The VRS Investment Portfolio Disclosure Statement

Virginia Retirement System®

REVISED APRIL 2025

THE VRS INVESTMENT PORTFOLIO (VRSIP)

This Disclosure summarizes information about the VRSIP (the "Fund") offered as an investment option under 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 for Political Appointees
- Optional Retirement Plan for Public School Superintendents
- Optional Retirement Plan for Employees of Institutions of Higher Education
- Virginia Supplemental Retirement Plan

Plan participants should read and retain this Disclosure for future reference. This document will be updated periodically as necessary.

KEY INFORMATION

The Virginia Retirement System has been established for the purpose of providing retirement and other benefits to teachers, state employees and employees of participating political subdivisions. VRS manages more than $117.9[1] billion in defined benefit plan and other non-pension trust assets and oversees more than $9.6[1] billion in defined contribution plans assets.

The $117.9[1] billion investment pool has been unitized to provide participants in the Commonwealth of Virginia 457 Deferred Compensation Plan, the Virginia Cash Match Plan, the Virginia Hybrid 457 Deferred Compensation Plan, the Virginia Hybrid 401(a) Cash Match Plan, the Optional Retirement Plan for Political Appointees, the Optional Retirement Plan for Public School Superintendents, the Optional Retirement Plan for Employees of Institutions of Higher Education, and the Virginia Supplemental Retirement Plan the opportunity to invest in the VRSIP.

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[1] As of January 31, 2025.

It is important to note that by investing in the VRSIP you are not investing in a defined benefit pension plan. Investing in the VRSIP does not provide you with the opportunity to purchase additional DB plan service credit or increase your monthly DB pension benefit. Like other core investment options, participants investing in the VRSIP are subject to investment risks, including loss of principal and earnings.

The VRSIP is a diversified portfolio that invests in numerous asset classes. Because some of the underlying asset classes are illiquid in nature (such as real assets and private equity), **the VRSIP is officially valued on a calendar quarter basis and is open to contributions and incoming and outgoing transfers only on a quarterly basis.**

Participants investing in the VRSIP are responsible for making transfers out of the Fund in a timely manner to cover any requested distributions and to meet the IRS required minimum distribution amounts. A RMD must begin the later of April 1 of the calendar year following the calendar year you reach age 73 or April 1 following the calendar year you separate from service if older than age 73 and will continue on an annual basis.

In order to fulfill a year-end RMD from VRSIP assets, you must initiate the transfer of funds to your core account no later than 4 p.m. EST on the last business day of September. Participants using the VRSIP are also required to maintain at least $2,500 in the target date portfolios and/or other core investments for each VRSIP plan in which they invest.

Please read this information carefully and consider the administrative parameters, investment objectives, risks and fees before investing.

Investments in the VRSIP are NOT guaranteed by VRS or the underlying investment managers, the Commonwealth of Virginia, the Federal Deposit Insurance Corporation, or any other agency of the U.S. Government, and are subject to investment risks, including loss of principal and earnings. The Fund is not an investment company and, accordingly, is not required to be registered under the Investment Company Act of 1940.

WHO SHOULD CONSIDER INVESTING

You may wish to consider investing in the VRSIP if:

- You understand the risks involved in investing in the VRSIP;
- The Fund's investment policy and strategies are consistent with your investment objectives and risk tolerance; and
- You are comfortable with the administrative parameters (refer to Administrative Parameters Section) regarding investing in the VRSIP.

You probably should not consider investing in the VRSIP if:

- You are looking for FDIC insurance coverage or interest that is guaranteed for a specific period, such as a certificate of deposit;
- You are unwilling to accept the risks involved in the securities market and the likelihood that the Fund will sometimes experience losses; and
- You are not comfortable with the long-term investment horizon of the Fund (10 years or longer).

FUND GOVERNANCE AND MANAGEMENT

The VRS Board of Trustees ("Board") is responsible for establishing broad policy guidelines and benchmarks that should help enable the Fund to achieve its investment objective. The Board is comprised of nine members as follows: five members are appointed by the Governor and four members are appointed by the General Assembly's

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Joint Rules Committee. All appointees must be confirmed by an affirmative vote of a majority of those voting in each house of the General Assembly.

The Board establishes policy in the areas of asset allocation targets (policy risk/reward parameters), allowable ranges around policy targets, total fund and program level benchmarks, and active risk ranges relative to policy. Refer to Appendix 1 for these Board approved investment parameters. These parameters are subject to change when warranted by changes in the investment marketplace. Beyond these broad policy decisions, the Board has delegated to the Chief Investment Officer all other decision making relating to the investment of VRS assets. In carrying out its fiduciary duty to oversee the investments of the Fund, the Board also considers advice and recommendations provided by the VRS Investment Advisory Committee. The IAC consists of seven to nine members with each member appointment requiring a two-thirds vote of the Board. The composition of the Board, IAC members and VRS investment staff may change from time to time.

Investment activities are accomplished through direct management by VRS investment staff as well as external investment managers. The Board has granted the CIO the authority to hire and terminate investment managers at any time using processes deemed likely to achieve the best investment results for the Fund.

The VRS Annual Report includes a list of Board members, IAC members and investment executive team members as of the date of its compilation. A copy of the Annual Report is available on the VRS website at varetire.org.

INVESTMENT OBJECTIVE AND POLICIES

Objective: The investment objective of the VRSIP is to maximize return while managing risk (refer to Risk Section) within an acceptable range. Due to the long-term nature of the defined benefit plan's liabilities, the horizon for investment decisions is generally defined as 10 years or longer. *There is no assurance that the portfolio will achieve its objective.*

Strategy: The VRSIP will pursue its objective through the active and passive management of a diversified portfolio of investments. The Fund may use a variety of investment techniques and strategies to achieve desired portfolio results within particular investment mandates. Such strategies may include, but not be limited to, the use of illiquid securities, derivatives, leverage, short sales, swaps, foreign currency transactions and loaning of securities.

Asset Allocation/Rebalancing: Asset allocation policy is important because it defines the basic risk and return characteristics of the VRSIP. The Board, while considering IAC and CIO recommendations, sets the Fund's strategic asset allocation mix and reviews the mix periodically. The Board also establishes an allowable range around each asset class target weight within which the CIO is granted discretion. The strategic asset allocation mix and allowable ranges may change as needs arise. Appendix 1 shows the Fund's strategic asset allocation mix and the allowable range for each asset class as of the date of the printing of this document.

RISK

Risk is assessed in an asset-liability framework, and the Board establishes asset allocation policy based primarily on the expected volatility in the pension plan's funded status and contribution rate volatility.

Primary risk objectives for the Fund are to 1) manage the volatility of the Fund within a reasonable range around a targeted volatility as established in the asset allocation process, and 2) manage the tracking error of the Fund within the tracking error range as established by the total Fund risk budget. Tracking error is a statistical measure describing the degree of variability around the Total Fund Custom Benchmark and is calculated as the standard deviation of the difference between the Fund's return and the benchmark's return. Appendix 1 shows the tracking error target ranges as of the date of the printing of this document.

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The Board may change the risk target and strategy for the Fund at any time, based on the needs of the pension plan and changing market conditions. In general, the investment strategies and risk measures used in managing the Fund are designed to help the Board control risks in a manner appropriate for a long-term pension plan with liquidity needs. Such strategies and risk measures may not be consistent with the risk tolerance and objectives of individual investors, and participants should carefully assess the suitability of the Fund in light of their own specific objectives.

PERFORMANCE BENCHMARK

In analyzing the performance of the VRSIP, the Board uses a Custom Benchmark consisting of a blend of the asset class benchmarks at policy weights.

FEES AND EXPENSES

The following information describes the fees and expenses of the Fund. Each investment manager charges a basic investment management fee for the management of investments. Some investment management contracts contain performance fees wherein the manager may receive additional compensation based on the manager's investment performance. Investment management fees and any performance-based fees vary by the manager's investment mandate and contract. Other Fund expenses include custody, transaction costs, VRS internal operating costs, legal fees and other administrative expenses.

As of fiscal year end June 30, 2024, the expense ratio for the VRSIP was 0.62%. The VRS Annual Report lists fees incurred by the Fund at the most recent fiscal year end. A copy of the Annual Report is available on the VRS website at varetire.org/publications.

In addition to the fees described above, participants will incur a fee related to money held in the Pending Account VRSIP (PENDVRSIP). The Target Date 2035 Portfolio currently serves as the PENDVRSIP so please see the 2035 Portfolio's fact sheet on dcp.varetire.org/investments for specific expense ratio information.

The third-party administrator's record keeping and communication services fee is a fixed annual fee charged to each unique participant of $35.50 (about $2.96 will be deducted monthly for 11 months, then $2.94 in the last month). If you are participating in multiple plans the fee is a total of $35.50 for all accounts.

VALUATION OF UNITS

The Bank of New York Mellon, as the custodian for the VRS investment pool, will calculate a unit value for the VRSIP as of the close of each month. However, under the plans, participants are permitted in and out of the VRSIP only on the basis of quarterly unit values. This is because many of the Fund's illiquid holdings such as real assets and private equity typically have quarterly valuations. Although interim unit values are provided as of the end of each month, they will not be based on up-to-date values for some of the Fund's holdings. Interim unit values should only be viewed as estimates to assist you in keeping track of your VRSIP account between quarterly valuations.

Month end unit values for the VRSIP are calculated on the eighth business day following each month's end. When accessing your account via the website, remember unit values for January, February, April, May, July, August, October and November are just estimates. Only quarterly unit values for March, June, September and December are used for Fund entry or exit.

ADMINISTRATIVE PARAMETERS

Terms

VRS Investment Portfolio (VRSIP) – An investment pool managed by VRS.

Pending Account VRSIP (PENDVRSIP) – A daily valued account where contributions and investment transfers are held until invested in the VRSIP. The balances in the PENDVRSIP are currently invested in the Target Date 2035 Portfolio. The underlying portfolio for the PENDVRSIP changes from time to time.

Preliminary Investment Portfolio VRSIP (PIPVRSIP) – A non-interest bearing holding account where PENDVRSIP balances are moved to after the last business day of the quarter and prior to being swept into the VRSIP. Balances held in the PIPVRSIP account are not available for transfer out or withdrawal.

Target date portfolios and other core investment options – Investment options offered by VRS defined contribution plans.

The VRSIP operates differently than the target date portfolios and other core investment options offered by VRS defined contribution plans because it is officially valued quarterly. The following parameters are provided to help you understand these differences and what you should consider prior to investing in the VRSIP and keep in mind when managing your account.

- **Getting started**
  - Once you have read the *Who Should Consider Investing* section of this Disclosure document and understand the investment objective and risks as well as the administrative parameters regarding the VRSIP, go to dcp.varetire.org/login to access your account. Then, select *Investment & Research/Manage Investments* to establish a future allocation and/or to transfer from your existing funds into the PENDVRSIP.
- **Contribution allocation to the PENDVRSIP**
  - You can allocate a maximum of 95% of your ongoing contribution amount to the PENDVRSIP. To log in to your account, go to dcp.varetire.org/login. Then, choose *Investment & Research/Manage Investments* and select the *Future Investment Elections* option to enter the percentage you will allocate to the PENDVRSIP.
  - Your contributions designated for the VRSIP are first deposited to the PENDVRSIP where they are held until the last business day of each quarter. Money held in the PENDVRSIP is available for transfers out and withdrawals up until market close (4 p.m. EST) the last business day of each quarter.
- **Timing of your contribution allocation to the VRSIP**
  - After market close on the last business day of each quarter, all balances held in the PENDVRSIP are transferred into the PIPVRSIP account where they are held until a unit value is established for the VRSIP. Balances held in the PIPVRSIP account are not available for transfer out or withdrawal.
  - The VRSIP unit value will be established by the eighth business day following quarter end, at which time balances will be transferred from the PIPVRSIP to the VRSIP. Balances transferred to the VRSIP on the eighth business day will be treated as if they were invested in the VRSIP on the last business day of the prior quarter.

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- **Transfers into the PENDVRSIP**
  - You can transfer money from the target date portfolios and/or other core investment options to the VRSIP by logging into your account at dcp.varetire.org/login. Then, select *Investment & Research/Manage Investments* and select the *Fund-to-Fund Transfer* option to enter the amount you wish to transfer from your existing target date portfolios and/or other core funds into the PENDVRSIP.
  - For each plan in which you wish to invest in the VRSIP, you must retain at least $2,500 in the target date portfolios and/or other core investments when transferring money to the PENDVRSIP.
  - After market close on the last business day of each quarter, balances held in the PENDVRSIP are transferred into the PIPVRSIP where they are held until a unit value is established for the VRSIP. Amounts held in the PIPVRSIP account are not available for transfer out or withdrawal.
  - The VRSIP unit value will be established by the eighth business day following quarter end, at which time balances will be transferred from the PIPVRSIP to the VRSIP. Fund amounts transferred into the VRSIP on the eighth business day will be treated as if they were invested in the VRSIP on the last business day of the prior quarter.
- **Transfers out of the VRSIP**
  - You can transfer money from the VRSIP to the target date portfolios and/or other core investment options by logging into your account at dcp.varetire.org/login. Then, select *Investment & Research/Manage Investments* and select the *VRSIP Transfer Out* option to enter the amount you wish to transfer from the VRSIP into the other investment options.
  - ***Important:*** **Transfer requests from the VRSIP are not processed immediately.** Transfer requests from the VRSIP made prior to quarter end will be held in pending status until the eighth business day of the following quarter. The transfer request will then be processed on the eighth business day following quarter end and will receive the VRSIP unit value as of the last business day of the prior quarter. The balance transferred out of the VRSIP will be reinvested using the unit values (of the fund(s) you have selected) on the eighth business day of the current quarter. ***Because of the lag inherent in the valuation process, dollars being transferred out of the VRSIP will not be invested in the market during this eight-business day timeframe. This may translate to 11 to 14 calendar days.***
- **Withdrawals from the VRS defined contribution plans when you have a balance in the VRSIP**
  - **Withdrawals of any kind cannot be processed out of a VRSIP account balance from any of the VRS administered defined contribution plans. This includes emergency withdrawals from the Commonwealth of Virginia 457 Plan and the Hybrid 457 Plan.**
  - To request a full withdrawal from your account with the VRS defined contribution plans, you must first transfer your balance in the VRSIP back into the other plan investment options. Please see “Transfers out of the VRSIP” above for more information.
  - **You must transfer sufficient funds to process your request.** If you do not have sufficient funds in your investment options, your request will be processed to the extent possible from those investment options. However, this could result in a smaller payout than requested.

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- **If you are required to take a minimum distribution from a plan, you must transfer to the target date portfolios and/or other core investments the amount needed to satisfy your Required Minimum Distribution. *In order to fulfill a year-end RMD from VRSIP assets, you must initiate transfer of funds to your core account no later than 4 p.m. EST on the last business day of September.*** The RMD amount is in addition to the $2,500 you are required to maintain in the core investments.

- **Tracking your account between quarters**
  - Month end unit values for the VRSIP are calculated on the eighth business day following each month's end. When accessing your account via the website, remember unit values for January, February, April, May, July, August, October and November are just estimates. Only quarterly unit values for March, June, September and December are used for Fund entry or exit.
  - Although interim unit values are provided as of the end of each month, they will not be based on up-to-date values for some of the Fund's holdings. Interim unit values should only be viewed as estimates to assist you in keeping track of your VRSIP account between quarterly valuations.

COPIES OF THE DISCLOSURE AND ACCOUNT INFORMATION

Copies of the Disclosure. To have additional copies of this Disclosure, please go to dcp.varetire.org/investments or call 877-327-5261.

Account Information. For account balance, performance and other information, log into your account at dcp.varetire.org/login or call 877-327-5261.

For additional information about VRS, please visit varetire.org or call 888-827-3847.

VRS Defined Benefit Plan Investment Policy Statement
as of July 1, 2025**
Appendix 1

Asset Class (Strategies)	Policy Target %	Allowable Range	Benchmark	Tracking Error Range
Public Equity	32%	25% – 39%	Public Equity Custom	
Private Equity	16%	9% – 23%	Private Equity Custom	
Real Assets	14%	7% – 21%	Real Assets Custom	
Credit Strategies	16%	9% – 23%	Credit Strategies Custom	
Diversifying Strategies	5%	2% – 10%	Diversifying Strategies Custom	
Private Investment Partnerships	2%	0% – 4%	Private Investment Partnerships Custom	
Exposure Management Portfolio	0%	0% – 6%		
Fixed Income	16%	12% – 23%	Fixed Income Custom	
Cash	2%	0% – 7%	ICE BofA U.S. 3-Month Treasury Bill Index	
Total Fund with Asset Allocation Leverage	103%		VRS Custom Benchmark	100 – 300 bps
Asset Allocation Leverage	-3%	-4% – 0%		
Total Fund	100%			
High-Level Exposure				
Total Equity	48%	38% – 58%		
Fixed Income + Cash	18%	12% – 27%		
Rebalancing Leverage		-3% – 0%		

*** Previous date was January 1, 2025.*

Notes:
The Board establishes and reviews the total fund tracking error range. The total fund tracking error range is the allowable observed tracking error calculated quarterly using five years of history. Should the plan experience active risk outside of the tracking error range, the CIO is responsible for communicating the variance to the Board on a timely basis. The total fund tracking error range is the amount of expected tracking error based on the total fund's current mix and strategies. The CIO establishes individual program tracking error ranges.

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

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

VRS Defined Benefit Plan Investment Policy Statement
as of July 1, 2025**
Appendix 1

Notes *(continued)*:

The Public Equity Custom Benchmark is a weighted average of the MSCI ACWI IMI Index ex Selected Countries (net VRS taxes) (85%) and the MSCI World Min Vol Index ex Selected Countries (net VRS taxes) (15%).

The Private Equity Custom Benchmark is the regional benchmarks of the MSCI ACWI IMI Index ex Selected Countries (net VRS taxes) lagged by three months, weighted to reflect the Private Equity opportunity set (currently 75% North America, 20% Europe, and 5% Asia and Emerging Markets).

The Real Assets Custom Benchmark is the market value weighted blend of the NCREIF Private Real Estate Benchmark (ODCE Index (net) lagged by three months) and the Other Real Assets Custom Benchmark (the CPI-U Index plus 400 basis points per annum lagged by three months).

The Credit Strategies Custom Benchmark is a blend of the Morningstar LSTA Performing Loan Index (50%) and the Bloomberg U.S. High Yield Ba/B 2% Issuer Cap Index (50%).

The Diversifying Strategies Custom Benchmark is the ICE BofA U.S. 3-Month Treasury Bill Index plus 250 basis points per annum.

The Private Investment Partnerships Custom Benchmark is the weighted average of the Private Equity Custom Benchmark (33%), the NCREIF Private Real Estate Benchmark (25%), the Other Real Assets Custom Benchmark (8%), the Bloomberg U.S. High Yield Ba/B 2% Issuer Cap Index (17%), and the Morningstar LSTA Performing Loan Index (17%).

The Fixed Income Custom Benchmark is a blend of the Bloomberg U.S. Aggregate Bond Index (90%), Bloomberg U.S. High Yield Ba/B 2% Issuer Cap Index (5%) and the JP Morgan EMBI Global Core Index (5%).

The Leverage Custom Benchmark is the Secured Overnight Financing Rate (SOFR) plus 50 basis points per annum.

The VRS Custom Benchmark is a blend of the Asset Class Benchmarks at policy weights.