

## Fund Facts

Tier I:  
**Passively Managed  
Asset Allocation Fund<sup>1</sup>**

Fund Type:  
**Pre-Mixed Asset  
Allocation  
(Long-Term Growth)**

Inception Date:  
**11/1/1999**

Total Net Assets:\*  
**\$64.7 million**

Expense Ratio:  
**0.06%**

Number of Holdings:  
**8,985**

## Important Information

The Interim Account VRSIP (IAVRSIP) is a daily valued account where contributions and investment transfers are held until invested in the Virginia Retirement System Investment Portfolio (VRSIP). **Money held in the IAVRSIP is invested in the Tier I Long-Term Growth Fund.** After market close on the last business day of each quarter, all balances held in the IAVRSIP are transferred into the Preliminary Investment Portfolio VRSIP (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 valued as if they were invested in the VRSIP on the first day of the quarter.

## Investment Objective

The Long-Term Growth Fund seeks to provide capital growth by investing in a combination of bonds and stocks, which is anticipated to provide long-term total returns that are higher than inflation with the possibility of significant short-term losses. There is no assurance that the Fund will achieve its objective. Refer to “Risks” section.

## Manager

The Long-Term Growth Fund is comprised of underlying collective investment trusts managed by a team of State Street Global Advisors (SSgA) professionals.

## Investor Profile

The IAVRSIP is intended for participants wishing to invest in the VRSIP. It is an account where contributions and transfers intended for the VRSIP are held until the last business day of the quarter.

## Strategy

The Long-Term Growth Fund invests in cost-efficient index funds premixed with the following weights: 25% U.S. bonds, 64% U.S. stocks, and 11% foreign stocks.

The bond portion is invested in SSgA’s U.S. Bond Index Non-Lending Series Fund-Class A.

The U.S. stock portion is invested in SSgA’s Russell All Cap Index Non-Lending Series Fund-Class A. The foreign stock portion is invested in SSgA’s International Index Non-Lending Series Fund-Class A. All funds are managed using a “passive” or “indexing” investing approach, by which SSgA attempts to replicate, before expenses, the performance of the funds’ respective benchmark indices. The funds typically seek to achieve their objectives by investing in securities comprising their respective indices in the same proportions as they are represented in the indices. In some cases, it may not be possible or practicable to purchase all of the securities comprising the indices, or to hold them in the same weightings as represented in the indices. In those circumstances, SSgA may employ a sampling or optimization technique to construct the portfolios. From time to time, SSgA may purchase securities that are not yet represented in the indices or sell securities that have not yet been removed from the indices. The underlying stock funds use futures; the underlying bond fund may use futures. All underlying funds may use other derivatives and may invest in other investment funds.

## Risks

There are risks involved with investing, including loss of money over short or long periods of time. The Fund is an asset allocation fund that combines risk elements of bonds and domestic and international stocks. In an asset allocation fund, the investment in the bond market tends to moderate the volatility of the investment in the stock market and investing in international stocks may further diversify a portfolio and reduce overall portfolio risk.<sup>2</sup> Fund risks include, but are not limited to:

**Market risk:** The risk that the price of securities in a fund will rise or fall sometimes rapidly or unpredictably due to factors such as real or perceived adverse economic conditions, political developments, and/or investor sentiment generally. During a general downturn in the securities markets, multiple asset classes may decline in value simultaneously. Stocks generally have greater price volatility than bonds.

**Interest rate risk:** The risk that if interest rates rise bonds will decline in value.

**Income risk:** The risk that a fund’s income will decline because of falling interest rates.

\* Total net assets are reflective of the Long-Term Growth Fund.

# Interim Account—Virginia Retirement System Investment Portfolio (IAVRSIP)

*as of September 30, 2011*

## Risks (continued)

**Default (credit) risk:** The risk that an issuer fails to pay interest or principal when due or in a timely manner or that negative perceptions of an issuer's ability to make such payments will cause the price of the security to decline.

**Call risk:** The risk that the issuer of a callable bond will redeem the bond issue prior to maturity. This typically results in the bond holder reinvesting funds at a lower interest rate resulting in a decline in income and losing the opportunity for additional price appreciation associated with falling interest rates.

**Prepayment risk:** The risk associated with the early unscheduled return of principal which results in the bondholder losing income due to the early payoff of the debt and potentially having to reinvest funds at lower interest rates. This risk is typically associated with mortgage securities.

**Business risk:** The risk that an investment will lose value because of a decline in a specific company or industry.

**Country risk:** The risk that domestic events, laws, and/or regulations will negatively impact a country's securities markets.

**Currency risk:** The risk that the value of a foreign investment, measured in U.S. dollars, will negatively impact fund returns because of unfavorable changes in currency exchange rates.

**Manager risk:** The risk that manager implementation decisions can adversely affect the ability of a fund to meet its investment objectives and/or cause a fund to underperform relevant benchmarks.

## Performance

*Current performance may be lower or higher than performance data shown. Performance data shown represents past performance and is not a guarantee or prediction of future results. For performance data current to the most recent month-end, please visit the Web site at [www.varetire.org](http://www.varetire.org) and select a Plan under the *Defined Contribution Plans* tab. Choose "Plan Investments" and then "Investment Performance." The investment return and principal value of an investment will fluctuate so that, when redeemed, shares/units may be worth more or less than their original cost. Investors should consider the investment objectives, risk, fees and expenses carefully before investing.*

|                      | 1 Year | 3 Years* | 5 Years* | 10 Years* |
|----------------------|--------|----------|----------|-----------|
| IAVRSIP <sup>3</sup> | 0.79%  | 3.43%    | 1.18%    | 4.54%     |

|                        |      |      |      |      |
|------------------------|------|------|------|------|
| Benchmark <sup>4</sup> | 0.84 | 3.28 | 1.00 | 4.51 |
|------------------------|------|------|------|------|

*(25% Barclays Capital Aggregate Bond Index, 64% Russell 3000, 11% MSCI EAFE Indices)*

## Top Holdings

### Top Bond Holdings

|                                  |      |
|----------------------------------|------|
| US Treasury Bonds                | 8.8% |
| FNMA                             | 4.0  |
| Federal Home Loan Mortgage Corp. | 3.2  |
| GNMA                             | 1.8  |
| Federal Home Loan Bank           | 0.3  |

### Top Stock Holdings

|                   |      |
|-------------------|------|
| Exxon Mobil Corp. | 1.8% |
| Apple Inc.        | 1.8  |
| IBM               | 1.1  |
| Chevron Corp.     | 0.9  |
| Microsoft Corp.   | 0.9  |

\*Annualized

1 A passively-managed fund tries to track the total return of a particular index. They are often called "passively-managed" because the way your money is invested is determined by the securities that are included in a particular index, not the research and discretion of a fund manager.

2 Diversification of an investment portfolio does not assure a profit and does not protect against loss in declining markets.

3 The performance returns shown reflect all fund management fees and expenses, but does not reflect the Plan administrative fee, which would further reduce the returns shown. All calculations assume reinvestment of dividends and capital gains. All returns are calculated in U.S. dollars.

4 You cannot invest directly in an Index. The Barclays Capital Aggregate Bond Index is an unmanaged index considered indicative of the broad domestic bond market in general and consists of government, corporate, mortgage-backed, and asset-backed securities. The Russell 3000 Index is an unmanaged index considered indicative of the broad domestic stock market in general. The Morgan Stanley Capital International Europe, Australasia, Far East Index (MSCI EAFE) is an unmanaged index considered indicative of the broad foreign stock market in general and is comprised of approximately 1,000 stocks in 20 countries in Europe and the Pacific Basin.

Plan Administrative Fee - ING Institutional Plan Services ("ING"), the Plans' record keeper, will deduct an annual record keeping and communication services fee of 18 basis points (0.18%) capped at \$130,000 from your combined account balance on a quarterly basis (0.045% per quarter).

NOT FDIC INSURED - MAY LOSE VALUE - NO BANK GUARANTEE