Helping VRS Members Plan for Tomorrow, Today

The Virginia Retirement System (VRS) serves those who serve others by delivering retirement and other benefits to Virginia public employees. In addition, we help our members plan for tomorrow, today with retirement education, counseling and communications.

Much of our work is described through financial statements, investment returns, actuarial tables and statistics. Yet, our broader story is about delivering benefits to the more than 723,000 retirees, and state and local government employees, teachers, law enforcement personnel and judges who serve their communities every day across the commonwealth. Additionally, we work with more than 800 employers, our partners in delivering benefits to VRS members.

We invite you to become better acquainted with our agency through this introduction, which includes a summary of our retirement plans, membership, funding and resources.

VRS AT A GLANCE

AT JUNE 30, 2019

ONE-YEAR RATE OF RETURN: 6.7%

ACTIVE MEMBERS: 346,273

EMPLOYERS: 833

TRUST FUND: $82.8 billion

TOTAL RETIREES AND BENEFICIARIES: 214,545

VISION

To be the trusted leader in the delivery of benefits and services to those we serve

MISSION

VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service

VRS BY THE NUMBERS

19th LARGEST * among public and private pension systems in the United States, based on assets

41st LARGEST * among public and private pension systems in the world, based on assets

APPROXIMATELY 86% of retirees remain in Virginia.

Of the $5 billion in benefits paid by VRS in fiscal year 2019, the majority stays in Virginia, where retirees contribute to the local economy

*As ranked by Pensions & Investments in 2019
Overview
The VRS managed investment portfolio ended fiscal year 2019 with a historic year-end high of $84.4 billion.

VRS investment professionals have the unique responsibility for the strategic long-term investment of the trust.

- The trust supports the future retirements and benefits of more than 723,000 active and retired public employees in Virginia.
- The investment decisions our investment professionals make today must support today’s public employees for the next 40 years and beyond.

Strategic Asset Management
VRS manages approximately one-third of assets internally, saving about $58.7 million in external management fees annually.

VRS’ investment professionals have provided an average annual added value of $225 million per year, adding about $2.3 billion in additional dollars to the fund over the past 10 years.

How Benefits Are Funded

Defined Benefit Plan
- While working, members contribute to their Member Contribution Account, which earns 4% interest annually.
- Employers make contributions to VRS based on actuarial rates.
- The VRS Investment Department invests employee and employer contributions. Approximately two-thirds of benefit payments come from investment earnings.

Defined Contribution Plan
- Based on member and employer contributions (if applicable) and any net investment earnings.

How Benefits Are Paid

Defined Benefit Plan Payments
- Members who retire from Plan 1, Plan 2 or the Hybrid Retirement Plan (defined benefit component) will receive a lifetime monthly benefit.
- For the first few years of retirement, the members’ monthly benefit comes from their Member Contribution Account.
- After this account is exhausted, their benefit comes from the VRS Trust Fund.

Defined Contribution Plan Payments
- Participants can request a distribution from their plan. A variety of distribution options are available.

Higher Service and Lower Cost Compared to Peers

Pension Administration Cost Per Active Member and Annuitant

VRS’ pension administration costs* at $78 per active member and retiree are $18 below the peer average of $97.

Total Service Score

VRS’ total service score was 83 out of 100, exceeding the peer median of 81.

* Reflects numerical rounding.

Online Service Solutions

myVRS

VRS is shaping our online solutions to provide a holistic experience for members and retirees, guided by a business model that enhances access to services and benefit information at key stages in a member’s career and life.

The secure myVRS system includes:

- A goal-based Retirement Planner
- Benefit Estimator for estimating retirement age and lifetime benefit
- Self-service purchase of prior service
- Online refunds
- Online Optional Retirement Plan election

In 2019, VRS moved to a web-based environment for member-record management. Our work continues as we prepare to accept retirement applications and beneficiary changes online.

Learn More About the Virginia Retirement System

VRS publishes a Comprehensive Annual Financial Report (CAFR). The 2019 CAFR provides complete audited financial statements. You can find this and other resources at varetire.org/publications.

Personal Finance Just Got Personal

The award-winning myVRS Financial Wellness program includes helpful quick-read articles and mini-courses, as well as useful calculators and videos. These resources, which are free for members, address financial wellness from many angles, including budgeting, saving, paying off debt, choosing insurance coverage and maximizing resources at every stage of life.

We work with our partner iGrad to provide a personalized customer experience for VRS members, who can access tailored content through their myVRS accounts. VRS members now have access to financial wellness mini-courses, and iGrad tracks their progress through pre-course and post-course assessments.

Get started at varetire.org/financial-wellness.

Board of Trustees

The nine-member 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.

- Governor appoints five members, including the chair
- Joint Rules Committee appoints four members
- General Assembly confirms all appointments
- The Board includes:
  - Four investment experts
  - One experienced in employee benefit plans
  - One local government employee
  - One higher education employee
  - One state employee
  - One teacher
Who We Serve
AT JUNE 30, 2019

VRS Population

- Retirees & Beneficiaries: 214,545
- Active Members: 346,273
- Deferred Members*: 162,193

Total 723,011

VRS Active Members**

- Plan 1 Plan 2 Hybrid Retirement Plan
  - Plan 1: 157,535
  - Plan 2: 85,793
  - Hybrid: 182,945

Total 346,273

VRS-Participating Employers

- Special Authorities: 207
- State Agencies: 230
- School Boards***: 144
- Cities & Towns: 159
- Counties: 93

Total 833

* A deferred member 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.
** For more detailed information on VRS active members, please refer to the 2019 CAFR.
*** Of the 144 school boards, 132 also provide coverage for non-professional employees and are treated as political subdivisions.

Our Core Values

ACT WITH INTEGRITY as we perform our role and represent VRS.
DISPLAY TEAMWORK as we create, plan and execute our work in a trusting and caring way.
DEMONSTRATE ACCOUNTABILITY in our words, actions and decisions as we work and commit to our Vision.
PERFORM WITH AGILITY as we respond to change.

VRS Retirement Plans and Benefits

VRS administers three retirement plans:

<table>
<thead>
<tr>
<th>Plan 1</th>
<th>Plan 2</th>
<th>Hybrid Retirement Plan</th>
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</thead>
<tbody>
<tr>
<td>A defined benefit plan for employees hired before July 1, 2010, and vested as of January 1, 2013.</td>
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<tr>
<td>A defined benefit plan for employees hired:</td>
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<tr>
<td>- After July 1, 2010, and before December 31, 2013; or</td>
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<tr>
<td>- Before July 1, 2010, and not vested as of January 1, 2013</td>
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<tr>
<td>A combined defined benefit and defined contribution plan for members hired on or after January 1, 2014.</td>
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<tr>
<td>- 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.</td>
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</tbody>
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Defined Contribution Plans

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

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

FYI

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.