



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

Benefits administration and agency management

Trust fund had 9.3% return over one-year period

- Assets = \$104 billion
- \$7.2 billion increase over one-year period

Investment returns and asset value as of September 30, 2023.

Trust fund performance exceeded benchmarks for all but the 1-year period

Total fund	1-year	3-year	5-year	10-year	25-year
Return	9.3%	8.9%	7.5%	7.7%	7.1%
Benchmark	11.6	5.6	5.7	6.6	6.3
Excess return	-2.3	+3.3	+1.8	+1.1	+0.8

- Exceeded long-term return assumption (6.75%) for all periods

Returns as of September 30, 2023.

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

Asset classes met or exceeded most benchmarks

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

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

Performance as of September 30, 2023.

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Board-certified employer contribution rates are only for defined benefit component of plans

- 2022 General Assembly gave VRS authority to decouple employer contribution rates for defined contribution and defined benefit components*
- Decoupling rates is intended to streamline administration of hybrid plans
 - Reduce administrative burden of reconciling actual with estimated defined contribution employer matches
- VRS board now certifies only the defined benefit portion of the total contribution rate

* HB 473 and SB 70

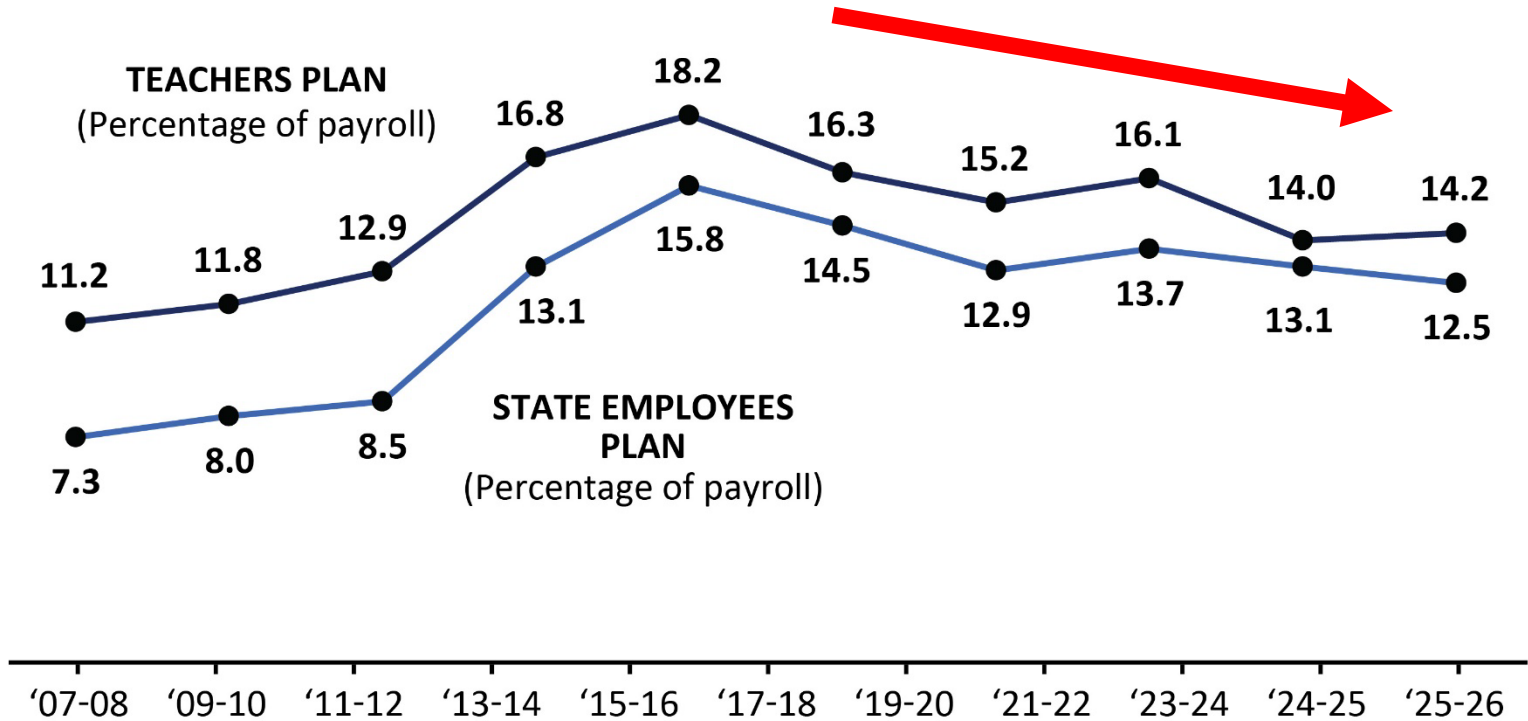
Defined benefit contribution rates certified by VRS board increased for most state plans

Plan	FY23–FY24	FY25–FY26	% Change
Teachers	13.95%	14.21%	↑ 0.26%
State Employees	13.07	12.52	↓ 0.55

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

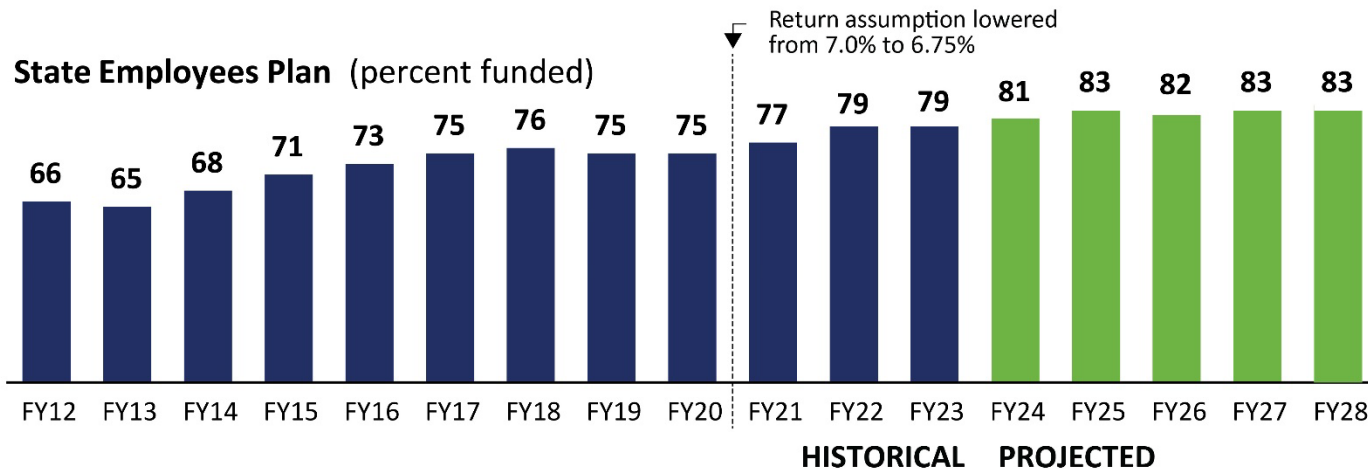
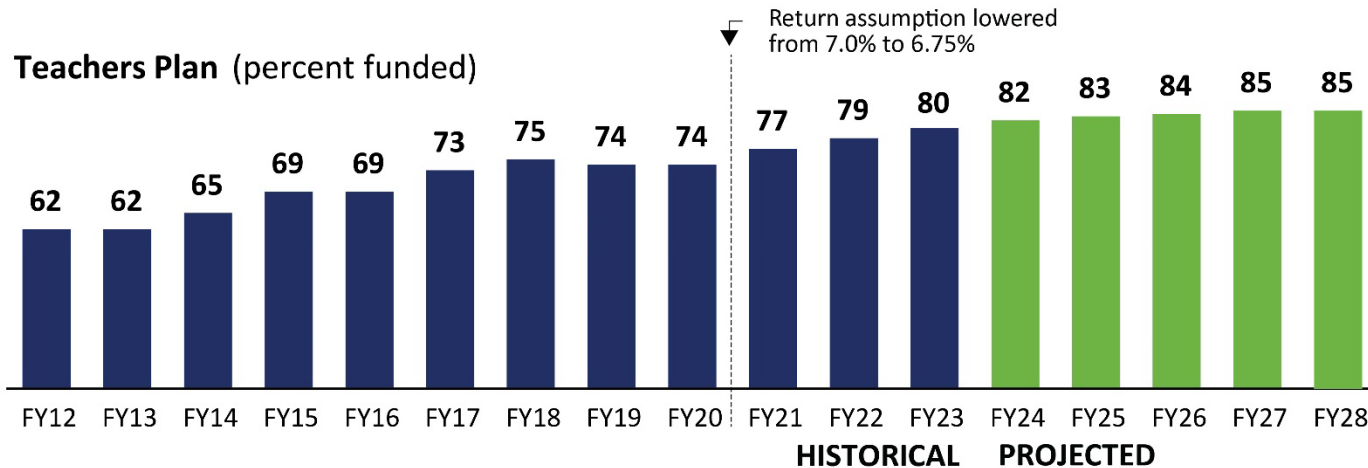
VaLORS = Virginia Law Officers' Retirement System; SPORS = State Police Officers' Retirement System; JRS = Judicial Retirement System

Defined benefit contribution rates certified by board are part of long-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 remained about the same and is projected to increase slowly



Revised VRS funding policy projected to result in more than \$1 billion in savings

- Revised funding policy resets unfunded liability of plans to a single 20-year amortization period
 - Spreads recent actuarial gains over a longer period
- Policy results in slightly higher contribution rates in near term but more stable and lower rates in long term
- Projected savings of >\$1B for Teachers and State Employees plans over next 20 years
 - Assuming all plan assumptions are met

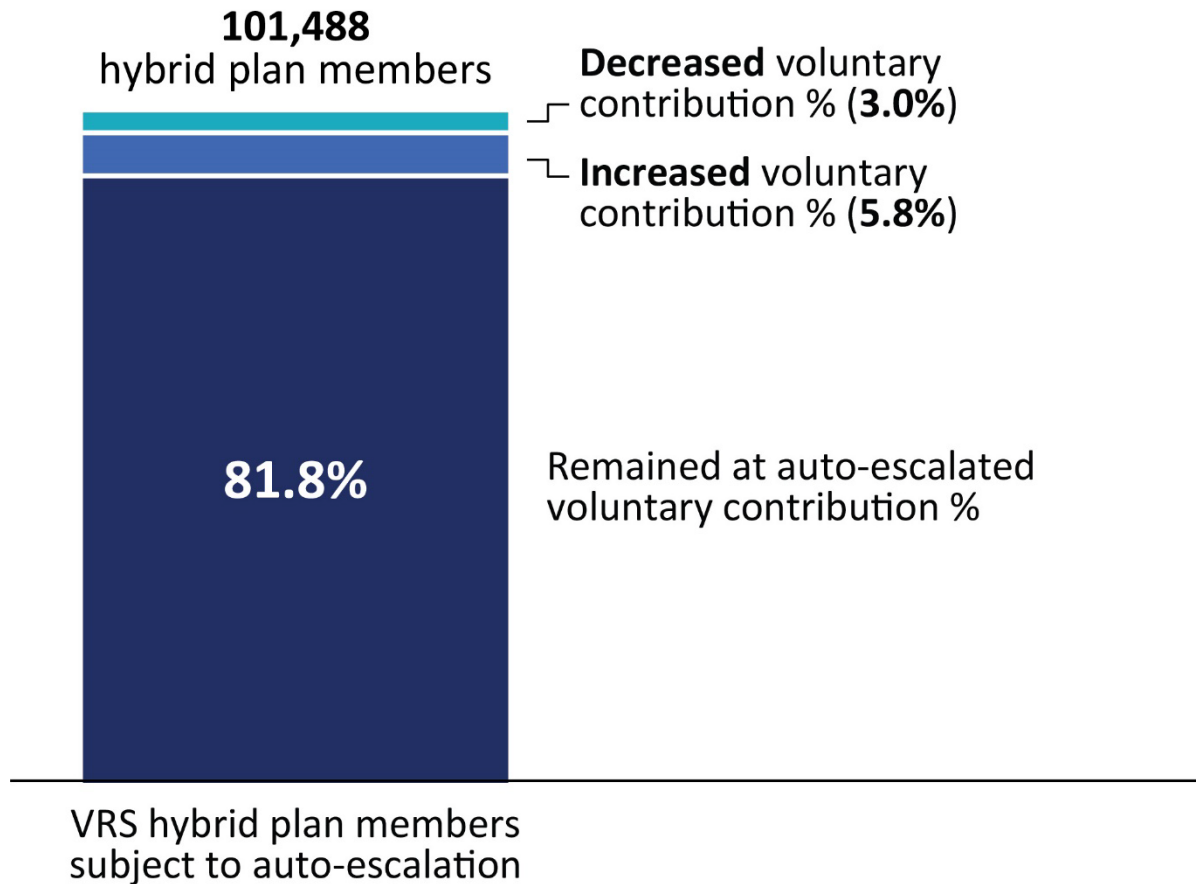
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Nearly 90 percent of hybrid plan members subject to auto-escalation maintained or increased contribution amount



Third-party vendor of VRS experienced IT security incident in summer 2023

- Incident involved PBI Research Services, not VRS IT systems
- Incident may have allowed unauthorized third-party to access PII* of ~245K VRS retirees and beneficiaries
- VRS suspended data transfers with PBI and notified law enforcement and other stakeholders
 - Free credit monitoring and identity protection services provided by PBI
- As of November 2023, VRS is not aware of any identity theft or fraud involving VRS members due to PBI incident

*PII = personally identifiable information

JLARC staff for this report

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