



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

Defined contribution plans

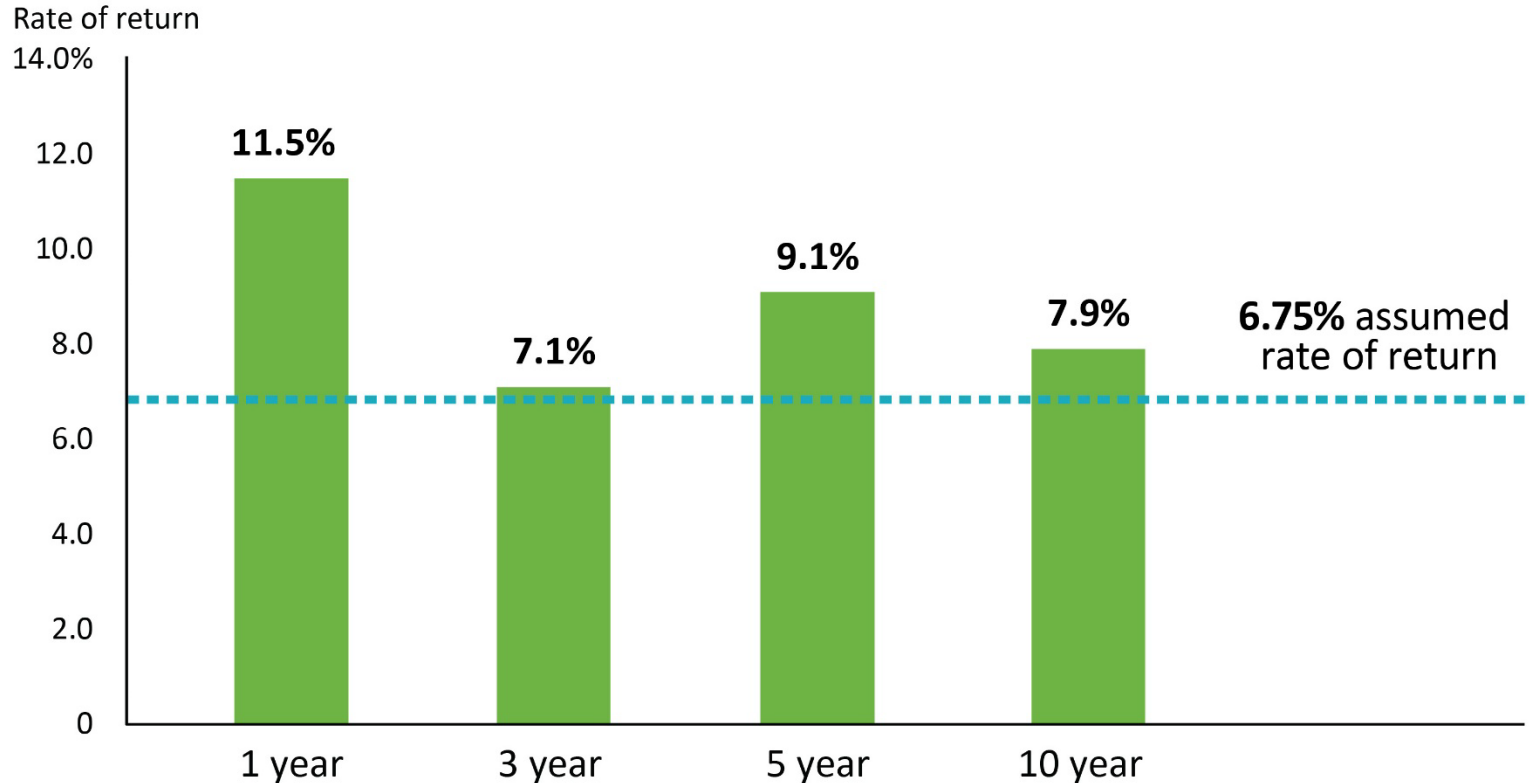
Key recent legislation

VRS manages investment of trust fund assets

- Assets used to pay VRS benefits are pooled in the trust fund
 - Retirement plans for teachers, state employees, local government employees, judges, state police, and other law enforcement officers
 - Other benefits programs

Trust fund had **11.5%** return for 1-year period and exceeded return assumption for all periods

(March 31, 2024)



Assets = **\$113.0 billion**

Returns for asset classes met or exceeded nearly all benchmarks

(March 31, 2024)

Asset class (% of total fund)	1-year	3-year	5-year	10-year
Public equity (33.9%)	✓	✓	✓	✓
Private equity (17.2%)	✗	✓	✓	✓
Credit strategies (14.3%)	✓	✓	✓	✓
Fixed income (14.1%)	✓	✓	✓	✓
Real assets (12.5%)	✓	✓	✓	✓
Multi-asset public strategies (3.1%)	✓	✓	✓	N/A
Private investment partnerships (2.1%)	✗	✓	✓	N/A
Total Fund	✗	✓	✓	✓

✓ = Return met or exceeded benchmark ✗ = Return below benchmark

Asset allocation includes 2.3% in cash, 1.1% in exposure management portfolio, and -0.6% in leverage.

VRS adopted a new long-term strategic asset allocation policy in 2023

Asset class	Old policy	New policy	% change
Public equity	34%	32%	▼ 2%
Private equity	16	15	▼ 1
Fixed income	15	16	▲ 1
Credit strategies	14	16	▲ 2
Real assets	14	15	▲ 1
Multi-asset public strategies	4	6	▲ 2
Private investment partnerships	2	1	▼ 1
Cash	1	2	▲ 1
Total Fund	100%	103%	

Total fund asset allocation for the new policy is over 100% because VRS has added the use of leverage to the policy.

VRS added leverage to the trust fund to reduce volatility

- Leverage involves VRS borrowing funds against trust fund assets and investing them
 - Intent is to achieve higher return on investments than the cost to borrow funds
- VRS board approved leverage of up to 3% of trust fund
- Intended to reduce risk of having to sell assets in poor market conditions to meet liquidity needs
 - Reduced exposure to more volatile public and private equity asset classes and increased exposure to other less volatile asset classes

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Trust fund investments

Defined contribution plans

Key recent legislation

VRS manages defined contribution plans for state and local employees

- Similar to a 401(k) or IRA
- Intended to provide
 - Primary income: Hybrid defined contribution component and optional plans (including higher education plan)
 - Supplemental income: Deferred compensation and cash match plans
- Aggregate assets = \$9.2 billion*

*As of March 31, 2024.

Defined contribution investment options met or exceeded most benchmarks

(March 31, 2024)

Option	1-year	3-year	5-year	10-year
Target date retirement options ¹	x	✓	✓	✓
Customized individual options	✓	✓	✓	✓
Additional options under higher education plan ²	x	✓	✓	✓

✓ = Returns for majority of options met or exceeded benchmarks

x = Returns for majority of options did not meet or exceed benchmarks

¹ Underperformance primarily due to temporary pricing methodology used during equity market closures during holidays (fair value pricing).

² Participants in higher education plan may select from additional investment options offered by TIAA.

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Defined contribution plans

Key recent legislation

2024 Appropriation Act reduced contribution rates for state retirement plans

(Defined benefit component only)

	FY23–FY24	FY25–FY26
Teachers	15.81%	14.21%
State employees	13.40	12.52

- 2022 Appropriation Act contributed more than necessary for Teachers and State employees plans by maintaining higher FY21–FY22 rates

Enhanced retirement benefits for additional public safety occupations

- Two additional public safety occupations added to the Virginia Law Officers' Retirement System (VaLORS)
 - DCR law enforcement rangers (HB 1312)
 - Fort Barfoot fire & rescue staff with DMA (HB 1401)
- Applies to service earned on or after 7/1/2025
- Enhanced benefits for DCR law enforcement rangers must be reenacted by 2025 General Assembly

DMA: Virginia Department of Military Affairs

Changes to Line of Duty Act benefits

- Increases death benefit payout from \$25,000 to \$75,000 for deaths caused by occupational cancer, respiratory disease, hypertension, or heart disease
 - Applies to deaths on or after 1/1/2025 (HB 321, SB 649)
- Changes the definition of children eligible for LODA health insurance (HB 1433)

JLARC staff for this report

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Appendix: Trust fund performance

Asset class (% of total fund)	1-year	3-year	5-year	10-year
Public equity (33.9%)	24.4	7.5	10.9	8.9
Benchmark	22.6	6.7	10.8	8.8
Private equity (17.2%)	7.7	14.3	16.6	14.8
Benchmark	22.7	6.2	13.1	10.8
Credit strategies (14.3%)	12.3	6.8	7.5	6.1
Benchmark	11.5	4.3	5.3	5.0
Fixed income (14.1%)	2.9	-1.7	1.6	2.4
Benchmark	2.5	-2.2	0.6	1.6
Real assets (12.5%)	-3.3	7.8	6.6	8.6
Benchmark	-6.3	4.6	4.3	6.5
Multi-asset public strategies (3.1%)	13.1	5.1	5.8	n/a
Benchmark	9.9	3.1	5.8	n/a
Private investment partnerships (2.1%)	7.2	11.2	9.6	n/a
Benchmark	8.3	5.7	8.5	n/a
Total fund	11.5	7.1	9.1	7.9
Benchmark	12.8	4.6	7.6	6.9

Performance as of March 31, 2024; net of fees.