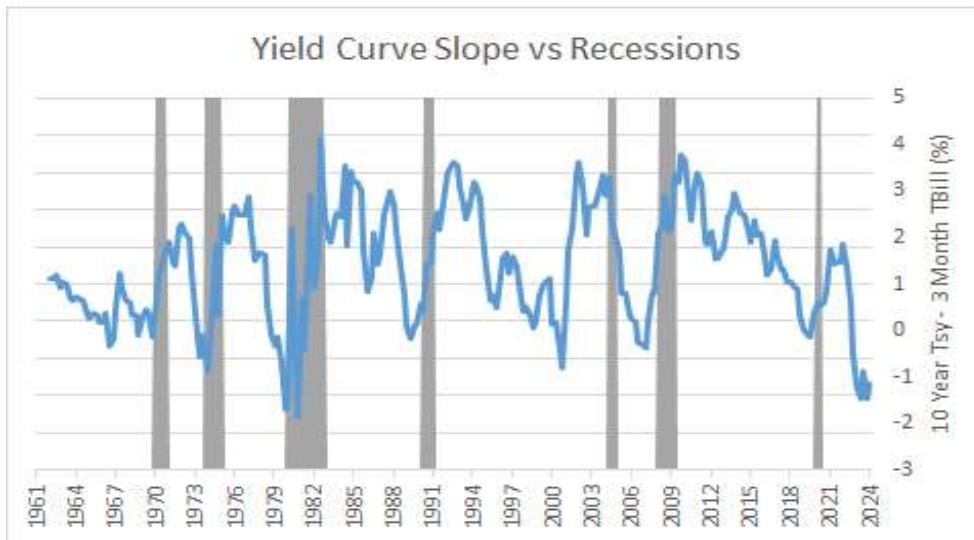
Higher Real Cost of Money

Real Interest Rates (FED Funds-Core CPI), 21 day smoothing



Data Source: Bloomberg

Risk Monitor



Data Source: Bloomberg

US Markets

3/31/2024	3 Months	YTD	1 Year	3 Year	5 Year	10 Year
Russell 1000	10.99%	10.99%	29.85%	10.44%	14.47%	12.67%
Russell 2000	5.92%	5.92%	19.66%	-0.14%	7.84%	7.55%
Russell 3000	10.71%	10.71%	29.28%	9.76%	14.05%	12.32%
Russell 1000 Value	8.59%	8.59%	20.24%	8.08%	10.03%	8.99%
Russell 1000 Growth	13.07%	13.07%	38.99%	12.50%	18.24%	15.98%
Russell 2000 Value	3.24%	3.24%	18.69%	2.17%	7.83%	6.85%
Russell 2000 Growth	8.76%	8.76%	20.31%	-2.71%	7.19%	7.87%
MSCI US Min Vol	7.54%	7.54%	16.03%	7.71%	8.59%	10.30%
FTSE RAFI US 1000 Index	9.86%	9.86%	25.57%	10.79%	13.60%	11.21%

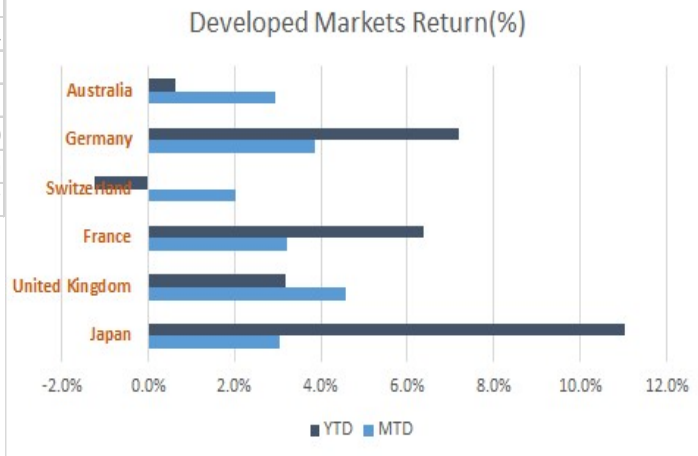


Data Source: Bloomberg

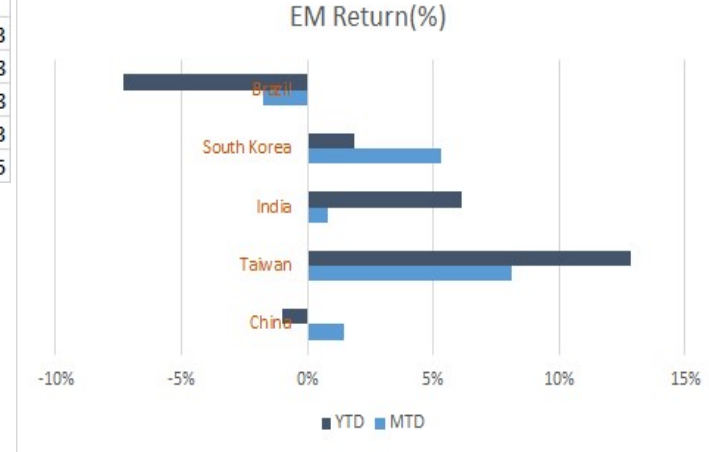
Non-U.S. Equity Markets

3/31/24	3 Months	6 Months	1 Year	3 Year	5 Year	10 Year
MSCI ACWI ex US	4.78%	16.51%	13.83%	2.48%	6.28%	4.81%
MSCI EAFE Dev	5.94%	18.81%	15.94%	5.40%	7.70%	5.40%
MSCI Emerging	2.32%	10.67%	8.50%	-4.73%	2.33%	3.32%
MSCI Frontier	5.59%	14.42%	15.84%	2.73%	0.69%	0.60%
MSCI ACWI ex US Growth	5.94%	19.13%	11.56%	-0.45%	6.40%	5.49%
MSCI ACWI ex US Value	3.57%	13.89%	16.16%	5.37%	5.83%	3.91%
MSCI ACWI ex US Small Cap	2.10%	14.06%	13.31%	0.83%	6.44%	5.14%
MSCI ACWI Min Vol	4.82%	12.52%	11.70%	4.81%	6.00%	7.84%
MSCI EAFE Min Vol	2.36%	11.22%	8.80%	2.08%	2.91%	4.72%
FTSE RAFI x-US 1000 ETF	6.33%	17.57%	17.78%	6.74%	7.87%	4.86%
MSCI EAFE US Dollar Hedged	10.49%	18.02%	22.36%	11.95%	11.39%	9.25%
MSCI EM US Dollar Hedged	4.35%	10.30%	10.71%	-2.90%	3.83%	4.61%

Country	Weight
Japan	24
United Kingdom	13
France	12
Switzerland	10
Germany	9
Australia	7



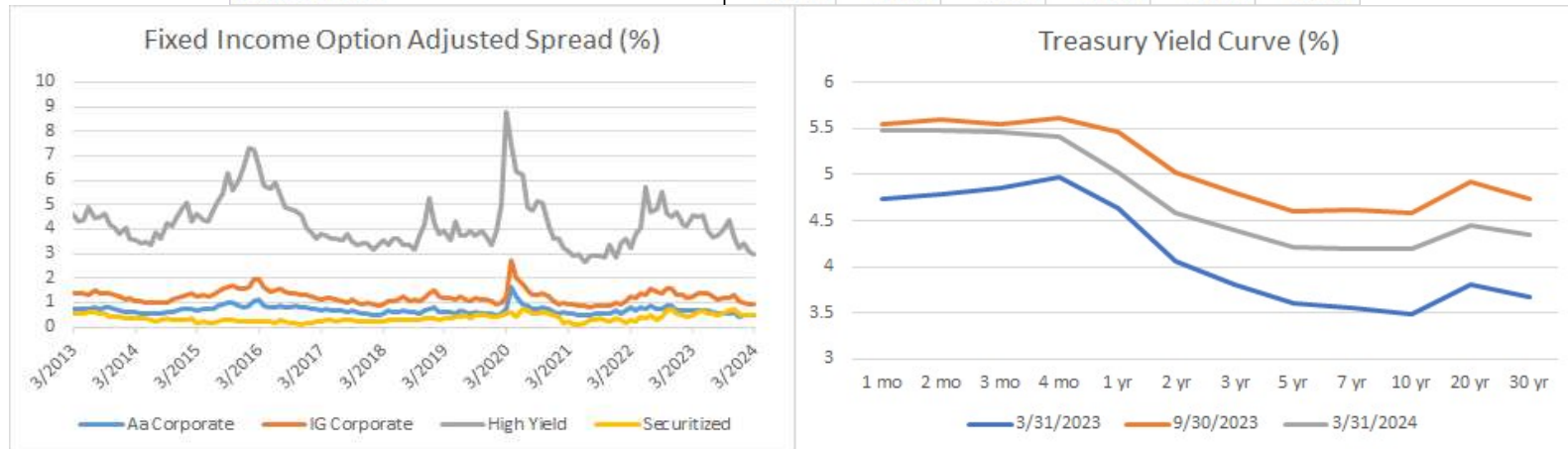
Country	Weight
China	23
Taiwan	18
India	18
South Korea	13
Brazil	5



Data Source: Bloomberg(Dev – MXEA Index, EM – MXEF Index)

U.S. Fixed Income

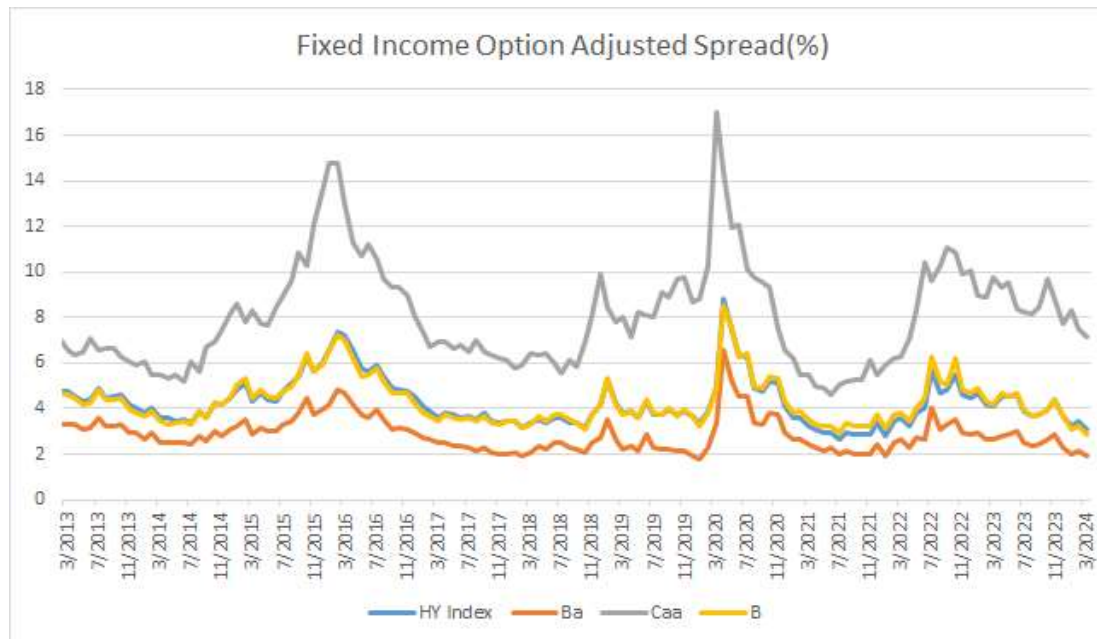
3/31/2024	3 Months	6 Months	1 Year	3 Year	5 Year	10 Year
Bloomberg US Agg	-0.27%	6.72%	1.70%	-2.46%	0.44%	1.54%
Bloomberg US Tsy Unhedged	-0.56%	5.24%	0.05%	-2.73%	0.00%	1.03%
Bloomberg US Gov Related Unhedged	0.07%	5.57%	2.49%	-1.60%	0.79%	1.74%
Bloomberg US Securitized	-0.35%	7.23%	1.61%	-2.71%	-0.20%	1.18%
Bloomberg US Corporate	0.25%	8.88%	4.43%	-1.87%	1.61%	2.61%
Bloomberg US Credit	-1.42%	12.11%	-1.15%	-6.04%	-0.43%	2.32%
Bloomberg US Long Tsy Unhedged	-2.40%	10.72%	-6.08%	-8.04%	-2.54%	1.25%
Bloomberg US Agg Long Tsy Unhedged	-0.35%	10.98%	2.12%	-4.06%	0.08%	2.74%
Bloomberg US Long Corporate Unhedged	-0.57%	13.65%	3.43%	-4.29%	1.10%	3.11%
Bloomberg US Inflation Unhedged	0.19%	5.29%	0.45%	-0.53%	2.55%	2.21%
Bloomberg US Corporate High Yield Unhedged	1.91%	9.30%	11.15%	2.19%	4.17%	4.44%
LSTA US Leveraged	2.46%	5.40%	12.47%	5.99%	5.48%	4.55%
3 - Month T Bill	1.29%	2.68%	5.24%	2.58%	2.02%	1.38%



Data Source: Bloomberg

High Yield Bond Market

3/31/2024	3 Months	6 Months	1 Year	3 Year	5 Year	10 Year
Bloomberg US Corporate HY	1.91%	9.30%	11.15%	2.19%	4.17%	4.44%
LSTA Leveraged Loan Index	0.52%	1.22%	3.59%	-0.28%	0.07%	-0.20%
Bloomberg Ba US HY	1.57%	9.13%	9.11%	1.79%	4.53%	4.82%
Bloomberg B US HY	1.78%	9.00%	11.46%	2.36%	3.94%	4.08%
Bloomberg Caa US HY	2.61%	9.77%	16.63%	2.42%	3.01%	3.88%
Bloomberg Ca to D US HY	13.94%	19.80%	36.71%	5.05%	2.97%	-2.67%

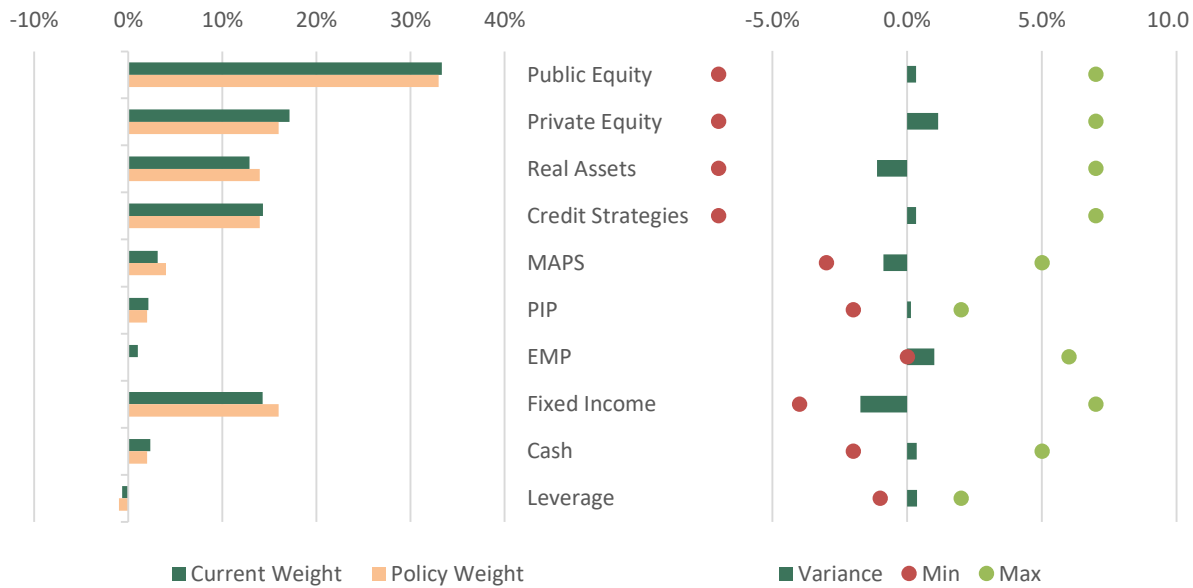


Data Source: Bloomberg

Asset Allocation Report

February 29, 2024

For Internal Investment Purposes Only



	<u>Current \$Bil</u>	<u>Current Weight</u>	<u>Policy Weight</u>	<u>Variance</u>	<u>Allowable Range</u>		<u>Internal %</u>
Total Fund (Gross Market Value)	111.5	100.6%	101.0%	-0.4%			
Leverage	-0.7	-0.6%	-1.0%	0.4%	-3%	0%	
Total Fund (Net Market Value)	110.8	100.0%	100.0%	0.0%			31.3%

Public Equity	36.9	33.3%	33.0%	0.3%	26%	40%	52.4%
Private Equity	19.0	17.2%	16.0%	1.2%	9%	23%	
Real Assets	14.3	12.9%	14.0%	-1.1%	7%	21%	
Credit Strategies	15.9	14.3%	14.0%	0.3%	7%	21%	
Multi Asset Public Strategies (MAPS)	3.5	3.1%	4.0%	-0.9%	1%	9%	
Private Investment Partnership (PIP)	2.4	2.1%	2.0%	0.1%	0%	4%	
Exposure Management Portfolio (EMP)	1.1	1.0%	0.0%	1.0%	0%	6%	
Fixed Income	15.8	14.3%	16.0%	-1.7%	12%	23%	95.2%
Cash	2.6	2.4%	2.0%	0.4%	0%	7%	

<u>High-Level Exposure</u>	<u>Current \$Bil</u>	<u>Current Weight</u>	<u>Policy Weight</u>	<u>Variance</u>	<u>Allowable Range</u>	
Total Equity	55.9	50.5%	49.0%	1.5%	39%	59%
Fixed Income + Cash	18.4	16.6%	18.0%	-1.4%	12%	27%

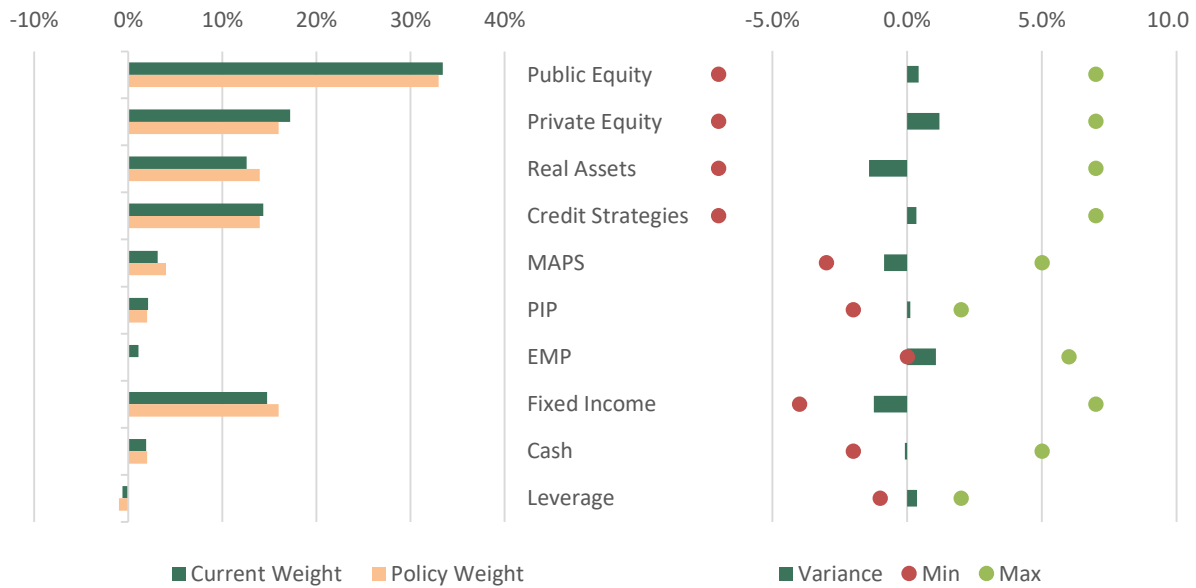
- Total Fund includes the following amt held by the Treasurer of VA: \$ 450 million
- The values shown for each asset class on this report may reflect adjustments related to derivative positions in the Rebalance Account, pending transactions and certain accruals, in order to provide a more descriptive representation of the true economic exposure to each asset class (1 adjustments applied)
- Total Fund and Total Public annualized tracking error is calculated using compounded quarterly returns as of 12/31/2023
- Differences in totals are due to rounding.

<u>Tracking Error</u>	
3Yr-Total Fund:	2.60%
3Yr-Total Public:	1.84%
5Yr-Total Fund:	2.29%
5Yr-Total Public:	1.60%

Daily Asset Allocation Report

April 09, 2024

For Internal Investment Purposes Only



	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range	Internal %
Total Fund (Gross Market Value)	112.8	100.6%	101.0%	-0.4%		
Leverage	-0.7	-0.6%	-1.0%	0.4%	-3% 0%	
Total Fund (Net Market Value)	112.1	100.0%	100.0%	0.0%		31.3%

Public Equity	37.5	33.4%	33.0%	0.4%	26%	40%	52.8%
Private Equity	19.3	17.2%	16.0%	1.2%	9%	23%	
Real Assets	14.1	12.6%	14.0%	-1.4%	7%	21%	
Credit Strategies	16.1	14.3%	14.0%	0.3%	7%	21%	
Multi Asset Public Strategies (MAPS)	3.5	3.1%	4.0%	-0.9%	1%	9%	
Private Investment Partnership (PIP)	2.4	2.1%	2.0%	0.1%	0%	4%	
Exposure Management Portfolio (EMP)	1.2	1.1%	0.0%	1.1%	0%	6%	
Fixed Income	16.6	14.8%	16.0%	-1.2%	12%	23%	95.3%
Cash	2.2	1.9%	2.0%	-0.1%	0%	7%	

High-Level Exposure	Current \$Bil	Current Weight	Policy Weight	Variance	Allowable Range
Total Equity	56.7	50.6%	49.0%	1.6%	39% 59%
Fixed Income + Cash	18.7	16.7%	18.0%	-1.3%	12% 27%

- Total Fund includes the following amt held by the Treasurer of VA: \$ 116 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 (2 adjustments applied)
- Total Fund and Total Public annualized tracking error is calculated using compounded quarterly returns as of 12/31/2023
- Differences in totals are due to rounding.

Tracking Error	
3Yr-Total Fund:	2.60%
3Yr-Total Public:	1.84%
5Yr-Total Fund:	2.29%
5Yr-Total Public:	1.60%

PERFORMANCE SUMMARY
Rolling Periods Ending
February 29, 2024



TOTAL FUND PERFORMANCE
(Net of Fees)

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
Total Public Equity	8.5	10.2	7.4	22.0	11.2	4.2	14.0	5.6	36,921
<i>Benchmark</i>	8.5	10.3	6.5	21.9	9.8	3.7	12.2	4.3	
Total Private Equity	15.2	15.9	16.8	6.3	-0.7	0.0	1.8	-0.2	19,006
<i>Benchmark</i>	10.4	10.6	6.1	12.0	1.6	9.5	8.7	6.1	
Total Real Assets	9.2	7.3	9.2	-2.6	0.0	0.0	-0.9	-0.2	14,273
<i>Benchmark</i>	6.7	4.6	5.2	-6.5	-2.3	-1.1	-4.0	-2.1	
Total Credit Strategies	6.0	7.2	6.6	11.0	3.1	0.4	7.0	0.7	15,879
<i>Benchmark</i>	4.9	5.2	3.9	11.1	3.4	0.5	8.0	0.9	
Total Multi-Asset Public Strategies	n/a	5.6	4.8	9.2	5.2	2.3	7.0	3.0	3,466
<i>Benchmark</i>	n/a	6.0	3.2	10.7	3.7	0.6	6.3	1.3	
Total Private Investment Partnerships	n/a	8.9	12.8	7.0	2.0	0.0	3.7	0.0	2,371
<i>Benchmark</i>	n/a	7.4	5.8	4.9	0.9	2.9	3.9	1.5	
Total Fixed Income	2.3	1.8	-2.3	4.3	2.5	-1.2	2.4	-1.4	15,813
<i>Benchmark</i>	1.5	0.7	-2.9	4.0	2.3	-1.2	2.2	-1.5	
Total Fund	7.8	8.8	7.5	10.2	4.4	1.2	6.4	1.7	110,767
<i>VRS Custom Benchmark</i>	6.7	7.2	4.5	11.2	4.2	2.5	6.9	2.1	

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.

Leverage Cost Measurement Information

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

	10 Yr	5 Yr	3 Yr	1 Yr	Qtr	Month	Fiscal YTD	Cal YTD	Market Value (\$MM)
Leverage	n/a	n/a	n/a	n/a	n/a	0.5	n/a	n/a	(704)
<i>Benchmark</i>	n/a	n/a	n/a	n/a	n/a	0.5	n/a	1.0	

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

Total Fund Tracking Error

Figure 1: Policy Tracking Error Rolling Three Year - Plan (as of 12/31/2023)

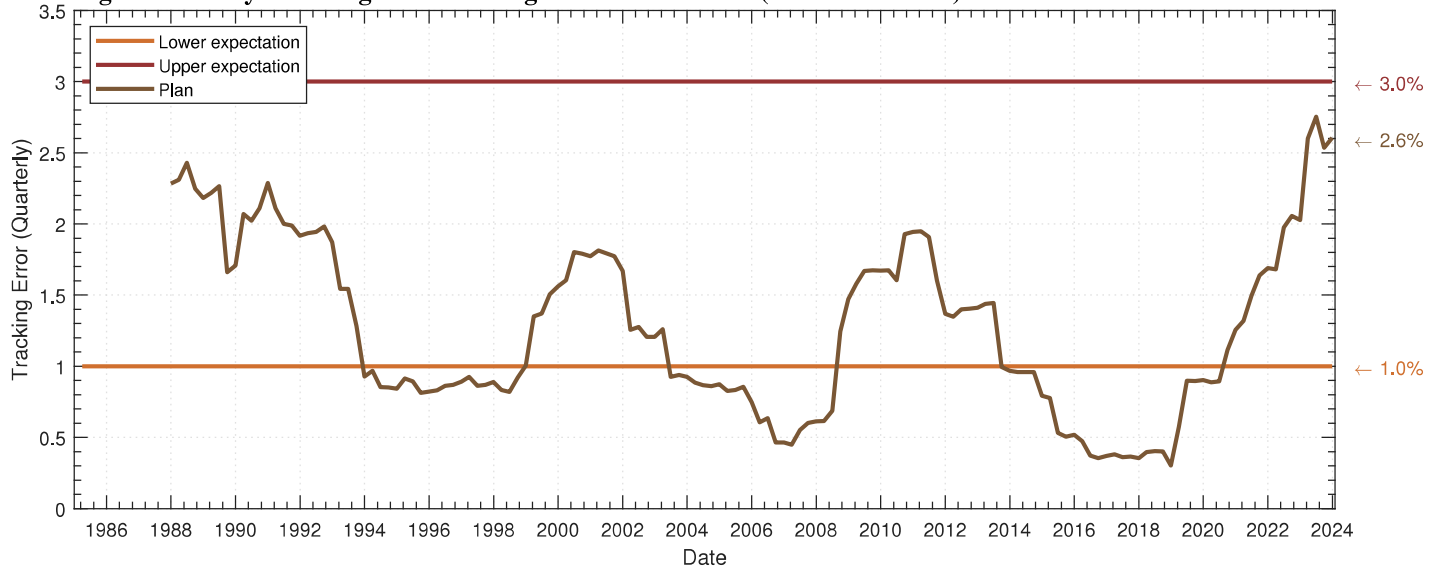
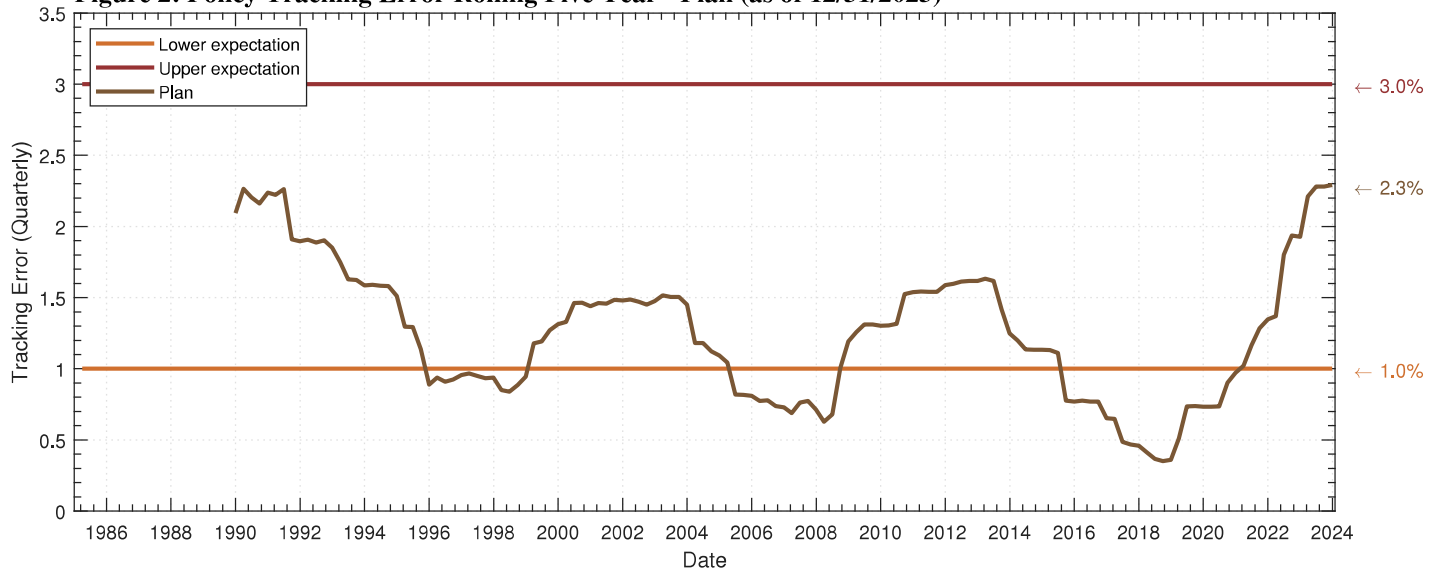


Figure 2: Policy Tracking Error Rolling Five Year - Plan (as of 12/31/2023)



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.

VRS Investment Department
 Recap of New Investments/Terminations
 Time Period: 02/08/2024 – 04/18/2024



Program	Action	Effective Date	Commitment/ Current Value	Funding/ Defunding Period	Description
Real Assets	Hired	02/06/2024	\$100 Million	Immediate	USEF Sailfish Venture – A preferred equity investment in U.S. real estate.
Real Assets	Hired	04/02/2024	\$200 Million	5 years	Stonepeak Infrastructure Partners Fund V – A U.S. focused closed-end infrastructure fund.
Credit Strategies	Hired	04/05/2024	\$250 million	3 years	ACORE Credit Partners II – A closed-end fund investing in newly-originated mortgages secured by transitional commercial real estate.
Public Equity	Terminated	01/31/2024	\$224 Million	Immediate	Arisaig – An emerging market consumer-oriented strategy.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending March 31, 2024

Investment Program	Activity	Manager Name	Description	VRS Action
Public Equity	On-Going Monitoring of Current VRS Manager	Ariel Global (women- and minority-owned firm) ¹	Current VRS global equity manager.	Staff performed on-going due diligence and monitoring of this current VRS manager during the quarter.
Public Equity	Virtual Manager Meeting	Strategic Global Advisors (women-owned firm) ¹	Manager focused on international, global, and small-cap strategies.	Staff held an update meeting with this manager during the quarter.
Public Equity	Manager Meeting	Tiger Pacific (minority-owned firm) ¹	Manager focused on Asia long/short investments.	Staff held an update meeting with this manager during the quarter.
Public Equity	Manager Meeting	Channing Capital Management (minority-owned firm) ¹	Manager focused on US small-cap value strategies.	Staff held an update meeting with this manager during the quarter.
Public Equity and Credit Strategies	Periodic Update Communication with Consultant	N/A	Aon Hewitt Investment Consulting is the consultant used by these two investment programs.	Staff had periodic communication to review the DIME monitoring activity done on behalf of VRS as well as industry trends.
Credit Strategies	Manager Meeting	AGC Sound Mark (women-owned firm) ²	Manager raising a fund focused on investing in subordinated debt on income generating CRE assets.	Staff held an update meeting with this manager.
Credit Strategies and Risk Based Investments	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.
Risk-Based Investments	On-Going Monitoring of Current VRS Manager	Systematica Investments (women-owned firm) ¹	A multi-asset class manager.	Staff performed on-going due diligence and monitoring of this current VRS manager during the quarter.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending March 31, 2024

Real Assets	On-Going Monitoring of Current VRS Manager	Artemis Real Estate Partners (women-owned firm) ¹	Current VRS real estate manager.	Staff performed on-going due diligence and monitoring of this current VRS women owned manager during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Capri EGM (minority-owned firm) ¹	Current VRS real estate manager.	Staff performed on-going due diligence and monitoring of this current VRS minority owned manager during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Grain Management (minority-owned firm) ¹	Current VRS infrastructure manager.	Staff performed on-going due diligence and monitoring of this current VRS minority owned manager during the quarter.
Real Assets	On-Going Monitoring of Current VRS Manager	Pantheon Ventures	Current VRS infrastructure and natural resource fund-of-funds manager.	Staff had periodic communication with this manager to discuss potential DIME firms in their market.
Real Assets	On-Going Monitoring of Current VRS Manager	Pritzker Realty Group (women-owned firm) ¹	Current VRS real estate manager.	Staff performed on-going due diligence and monitoring of this current VRS women owned manager during the quarter.
Real Assets	Periodic Update Communication with Consultant	N/A	The Townsend Group is the consultant used by Real Assets.	Staff had periodic communication to review the DIME monitoring activity done on behalf of VRS as well as real estate and infrastructure industry trends.
Real Assets	Virtual Manager Meeting	Brasa Capital Management (minority-owned firm) ¹	A western U.S. focused, opportunistic real estate manager.	Staff held an update meeting with this manager to discuss their current fundraise initiative, market update, and firm updates.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending March 31, 2024

Real Assets	Virtual Manager Meeting	Mosser Capital (women- and minority-owned firm) ¹	A West Coast (primarily California) focused workforce housing operator.	Staff had an update call with this manager to discuss their strategy, their current fundraise initiative, and market update.
Real Assets	Virtual Manager Meeting	Denstock (women-owned firm) ²	An East Coast, primarily Virginia and North Carolina, focused apartment developer.	Staff held an introductory meeting with this manager to discuss their background, company, and current fundraise initiative.
Real Assets	Manager Meeting	ArrowMark Partners (women- and minority-owned firm) ²	Manager focused on middle-market commercial real estate lending.	Staff held a meeting with this manager to discuss their strategy, updates to their current fundraise initiative, and market update.
Real Assets	Virtual Manager Meeting	Debt Reserve Capital (minority-owned firm) ¹	Manager focused on originating commercial real estate loans throughout the U.S.	Staff held an introductory meeting with this manager to discuss their background, company, and current fundraise initiative.
Real Assets	Virtual Manager Meeting	Hawkeye Partners (women-owned firm) ²	Real estate manager focused on GP-level investments for specific or all transactions.	Staff had an update call with this manager to discuss their strategy, their current fundraise initiative, and market update.
Real Assets	Virtual Manager Meeting	Green Cities Company (women- and minority-owned firm) ¹	Manager focused on multifamily investing (development and value-add) across the U.S.	Staff held an introductory meeting with this manager to discuss their background, company, and current fundraise initiative.
Real Assets	Virtual Manager Meeting	Hull Street Energy (women-owned firm) ²	Manager focused on power generation and energy transition opportunities in North America.	Staff had an update call with this manager to discuss their latest fund.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending March 31, 2024

Real Assets	Virtual Manager Meeting	Rubicon Point Partners (women- and minority-owned firm) ¹	A San Francisco Bay area and Pacific Northwest focused value-add investor.	Staff had an update call with this manager to discuss their strategy, their current fundraise initiative, and market update.
Fixed Income	On-Going Monitoring of Current VRS Manager	Payden & Rygel (women-owned firm) ¹	Current VRS emerging market debt manager.	Staff had periodic communication with this current VRS women-owned manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Asia Alternatives (women- and minority-owned firm) ¹	Fund of funds manager focused on alternative investments in Asia.	Staff had a call with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Clearlake Capital Partners (minority-owned firm) ¹	Large market buyout fund targeting companies across various industry sectors.	Staff had a call with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	SIRIS Capital (minority-owned firm) ¹	Middle market buyout firm making control investments in data/telecommunications, technology, and technology-enabled business service companies in North America.	Staff had a call with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Sycamore Partners (minority-owned firm) ¹	Middle market buyout fund targeting consumer and retail companies.	Staff had a meeting with this manager during the quarter.
Private Equity	On-Going Monitoring of Current VRS Manager	Veritas Capital (minority-owned firm) ²	Middle market buyout fund targeting primarily technology or technology-enabled solutions to government.	Staff had a meeting with this manager during the quarter.
Private Equity	Periodic Update Communication with Consultant	N/A	Grosvenor Capital Management Customized Fund Investment Group is the consultant used by Private Equity.	Periodic communication to review the DIME monitoring activity done on behalf of VRS as well as industry trends.

VRS Investment Department
DIME Quarterly Report
Activity for Quarter Ending March 31, 2024

Private Equity	Manager Meeting	Excolere Equity Partners (minority-owned firm) ¹	Private equity firm investing in the education and human capital management sectors.	Staff had a meeting with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Auldbrass Partners (minority-owned firm) ¹	Secondaries manager focused on middle market buyout, global buyout, and growth equity.	Staff had a call with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Collide Capital (minority-owned firm) ¹	Venture capital firm investing in enterprise SaaS, supply chain infrastructure, and consumer software sectors.	Staff had a call with this manager during the quarter.
Private Equity	Virtual Manager Meeting	One Rock Capital Partners (minority-owned firm) ¹	Middle market firm focused on control-stake equity investments in middle-market companies in North America.	Staff had a call with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Turning Rock Partners (women- and minority-owned firm) ¹	Alternative asset manager focused on underserved or capital constrained businesses in North America.	Staff had a call with this manager during the quarter.
Private Equity	Virtual Manager Meeting	Vistria Group (minority-owned firm) ²	Middle market buyout manager targeting education, healthcare, and financial services companies.	Staff had a call with this manager during the quarter.
Dynamic Strategies	Manager Meeting	Xponance Asset Management (women-owned firm) ¹	Manager offering a diverse investment platform.	Staff had an introductory call with this 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, 2024

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

Report

The Defined Contribution Plans Advisory Committee (DCPAC) convened on March 14, 2024, at 1:00 p.m. and took up the following matters:

WELCOME AND INTRODUCTION

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

APPROVAL OF MINUTES

The Committee approved the minutes of its November 30, 2023, meeting.

ADMINISTRATION

DC Plans Overview

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

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

DC Plans Recordkeeper Transition Update

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

INVESTMENTS

Performance Reports

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

provided highlights from two Callan Periodic Tables of Investment Returns from 2014-2023 showing various asset class returns and inflation trends.

Projects

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

OTHER BUSINESS

Legislative Update

Staff presented an RBA for plan document updates which proposes plan changes regarding escheatment provisions impacting all DC Plans as a result of legislation passed by the General Assembly. The Committee voted to recommend that the Board of Trustees approve the amended and restated Virginia 457 and Cash Match, Hybrid 457 and Cash Match, ORPHE, ORPPA, and ORPSS plan documents. Staff further provided an overview of VRS-related legislation presented during the 2024 regular session of the General Assembly. Staff also reviewed SECURE 2.0 Act provisions – mandatory and optional, for which DC Plans have implemented or will implement. Pending approval, most changes will be implemented in conjunction with the Voya transition.

DISCUSSION OF NEW IDEAS

A committee member initiated a discussion regarding the education provided to employees and retirees and what other employers may be doing to supplement educational activities. Staff added various areas that are currently being addressed and concurred there are opportunities for improvement and to enhance what is currently being done. This was a timely discussion to consider where there may be gaps in educational efforts.

2024 MEETINGS

Senator Bell confirmed the remaining DCPAC meeting dates in 2024, all at 1:00 p.m.:

- Thursday, May 23rd
- Thursday, September 12th
- Thursday, December 5th

There was no other business to come before the Committee.

Submitted to the Board of Trustees on April 18, 2024.

J. Brandon Bell, Chair
Defined Contribution Plans Advisory Committee



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

Requested Action

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

Description/Background

Currently, under Va. Code § 55.1-2544, funds or other property held or payable by the Virginia Retirement System (VRS) are not subject to the provisions of the Virginia Disposition of Unclaimed Property Act (Va. Code § 55.1-2500 et seq.). Under current plan documents, stale distribution checks from a VRS defined contribution plan, deferred compensation plan, or cash match plan that remain uncashed shall be forfeited to the respective plan after (i) 180 days if the check is for an amount less than \$10.00 and (ii) five years if the check is for an amount less than \$250.00. Uncashed checks for an amount of \$250.00 or more are not forfeited to the plan. If a participant is subsequently located, their benefit will be restored and a replacement check will be issued.

The Virginia General Assembly recently enacted legislation (HB 70 and SB 458) to amend Va. Code § 55.1-2544 to provide that any funds or other property held in a VRS defined contribution plan, deferred compensation plan, or cash match plan remaining unclaimed for more than five years shall be presumed abandoned. Such funds or other property may escheat to the State Treasury and be remitted to the State Treasurer in accordance with the provisions of the Act. The State Treasurer shall hold such funds or other property until it is claimed by a rightful claimant. Funds or other property held in a VRS defined benefit plan is not presumed abandoned regardless of how much time has passed and VRS retains such funds or other property.

The proposed amendments revise how stale distribution checks are treated in order to conform with HB 70 and SB 458. The proposed amendments amend the Plan Documents for the following plans:

- Commonwealth of Virginia 457 Deferred Compensation Plan;
- Virginia Cash Match Plan;
- Virginia Hybrid 457 Deferred Compensation Plan;
- Virginia Hybrid 401(a) Cash Match Plan;
- Optional Retirement Plan of the Commonwealth of Virginia for Employees of Institutions of Higher Education;
- Optional Retirement Plan of the Commonwealth of Virginia for Political Appointees; and
- Optional Retirement Plan of the Commonwealth of Virginia for Public School Superintendents.

Authority for Requested Action

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

The above action is approved.

A. Scott Andrews, Chairman
VRS Board of Trustees

Date

**SECOND AMENDMENT TO THE
COMMONWEALTH OF VIRGINIA 457 DEFERRED COMPENSATION PLAN**

(As Amended and Restated Effective January 1, 2021)

The Board of Trustees of the Virginia Retirement System (“Board”) has the authority to amend the Commonwealth of Virginia 457 Deferred Compensation Plan (“Plan”) in accordance with Section 51.1-600 *et seq.* of the Code of Virginia and Section 16.01 of the Plan. In accordance with such authority, the Board hereby amends the Plan, effective as of the dates stated herein, to reflect certain required amendments contained HB 70 and SB 458, which passed during the 2024 Session of the General Assembly and become effective July 1, 2024.

1. As soon as administratively practicable on or after July 1, 2024, Section 17.07, addressing Missing or Lost Participants, is hereby amended to be and read as follows:

Section 17.07. Missing or Lost Participants. In the event that the Administrator does not have current contact information for or is unable to identify a Participant or Beneficiary under the Plan, the Administrator shall make reasonable attempts to determine the address and identity of the Participant or Beneficiary entitled to benefits under the Plan. A reasonable attempt to locate a missing or lost Participant or Beneficiary shall include: (i) providing notice to the Participant at the Participant's last known address via certified mail; (ii) determining whether the Participating Employer's records or the records of another plan maintained by the Participating Employer has a more current address for the Participant; (iii) attempting to contact any named Beneficiary of the Participant; and (iv) searching for the missing Participant via free electronic search tools, such as Internet search engines, public record databases, obituaries, and social media. If such search methods are unsuccessful, based on the facts and circumstances, the Administrator may use other search methods, including using Internet search tools, commercial locator services, credit reporting agencies, information brokers, investigation databases, and analogous services that may involve charges. The Administrator may charge missing Participants and Beneficiaries reasonable expenses for efforts to find them. In the event that the Administrator is unable to locate a Participant or Beneficiary entitled to benefits under the Plan after reasonable attempts, the Trustee shall continue to hold the benefits due to such person under the Plan except as otherwise provided in Section 17.08.

2. As soon as administratively practicable on or after July 1, 2024, Section 17.08, addressing Stale Distribution Checks, is hereby amended to be and read as follows:

Section 17.08. Stale Distribution Checks. A distribution check that remains uncashed five years following its issuance shall be remitted to the State Treasurer in accordance with the provisions of the Virginia Disposition of Unclaimed Property Act (Va. Code § 55.1-2500 *et seq.*).

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

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

**BOARD OF TRUSTEES OF THE
VIRGINIA RETIREMENT SYSTEM**

By: _____

Printed Name: _____

Title: _____

Date: _____

**FIRST AMENDMENT TO THE
VIRGINIA CASH MATCH PLAN**

(As Amended and Restated Effective January 1, 2021)

The Board of Trustees of the Virginia Retirement System (“Board”) has the authority to amend the Virginia Cash Match Plan (“Plan”) in accordance with Section 51.1-600 *et seq.* of the Code of Virginia and Section 16.01 of the Plan. In accordance with such authority, the Board hereby amends the Plan, effective as of the dates stated herein, to reflect certain required amendments contained HB 70 and SB 458, which passed during the 2024 Session of the General Assembly and become effective July 1, 2024.

1. As soon as administratively practicable on or after July 1, 2024, Section 17.07, addressing Missing or Lost Participants, is hereby amended to be and read as follows:

Section 17.07. Missing or Lost Participants. In the event that the Administrator does not have current contact information for or is unable to identify a Participant or Beneficiary under the Plan, the Administrator shall make reasonable attempts to determine the address and identity of the Participant or Beneficiary entitled to benefits under the Plan. A reasonable attempt to locate a missing or lost Participant or Beneficiary shall include: (i) providing notice to the Participant at the Participant's last known address via certified mail; (ii) determining whether the Participating Employer's records or the records of another plan maintained by the Participating Employer has a more current address for the Participant; (iii) attempting to contact any named Beneficiary of the Participant; and (iv) searching for the missing Participant via free electronic search tools, such as Internet search engines, public record databases, obituaries, and social media. If such search methods are unsuccessful, based on the facts and circumstances, the Administrator may use other search methods, including using Internet search tools, commercial locator services, credit reporting agencies, information brokers, investigation databases, and analogous services that may involve charges. The Administrator may charge missing Participants and Beneficiaries reasonable expenses for efforts to find them. In the event that the Administrator is unable to locate a Participant or Beneficiary entitled to benefits under the Plan after reasonable attempts, the Trustee shall continue to hold the benefits due to such person under the Plan except as otherwise provided in Section 17.08.

2. As soon as administratively practicable on or after July 1, 2024, Section 17.08, addressing Stale Distribution Checks, is hereby amended to be and read as follows:

Section 17.08. Stale Distribution Checks. A distribution check that remains uncashed five years following its issuance shall be remitted to the State Treasurer in accordance with the provisions of the Virginia Disposition of Unclaimed Property Act (Va. Code § 55.1-2500 *et seq.*).

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

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

**BOARD OF TRUSTEES OF THE
VIRGINIA RETIREMENT SYSTEM**

By: _____

Printed Name: _____

Title: _____

Date: _____

**FIRST AMENDMENT TO THE
VIRGINIA HYBRID 457 DEFERRED COMPENSATION PLAN**

(As Amended and Restated Effective January 1, 2021)

The Board of Trustees of the Virginia Retirement System (“Board”) has the authority to amend the Virginia Hybrid 457 Deferred Compensation Plan (“Plan”) in accordance with Section 51.1-600 *et seq.* of the Code of Virginia and Section 16.01 of the Plan. In accordance with such authority, the Board hereby amends the Plan, effective as of the dates stated herein, to reflect certain required amendments contained HB 70 and SB 458, which passed during the 2024 Session of the General Assembly and become effective July 1, 2024.

1. As soon as administratively practicable on or after July 1, 2024, Section 17.07, addressing Missing or Lost Participants, is hereby amended to be and read as follows:

Section 17.07. Missing or Lost Participants. In the event that the Administrator does not have current contact information for or is unable to identify a Participant or Beneficiary under the Plan, the Administrator shall make reasonable attempts to determine the address and identity of the Participant or Beneficiary entitled to benefits under the Plan. A reasonable attempt to locate a missing or lost Participant or Beneficiary shall include: (i) providing notice to the Participant at the Participant's last known address via certified mail; (ii) determining whether the Participating Employer's records or the records of another plan maintained by the Participating Employer has a more current address for the Participant; (iii) attempting to contact any named Beneficiary of the Participant; and (iv) searching for the missing Participant via free electronic search tools, such as Internet search engines, public record databases, obituaries, and social media. If such search methods are unsuccessful, based on the facts and circumstances, the Administrator may use other search methods, including using Internet search tools, commercial locator services, credit reporting agencies, information brokers, investigation databases, and analogous services that may involve charges. The Administrator may charge missing Participants and Beneficiaries reasonable expenses for efforts to find them. In the event that the Administrator is unable to locate a Participant or Beneficiary entitled to benefits under the Plan after reasonable attempts, the Trustee shall continue to hold the benefits due to such person under the Plan except as otherwise provided in Section 17.08.

2. As soon as administratively practicable on or after July 1, 2024, Section 17.08, addressing Stale Distribution Checks, is hereby amended to be and read as follows:

Section 17.08. Stale Distribution Checks. A distribution check that remains uncashed five years following its issuance shall be remitted to the State Treasurer in accordance with the provisions of the Virginia Disposition of Unclaimed Property Act (Va. Code § 55.1-2500 *et seq.*).

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

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

**BOARD OF TRUSTEES OF THE
VIRGINIA RETIREMENT SYSTEM**

By: _____

Printed Name: _____

Title: _____

Date: _____

**FIRST AMENDMENT TO THE
VIRGINIA HYBRID 401(a) CASH MATCH PLAN**

(As Amended and Restated Effective January 1, 2021)

The Board of Trustees of the Virginia Retirement System (“Board”) has the authority to amend the Virginia Hybrid 401(a) Cash Match Plan (“Plan”) in accordance with Section 51.1-600 *et seq.* of the Code of Virginia and Section 16.01 of the Plan. In accordance with such authority, the Board hereby amends the Plan, effective as of the dates stated herein, to reflect certain required amendments contained HB 70 and SB 458, which passed during the 2024 Session of the General Assembly and become effective July 1, 2024.

1. As soon as administratively practicable on or after July 1, 2024, Section 17.07, addressing Missing or Lost Participants, is hereby amended to be and read as follows:

Section 17.07. Missing or Lost Participants. In the event that the Administrator does not have current contact information for or is unable to identify a Participant or Beneficiary under the Plan, the Administrator shall make reasonable attempts to determine the address and identity of the Participant or Beneficiary entitled to benefits under the Plan. A reasonable attempt to locate a missing or lost Participant or Beneficiary shall include: (i) providing notice to the Participant at the Participant's last known address via certified mail; (ii) determining whether the Participating Employer's records or the records of another plan maintained by the Participating Employer has a more current address for the Participant; (iii) attempting to contact any named Beneficiary of the Participant; and (iv) searching for the missing Participant via free electronic search tools, such as Internet search engines, public record databases, obituaries, and social media. If such search methods are unsuccessful, based on the facts and circumstances, the Administrator may use other search methods, including using Internet search tools, commercial locator services, credit reporting agencies, information brokers, investigation databases, and analogous services that may involve charges. The Administrator may charge missing Participants and Beneficiaries reasonable expenses for efforts to find them. In the event that the Administrator is unable to locate a Participant or Beneficiary entitled to benefits under the Plan after reasonable attempts, the Trustee shall continue to hold the benefits due to such person under the Plan except as otherwise provided in Section 17.08.

2. As soon as administratively practicable on or after July 1, 2024, Section 17.08, addressing Stale Distribution Checks, is hereby amended to be and read as follows:

Section 17.08. Stale Distribution Checks. A distribution check that remains uncashed five years following its issuance shall be remitted to the State Treasurer in accordance with the provisions of the Virginia Disposition of Unclaimed Property Act (Va. Code § 55.1-2500 *et seq.*).

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

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

**BOARD OF TRUSTEES OF THE
VIRGINIA RETIREMENT SYSTEM**

By: _____

Printed Name: _____

Title: _____

Date: _____

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

(As Amended and Restated Effective January 1, 2021)

The Board of Trustees of the Virginia Retirement System (“Board”) has the authority to amend the Option Retirement Plan of the Commonwealth of Virginia for Employees of Institutions of Higher Education (“Plan”) in accordance with Section 51.1-600 *et seq.* of the Code of Virginia and Section 16.01 of the Plan. In accordance with such authority, the Board hereby amends the Plan, effective as of the dates stated herein, to reflect certain required amendments contained HB 70 and SB 458, which passed during the 2024 Session of the General Assembly and become effective July 1, 2024.

1. As soon as administratively practicable on or after July 1, 2024, Section 17.07, addressing Missing or Lost Participants, is hereby amended to be and read as follows:

Section 17.07. Missing or Lost Participants. In the event that the Administrator does not have current contact information for or is unable to identify a Participant or Beneficiary under the Plan, the Administrator shall make reasonable attempts to determine the address and identity of the Participant or Beneficiary entitled to benefits under the Plan. A reasonable attempt to locate a missing or lost Participant or Beneficiary shall include: (i) providing notice to the Participant at the Participant's last known address via certified mail; (ii) determining whether the Participating Institution's records or the records of another plan maintained by the Participating Institution has a more current address for the Participant; (iii) attempting to contact any named Beneficiary of the Participant; and (iv) searching for the missing Participant via free electronic search tools, such as Internet search engines, public record databases, obituaries, and social media. If such search methods are unsuccessful, based on the facts and circumstances, the Administrator may use other search methods, including using Internet search tools, commercial locator services, credit reporting agencies, information brokers, investigation databases, and analogous services that may involve charges. The Administrator may charge missing Participants and Beneficiaries reasonable expenses for efforts to find them. In the event that the Administrator is unable to locate a Participant or Beneficiary entitled to benefits under the Plan after reasonable attempts, the Trustee shall continue to hold the benefits due to such person under the Plan except as otherwise provided in Section 17.08.

2. As soon as administratively practicable on or after July 1, 2024, the Plan is hereby amended by adding a Section 17.08, addressing Stale Distribution Checks, to be and read as follows:

Section 17.08. Stale Distribution Checks. A distribution check that remains uncashed five years following its issuance shall be remitted to the State Treasurer in accordance with the provisions of the Virginia Disposition of Unclaimed Property Act (Va. Code § 55.1-2500 *et seq.*).

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

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

**BOARD OF TRUSTEES OF THE
VIRGINIA RETIREMENT SYSTEM**

By: _____

Printed Name: _____

Title: _____

Date: _____

**FIRST AMENDMENT TO THE
OPTIONAL RETIREMENT PLAN OF THE COMMONWEALTH OF VIRGINIA FOR
POLITICAL APPOINTEES**

(As Amended and Restated Effective January 1, 2021)

The Board of Trustees of the Virginia Retirement System (“Board”) has the authority to amend the Optional Retirement Plan of the Commonwealth of Virginia for Political Appointees (“Plan”) in accordance with Section 51.1-600 *et seq.* of the Code of Virginia and Section 15.01 of the Plan. In accordance with such authority, the Board hereby amends the Plan, effective as of the dates stated herein, to reflect certain required amendments contained HB 70 and SB 458, which passed during the 2024 Session of the General Assembly and become effective July 1, 2024.

1. As soon as administratively practicable on or after July 1, 2024, Section 16.07, addressing Missing or Lost Participants, is hereby amended to be and read as follows:

Section 16.07. Missing or Lost Participants. In the event that the Administrator does not have current contact information for or is unable to identify a Participant or Beneficiary under the Plan, the Administrator shall make reasonable attempts to determine the address and identity of the Participant or Beneficiary entitled to benefits under the Plan. A reasonable attempt to locate a missing or lost Participant or Beneficiary shall include: (i) providing notice to the Participant at the Participant's last known address via certified mail; (ii) determining whether the Participating Employer's records or the records of another plan maintained by the Participating Employer has a more current address for the Participant; (iii) attempting to contact any named Beneficiary of the Participant; and (iv) searching for the missing Participant via free electronic search tools, such as Internet search engines, public record databases, obituaries, and social media. If such search methods are unsuccessful, based on the facts and circumstances, the Administrator may use other search methods, including using Internet search tools, commercial locator services, credit reporting agencies, information brokers, investigation databases, and analogous services that may involve charges. The Administrator may charge missing Participants and Beneficiaries reasonable expenses for efforts to find them. In the event that the Administrator is unable to locate a Participant or Beneficiary entitled to benefits under the Plan after reasonable attempts, the Trustee shall continue to hold the benefits due to such person under the Plan except as otherwise provided in Section 16.08.

2. As soon as administratively practicable on or after July 1, 2024, Section 16.08, addressing Stale Distribution Checks, is hereby amended to be and read as follows:

Section 16.08. Stale Distribution Checks. A distribution check that remains uncashed five years following its issuance shall be remitted to the State Treasurer in accordance with the provisions of the Virginia Disposition of Unclaimed Property Act (Va. Code § 55.1-2500 *et seq.*).

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

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

**BOARD OF TRUSTEES OF THE
VIRGINIA RETIREMENT SYSTEM**

By: _____

Printed Name: _____

Title: _____

Date: _____

**FIRST AMENDMENT TO THE
OPTIONAL RETIREMENT PLAN OF THE COMMONWEALTH OF VIRGINIA FOR
PUBLIC SCHOOL SUPERINTENDENTS**

(As Amended and Restated Effective January 1, 2021)

The Board of Trustees of the Virginia Retirement System (“Board”) has the authority to amend the Optional Retirement Plan of the Commonwealth of Virginia for Public School Superintendents (“Plan”) in accordance with Section 51.1-600 *et seq.* of the Code of Virginia and Section 16.01 of the Plan. In accordance with such authority, the Board hereby amends the Plan, effective as of the dates stated herein, to reflect certain required amendments contained HB 70 and SB 458, which passed during the 2024 Session of the General Assembly and become effective July 1, 2024.

1. As soon as administratively practicable on or after July 1, 2024, Section 17.07, addressing Missing or Lost Participants, is hereby amended to be and read as follows:

Section 17.07. Missing or Lost Participants. In the event that the Administrator does not have current contact information for or is unable to identify a Participant or Beneficiary under the Plan, the Administrator shall make reasonable attempts to determine the address and identity of the Participant or Beneficiary entitled to benefits under the Plan. A reasonable attempt to locate a missing or lost Participant or Beneficiary shall include: (i) providing notice to the Participant at the Participant's last known address via certified mail; (ii) determining whether the Participating Employer's records or the records of another plan maintained by the Participating Employer has a more current address for the Participant; (iii) attempting to contact any named Beneficiary of the Participant; and (iv) searching for the missing Participant via free electronic search tools, such as Internet search engines, public record databases, obituaries, and social media. If such search methods are unsuccessful, based on the facts and circumstances, the Administrator may use other search methods, including using Internet search tools, commercial locator services, credit reporting agencies, information brokers, investigation databases, and analogous services that may involve charges. The Administrator may charge missing Participants and Beneficiaries reasonable expenses for efforts to find them. In the event that the Administrator is unable to locate a Participant or Beneficiary entitled to benefits under the Plan after reasonable attempts, the Trustee shall continue to hold the benefits due to such person under the Plan except as otherwise provided in Section 17.08.

2. As soon as administratively practicable on or after July 1, 2024, Section 17.08, addressing Stale Distribution Checks, is hereby amended to be and read as follows:

Section 17.08. Stale Distribution Checks. A distribution check that remains uncashed five years following its issuance shall be remitted to the State Treasurer in accordance with the provisions of the Virginia Disposition of Unclaimed Property Act (Va. Code § 55.1-2500 *et seq.*).

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

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

**BOARD OF TRUSTEES OF THE
VIRGINIA RETIREMENT SYSTEM**

By: _____

Printed Name: _____

Title: _____

Date: _____



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

Requested Action

The VRS Board of Trustees approves an amended Administrative Pay Plan, Investment Operations and Administration Staff Pay Plan and Investment Professionals' Pay Plan, effective June 10, 2024.

Description/Background

The VRS Board of Trustees approved the current Administrative Pay Plan, the current Investment Operations and Administration Staff Pay Plan and the current Investment Professionals' Pay Plan on December 10, 2023. Item 483 of House Bill 29 (the "Caboose" Appropriation Act) requires the Department of Human Resource Management (DHRM) to increase by 3% the minimum and maximum of each of the salary bands in the Commonwealth's Classified Compensation Plan, effective June 10, 2024. Item 483 of House Bill 30 (the Appropriation Act) requires DHRM to increase by an additional 3% the minimum and maximum of each of the salary bands in the Commonwealth's Classified Compensation Plan, effective June 10, 2025. Generally, the VRS Board of Trustees also adjusts the salary scales in its pay plans in accordance with the requirements of the Appropriation Act. An increase to the minimum and maximum of each grade of the salary scales of the Administrative Pay Plan, the Investment Operations and Administration Staff Pay Plan and the Investment Professionals' Pay Plan of 3%, effective June 10, 2024, and an additional 3%, effective June 10, 2025, is consistent with changes to be made to the Commonwealth's Classified Compensation Plan.

However, if, subsequent to the approval of this action, the final versions of House Bill 29 and House Bill 30 enacted during 2024 provide for a change to the Commonwealth's Classified Compensation Plan other than the 3% increase contained in Item 483 of House Bill 29 and the additional 3% increase contained in Item 469 of House Bill 30, then the minimum and maximum of each grade of the salary scales of the Administrative Pay Plan and the Investment Operations and Administration Staff Pay Plan shall be amended in an amount consistent with the changes made to the Commonwealth's Classified Compensation Plan in House Bill 29 and House Bill 30 as of the effective date of the changes specified in such legislation.

Rationale for Requested Action

The amendments to the Administrative Pay Plan, Investment Operations and Administration Staff Pay Plan and Investment Professionals' Pay Plan are made pursuant to the provisions of the 2024 Appropriation Act and in keeping with the salary band adjustments made to the Commonwealth's Classified Compensation Plan.

Authority for Requested Action

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

The above action is approved.

A. Scott Andrews, Chair
VRS Board of Trustees

Date



VIRGINIA RETIREMENT SYSTEM
HUMAN RESOURCES POLICIES AND PROCEDURES

Title: ADMINISTRATIVE PAY PLAN

Policy Number: 3.10

Supersedes: 12/10/2023

Effective Date: 06/10/2024

I. Authority

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

II. Purpose

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

III. Policy

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

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

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

IV. Procedure

A. Job Placement

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

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

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

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

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

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

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

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

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

B. Starting Salary

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

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

C. Salary Adjustments

1. Introductory Increases

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

The Performance Management Policy outlines details.

2. Promotions

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

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

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

3. Lateral

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

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

4. Downward Assignments (Voluntary or Involuntary)

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

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

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

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

5. Job Reclassifications

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

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

6. Regrade

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

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

7. Acting Pay

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

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

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

8. In-grade

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

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

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

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

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

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

9. Competitive

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

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

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

10. Increases Governed by the Appropriations Act

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

D. Bonuses

1. Sign-on

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

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

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

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

2. Referral

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

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

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

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

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

3. Performance

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

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

The **Performance Management Policy** outlines details.

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

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

4. Gainsharing

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

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

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5. Employee Recognition Bonus

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

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

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

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

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

V. Additional Information

A. VRS Pay Plans

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

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

B. Key Terms

FLSA - The Fair Labor Standards Act

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

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

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

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

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

APPENDIX 1 – PAY RANGES

Administrative SALARY RANGES			
Grade	Min	Mid	Max
1	\$ 42,473	\$ 50,966	\$ 59,462
2	\$46,719	\$56,063	\$ 65,407
3	\$51,391	\$ 61,670	\$ 71,949
4	\$ 56,531	\$ 67,837	\$79,143
5	\$ 62,184	\$74,621	\$ 87,058
6	\$ 68,402	\$ 82,084	\$95,763
7	\$73,707	\$ 90,292	\$106,876
8	\$81,077	\$99,321	\$ 117,563
9	\$ 89,186	\$109,253	\$129,320
10	\$ 96,142	\$120,178	\$144,213
11	\$105,756	\$132,196	\$158,635
12	\$118,976	\$148,720	\$178,464
13	\$133,849	\$ 167,310	\$200,773
14	\$150,907	\$192,407	\$233,907
15	\$ 173,544	\$221,268	\$ 268,993
16	\$ 199,575	\$ 254,458	\$309,342

Technology SALARY GRADES			
Grade	Min	Mid	Max
T1	\$57,899	\$69,480	\$81,060
T2	\$63,689	\$76,428	\$89,165
T3	\$70,060	\$84,071	\$98,083
T4	\$77,065	\$92,478	\$107,891
T5	\$84,771	\$101,726	\$118,680
T6	\$93,248	\$111,898	\$130,547
T7	\$100,481	\$123,088	\$145,697
T8	\$110,528	\$135,398	\$160,266
T9	\$121,581	\$148,937	\$176,293
T10	\$131,064	\$163,831	\$196,597
T11	\$144,171	\$180,214	\$216,257
T12	\$158,588	\$198,235	\$237,883
T13	\$174,447	\$218,058	\$261,670
T14	\$188,128	\$239,864	\$291,600



VIRGINIA RETIREMENT SYSTEM
HUMAN RESOURCES POLICIES AND PROCEDURES

Title: ADMINISTRATIVE PAY PLAN

Policy Number: 3.10

Supersedes: ~~0612~~/10/2023

Effective Date: ~~1206~~/10/~~2023~~2024

I. Authority

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

II. Purpose

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

III. Policy

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

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

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

IV. Procedure

A. Job Placement

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

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

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

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

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

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

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

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

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

B. Starting Salary

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

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

C. Salary Adjustments

1. Introductory Increases

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

The Performance Management Policy outlines details.

2. Promotions

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

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

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

3. Lateral

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

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

4. Downward Assignments (Voluntary or Involuntary)

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

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

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

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

5. Job Reclassifications

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

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

6. Regrade

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

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

7. Acting Pay

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

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

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

8. In-grade

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

- **Market adjustment:** Warranted in cases where external market forces exist due to high demand for a particular skill or position which may result in significantly higher turnover. Market adjustments may also occur if it is determined that an individual’s salary is significantly lower than market study findings. Salary adjustments can apply to an individual or classification of employees to ensure competitiveness and retention of staff. An in-grade adjustment of 1% to 10% of salary is typically provided.
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A competitive pay increase is an option available to supervisors to retain top performers, who have received an external job offer, when the loss is determined to be detrimental to the organization. Employees must furnish a copy of the respective job offer.

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10. Increases Governed by the Appropriations Act

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

D. Bonuses

1. Sign-on

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

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

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

2. Referral

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

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3	\$ 51,391 <u>\$49,894</u>	\$ 61,670 <u>\$59,874</u>	\$\$ <u>71,949 \$69,853</u>
4	\$ 56,531 <u>\$54,884</u>	\$ 67,837 <u>\$65,861</u>	\$ 79,143 <u>\$76,838</u>
5	\$ 62,184 <u>\$60,373</u>	\$ 74,621 <u>\$72,448</u>	\$ 87,058 <u>\$84,522</u>
6	\$ 68,402 <u>\$66,410</u>	\$ 82,084 <u>\$79,693</u>	\$ 95,763 <u>\$92,974</u>
7	\$ 73,707 <u>\$71,560</u>	\$ 90,292 <u>\$87,662</u>	\$ 106,876 <u>\$103,763</u>
8	\$ 81,077 <u>\$78,716</u>	\$ 99,321 <u>\$96,428</u>	\$ 117,563 <u>\$114,139</u>
9	\$ 89,186 <u>\$86,588</u>	\$ 109,253 <u>\$106,071</u>	\$ 129,320 <u>\$125,553</u>
10	\$ 96,142 <u>\$93,342</u>	\$ 120,178 <u>\$116,678</u>	\$ 144,213 <u>\$140,013</u>
11	\$ 105,756 <u>\$102,676</u>	\$ 132,196 <u>\$128,346</u>	\$ 158,635 <u>\$154,015</u>
12	\$ 118,976 <u>\$115,511</u>	\$ 148,720 <u>\$144,388</u>	\$ 178,464 <u>\$173,266</u>
13	\$ 133,849 <u>\$129,950</u>	\$ 167,310 <u>\$162,437</u>	\$ 200,773 <u>\$194,925</u>
14	\$ 150,907 <u>\$146,512</u>	\$ 192,407 <u>\$186,803</u>	\$ 233,907 <u>\$227,094</u>
15	\$ 173,544 <u>\$168,489</u>	\$ 221,268 <u>\$214,823</u>	\$ 268,993 <u>\$261,158</u>
16	\$ 199,575 <u>\$193,762</u>	\$ 254,458 <u>\$247,047</u>	\$ 309,342 <u>\$300,332</u>

Technology SALARY GRADES			
Grade	Min	Mid	Max
T1	\$57,899 \$56,213	\$69,480 \$67,456	\$81,060 \$78,699
T2	\$63,689 \$61,834	\$76,428 \$74,202	\$89,165 \$86,568
T3	\$70,060 \$68,019	\$84,071 \$81,622	\$98,083 \$95,226
T4	\$77,065 \$74,820	\$92,478 \$89,784	\$107,891 \$104,749
T5	\$84,771 \$82,302	\$101,726 \$98,763	\$118,680 \$115,223
T6	\$93,248 \$90,532	\$111,898 \$108,639	\$130,547 \$126,745
T7	\$100,481 \$97,554	\$123,088 \$119,503	\$145,697 \$141,453
T8	\$110,528 \$107,309	\$135,398 \$131,454	\$160,266 \$155,598
T9	\$121,581 \$118,040	\$148,937 \$144,599	\$176,293 \$171,158
T10	\$131,064 \$127,247	\$163,831 \$159,059	\$196,597 \$190,871
T11	\$144,171 \$139,972	\$180,214 \$174,965	\$216,257 \$209,958
T12	\$158,588 \$153,969	\$198,235 \$192,461	\$237,883 \$230,954
T13	\$174,447 \$169,366	\$218,058 \$211,707	\$261,670 \$254,049
T14	\$188,128 \$182,649	\$239,864 \$232,878	\$291,600 \$283,107

Supersedes: 12/10/2023

Effective Date: 06/10/2024

I. Purpose

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

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

II. Policy

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

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

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

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

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

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

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

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

The Rating Scale definitions are as follows.

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

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

Salary Adjustments

A. Introductory Period

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

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

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

B. Promotions

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

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

C. Lateral

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

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

D. Downward Assignments (Voluntary or Performance Related)

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

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

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

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

E. Job Reclassifications

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

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

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

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

F. Regrade

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

G. Acting Pay

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

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

H. In-grade Adjustments

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

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

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

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

I. Competitive Pay Increases

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

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

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

J. Increases Governed by the Appropriation Act

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

Bonuses

A. Sign-on

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

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

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

Refer to the Employee Sign-on Bonus Program Policy.

B. Referral

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

Refer to the Employee Referral Program Policy.

C. Performance

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

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

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

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

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

D. Gainsharing

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

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

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

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Other VRS Pay Plans

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

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

Salary Ranges

Grade	Minimum	Midpoint	Maximum
1	\$47,372	\$59,214	\$71,057
2	\$53,294	\$66,616	\$79,938
3	\$59,953	\$74,943	\$89,931
4	\$67,569	84,460	\$101,352
5	\$76,148	\$95,184	114,222
6	\$85,801	\$107,251	\$128,701
7	\$96,525	\$120,656	\$144,789
8	\$108,324	\$135,405	\$162,485
9	\$ 122,267	\$152,831	\$183,399
10	\$137,279	\$171,603	\$205,923
11	\$154,442	\$193,052	\$231,661
12	\$173,747	\$217,182	\$ 260,620
Minimum is 80% of midpoint. Maximum is 120% of midpoint.			
Bandwidth is 50%.			
Difference between grades is 10-15%.			

Position Titles and Salary Grades

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

Supersedes: ~~0612/10/2022~~2023

Effective Date:

~~1206/10/2023~~2024

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

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

H. In-grade Adjustments

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

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

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

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

I. Competitive Pay Increases

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

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

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

J. Increases Governed by the Appropriation Act

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

Bonuses

A. Sign-on

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

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

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

Refer to the Employee Sign-on Bonus Program Policy.

B. Referral

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

Refer to the Employee Referral Program Policy.

C. Performance

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

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

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

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

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

D. Gainsharing

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

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

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

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

Other VRS Pay Plans

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

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

Salary Ranges

Grade	Minimum	Midpoint	Maximum
1	\$47,372 \$45,992	\$59,214 \$57,489	\$71,057 \$68,987
2	\$53,294 \$51,742	\$66,616 \$64,676	\$79,938 \$77,610
3	\$59,953 \$58,207	\$74,943 \$72,760	\$89,931 \$87,312
4	\$67,569 \$65,601	\$84,460 \$82,000	\$101,352 \$98,400
5	\$76,148 \$73,930	\$95,184 \$92,412	\$114,222 \$110,895
6	\$85,801 \$83,302	\$107,251 \$104,127	\$128,701 \$124,952
7	\$96,525 \$93,714	\$120,656 \$117,142	\$144,789 \$140,572
8	\$108,324 \$105,169	\$135,405 \$131,461	\$162,485 \$157,752
9	\$122,267 \$118,706	\$152,831 \$148,380	\$183,399 \$178,057
10	\$137,279 \$133,281	\$171,603 \$166,605	\$205,923 \$199,925
11	\$154,442 \$149,944	\$193,052 \$187,429	\$231,661 \$224,914
12	\$173,747 \$168,686	\$217,182 \$210,856	\$260,620 \$253,029
Minimum is 80% of midpoint. Maximum is 120% of midpoint.			
Bandwidth is 50%.			
Difference between grades is 10-15%.			

Position Titles and Salary Grades

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



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

OVERVIEW & PAY PHILOSOPHY

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

This Plan includes three core elements:

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

Overall, this Plan is designed to:

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

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

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

I. Base Salary

SALARY RANGES

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

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

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Each position’s salary range includes a defined:

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

Grade	Position	Salary Range (\$ Thousands)		
		Min (\$)	Mid (\$)	Max (\$)
11	Chief Investment Officer	\$384,190	\$512,940	\$640,660
10	Deputy Chief Investment Officer	\$348,140	\$463,500	\$579,890
9	Managing Director	\$318,530	\$422,775	\$ 527,021
8	Program Director	\$ 272,198	\$364,861	\$457,524
7	Director – Strategy, Research, Risk and/or Investment Decision Support	\$237,449	\$318,530	\$399,609
6	Senior Portfolio Manager	\$237,449	\$318,530	\$399,609
5	Portfolio Manager	\$185,326	\$249,032	\$312,738
4	Senior Investment Officer	\$156,369	\$208,492	\$260,891
3	Investment Officer	\$121,620	\$162,160	\$202,701
2	Senior Investment Analyst	\$92,663	\$121,620	\$150,578
1	Investment Analyst	\$75,289	\$98,455	\$121,620

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

- **Market Pay Reviews:** The VRS normally conducts a comparative market total pay study generally every two to three years to ensure competitiveness of the salary and incentive structures. Typically, the VRS conducts the study in the 1st quarter of the calendar year with an effective date of July 1 (the beginning of the fiscal year).
- **Changes in Salary Ranges:** The Board must approve changes to the salary scale and incentive structure.

Salary Adjustments

Oversight & Administration

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

Merit Increases

- Salary increases are based on meeting individual performance standards. The supervisor completes the evaluation after the end of the fiscal year. If a participant in the investment employees’ pay plan does not meet overall performance standards, then the participant is

Investment Professionals' Pay Plan Effective June 10, 2024

ineligible for performance increases to their base salary and market adjustments to their base salary for that performance cycle. Performance cycles are on a fiscal year basis (July 1 through June 30) and typically begin with an effective date of performance plans in the first quarter of the new fiscal year.

- The CIO will receive base salary increases as approved by the VRS Board and in accordance with the terms in the CIO's Employment Agreement, with approved effective dates established by the VRS Board.

Starting Salaries

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

Reallocation

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

In-grade Adjustments

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

Promotions

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

Downward Assignment

Downward adjustment occurs when an employee changes positions whether voluntarily, or because of unsatisfactory performance, resulting in a downward change in job class. A reduction in salary may occur based on a review of the salary and range and the circumstances associated with the downward move. In downward assignments, an individual's salary cannot exceed the maximum of the new salary range.

II. Incentive Pay PLAN

ADMINISTRATION

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

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

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

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

PLAN ELIGIBILITY

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

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

Chief Investment Officer

Deputy Chief Investment Officer

Managing Director – Portfolio Solutions Group

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

Managing Director – Public Market Assets

Program Director

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

Senior Portfolio Manager

Portfolio Manager

Senior Investment Officer

Investment Officer

Senior Investment Analyst

Investment Analyst

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

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

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

OVERALL INCENTIVE PLAN MECHANICS

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

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

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

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

INCENTIVE OPPORTUNITIES

Incentive opportunities will vary by position based on multiple criteria:

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

Actual awards can vary based on performance.

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

Incentive Levels	
VRS Position	Incentive¹ (% Salary)
Chief Investment Officer	70 ²
Deputy Chief Investment Officer	65 ²
Managing Director – Portfolio Solutions Group	65 ²
Managing Director – Private Market Assets and DC Plans	65 ²
Managing Director – Public Market Assets	65 ²
Program Director	60 ²
Director – Strategy, Research, Risk and/or Investment Decision Support	50
Senior Portfolio Manager	50
Portfolio Manager	40
Senior Investment Officer	30
Investment Officer	30
Senior Investment Analyst	20
Investment Analyst	10

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

²A portion, up to 50%, of the positions’ earned incentives is subject to mandatory deferral.

INCENTIVE WEIGHTINGS

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

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

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

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

¹Average multiplier based on the multipliers of all asset classes under the incumbent’s purview.

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

³The MD Public Market Assets average multiplier is based on the multipliers of the public market asset classes under the incumbent’s purview.

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

QUANTITATIVE PLAN COMPONENTS

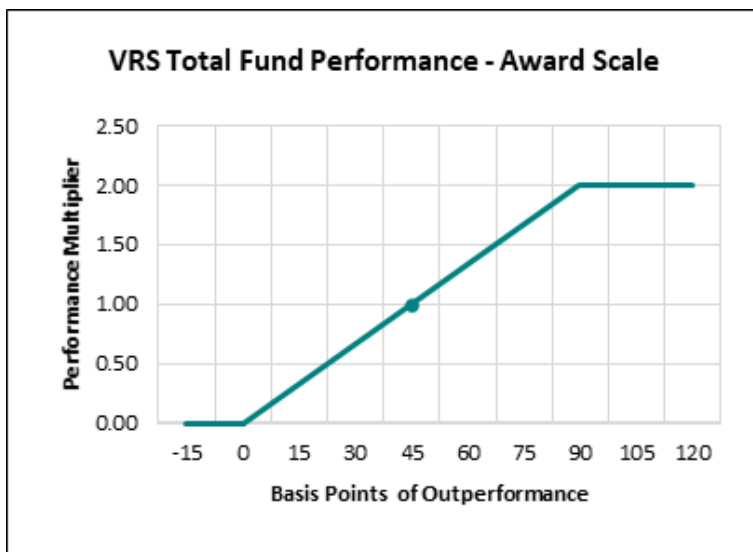
These Plan components link participants’ incentive compensation to relative investment performance or, more specifically, the extent by which the Total Fund and/or Asset Class performance exceeds passive benchmarks (indices) as measured over trailing three- and five-year annualized periods (each weighted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

For purposes of this Plan:

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

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



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

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

QUALITATIVE PLAN COMPONENT

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

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

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

Investment Professionals' Pay Plan
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DETERMINING PRELIMINARY AWARDS

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

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

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

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

Preliminary Award **\$91,200**

DETERMINING FINAL AWARDS

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

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

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

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

Final Award **\$91,200**

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

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

Preliminary Award \$91,200

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

Final Award \$93,936

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

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

Preliminary Award \$91,200

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

Final Award \$77,520

PAYING OUT FINAL AWARDS

Board Review

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

Final Award Payout

Final awards will be paid out as follows:

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

Timing of Cash Payouts

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

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Effective June 10, 2024

INCENTIVE PLAN PROVISIONS

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

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

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

AMOUNTS SUBJECT TO ANNUAL DEFERRAL

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

INVESTMENT RETURN

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

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

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

DISTRIBUTIONS

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

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

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

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

TAXATION

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

IV. Other Compensation Plan Information

Competitive Pay Increases

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

Sign-on Bonuses

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

Relocation Expenses

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

Employment at Will

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

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

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409A Compliance

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

CLASS STRUCTURE

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

Chief Investment Officer

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

Deputy Chief Investment Officer

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

Managing Director

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

Program Director

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

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

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

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base case and alternative scenarios.

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

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

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

Senior Portfolio Manager

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

Portfolio Manager

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

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

Senior Investment Officer

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

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Investment Officer

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

Senior Investment Analyst

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

Investment Analyst

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



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

OVERVIEW & PAY PHILOSOPHY

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

This Plan includes three core elements:

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

Overall, this Plan is designed to:

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

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

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

I. Base Salary

SALARY RANGES

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

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

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Each position’s salary range includes a defined:

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

Grade	Position	Salary Range (\$ Thousands)		
		Min (\$)	Mid (\$)	Max (\$)
11	Chief Investment Officer	\$384,190	\$512,940	
		\$373,000	\$498,000	\$640,660 \$622,000
10	Deputy Chief Investment Officer	\$348,140	\$463,500	
		\$338,000	\$450,000	\$579,890 \$563,000
9	Managing Director	\$318,530	\$422,775	
		\$309,252	\$410,461	\$ 527,021 \$511,671
8	Program Director	\$ 272,198	\$364,861	\$457,524
		\$264,270	\$354,234	\$444,198
7	Director – Strategy, Research, Risk and/or Investment Decision Support	\$237,449	\$318,530	\$399,609
		\$230,533	\$309,252	\$387,970
6	Senior Portfolio Manager	\$237,449	\$318,530	
		\$230,533	\$309,252	\$399,609 \$387,970
5	Portfolio Manager	\$185,326	\$249,032	
		\$179,928	\$241,779	\$312,738 \$303,629
4	Senior Investment Officer	\$156,369	\$208,492	\$260,891
		\$151,815	\$202,419	\$253,292
3	Investment Officer	\$121,620	\$162,160	
		\$118,078	\$157,437	\$202,701 \$196,797
2	Senior Investment Analyst	\$92,663	\$121,620	
		\$89,964	\$118,078	\$150,578 \$146,192
1	Investment Analyst	\$75,289	\$98,455	\$121,620
		\$73,096	\$95,587	\$118,078

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

- **Market Pay Reviews:** The VRS normally conducts a comparative market total pay study generally every two to three years to ensure competitiveness of the salary and incentive structures. Typically, the VRS conducts the study in the 1st quarter of the calendar year with an effective date of July 1 (the beginning of the fiscal year).
- **Changes in Salary Ranges:** The Board must approve changes to the salary scale and incentive structure.

Salary Adjustments

Oversight & Administration

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

Investment Professionals' Pay Plan**Effective ~~February~~ June 10, 2024****Merit Increases**

- Salary increases are based on meeting individual performance standards. The supervisor completes the evaluation after the end of the fiscal year. If a participant in the investment employees' pay plan does not meet overall performance standards, then the participant is ineligible for performance increases to their base salary and market adjustments to their

Investment Professionals' Pay Plan Effective ~~February~~ June 10, 2024

base salary for that performance cycle. Performance cycles are on a fiscal year basis (July 1 through June 30) and typically begin with an effective date of performance plans in the first quarter of the new fiscal year.

- The CIO will receive base salary increases as approved by the VRS Board and in accordance with the terms in the CIO's Employment Agreement, with approved effective dates established by the VRS Board.

Starting Salaries

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

Reallocation

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

In-grade Adjustments

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

Promotions

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

Downward Assignment

Downward adjustment occurs when an employee changes positions whether voluntarily, or because of unsatisfactory performance, resulting in a downward change in job class. A reduction in salary may occur based on a review of the salary and range and the circumstances associated with the downward move. In downward assignments, an individual's salary cannot exceed the maximum of the new salary range.

II. Incentive Pay PLAN

ADMINISTRATION

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

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

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

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

PLAN ELIGIBILITY

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

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

Chief Investment Officer

Deputy Chief Investment Officer

Managing Director – Portfolio Solutions Group

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

Managing Director – Public Market Assets

Program Director

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

Senior Portfolio Manager

Portfolio Manager

Senior Investment Officer

Investment Officer

Senior Investment Analyst

Investment Analyst

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

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

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

OVERALL INCENTIVE PLAN MECHANICS

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

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

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

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

INCENTIVE OPPORTUNITIES

Incentive opportunities will vary by position based on multiple criteria:

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

Actual awards can vary based on performance.

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

Incentive Levels	
VRS Position	Incentive¹ (% Salary)
Chief Investment Officer	70 ²
Deputy Chief Investment Officer	65 ²
Managing Director – Portfolio Solutions Group	65 ²
Managing Director – Private Market Assets and DC Plans	65 ²
Managing Director – Public Market Assets	65 ²
Program Director	60 ²
Director – Strategy, Research, Risk and/or Investment Decision Support	50
Senior Portfolio Manager	50
Portfolio Manager	40
Senior Investment Officer	30
Investment Officer	30
Senior Investment Analyst	20
Investment Analyst	10

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

²A portion, up to 50%, of the positions’ earned incentives is subject to mandatory deferral.

INCENTIVE WEIGHTINGS

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

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

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

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

¹Average multiplier based on the multipliers of all asset classes under the incumbent’s purview.

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

³The MD Public Market Assets average multiplier is based on the multipliers of the public market asset classes under the incumbent’s purview.

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

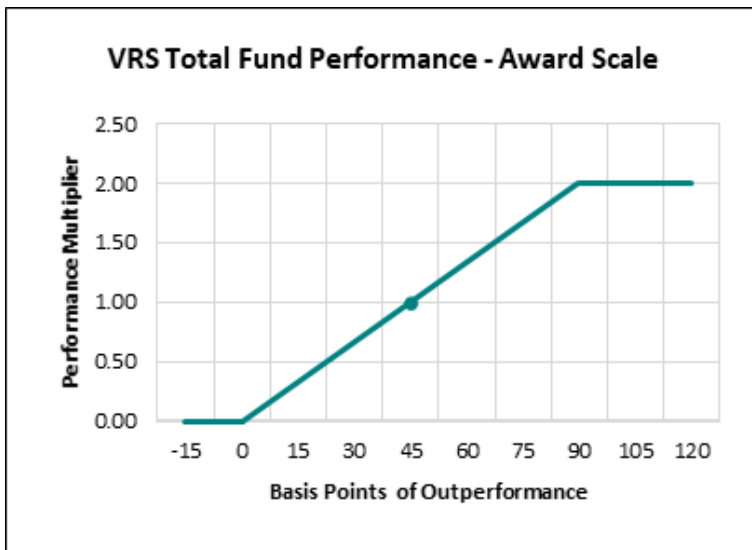
QUANTITATIVE PLAN COMPONENTS

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

For purposes of this Plan:

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

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



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

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

QUALITATIVE PLAN COMPONENT

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

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

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

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DETERMINING PRELIMINARY AWARDS

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

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

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

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

Preliminary Award **\$91,200**

DETERMINING FINAL AWARDS

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

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

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

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

Final Award **\$91,200**

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

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

Preliminary Award \$91,200

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

Final Award \$93,936

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

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

Preliminary Award \$91,200

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

Final Award \$77,520

PAYING OUT FINAL AWARDS

Board Review

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

Final Award Payout

Final awards will be paid out as follows:

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

Timing of Cash Payouts

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

Investment Professionals' Pay Plan
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INCENTIVE PLAN PROVISIONS

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

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

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

AMOUNTS SUBJECT TO ANNUAL DEFERRAL

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

INVESTMENT RETURN

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

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

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

DISTRIBUTIONS

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

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

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

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

TAXATION

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

IV. Other Compensation Plan Information

Competitive Pay Increases

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

Sign-on Bonuses

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

Relocation Expenses

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

Employment at Will

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

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

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409A Compliance

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

CLASS STRUCTURE

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

Chief Investment Officer

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

Deputy Chief Investment Officer

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

Managing Director

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

Program Director

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

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

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

Investment Professionals' Pay Plan
Effective **February-June 10, 2024**

base case and alternative scenarios.

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

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

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

Senior Portfolio Manager

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

Portfolio Manager

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

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

Senior Investment Officer

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

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Investment Officer

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

Senior Investment Analyst

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

Investment Analyst

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



Resolution of Appreciation

PRESENTED TO

Joseph W. Montgomery

*W*HEREAS, Joseph W. Montgomery faithfully served the Virginia Retirement System as an esteemed member of the Investment Advisory Committee from 2001 to 2005, where he advised the Board regarding investment matters; and

*W*HEREAS, Mr. Montgomery was appointed to serve on the Virginia Retirement System Board of Trustees for a first term beginning in March 2014 and was subsequently reappointed in March 2019, serving with distinction; and

*W*HEREAS, Mr. Montgomery served as Vice Chair of the Board of Trustees where he provided steady leadership and guidance, actively contributing to discussions and sharing his vast knowledge of investment best practices; and

*W*HEREAS, Mr. Montgomery served in a variety of roles on various Board committees, successfully leading and contributing to Committee discussions and deliberations, including Chair of the Audit and Compliance Committee; Vice Chair and Member of the Administration, Finance, and Talent Management Committee; Vice Chair and Member of the Investment Policy Committee; Vice Chair of the Defined Contribution Plans Advisory Committee; Member of the Strategic Projects Committee; and Member of the Chief Investment Officer Search Committee; and

*W*HEREAS, Mr. Montgomery, by virtue of his extensive and expert knowledge, provided value to discussions on investment and financial matters, and contributed immeasurably to Board decisions and the success of the System;

*N*OW, THEREFORE, BE IT RESOLVED, that on April 18, 2024, we, the members of the Board of Trustees of the Virginia Retirement System, hereby acknowledge Mr. Montgomery's loyal and faithful service to the Board of Trustees, the Virginia Retirement System, its members, retirees, and the Commonwealth of Virginia, and are grateful for his contributions, stewardship, and commitment as a member of the Board of Trustees.

A. SCOTT ANDREWS, CHAIR



Virginia
Retirement
System®

EDGE
Empower, Develop,
Grow and Engage



Employees are provided professional development and growth opportunities focused on continued improvement.

EDGE

**“Managing with
Intention”**

Career Ladders

**Tuition
Reimbursement**

**Succession
Management**

What is EDGE?

- Launched in FY 2023
- Our in-house professional development and training initiative
- **Empower, Develop, Grow and Engage**
- Shaped by needs assessment results
- Promoted regularly to all employees



**Employee
development
opportunities**

**Personalized,
robust training**

**Training needed
to perform jobs
effectively**

**Aligned with
strategic plan
and APOs**

**Tailored to our
unique culture**

**Focused on
competencies
and values**

EDGE Course Categories

Self-Care and Wellness
Management
Core Competencies
Diversity
General
Technology
EDGE
Core Values
New Employee Information

EDGE Participation

- Full-time and hourly employees
- Online, in-person and hybrid
- Internal and external trainers
- Some classes are recorded
- Feedback surveys for improvement
- Certification available

- Employees take initiative for their own development
- Good for the organization and good for employees – a “win-win”
- Employees are more prepared should advancement opportunities arise.
- The variety of course formats benefit all adult learning styles
- Professional partnerships with VCU, VCIC, New Horizons and others expand course offerings



EDGE Certification Level 1

Manager Requirements

“Performance Management”

“How to Lead an Effective Team”

“Engaging and Motivating Employees”

“Important Conversations: Effective Feedback”

In addition, 32 hours of elective EDGE training is needed which includes:

6 General Hours
3 DEI Hours

1 Technology Hour
1 Wellness Hour

Additional EDGE courses or external training to meet 32-hour requirement

EDGE Certification Level 1

Non-Manager Requirements

“Your Role in the VRS Strategic Plan”

“How to be an Effective Team Member”

“Understanding the Employee’s Role in Performance Management”

“Important Conversations”

In addition, 32 hours of elective EDGE training is needed which includes:

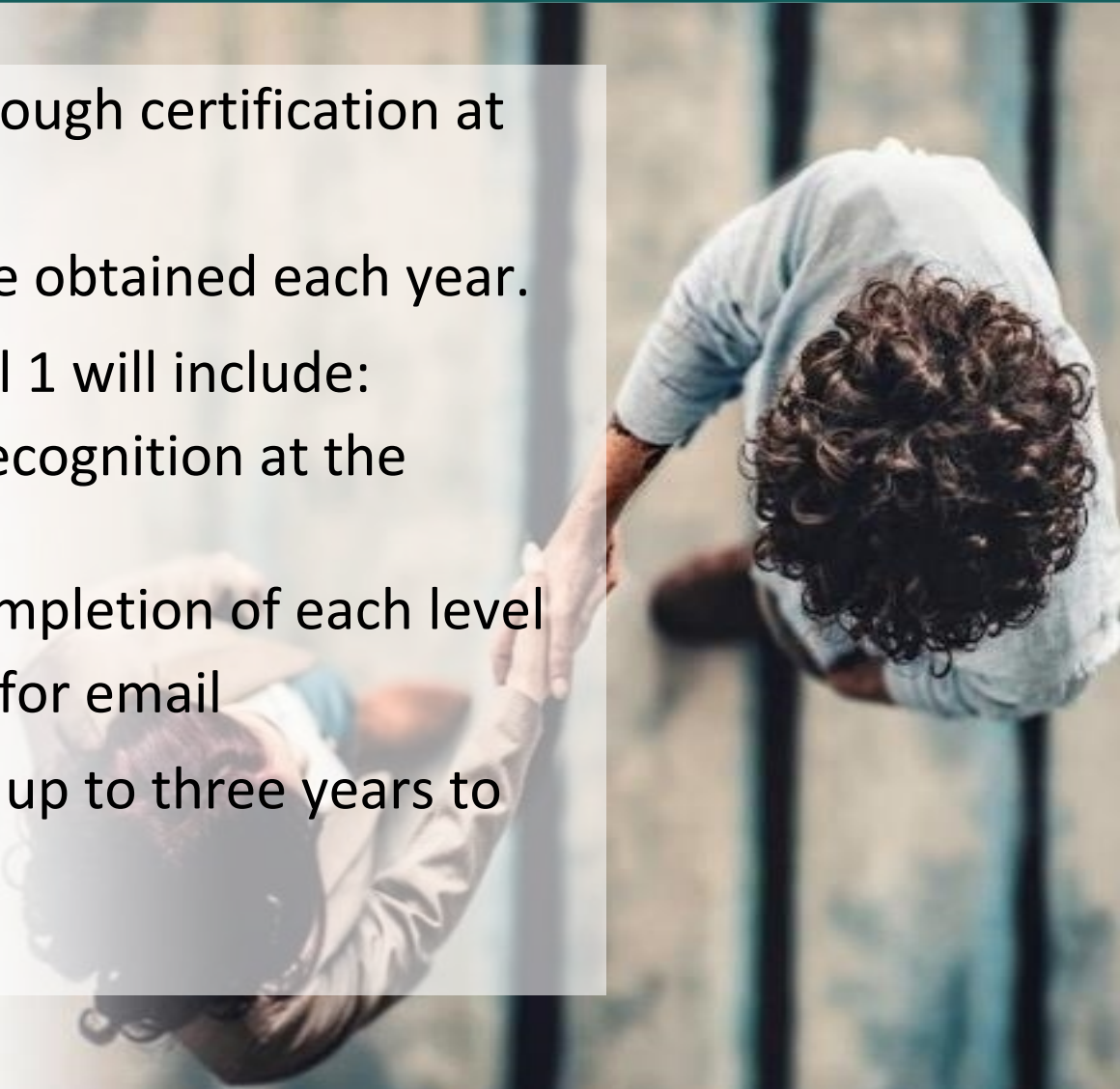
6 General Hours
3 DEI Hours

1 Technology Hour
1 Wellness Hour

Additional EDGE courses or external training to meet 32-hour requirement

EDGE Certification Recognition

- Employees move through certification at their own pace.
- Only one level can be obtained each year.
- Recognition for Level 1 will include:
 - Certificate and recognition at the Annual Meeting
 - Medallion for completion of each level
 - Signature badge for email
- Employees will have up to three years to complete each level



***Total Sessions
FY23 and FY24***

107

***100% of Managers
have attended at
least one class!***

***Almost 70% of our
employees have
attended at least one
class!***

Popular Courses

Performance Management

Critical Thinking

Intermediate Excel

EDGE Channel on the Newscenter



EDGE - Empower, Develop, Grow and Engage



All
Understanding Your Role in the VRS
Strategic Plan (General) (Required for

Tue, Jun 25, 10:00 AM

Hybrid and James Conference Room/Gr Fir...



Welcome to EDGE!

VRS strives to provide resources and skills needed to perform your jobs effectively.

EDGE (Empower, Develop, Grow and Engage) is our agency-wide, comprehensive professional development and training initiative.

EDGE provides opportunities to grow and develop through personalized robust training.

**4,600+ visits
since EDGE launch**

EDGE Channel on the Newscenter



APR
19

All
Dialogue Across Lines of Difference (DEI)

Fri, Apr 19, 9:00 AM

Microsoft Teams



APR
24

All
Presentation Skills: Speak on Your Feet (General)

Wed, Apr 24, 9:00 AM

James Conf Rm



APR
26

All
Workday Workouts (Self Care/Wellbeing)

Fri, Apr 26, 10:00 AM

Microsoft Teams



MAY
3

All
Project Management (General)

Fri, May 3, 9:00 AM

Microsoft Teams



MAY
10

All
DEI - Exploring Ability Status

Fri, May 10, 9:00 AM

Microsoft Teams



MAY
15

All
Process Improvement (General)

Wed, May 15, 9:00 AM

James Conference Room/Gr Flr Tr Rm



MAY
21

All
Mindful Meditation (Self Care/Wellbeing)

Tue, May 21, 10:00 AM

Microsoft Teams



MAY
24

All
Project Management II (General)

Fri, May 24, 9:00 AM

Microsoft Teams



JUN
25

All
Understanding Your Role in the VRS Strategic Plan (General) (Required for

Tue, Jun 25, 10:00 AM

Hybrid and James Conference Room/Gr Fir...




What Employees Say About EDGE

**Great programming and speakers!
Great to have this available in our workplace.**

**A great opportunity for VRS employees and
shows VRS' commitment to staff growth!**


What Employees Say About EDGE



The variety of classes, topics and instructors have been excellent!

The format, presenters, and topics were all very engaging and very informative.

Application of EDGE Knowledge



I've adjusted my communication style and approach.


When confronted with a problem, I look for possible solutions before discussing with my manager.

Application of EDGE Knowledge

I've become more aware of colleagues' individual backgrounds, perspectives and experiences.

The format, presenters, and topics were all very engaging and very informative.





Engaging and Motivating Employees

Helped a quiet group of managers open up about what motivates them and how to think about what motivates their teams.

Developing a Strategic Plan for Your Team

The self-evaluation led me to realizing new goals for my team; turning our weaknesses into opportunities.

Application of EDGE Knowledge

Civility in the Workplace and After Hours

This was fast-paced, but relevant training which provided real-life scenarios to help us think carefully about our workplace behavior.

Critical Thinking

Learning about biases which impede decision-making, thinking outside of the box and how to seek guidance from a diverse group was helpful.

Questions?





VRS Project Portfolio FISCAL YEAR 2024 March 31, 2024

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	2023						2024						
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
			Customer Experience Enhancements: Call Management System (CMS) - Phase 1	Member, Retiree and Employer Education, Outreach and Partnership	●										
Customer Experience Enhancements: Voice of the Customer (VoC) Program – Phase 1	Member, Retiree and Employer Education, Outreach and Partnership	●													
Records Management Program – Phase 2 Implementation	Digital Transformation and Secure Service Delivery	●													
Hybrid Plan – Contribution Separation Legislation Implementation Phase 2	Superior Governance and Long-Term Financial Health	●													
Human Resource Information System (HRIS) Implementation – Phase 1	Organization Strength Culture and Engagement	●													
IT Initiatives ¹		Status	2023						2024						
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Onboard and Operationalize Security MSP	Digital Transformation and Secure Service Delivery	▲													
Implement Secure and Remote Support Solution	Technology Infrastructure	●													
Research and Replace Secure File Transfer System	Technology Infrastructure	●													
Migrate from Cisco to Teams Voice	Technology Infrastructure	▲													
Implement Enterprise Identity and Access Management Solution	Digital Transformation and Secure Service Delivery	▲													
Other Projects ²		Status	2023						2024						
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Continue Agency Project Portfolio Process Enhancements	Superior Governance and Long-Term Financial Health	●													
Conduct Transition Activities to New DC/Hybrid Record Keeping Service Business Partner	Superior Governance and Long-Term Financial Health	●													
Lease Space Renewal	Superior Governance and Long-Term Financial Health	●													
Update VRS Optional Form Factors and Review Early Retirement Reduction Factors	Superior Governance and Long-Term Financial Health	●													
Legislation		Status	2023						2024						
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
HB2314 HIC Increase for State Retirees		●													
HB1789 HIC Increase for Constitutional Officers and Employees		●													
SB1403 Income Tax Subtraction; Professional Firefighter Pension		★													
SB1449 JRS		★													
HB1452 Add OAG Medical Fraud Investigators to LODA		★													
SB1411 RTW Law Enforcement Report		★													
HB1630/SB1289/SB1479 RTW Report		●													
Secure 2.0		●													
Operational/Ongoing Activities		Status	2023						2024						
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
COLA 2023		★													
FYE 2023		★													
EDGE		●													
Retirement Wave 2023		★													
Teacher Contracts		★													
MBPs		★													
Annual Code of Ethics Training		★													
Annual Security Awareness Training		★													
FOIA Training		N/S													
ACFR		★													
PAFR		★													
LODA Annual Report		★													
GASB 67		●													
GASB 68		●													
GASB 74		●													
GASB 75		●													
Actuarial Valuations		★													
myVRS Annual Updates		★													
Update Contribution Rates in VNAV		N/S													
1099/W2		●													

Operational/Ongoing Activities	Status	2023						2024						
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Annual Roadmap Review	N/S													
FYE 2024	N/S													
Retirement Wave 2024	N/S													
Commonwealth Bond Disclosure	N/S													
ORPHE Surcharge Billing for FY 2024														
Data Fixes														
ALM Backlog Prioritization														
Employer VNAV Security Review														
VRS Fund Sensitivity and Stress Testing Report for GA														
Legislation FY 2024														

¹Initiatives led directly by Technology Services.

²Other initiatives are led by other business units and supported by Technology Services.

Yellow Status Items

Item	Due Date	Comments
Onboard and Operationalize Security MSP	3/31/2024	Delays in the acquisition process will require additional time to complete the initiative.
Migrate from Cisco to Teams Voice	4/31/2024	Delays in the acquisition process will require additional time to complete the initiative.
Implement Enterprise Identity and Access Management Solution	6/30/2024	Delays in the acquisition process will require additional time to complete the initiative.

Red Status Items

Item	Due Date	Comments
N/A		

Realignments/Adjustments

Item	Due Date	Comments
N/A		

Director's Report

April 18, 2024

Trish Bishop, VRS Director



New Employer Coverage

Coverage Elected	Details
New VRS Employer – Effective Date Change	Richmond Behavioral Health Authority (City of Richmond) Effective July 1, 2024 (Formerly April 1, 2024)

Certificate of Transparency

VRS has received the Certificate of Transparency from the National Conference on Public Employee Retirement Systems (NCPERS)

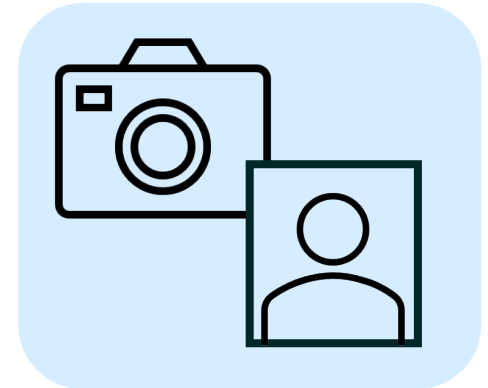
VRS was recognized for furthering open disclosure, increasing available data, and encouraging the public's understanding of public retirement systems.



Photo Opportunity

Need an updated headshot?

If any member of the VRS Board of Trustees would like a new photo taken, VRS will provide an opportunity.





May

- No Board of Trustees meeting

June

- Review Proposed Agency Performance Outcomes and Operational Measures
- Review and Approve Defined Benefit Asset Allocation