



**80 Years of Serving  
Those Who Serve Others**

# **Popular Annual Financial Report**

**for the fiscal year ended  
June 30, 2022**



**Virginia  
Retirement  
System<sup>®</sup>**

**An Independent Agency  
of the Commonwealth of Virginia**

This document is a summary of VRS' audited financial statements and other information contained in VRS' *Annual Comprehensive Financial Report*. The complete audited financial statements and pertinent notes to the financial statements can be found in VRS' *2022 Annual Comprehensive Financial Report*. This document provides summary financial information and does not conform to Generally Accepted Accounting Principles (GAAP); the *Annual Comprehensive Financial Report* conforms to GAAP and provides a comprehensive overview of the System's financial and operating results. VRS' *Annual Comprehensive Financial Report* is available at [varetire.org](http://varetire.org) in the Publications section or at the VRS office.



# Administration

## From the Director

Patricia S. Bishop, Director

As VRS celebrates 80 years of serving those who serve others, our team consistently meets member needs at every stage by providing services, retirement counseling and education throughout their careers and into retirement. Our activities throughout the fiscal year contribute to this overarching goal of helping members holistically plan for tomorrow, today.

We continue to focus on advancements in customer service technology. After launching online retirement last year, we were pleased to see 38% of July retirements using online functionality – reducing manual processing volume and freeing staff to handle more high-touch cases. VRS maintains its position in the most coveted quadrant of the cost-effective services chart, where we deliver high service at a low cost in comparison to our peers, according to CEM Benchmarking Inc.

We launched a new online counseling appointment scheduling system, providing convenient access for members and automated appointment reminders. The technology also helps staff with managing and reporting. Members and retirees can now manage their optional group life insurance coverage online through myVRS. And the new *VRS Member Guide* provides concise benefit information with important action steps, timelines and online resources.

VRS partnered with MissionSquare Retirement, the third-party record keeper for its defined contribution plans, to boost awareness and use of the Commonwealth of Virginia 457 Deferred Compensation Plan's SmartStep automatic-increase feature while driving engagement with the participant website, Account Access. SmartStep puts the member in the driver's seat and allows them to set voluntary contribution increases at dates

they select. The campaign received several national awards, including the prestigious Art Cagle President's Award from the National Association of Government Defined Contribution Administrators (NAGDCA).

VRS had a noteworthy legislative session and is gratified by the collective actions by the General Assembly and Governor to allocate additional funds to the various retirement plans. To illustrate, due to exceptional investment performance in fiscal year 2021, the actuarially determined contribution rates for the upcoming biennium for state and teacher plans would have been lower than the prior biennium. We are extremely pleased, however, that the legislature and the Governor retained the higher contribution rates from the prior biennium for the state and teacher plans, while fully funding the VRS board-certified contribution rates for the State Police Officers' Retirement System (SPORS), the Virginia Law Officers' Retirement System (VaLORS) and the Judicial Retirement System (JRS). Also, they allocated \$1 billion – \$750 million in June 2022 and, contingent on funding, \$250 million in fiscal year 2023 – to reduce unfunded liabilities and improve plan health.

After two years of remote work, most employees now report to the office for collaboration days, while some designated staff work remotely. The flexibility to serve customers in-person and remotely has expanded our customer service channels for members and retirees.

VRS' success relies on a dedicated team. I'd like to thank the Board of Trustees for their tremendous support and stewardship. Their leadership empowers our team to provide exceptional service to our members and beneficiaries. ■

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### BOARD OF TRUSTEES

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*\* Term continues until successor appointed.*

# Helping Members Plan for Tomorrow, Today



## Through eight decades, VRS has served those who serve others

1942	1944	1950	1952	1960	1970	1990	1992
<b>1942:</b> Virginia Retirement System (VRS) established, initially serving teachers and state employees. VRS replaced a fund for retired teachers that traced its origins to 1908.	<b>1944:</b> Political subdivisions have the option to join VRS.	<b>1950:</b> State Police Officers' Retirement System (SPORS) created.	<b>1952:</b> VRS repealed and reorganized into the Virginia Supplemental Retirement System (VRSRS) as part of a federal-state agreement for public employees to join Social Security.	<b>1960:</b> Group Life Insurance Program created.	<b>1970:</b> Cost-of-Living Adjustment (COLA) established; Judicial Retirement System (JRS) created.	<b>1990:</b> Retirement system name changed back to VRS; health insurance credit established for retired state employees.	<b>1992:</b> Health insurance credit established for retired teachers and political subdivision employees.
				<b>1995:</b> Optional group life insurance program established.	<b>1999:</b> Virginia Law Officers' Retirement System (VaLORS) created.	<b>2010:</b> VRS Plan 2 launched for members hired or rehired on or after July 1, 2010.	<b>2014:</b> VRS implements Hybrid Retirement Plan, a combined defined benefit and defined contribution plan, for eligible members hired on or after July 1, 2014.
					<b>2016:</b> The enhanced myVRS goes live, increasing self-service functionality for members.	<b>2017:</b> myVRS Financial Wellness added to myVRS, providing a suite of educational courses and tools.	<b>2021:</b> Online retirement comes to myVRS; online beneficiary management, direct deposit, health insurance credit and survivor accounts also added.
							<b>2022:</b> VRS celebrates 80 years of serving those who serve others.

1995	1999	2010	2014	2016	2017	2021	2022

VRS is an independent state agency. As provided under the *Constitution of Virginia*, VRS funds are separate from other state funds and can be used only to administer and pay benefits for members, retirees and beneficiaries.

Pursuant to Title 51.1 of the *Code of Virginia*, the Board of Trustees administers and is trustee of the following funds:

- Virginia Retirement System Trust, including Plan 1, Plan 2, the defined benefit component of the Hybrid Retirement Plan, and Plan 1 and Plan 2 hazardous duty benefits for political subdivision employees
- State Police Officers' Retirement System (SPORS) Trust, including Plan 1 and Plan 2
- Virginia Law Officers' Retirement System (VaLORS) Trust, including Plan 1 and Plan 2
- Judicial Retirement System (JRS) Trust, including Plan 1 and Plan 2, and the defined benefit component of the Hybrid Retirement Plan for judges
- Virginia Sickness and Disability Program (VSDP) Trust for state employees, including VSDP long-term care
- Virginia Local Disability Program (VLDP) Trust for eligible school division and political subdivision employees, including VLDP long-term care
- A disability retirement option for certain members not covered under VSDP or VLDP

- Hybrid 457 Deferred Compensation Plan
- Hybrid 401(a) Cash Match Plan
- Optional Retirement Plan for Political Appointees, Optional Retirement Plan for School Superintendents and Optional Retirement Plan for Higher Education
- Commonwealth of Virginia 457 Deferred Compensation Plan
- Virginia Cash Match Plan
- Virginia Supplemental Retirement Plan
- Group Life Insurance Program
- Retiree Health Insurance Credit Program
- Line of Duty Death and Health Benefits Trust Fund

In addition, the Board administers or has substantial oversight responsibilities for the Benefit Restoration Plan, the Commonwealth of Virginia Voluntary Group Long Term Care Insurance Program and the Volunteer Firefighters' and Rescue Squad Workers' Service Award Fund Program, as well as benefit eligibility determinations under the Line of Duty Act in Title 9.1 of the *Code of Virginia*.

The system also has full investment responsibility for other custodial funds, which include the Commonwealth Health Research Fund (CHRF), the Commonwealth's Attorneys Training Fund (CATF), the Opioid Abatement Fund and the VRS Investment Portfolio (VRSIP).



# Membership

**VRS Total Population: 778,087**

## Active Members



**349,711**

## Retirees/Beneficiaries



**231,523**

## Inactive/Deferred Members



**196,853**

## DISTRIBUTION OF ACTIVE MEMBERS

AT JUNE 30

	2022		2021		2020	
	Number	Percent of Total	Number	Percent of Total	Number	Percent of Total
State Employees (VRS)	76,156	21.8%	76,108	22.1%	77,425	22.2%
Teachers (VRS)	153,204	43.9%	149,853	43.4%	150,073	43%
Political Subdivision Employees (VRS)	110,675	31.6%	108,712	31.5%	110,416	31.7%
State Police Officers (SPORS)	1,875	0.5%	1,939	0.6%	1,924	0.6%
Virginia Law Officers (VaLORS)	7,342	2.1%	7,812	2.3%	8,540	2.4%
Judges (JRS)	459	0.1%	453	0.1%	448	0.1%
<b>Total Members</b>	<b>349,711</b>	<b>100.0%</b>	<b>344,877</b>	<b>100.0%</b>	<b>348,826</b>	<b>100.0%</b>

## DISTRIBUTION OF RETIREES AND BENEFICIARIES

AT JUNE 30

	2022		2021		2020	
	Number	Percent of Total	Number	Percent of Total	Number	Percent of Total
State Employees (VRS)	61,651	26.6%	60,478	26.9%	59,554	27.2%
Teachers (VRS)	100,148	43.2%	97,378	43.3%	94,755	43.3%
Political Subdivision Employees (VRS)	61,994	26.8%	59,678	26.5%	57,671	26.3%
State Police Officers (SPORS)	1,511	0.7%	1,495	0.7%	1,423	0.6%
Virginia Law Officers (VaLORS)	5,673	2.5%	5,400	2.4%	5,176	2.4%
Judges (JRS)	546	0.2%	544	0.2%	534	0.2%
<b>Total Retirees and Beneficiaries</b>	<b>231,523</b>	<b>100.0%</b>	<b>224,973</b>	<b>100.0%</b>	<b>219,113</b>	<b>100.0%</b>



**Active Member:** A member working in a covered position with an employer that participates in VRS or who is covered under an optional retirement plan (ORP) administered by VRS.

**Deferred Member:** A member who has left covered employment but has not withdrawn funds and has service credit in VRS or an account balance in a Virginia optional retirement plan.

**Retiree:** A retiree is no longer employed in a covered position and receives a retirement benefit from VRS.

# Membership



## VRS Participating Employers: 832

### State Agencies



222

### Special Authorities



211

### Cities and Towns



162

### School Boards\*



144

### Counties



93

\* Of the 144 school boards, 133 also provide coverage for non-teacher employees and are treated as political subdivisions.

## DISTRIBUTION OF RETIREES BY YEARS OF SERVICE

ALL RETIREES AT JUNE 30, 2022

	1-10 Years	11-20 Years	21-30 Years	31-40 Years	41-50 Years	Over 50 Years	Total
VRS – State	12.45%	23.00%	29.54%	29.04%	5.82%	0.15%	100.00%
VRS – Teacher	10.56%	24.50%	34.49%	28.45%	1.97%	0.03%	100.00%
VRS – Political Subdivisions	18.21%	29.69%	32.66%	17.80%	1.61%	0.03%	100.00%
SPORS	3.44%	4.17%	35.41%	50.03%	6.62%	0.33%	100.00%
VaLORS	8.57%	28.56%	50.95%	11.28%	0.62%	0.02%	100.00%
JRS	1.47%	3.30%	7.13%	12.45%	17.77%	57.88%	100.00%
<b>All Plans</b>	<b>13.00%</b>	<b>25.40%</b>	<b>33.03%</b>	<b>25.44%</b>	<b>2.93%</b>	<b>0.20%</b>	<b>100.00%</b>

## DISTRIBUTION OF RETIREES BY AGE AT RETIREMENT

ALL RETIREES AT JUNE 30, 2022

	Under 55	55-59	60-65	Over Age 65	Total
VRS – State	15.57%	20.49%	34.20%	29.74%	100.00%
VRS – Teacher	13.65%	31.93%	34.59%	19.83%	100.00%
VRS – Political Subdivisions	23.73%	19.33%	30.54%	26.40%	100.00%
SPORS	54.67%	28.26%	12.50%	4.57%	100.00%
VaLORS	44.00%	24.70%	23.14%	8.16%	100.00%
JRS	5.49%	15.02%	30.96%	48.53%	100.00%
<b>All Plans</b>	<b>17.85%</b>	<b>25.27%</b>	<b>32.97%</b>	<b>23.91%</b>	<b>100.00%</b>

**Defined Benefit Plan:** The retirement plan under VRS is a defined benefit plan for members in Plan 1, Plan 2 and a portion of the Hybrid Retirement Plan. A defined benefit plan provides a monthly benefit during retirement based on age, total service credit and average final compensation.

**Defined Contribution Plan:** The benefit under a defined contribution plan is based on contributions and net investment gains on these contributions. The defined contribution plans administered or authorized by VRS include the Commonwealth of Virginia 457 Deferred Compensation and Cash Match Plans, optional retirement plans for selected employees, a supplemental plan for certain school employees and a portion of the Hybrid Retirement Plan.

**Defined Benefit Component:** The defined benefit component under the Hybrid Retirement Plan provides a retirement benefit based on age, total service credit and average final compensation at retirement. VRS manages the investments and related risk for member and employer contributions under this component.

**Defined Contribution Component:** The defined contribution component of the Hybrid Retirement Plan provides a retirement benefit based on member and employer contributions and net investment gains on contributions. Members manage the investments and related risk for this component.

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# Finance

## SUMMARY OF FIDUCIARY NET POSITION

AT JUNE 30

(EXPRESSED IN MILLIONS)

	2022	Increase (Decrease)	2021	Increase (Decrease)	2020
<b>Assets:</b>					
Cash, Receivables and Capital Assets	\$ 2,980.9	\$ (366.7)	\$ 3,347.6	\$ 1,051.7	\$ 2,295.9
Investments	102,794.0	(2,253.8)	105,047.8	21,318.4	83,729.4
Security Lending Collateral	4,639.8	(547.2)	5,187.0	1,727.8	3,459.2
<b>Total Assets</b>	<b>110,414.7</b>	<b>(3,167.7)</b>	<b>113,582.4</b>	<b>24,097.9</b>	<b>89,484.5</b>
<b>Liabilities:</b>					
Accounts Payable	661.5	(87.5)	749.0	49.8	699.2
Investment Purchases Payable	4,019.3	(1,117.7)	5,137.0	1,936.4	3,200.6
Obligations Under Securities Lending	4,641.2	(545.8)	5,187.0	1,727.8	3,459.2
<b>Total Liabilities</b>	<b>9,322.0</b>	<b>(1,751.0)</b>	<b>11,073.0</b>	<b>3,714.0</b>	<b>7,359.0</b>
<b>Total Net Position – Restricted for Benefits</b>	<b>\$ 101,092.7</b>	<b>\$ (1,416.7)</b>	<b>\$ 102,509.4</b>	<b>\$ 20,383.9</b>	<b>\$ 82,125.5</b>

## SUMMARY OF CHANGES IN FIDUCIARY NET POSITION

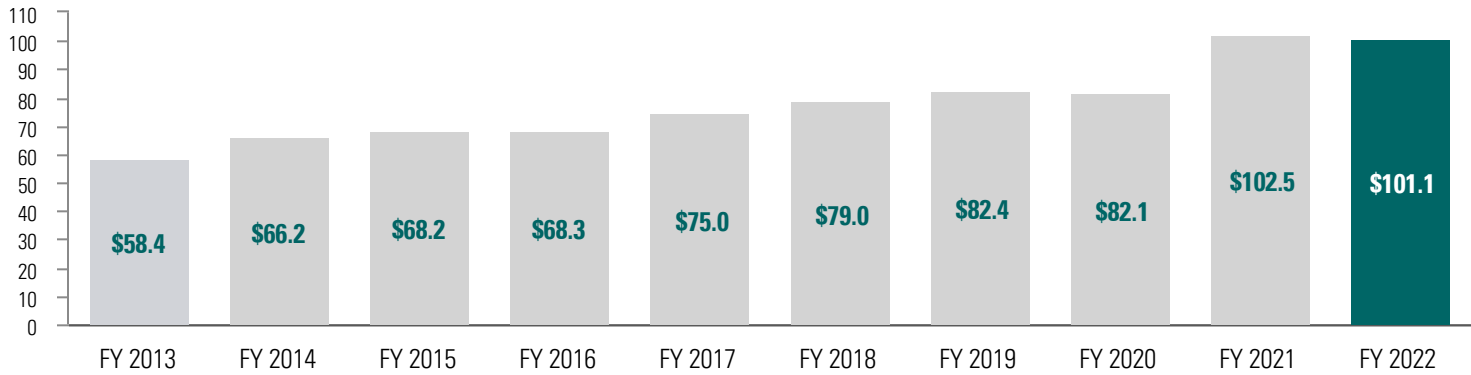
FOR THE YEARS ENDED JUNE 30

(EXPRESSED IN MILLIONS)

	2022	Increase (Decrease)	2021	Increase (Decrease)	2020
<b>Additions:</b>					
Member Contributions	\$ 1,134.2	\$ 57.6	\$ 1,076.6	\$ (3.3)	\$ 1,079.9
Employer Contributions	3,238.6	142.8	3,095.8	183.2	2,912.6
Special Employer Contributions	274.3	235.6	38.7	38.7	—
Non-employer Contributing Entity	475.7	414.4	61.3	61.3	—
Net Investment Income	(124.3)	(22,406.6)	22,282.3	20,718.7	1,563.6
Miscellaneous Revenue & Transfers	9.0	3.7	5.3	2.3	3.0
<b>Total Additions</b>	<b>5,007.5</b>	<b>(21,552.5)</b>	<b>26,560.0</b>	<b>21,000.9</b>	<b>5,559.1</b>
<b>Deductions:</b>					
Retirement Benefits	5,729.3	207.1	5,522.2	259.9	5,262.3
Refunds of Member Contributions	131.9	15.7	116.2	8.8	107.4
Insurance Premiums and Claims	259.0	7.6	251.4	39.3	212.1
Retiree Health Insurance Credit Reimbursements	179.0	7.6	171.4	2.8	168.6
Disability Insurance Benefits	40.7	2.0	38.7	1.8	36.9
Line of Duty Act Reimbursements	14.1	1.0	13.1	0.9	12.2
Administrative and Other Expenses	70.2	7.1	63.1	(0.3)	63.4
<b>Total Deductions</b>	<b>6,424.2</b>	<b>248.1</b>	<b>6,176.1</b>	<b>313.2</b>	<b>5,862.9</b>
<b>Net Increase (Decrease) in Net Position</b>	<b>(1,416.7)</b>	<b>(21,800.6)</b>	<b>20,383.9</b>	<b>20,687.7</b>	<b>(303.8)</b>
Net Position – Beginning of Year	102,509.4	20,383.9	82,125.5	(303.8)	82,429.3
<b>Net Position – End of Year</b>	<b>\$ 101,092.7</b>	<b>\$ (1,416.7)</b>	<b>\$ 102,509.4</b>	<b>\$ 20,383.9</b>	<b>\$ 82,125.5</b>

## VRS FIDUCIARY NET POSITION (EXPRESSED IN BILLIONS)

AT JUNE 30



## NET POSITION RESTRICTED FOR BENEFITS

AT JUNE 30

(EXPRESSED IN THOUSANDS)

	2022	2021
Virginia Retirement System	\$ 93,836,088	\$ 95,288,645
State Police Officers' Retirement System	1,031,383	1,050,148
Virginia Law Officers' Retirement System	1,841,041	1,868,924
Judicial Retirement System	656,965	673,151
Group Life Insurance Advance Premium Deposit Reserve	2,467,989	2,413,074
Retiree Health Insurance Credit Reserve	492,325	444,581
Disability Insurance Trust Fund (VSDP)	602,916	611,919
Line of Duty Act Trust Fund	7,214	7,553
Disability Insurance Trust Fund (VLDP)	15,268	11,756
VRS Investment Portfolio DC Plans	63,656	58,924
Commonwealth Health Research Fund	46,592	48,390
Volunteer Firefighters' and Rescue Squad Workers Service Award Fund	5,472	5,456
Commonwealth's Attorneys Training Fund	25,777	26,865
<b>Total Pension and Other Employee Benefit Reserves</b>	<b>\$ 101,092,686</b>	<b>\$ 102,509,386</b>

**Fiduciary Net Position:** Reflects the balance of resources available to pay benefits at the end of the fiscal year.

**Changes in Fiduciary Net Position:** Reflects the changes in resources available to pay benefits during the fiscal year.

**Other Post-Employment Benefits (OPEB):** Benefits that a VRS member will begin to receive at the start of retirement. This does not include pension benefits paid to the retired member.

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### PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY

VRS State Plan:  
**83.26%**

VRS Teacher Plan:  
**82.61%**

VRS Political  
Subdivision Plans  
(Aggregate Total):  
**92.52%**

SPORS:  
**76.06%**

VaLORS:  
**74.41%**

JRS:  
**86.42%**





# Finance

## SUMMARY OF PENSION PLAN PRIMARY EXPENSES FOR THE YEARS ENDED JUNE 30

(EXPRESSED IN MILLIONS)

	2022	Increase (Decrease)	2021	Increase (Decrease)	2020
Benefits	\$ 5,729.3	\$ 207.1	\$ 5,522.2	\$ 260.0	\$ 5,262.2
Refunds	130.1	13.9	116.2	8.8	107.4
Administrative and Other Expenses	61.5	6.2	55.3	0.1	55.2
<b>Total Primary Expenses</b>	<b>\$ 5,920.9</b>	<b>\$ 227.2</b>	<b>\$ 5,693.7</b>	<b>\$ 268.9</b>	<b>\$ 5,424.8</b>

## SCHEDULE OF INVESTMENT EXPENSES FOR THE YEARS ENDED JUNE 30

(EXPRESSED IN THOUSANDS)

	2022	2021
Total External Management Fees	\$ 534,216	\$ 481,640
Performance Fees	29,078	27,180
Total Miscellaneous Fees and Expenses	12,092	7,030
In-House Investment Management	38,123	38,575
<b>Total Investment Expenses</b>	<b>\$ 613,509</b>	<b>\$ 554,425</b>

### Contributions and investments fund VRS plans.

The VRS Board of Trustees sets the **retirement plan funding policy** and adopts contribution rates based on recommendations from the plan actuary. The Board also sets investment policy with the objective of maximizing returns while managing risk within an acceptable range.

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**Member and employer contributions** are deposited into the pension trust fund and managed by VRS investment staff under the guidelines established by the Board.

**Recommended contribution rates** for the statewide retirement systems are communicated to the General Assembly, which has the final authority for the funding of these plans.

### EQUITY INTERESTS

AT JUNE 30

Fund	2022	2021
Virginia Retirement System	92.758%	92.899%
State Police Officers' Retirement System	1.022%	1.026%
Virginia Law Officers' Retirement System	1.824%	1.826%
Judicial Retirement System	0.651%	0.658%
Group Life Insurance Fund	2.514%	2.419%
Retiree Health Insurance Credit Fund	0.483%	0.431%
Disability Insurance Trust Fund (VSDP)	0.587%	0.588%
Line of Duty Act Trust Fund	0.007%	0.007%
Virginia Local Disability Program	0.015%	0.011%
VRS Investment Portfolio	0.063%	0.057%
Commonwealth Health Research Fund	0.046%	0.047%
Volunteer Firefighters' and Rescue Squad Workers Service Award Fund	0.005%	0.005%
Commonwealth's Attorneys Training Fund	0.025%	0.026%
<b>Total Equity Interests</b>	<b>100.000%</b>	<b>100.000%</b>

### PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL OPEB LIABILITY

Group Life Insurance Fund:  
**67.21%**

State Employee Health Insurance Credit:  
**21.52%**

Teacher Employee Health Insurance Credit:  
**15.08%**

VRS Political Subdivision Plans Health Insurance Credit (Aggregate Total):  
**39.63%**

State-funded Health Insurance Credit for constitutional officers:  
**22.44%**

State-funded Health Insurance Credit for social services employees:  
**17.17%**

State-funded Health Insurance Credit for registrars:  
**36.51%**

Disability Insurance Program:  
**195.90%**

Virginia Local Disability Program for teachers:  
**101.57%**

Virginia Local Disability Program for political subdivisions:  
**107.99%**

Line of Duty Act Program:  
**1.87%**



## From the CIO

Ronald D. Schmitz, Chief Investment Officer

As VRS marked the end of fiscal year 2022, the investments report was mixed. The lesser return this year is not unexpected, as markets often post a period of flat to negative results after skyrocketing. Bonds were also down for the year, as the Federal Reserve began hiking interest rates to slow inflation.

The VRS portfolio benchmark of -5.5% was comfortably ahead of the traditional passive 60/40 stock/bond index return of around -10%, depending on the indexes used. VRS benefited from its diverse portfolio.

The portfolio return of 0.6% is subdued compared to historical averages, as reflected in our long-term assumed rate of return of 6.75% annually. Our normal value-add typically yields about half a percent of outperformance above the benchmark. Achieving approximately six percentage points of outperformance this year is an admirable result.

Staff decisions versus the benchmark have resulted in a value-add of \$1 billion per year on average over the last 10 years. Putting this in perspective, the annualized value-add is roughly equal to the entirety of VRS member contributions last year.

- Equities returned -14.8%, eclipsing the benchmark's -16.2%. Hedge funds had a disappointing year but have outperformed over the long run and protected well in the September 2022 quarter as the market continued to sell off.
- Fixed Income returns finished 40 basis points (bps) ahead of the -11% benchmark, continuing the extraordinarily consistent run of the bond team's outperformance.

- Credit was led by the Non-Rate Sensitive Portfolio, which was up 5.6% for the fiscal year, while the Rate Sensitive Portfolio was down 6.2%. The combination was a positive return of 1.5% against a benchmark of -6.5%.
- Private Equity had an extremely strong year – up over 27% – fueled by software and energy-related exposures.
- Real Assets finished the year at 21.7%, ahead of the 18.0% benchmark.
- Private Investment Partnerships (PIP) exceeded their benchmark as did the two components of the Multi-Asset Public Strategies (MAPS) portfolio.

Given current market conditions, we have continued to maintain our somewhat defensive stance. Importantly, we have built up a strong reserve in the last two years with performance well above the long-term assumed rate and with very strong relative performance compared to our benchmark index.

As I prepare to retire, I must say it has been an honor to work with the talented, dedicated staff at VRS over the past 11 years. Overall, the markets have been kind, and despite a number of highs and lows, the fund has nearly doubled in size from around \$50 billion to over \$100 billion, and performance has been strong as evidenced by the 10-year results shown in the table below. Andrew Junkin will become chief investment officer in early 2023. He is a thoughtful investor and I know the VRS portfolio is in good hands. ■

### ANNUALIZED RETURN FOR PERIODS ENDED JUNE 30, 2022

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	25 Years
<b>VRS Total Fund</b>	0.6%	9.2%	8.3%	8.7%	6.0%	7.7%	7.3%
Benchmark*	(5.5)%	6.1%	6.6%	7.5%	5.2%	6.8%	6.5%

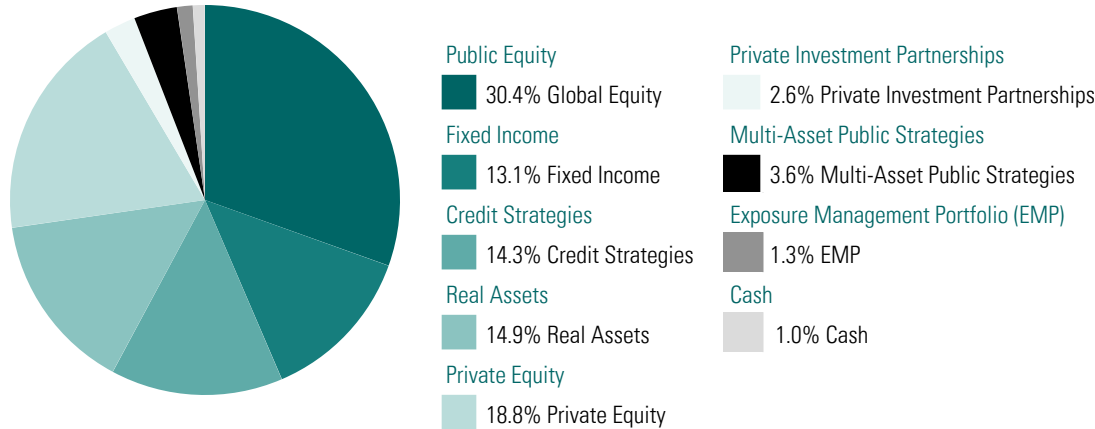
Investment return calculations were prepared using a time-weighted return methodology based on market value, net of investment expenses.

\* The VRS Total Fund Benchmark is a blend of the asset class benchmarks at policy weights. Benchmarks are selected with the help of a third-party investment consultant.



# Investments

## ASSET ALLOCATION MIX AT JUNE 30, 2022



## Investment Diversification at VRS

VRS strategically monitors the portfolio, focusing on returns and performance over 20 years and longer, not simply a single year. From that long-term perspective, the VRS fund continues to exceed the current 6.75% assumed actuarial rate of return for the 25-year period. VRS uses stocks, bonds, real estate, cash and other investment strategies to diversify the fund portfolio.

Diversification:

- Combines different investments to limit exposure to a single asset or strategy, lowering risk or exposure to a single investment.
- Creates a stable foundation that helps moderate highs and lows in the stock market.
- Follows the mandate of the *Code of Virginia* (§ 51.1-124.30(C)), helping prevent frequent shifts in participating employers' contribution rates and providing rate consistency from year to year.

The board determines the mix of asset classes in the portfolio and uses benchmarks to establish performance criteria for each asset class. For fiscal year 2022, VRS' performance exceeded the benchmark established by the board for the total fund. ■

## DEFINED CONTRIBUTION PLAN ACCOUNT ASSETS AT JUNE 30, 2022

VRS has oversight but no investment responsibility for the VRS Defined Contribution Plans.

Commonwealth of Virginia 457 Deferred Compensation Plan	Virginia Cash Match Plan 401(a)	VRS Hybrid 401(a) Cash Match Plan	VRS Hybrid 457 Deferred Compensation Plan
<b>\$3,703,870,805</b>	<b>\$545,721,662</b>	<b>\$902,338,336</b>	<b>\$458,721,430</b>

The investment options for the defined contribution plans are organized into three pathways intended to provide participants with a variety of investment choices while controlling the associated costs:

- Do-It-For-Me Path
- Help-Me-Do-It Path
- Do-It-Myself Path

# Investments



## Investment Summary

(EXPRESSED IN THOUSANDS)

	2022 Fair Value	Percent of Total Value	2021 Fair Value	Percent of Total Value
<b>Bonds and Mortgage Securities:</b>				
U.S. Government and Agencies	\$ 5,103,220	4.96%	\$ 4,330,230	4.12%
Mortgage Securities	3,384,999	3.29%	3,845,183	3.66%
Corporate and Other Bonds	11,428,104	11.12%	14,889,600	14.17%
<b>Total Bonds and Mortgage Securities</b>	<b>19,916,323</b>	<b>19.37%</b>	<b>23,065,013</b>	<b>21.95%</b>
<b>Common and Preferred Stocks</b>	<b>22,153,695</b>	<b>21.55%</b>	<b>27,394,488</b>	<b>26.08%</b>
<b>Index and Pooled Funds:</b>				
Equity Index and Pooled Funds	12,627,783	12.28%	13,887,361	13.22%
Fixed-Income Commingled Funds	1,424,241	1.39%	1,482,629	1.41%
<b>Total Index and Pooled Funds</b>	<b>14,052,024</b>	<b>13.67%</b>	<b>15,369,990</b>	<b>14.63%</b>
<b>Real Assets</b>	<b>13,735,587</b>	<b>13.36%</b>	<b>10,754,327</b>	<b>10.24%</b>
<b>Private Equity</b>	<b>32,530,492</b>	<b>31.66%</b>	<b>27,883,423</b>	<b>26.55%</b>
<b>Short-Term Investments:</b>				
Treasurer of Virginia – LGIP Investment Pool	352,743	0.34%	503,439	0.48%
Foreign Currencies	53,176	0.05%	77,125	0.07%
<b>Total Short-Term Investments</b>	<b>405,919</b>	<b>0.39%</b>	<b>580,564</b>	<b>0.55%</b>
<b>Total Investments</b>	<b>\$ 102,794,040</b>	<b>100.00%</b>	<b>\$ 105,047,805</b>	<b>100.00%</b>

**Asset Allocation:** Assigning specific percentages of investments to different asset classes according to financial goals, risk tolerance and investment time horizon.

**Asset Class:** A group of securities that typically behaves similarly in the marketplace when compared to other groups of securities. Three common asset classes are equities, fixed income and cash equivalents.

**Benchmark:** A standard by which something can be measured or judged.

**Credit Strategies:** Investments in debt securities such as bonds and other types of public and private debt paid back over time with interest, generating returns through income and capital appreciation.

**Diversification:** Spreading money among different securities, sectors, industries and strategies within a number of asset classes.

**Multi-Asset Public Strategies (MAPS):** Similar to a balanced fund, with the goal of achieving value-added returns across several classes of investments while simultaneously mitigating risk in other asset classes.

**Total Return:** Return on an investment over a specific period of time. Total return includes income and share price appreciation and depreciation. It assumes that all dividends and capital gains paid during the period are reinvested to buy additional shares.

**fyi**

### AWARDS

VRS received the following national and local awards during fiscal year 2022:

National Association of Government Defined Contribution Administrators (NAGDCA)  
**Art Caple President's Award: COVID-19 Response and Technology and Interactive Multimedia**

**NAGDCA Leadership Awards: COVID-19 Response and Technology and Interactive Multimedia**

Academy of Interactive & Visual Arts (AIVA)  
**Communicator Award of Distinction: Virtual Pandemic Response**

Government Finance Officers Association (GFOA): **Certificate of Achievement for Excellence in Financial Reporting and Award for Outstanding Achievement in Popular Annual Financial Reporting**

Public Pension Coordinating Council (PPCC): **Public Pension Standards Award for Funding and Administration**

Virginia Public Relations Awards: **Capital Award of Merit for outstanding public relations tactics (VRS Member Guide)**



# Serving Those Who Serve Others

Our team is dedicated to fulfilling the VRS vision: To be the trusted leader in the delivery of benefits and services to those we serve.

## myVRS and myVRS Financial Wellness

Our advancements in customer service technology, including self-service management opportunities, are an important element of our mission. Guiding members and retirees to financial education resources is a top priority.

- 456,305 cumulative myVRS user registrations.
- 83,686 myVRS Financial Wellness page views.
- 4,534 myVRS Financial Wellness course completions.
- 20.4% average knowledge gain for all courses.



## Customer Contact Center

We assist customers with benefit and retirement questions, guiding members and retirees to online tools in myVRS and helping them navigate difficult transitions, including disability or the loss of a loved one.

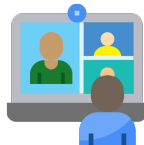
- 204,405 calls answered.
- 7,616 email responses.



## Employer Support

We work closely with more than 800 VRS-participating employers—our partners in the delivery of benefits. In addition to direct access to an employer representative and a monthly e-newsletter, we provide:

- Virtual employer roundtables and site visits to more than 500 employer contacts.
- Dedicated support line through our call center.
- Virtual and webinar training.
- Outreach to more than 400 new benefit administrators at participating employers.



We strive to provide exceptional service and support to the commonwealth's public servants, who in turn serve citizens in their communities.

## DCP Voluntary Contributions

VRS partnered with MissionSquare Retirement, the third-party record keeper for its defined contribution plans (DCP), to boost awareness and use of the SmartStep automatic-increase feature and drive engagement with Account Access.

- 60.7% of the total population chose to make a voluntary contribution because of the awareness campaign.
- 750 new SmartStep users in Hybrid Retirement Plan.
- 780 new SmartStep users in Commonwealth of Virginia 457 Plan.



## Education and Counseling

VRS engages with members in a variety of ways to meet their educational and counseling needs:

- Virtual, in-person and telephone counseling for members and retirees.
- 32 employer e-courses with 575 completions.
- 27 member training videos with 7,804 completions.
- 25 employer webinars with 570 attendees.



## Web Services

The web team manages VRS and collateral websites, which provide benefit information, news and reminders, access to education and training and downloadable publications for members, retirees and employers.

- varetire.org (main site for members and retirees): 3.0 million page views.
- employers.varetire.org (employers): 306,000 page views.
- Defined Contribution Plans and Hybrid Retirement Plan websites: 650,000 page views.



Annual  
Comprehensive  
Financial  
Report  
for the fiscal year ended  
June 30, 2022



## LEARN MORE ABOUT THE VIRGINIA RETIREMENT SYSTEM

In addition to this document, VRS publishes an *Annual Comprehensive Financial Report*, which provides complete audited financial statements and accompanying notes. Visit [varetire.org/publications](http://varetire.org/publications) to view or download a copy.



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Virginia  
Retirement  
System®

1200 East Main Street  
Richmond, VA 23219  
[varetire.org](http://varetire.org), 888-827-3847

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