



Virginia Retirement System Oversight Report

JLARC oversight of VRS

- Virginia Retirement System (VRS) Oversight Act* requires JLARC to
 - Oversee VRS on a continuing basis
 - Report on investments and other topics
 - Conduct actuarial analysis every four years
 - Publish a guide for legislators

*Code of Virginia, Title 30, Chapter 10.

In this presentation

Trust fund investments

Trust fund rates and funding

Hybrid plan

Trust fund had 24.3% return over one-year period

- Assets = \$103.7 billion
- \$18.6 billion increase over one-year period
- Achieved positive returns for all benchmark periods

Investment returns and asset value as of September 30, 2021.

Trust fund performance exceeded benchmarks for all periods

Total fund	1-year	3-year	5-year	10-year	25-year
Return	24.3%	11.3%	10.5%	10.0%	8.1%
Benchmark	19.3	10.2	9.8	9.3	7.5
Excess return	5.0	1.1	0.7	0.7	0.6

Returns as of September 30, 2021.

Benchmarks are a blend of indexes holding similar types of investments.

Performance largely met or exceeded benchmarks for most asset classes

Asset class	1-year	3-year	5-year	10-year
Public equity	✓	✗	✗	✗
Private equity	✓	✓	✓	✓
Credit strategies	✓	✓	✓	✓
Fixed income	✓	✓	✓	✓
Real assets	✓	✓	✓	✓
Multi-asset public strategies	✓	✗	N/A	N/A
Private investment partnerships	✓	✓	✓	N/A

✓ = Return met or exceeded benchmark ✗ = Return below benchmark
 N/A = Not yet applicable

Performance as of September 30, 2021.

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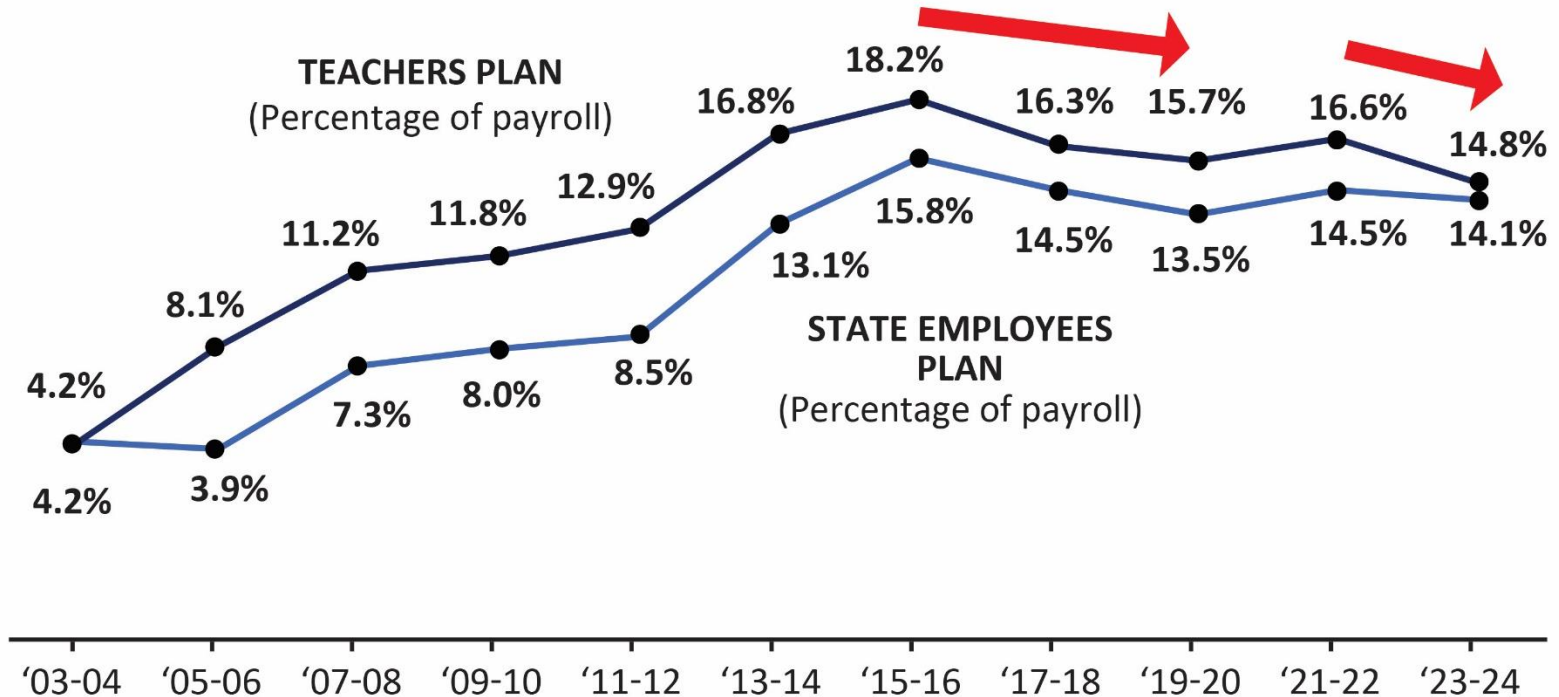
Contribution rates certified by VRS board decreased for largest plans because of investment returns

	FY21 – FY22	FY23 – FY24	% Change
Teachers	16.62%	14.76%	↓ 1.86%
State employees	14.46	14.13	↓ 0.33

- Rates increased for VaLORS, SPORS, JRS, and local plan average

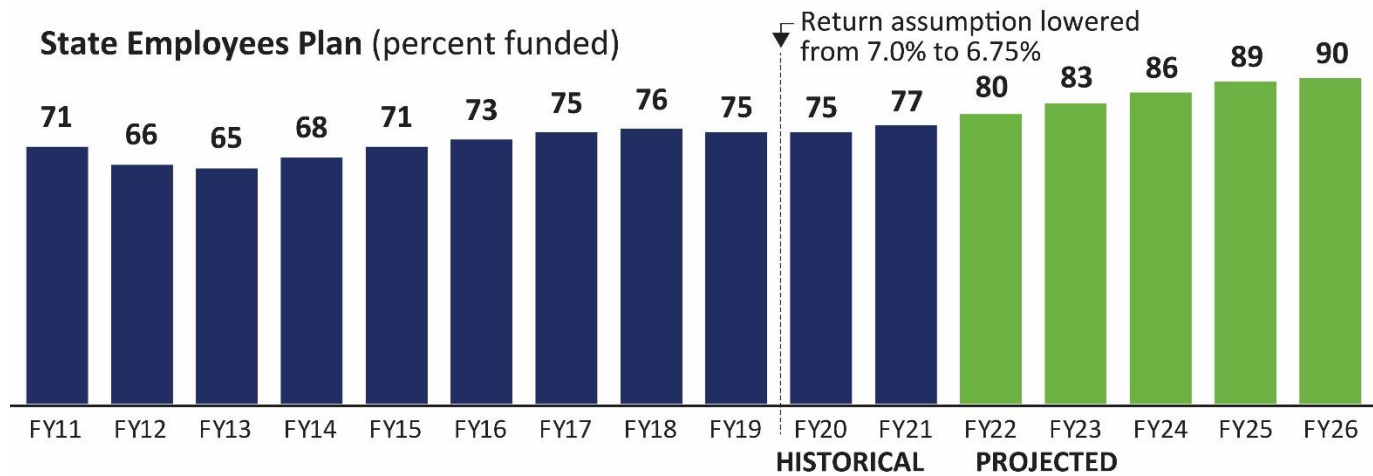
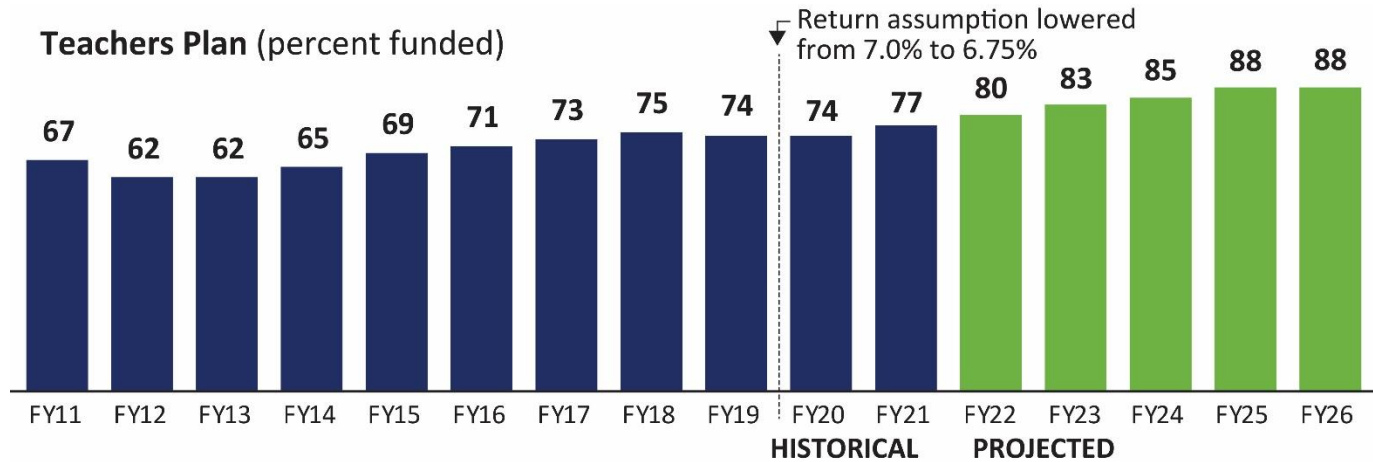
VaLORS = Virginia law officers' retirement system; SPORS = state police officers' retirement system; JRS = judicial retirement system

Board-certified contribution rates continue a longer-term downward trend



Actual contribution rates were lower in some years prior to the 2017–2018 biennium because board-certified contribution rates were not always fully funded.

Funded status of largest VRS plans increased and are projected to continue increasing



Options exist to further reduce unfunded liabilities and decrease long-term costs of VRS plans

- Maintain current, higher contribution rates for FY23–FY24
- Adjust the amortization period for repaying unfunded liabilities
 - Shorten the amortization period
 - Repay level dollar amount rather than percentage of salary
- Provide additional one-time cash infusions

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Proportion of Hybrid Plan members making voluntary contributions declined

- 66 percent of participants making voluntary contributions (as of September 30, 2021)
 - Down from 79 percent (as of September 30, 2020)
- Voluntary contributions increase immediately after automatic rate escalations but decline as new members join plan
 - Last automatic rate escalation, January 2020; next automatic rate escalation, January 2023

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