

Serving those who serve others

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 \$4.8 billion annually to retirees and 86 percent of those retirees reside in Virginia.

During fiscal year 2018, the VRS managed investment portfolio reached a historic year-end high of \$80.4 billion while we served more than 706,000 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 \$45 million in external management fees each year. 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

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

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.

An Independent Agency of the Commonwealth of Virginia

JANUARY 2019

VRS BY THE NUMBERS



19TH
LARGEST*

among public and private pension systems in the United States, based on assets



43RD
LARGEST*

among public and private pension systems in the world, based on assets

* As ranked by *Pensions & Investments*, September 2017

WHERE ARE VRS RETIREES?



86% of retirees remain in Virginia

Of the \$4.8 billion paid out by VRS annually, the majority stays in Virginia, where retirees contribute to the local economy

Who We Serve at June 30, 2018

	Plan 1	Plan 2	Hybrid	Total
Teachers	77,317	32,622	36,856	146,795
Political Subdivisions	48,879	31,526	27,422	107,827
State Employees	39,845	16,707	20,785	77,337
State Police Officers' Retirement System (SPORS)	1,242	645	—	1,887
Virginia Law Officers' Retirement System (VaLORS)	3,556	5,186	—	8,742
Judicial Retirement System (JRS)	253	48	116	417
Total Active Members	171,092	86,734	85,179	343,005

IN FISCAL YEAR 2018:

343,005

TOTAL ACTIVE MEMBERS

206,776

RETIREES/BENEFICIARIES

156,264

INACTIVE/DEFERRED MEMBERS

706,045

VRS TOTAL POPULATION

VRS Employers at June 30, 2018

State Agencies	Cities and Towns	Counties	School Boards*	Special Authorities
230	162	93	145	205

* Of the 145 school boards, 133 also provide coverage for non-professional employees and are treated as political subdivisions.

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.

VRS Board of Trustees

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.

Nine board members:

- Governor appoints five members, including the chair
- Joint Rules Committee appoints four members
- General Assembly confirms all appointments

Areas of expertise:

- Four investment experts
- One experienced in employee benefit plans
- One local government employee
- One higher education employee
- One state employee
- One teacher

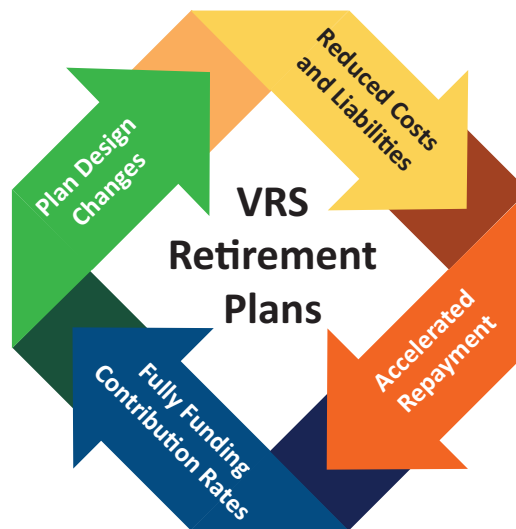
Investments

- The VRS investment team oversees the portfolio, directly managing one-third of it in-house, which saves about **\$45 million** annually in fees.
- **Two-thirds** of VRS benefit payments come from investment earnings.
- The investment team averages **\$160 million** in average annual added value to the fund.

Impact of Pension Reform

The Governor and General Assembly focused on reducing plan costs and liabilities with a multipronged approach that included:

- Accelerating repayment of deferred contributions, estimated to save \$60.5 million over six years
- Funding 100% of actuarially determined contribution rates earlier than anticipated, saving \$232 million over 20 years
- Implementing plan design changes (VRS Plan 2 and the Hybrid Retirement Plan) that have lowered future benefit costs



The Hybrid Retirement Plan will become the dominant plan within a few years. The combined defined benefit and defined contribution plan:

- Reduces future benefit costs
- Introduces risk-sharing between employer and employee
- Lowers defined benefit risk to employers by approximately one-third

These actions have elevated the funded status of all plans by nearly 11.5% over the last five years.

For 2018, the funded status of the plans is as follows:

State: 76.3%

Teacher: 74.5%

Political Subdivisions: 89.3%*

* Political Subdivisions funded status is an estimate of all plans in aggregate.

Total value of the VRS managed investment portfolio at June 30, 2018:

\$80.4
BILLION

VRS RETURN

(NET OF FEES)
AT JUNE 30, 2018

1-year	7.5%
3-year	7.1%
5-year	8.3%
10-year	6.1%
15-year	7.8%
20-year	6.5%
25-year	8.2%

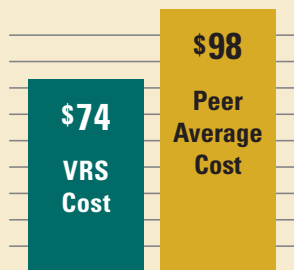
CONTRIBUTIONS AND FUNDING

Employees share in the funding of their future benefits.

- VRS members contribute to their retirement plans.
- In the defined benefit plan, employers make contributions based on rates from the actuarial valuation. In the hybrid plan, employers also match contributions to the defined contribution component.
- Defined benefit pensions are paid from the VRS trust fund.
- The VRS Investment Department invests employee and employer defined benefit contributions.
- Investment earnings fund two-thirds of the defined benefit pension.

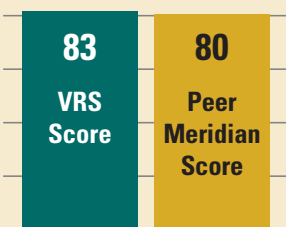
MEASURING AND MANAGING

PENSION ADMINISTRATION COST PER ACTIVE MEMBER AND ANNUITANT



VRS' pension administration costs are **less** than its peers at **\$74** per active member and retiree, **\$24 below the peer average of \$98.**

TOTAL SERVICE SCORE



VRS' total service score was **83** out of 100, **exceeding the peer median of 80.**

Defined Benefit Administration Benchmarking Analysis Fiscal Year 2017 – CEM Benchmarking, Inc.

CONNECT WITH VRS

Call
1-888-827-3847
Monday–Friday,
8:30 a.m.–5 p.m.

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www.varetire.org

Join the Conversation

Find us on Facebook

www.facebook.com/VirginiaRetirementSystem

Connect with us on LinkedIn

www.linkedin.com/company/virginia-retirement-system

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 election**

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

Retirement Budget Worksheet

Healthcare Expenses

- State Retiree Health Plans
- Health Cost Estimator

Taxes in Retirement

- State Tax Calculator
- Federal Tax Calculator

Create a New Plan

Set your goal, review your VRS income sources and conduct a detailed gap analysis

Quick Plan

Quickly see an up-to-date view of your gap analysis based on assumptions

Saved Plans

Review the details of a previously saved plan

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/financial-wellness. VRS members can access customized content through their myVRS accounts.

Personal finance just got personal.



Courses
Learn the fundamentals of money management

Calculators
Experiment with mortgage, budget, auto, student loan calculators

Games
Play financial trivia and real-world simulator games

Budget
Plan for expenses, set goals and keep your finances on track

Live Webinars
Watch webinars with financial wellness experts

Scholarship Search
Find quality scholarships to help pay for school

Student Loan Snapshot
Track all your student loans in one place in five minutes or less