



# Virginia Retirement System Oversight Report

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# 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.

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## In this presentation

Trust fund investments

Trust fund rates and funding

Hybrid plan

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# Trust fund had 5.3 percent return over one-year period

- Assets = \$85.1 billion
- \$2.4 billion increase over one-year period
- All asset classes achieved positive returns for nearly all benchmark periods

Investment returns and asset value as of September 30, 2020.

# Trust fund performance met long-term but not short-term benchmarks

Total fund	1-year	3-year	5-year	10-year	25-year
Return	5.3%	5.9%	7.6%	7.8%	7.7%
Benchmark	5.9	6.2	7.7	7.6	7.2
Excess return	-0.6	-0.3	-0.1	0.2	0.5

Returns as of September 30, 2020.

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

# Performance compared to benchmarks mixed across asset classes

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

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

Performance as of September 30, 2020.

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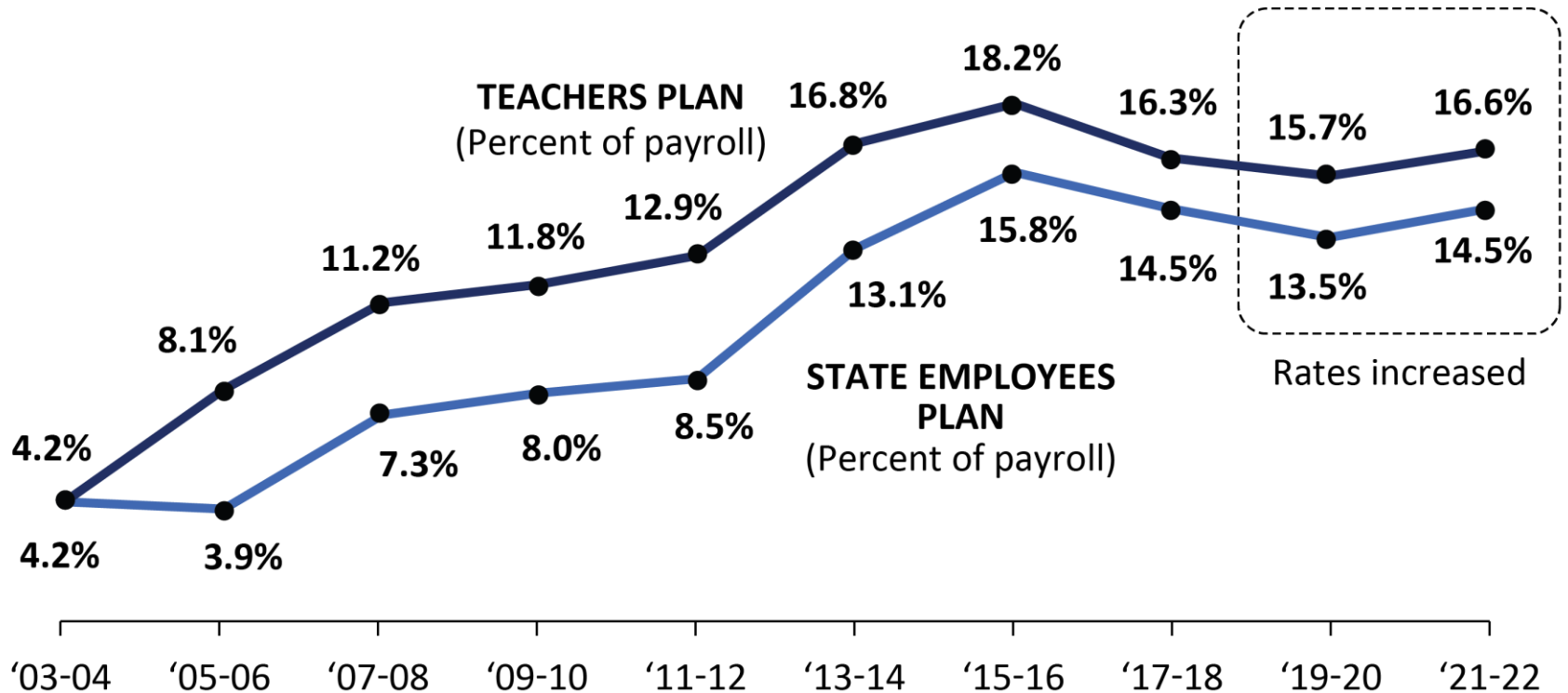
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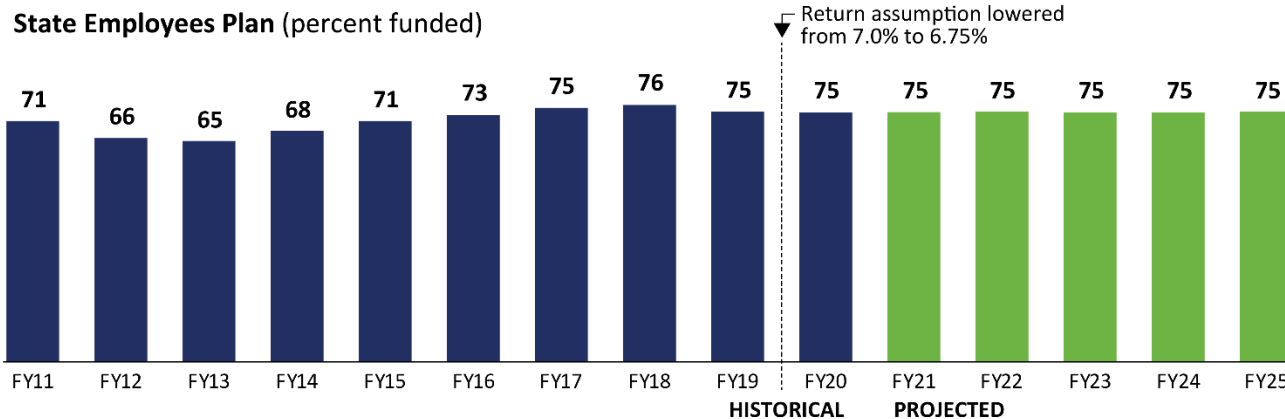
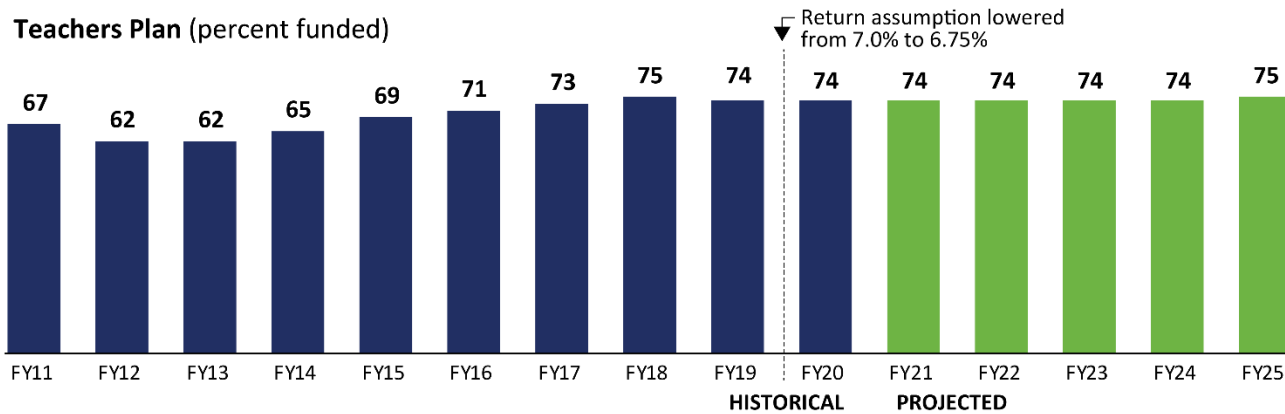
# Board-certified contribution rates increased for the current biennium



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 remained about the same for VRS plans



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## Deferred contributions will be fully repaid in FY22

- State deferred more than \$1 billion in contributions to state employees and teachers plans in 2010–12
  - Deferred contributions to state employees plan were fully repaid in 2016–18
- Remaining \$61 million in deferred contributions to teachers plan will be repaid in FY22

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## Automatic rate escalation increased voluntary contributions for Hybrid Plan

- Automatic 0.5 percent escalation of voluntary contribution rates occurred on January 1, 2020
  - Only 1 percent of employees opted out
- 79 percent of participants making voluntary contributions (as of September 30, 2020)
  - Up from 45 percent (as of September 30, 2019)

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## JLARC staff for this report

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