At the Virginia Retirement System, we are committed to helping members plan for tomorrow, today. Whether you’re a member, citizen, lawmaker or retiree, we invite you to review this brief summary of our retirement plans, membership, funding and resources. VRS benefits play a valuable role in the commonwealth by helping attract and retain highly skilled employees to public service positions. The agency pays out $4.5 billion annually to retirees and 86 percent of those retirees reside in Virginia.

During fiscal year 2017, the VRS investment portfolio reached a historic high of $74.4 billion while we served more than 687,000 members, retirees and beneficiaries. Our investment staff, a team of highly qualified professionals who oversee the entire portfolio, also directly manages about one-third of plan assets in-house, saving the fund approximately $41 million in external management fees each year. The team’s diligent work has also resulted in about $2.3 billion in added value to the fund over the past 10 years. In fact, two-thirds of retirement benefits are funded through investment earnings.

Through sound financial stewardship and a focus on our customers, we strive to ensure that those we serve will enjoy benefits for many years to come. Our vision, mission and core values help set the stage as we look toward the future.

– Patricia S. Bishop, VRS Director
Who We Serve at June 30, 2017

<table>
<thead>
<tr>
<th>VRS Retirement Plans and Benefits</th>
<th>Plan 1</th>
<th>Plan 2</th>
<th>Hybrid</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teachers</td>
<td>82,403</td>
<td>34,375</td>
<td>29,312</td>
<td>146,090</td>
</tr>
<tr>
<td>Political Subdivisions</td>
<td>52,938</td>
<td>31,830</td>
<td>21,756</td>
<td>106,524</td>
</tr>
<tr>
<td>State Employees</td>
<td>43,075</td>
<td>17,706</td>
<td>16,836</td>
<td>77,617</td>
</tr>
<tr>
<td>State Police Officers’ Retirement System (SPORS)</td>
<td>1,286</td>
<td>591</td>
<td>–</td>
<td>1,877</td>
</tr>
<tr>
<td>Virginia Law Officers’ Retirement System (VaLORS)</td>
<td>4,045</td>
<td>4,628</td>
<td>–</td>
<td>8,673</td>
</tr>
<tr>
<td>Judicial Retirement System (JRS)</td>
<td>266</td>
<td>48</td>
<td>105</td>
<td>419</td>
</tr>
<tr>
<td>Total Active Members</td>
<td>184,013</td>
<td>89,178</td>
<td>68,009</td>
<td>341,200</td>
</tr>
</tbody>
</table>

IN FISCAL YEAR 2017:

- 341,200 TOTAL ACTIVE MEMBERS
- 199,388 RETIREE/BENEFICIARIES
- 147,230 INACTIVE/DEFERRED MEMBERS
- 687,818 VRS TOTAL POPULATION

VRS Employers at June 30, 2017

<table>
<thead>
<tr>
<th>State Agencies</th>
<th>Cities and Towns</th>
<th>Counties</th>
<th>School Boards*</th>
<th>Special Authorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>227</td>
<td>161</td>
<td>93</td>
<td>145</td>
<td>206</td>
</tr>
</tbody>
</table>

VRS Retirement Plans and Benefits

VRS administers three retirement plans:

- **Plan 1**: A defined benefit plan for employees hired before July 1, 2010, and vested as of January 1, 2013
- **Plan 2**: A defined benefit plan for employees hired:
  - After July 1, 2010, and before December 31, 2013; or
  - Before July 1, 2010, and were not vested as of January 1, 2013
- **Hybrid Retirement Plan**: A combined defined benefit and defined contribution plan for members hired on or after January 1, 2014. Members covered under SPORS and VaLORS, and political subdivision members who are covered by enhanced benefits for hazardous duty, are not eligible to participate in this plan.

**Defined Contribution Plans:**

- Commonwealth of Virginia 457 Deferred Compensation Plan
- Virginia Cash Match Plan 401(a)
- Virginia Supplemental Retirement Plan
- Optional Retirement Plan for Political Appointees
- Optional Retirement Plan for School Superintendents
- Optional Retirement Plan for Higher Education

**Other VRS Benefits:**

- Basic Group Life Insurance
- Optional Group Life Insurance
- Health Insurance Credit
- Long-Term Care Programs
- Virginia Local Disability Program
- Virginia Sickness and Disability Program

WHAT DOES IT MEAN?

**Defined Benefit Plan**: Provides a monthly benefit during retirement based on age, total service credit and average final compensation.

**Defined Contribution Plan**: Provides a benefit based on contributions and any net investment returns on contributions.

WHERE ARE VRS RETIREES?

Of the $4.5 billion paid out by VRS annually, the majority stays in Virginia, where retirees contribute to the economy.

WHERE ARE VRS RETIREE BENEFACTORIES?

86% of retirees remain in Virginia


HOW VRS MEASURES UP

20th LARGEST* among public and private pension systems in the United States, based on assets

44th LARGEST* among public and private pension systems in the world, based on assets

86% of retirees remain in Virginia
At VRS, plan design changes that lowered the future cost of benefits were implemented with Plan 2, followed by the implementation of the Hybrid Retirement Plan. The commonwealth focused on reducing plan costs and liabilities with a two-pronged approach:

- The Governor and General Assembly accelerated repayment of 2010-2012 deferred contributions for the state and teacher plans by infusing $193 million to the teacher plan in 2015 and retiring the balance of the state plans in 2016 with a $189 million infusion of funds.
  - Repaying the state deferred contributions early saved $26.5 million in interest payments over the next six years.
  - Infusing the $193 million into the teacher plan means that employers will contribute approximately $34 million less over the next six years.
- The Governor and General Assembly also committed to fully fund the actuarially required contribution rates by the 2019-2020 biennium with a plan to reach 100% of the actuarially determined contribution rate.
- Since 2012, VRS state and teacher plans have experienced a 10 percent improvement in funded status and political subdivisions, in aggregate, have seen a 15 percent improvement.

For 2017, the funded status of the plans is as follows:

- **State**: 75.3%
- **Teacher**: 72.6%
- **Political Subdivisions**: 88.0%*

*Aggregate

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**Investments**

- The VRS investment team oversees the portfolio, directly managing one-third of it in-house, which saves about $41 million annually in fees.
- Two-thirds of VRS benefit payments come from investment earnings.
- The investment team averages $227 million in average annual added value to the fund, about $2.3 billion over the past 10 years.

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**Impact of Pension Reform**

At VRS, plan design changes that lowered the future cost of benefits were implemented with Plan 2, followed by the implementation of the Hybrid Retirement Plan.

- The Governor and General Assembly accelerated repayment of 2010-2012 deferred contributions for the state and teacher plans by infusing $193 million to the teacher plan in 2015 and retiring the balance of the state plans in 2016 with a $189 million infusion of funds.
  - Repaying the state deferred contributions early saved $26.5 million in interest payments over the next six years.
  - Infusing the $193 million into the teacher plan means that employers will contribute approximately $34 million less over the next six years.
- The Governor and General Assembly also committed to fully fund the actuarially required contribution rates by the 2019-2020 biennium with a plan to reach 100% of the actuarially determined contribution rate.
- Since 2012, VRS state and teacher plans have experienced a 10 percent improvement in funded status and political subdivisions, in aggregate, have seen a 15 percent improvement.

For 2017, the funded status of the plans is as follows:

- **State**: 75.3%
- **Teacher**: 72.6%
- **Political Subdivisions**: 88.0%*

*Aggregate
Online Solutions for Members and Retirees

VRS is shaping our online solutions with a greatly enhanced myVRS – one unified system for members, retirees and employers.

Among the features we’ve rolled out to date:

- Secure log-in for members and retirees
- Goal-based Retirement Planner
- Refreshed Benefit Estimator
- Self-service purchase of prior service
- Online refunds
- Online Optional Retirement Plan selection

Our work continues as we gear up to accept retirement applications and beneficiary changes online.

Financial Wellness Program Aids Retirement Readiness

The VRS Financial Wellness program includes helpful quick-read articles and mini-courses, as well as useful calculators and videos.

These free resources address financial wellness from many angles, including budgeting, saving, paying off debt, choosing insurance coverage and maximizing resources at every stage of life.

Find it on www.varetire.org. From the left navigation bar on the homepage, select Financial Wellness. Members can access customized content in myVRS.

Personal finance just got personal.

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VRS’ pension administration costs are less than its peers at $69 per active member and retiree, $25 below the peer average of $94.

Defined Benefit Administration Benchmarking Analysis Fiscal Year 2016 – CEM Benchmarking, Inc.

VRS’ total service score was 82 out of 100, exceeding the peer median of 80.

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Call
1-888-827-3847
Monday–Friday, 8:30 a.m.–4 p.m.

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Virginia Retirement System