



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

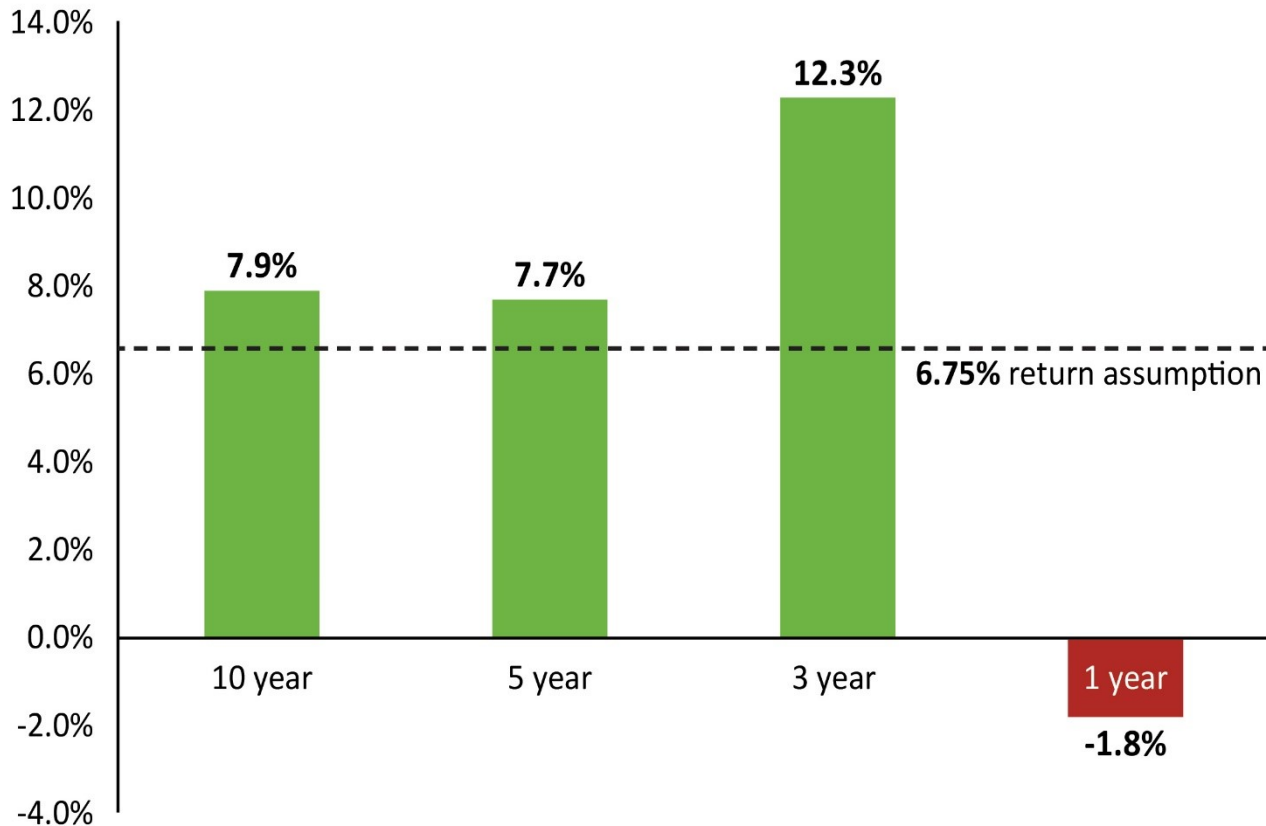
Defined contribution plans

Recent legislation

VRS manages investment of trust fund assets

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

Trust fund had **-1.8%** return for 1-year period, but exceeded return assumption for most periods (March 2023)



Assets = \$102.6 billion

Returns for asset classes met or exceeded nearly all benchmarks

Asset class	1-year	3-year	5-year	10-year
Public equity (32%)	✓	✓	✗	✓
Private equity (18%)	✓	✓	✓	✓
Credit strategies (14%)	✗	✓	✓	✓
Real assets (14%)	✓	✓	✓	✓
Fixed income (13%)	✓	✓	✓	✓
Multi-asset public strategies (3%)	✓	✓	N/A	N/A
Private investment partnerships (3%)	✓	✓	✓	N/A
Total Fund	✓	✓	✓	✓

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

N/A = Not yet applicable

Performance as of March 31, 2023. Asset allocation includes 2% in cash and 1% in exposure management portfolio.

In this presentation

Trust fund investments

Defined contribution plans

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 = \$7.5 billion*

*As of March 31, 2023.

Defined contribution investment options outperformed benchmarks

Plan	1-year	3-year	5-year	10-year
Target date retirement portfolios	✓	✓	✓	✓
Customized individual options	✓	✓	✓	✓
Additional options under higher education plan	✓	✓	✓	✓

✓ = Returns for majority of options exceeded benchmarks

✗ = Returns for majority of options did not exceed benchmarks

Performance as of March 31, 2023. Participants in higher education plan may select from additional investment options offered by TIAA.

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Appropriation Act provided additional \$250M to reduce unfunded liabilities of state & local plans

- Total of \$1 billion provided for the FY22–23 biennium
 - \$750 million provided in FY22
 - \$250 million provided in FY23
- Estimated to result in \$2 billion in savings over next 20 years

Return to Work and Retiree Health Insurance Credit

- Reduce break in service for return to work (after retirement) from 12 to 6 months for some K-12 positions
 - School security officers, critical shortage positions, student support personnel, school bus drivers (HB 1630, SB 1289, SB 1479)
- Analyze return to work options for law enforcement officers (SB 1411)
- Increase Retiree Health Insurance Credit
 - HB 1789 – Retired constitutional officers
 - HB 2314 – Eligible state retirees

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 (32%)	-4.7	16.1	6.5	8.2
Benchmark	-7.3	16.1	7.0	8.2
Private equity (18%)	-3.3	19.7	17.4	16.2
Benchmark	-18.1	5.3	7.8	11.6
Credit strategies (14%)	0.1	9.4	5.8	5.8
Benchmark	0.4	6.8	3.9	4.5
Real assets (14%)	5.8	11.2	9.3	10.3
Benchmark	4.2	8.8	7.3	8.3
Fixed income (13%)	-4.3	-0.6	2.0	2.1
Benchmark	-4.8	-2.2	0.9	1.4
Multi-asset public strategies (3%)	-2.9	8.5	n/a	n/a
Benchmark	-3.5	6.6	n/a	n/a
Private investment partnerships (3%)	2.5	10.9	9.5	n/a
Benchmark	-3.5	7.2	7.2	n/a
Total fund	-1.8	12.3	7.7	7.9
Benchmark	-5.5	9.0	5.8	6.8

Performance as of March 31, 2023; net of fees.