VRS Overview
Virginia Retired Teachers Association

Presented by
Patricia S. Bishop, VRS Director
May 4, 2022
VRS Celebrates 80 Years

VRS was created July 1, 1942, succeeding the Retired Teachers’ Fund that traced its origins to 1908.

Join the celebration!
★ Register for myVRS and myVRS Financial Wellness.
★ Learn more about Certified Financial Planning™ services.
★ Check out our enhanced Investments section on the website.

80 Years of Serving Those Who Serve Others.
VRS Overview
VRS Overview

751,471 active and retired members
As of June 30, 2021

46th largest public or private pension system in the world*

17th largest public or private pension system in the United States*

* As ranked by Pensions & Investments in 2022
### VRS Total Membership as of June 30, 2021

<table>
<thead>
<tr>
<th></th>
<th>Plan 1</th>
<th>Plan 2</th>
<th>Hybrid</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Teachers</strong></td>
<td>63,188</td>
<td>29,682</td>
<td>56,923</td>
<td>149,793</td>
</tr>
<tr>
<td><strong>Political Subdivision Employees</strong></td>
<td>38,007</td>
<td>31,072</td>
<td>39,534</td>
<td>108,613</td>
</tr>
<tr>
<td><strong>State Employees</strong></td>
<td>29,073</td>
<td>13,805</td>
<td>30,808</td>
<td>73,686</td>
</tr>
<tr>
<td><strong>State Police Officers’ Retirement System (SPORS)</strong></td>
<td>1,018</td>
<td>929</td>
<td>0</td>
<td>1,947</td>
</tr>
<tr>
<td><strong>Virginia Law Officers’ Retirement System (VaLORS)</strong></td>
<td>2,466</td>
<td>5,357</td>
<td>0</td>
<td>7,823</td>
</tr>
<tr>
<td><strong>Judicial Retirement System (JRS)</strong></td>
<td>175</td>
<td>47</td>
<td>231</td>
<td>453</td>
</tr>
<tr>
<td><strong>Total Active Members</strong></td>
<td>133,927</td>
<td>80,892</td>
<td>127,496</td>
<td>342,315</td>
</tr>
</tbody>
</table>

### Summary Statistics as of June 30, 2021

- **Total Active Members**: 342,315
- **Retirees/Beneficiaries**: 224,973
- **Inactive/Deferred Members**: 184,183
- **VRS Total Population**: 751,471
VRS balances risk with reward to achieve sustainable investment growth over time.

Current Investment Return Assumption: 6.75%

Market Value by Fiscal Year

Market Value at June 30 (billions)

- 2012: $53.1
- 2013: $58.3
- 2014: $66.0
- 2015: $68.1
- 2016: $68.1
- 2017: $74.4
- 2018: $78.6
- 2019: $82.3
- 2020: $81.6
- 2021: $101.8
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 serves to moderate the impacts of market conditions.
- 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.
VRS’ Long-Term Investment Strategy

- Learn more at varetire.org/investments
- Browse new content, including a four-part video series:
  - Our Focus
  - Diversification
  - Long-Term Performance
  - Adding Value
- Read the latest quarterly report that includes commentary from the CIO
2022 Legislation
Separating DB and DC Rates

**Defined Benefit Plan**
Blended for Plan 1, Plan 2 and Hybrid defined benefit component

**Defined Contribution Component**
Varying rate for employer contributions, based on employee voluntary contributions

- Reduces the administrative burden of reconciliation efforts as the hybrid plan becomes the dominant plan.
- Allows members potential flexibility to change their voluntary contributions more often (currently limited to quarterly).
- Allows member contributions to be invested more quickly.

<table>
<thead>
<tr>
<th>Bill Number</th>
<th>Patron</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>HB 473</td>
<td>Bulova</td>
<td>Separates the employer contribution into defined benefit and defined contribution components. The bill has a delayed implementation date of July 1, 2024, to coincide with new contribution rates.</td>
</tr>
<tr>
<td>SB 70</td>
<td>Newman</td>
<td></td>
</tr>
<tr>
<td>Bill Number</td>
<td>Patron</td>
<td>Description</td>
</tr>
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<td>-------------</td>
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</tr>
<tr>
<td>SB 349</td>
<td>Surovell</td>
<td>Provides that if the court enters an order to distribute any VRS-managed defined contribution plan, VRS shall, if ordered by the court, calculate gains and losses from the valuation date through the date of distribution of the benefits to the extent possible given available data. The bill also requires VRS to conduct a survey of localities and schools regarding gain/loss calculation practices of governmental plans throughout the Commonwealth. A report is due by Oct. 1, 2022.</td>
</tr>
</tbody>
</table>
The proposed FY 2023-24 House and Senate versions of the introduced budget, pending final action, call for:

- Maintaining employer contribution rates for the state and teacher plans at current levels.

- Making a one-time deposit into the VRS trust fund, to be applied to all state-level retirement and OPEB plans.

- Providing an additional amount for the State Police Officers’ Retirement System (SPORS), the Virginia Law Officers’ Retirement System (VaLORS), the Judicial Retirement System (JRS) and the state’s group life insurance and health insurance credit plans.

**Note:** All actions are contingent on final legislative approval and Governor Youngkin’s signature.
Funded Status and Contribution Rates
Funded Status: Teachers

Notes:
- Projected funded status based on assumed investment returns of 6.75% and inflation of 2.5%.
- GASB Accounting rules reflect funded status using Market Value of Assets effective 6/30/14 for Plan Reporting and 6/30/15 for Employer Reporting.
- Projections do not include the Governor’s proposed contribution rates and one-time infusion.

New GASB accounting rules reflect funded status on the market value basis beginning in 2014.

The funded status for FY 2021 based on the actuarial value of assets was 77.2%.

- Teacher Plan Unfunded Liability as of 6/30/2021
  - $12.0 Billion using Actuarial Assets
  - $7.1 Billion using Market Assets

Historical Funded Status - Actuarial Value of Assets up to 2013 & Market Value of Assets 2014 Forward

Projected Funded Status using Market Value of Assets (New GASB Standard)
VRS investments earned returns in excess of the long-term assumed rate of return in FY 2021.

Positive returns moderated contribution rate increases as of 6/30/21.

Unfunded liabilities on both the market value of assets and actuarial value of assets declined.

Funded status improved because of strong investment returns in a rate-setting year.
## Unfunded OPEB Liabilities and Funded Status by Plan (Dollars in Thousands)

<table>
<thead>
<tr>
<th>System</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UAAL based on MVA (Dollars in Thousands)</td>
<td>Funded Status</td>
</tr>
<tr>
<td>Group Life</td>
<td>$1,728,029</td>
<td>51.8%</td>
</tr>
<tr>
<td>HIC State</td>
<td>$899,066</td>
<td>12.2%</td>
</tr>
<tr>
<td>HIC Teachers</td>
<td>$1,286,380</td>
<td>10.1%</td>
</tr>
<tr>
<td>VSDP</td>
<td>$(241,350)</td>
<td>197.0%</td>
</tr>
<tr>
<td>HIC Locals in Aggregate</td>
<td>$52,204</td>
<td>31.9%</td>
</tr>
<tr>
<td>HIC Constitutional Officers</td>
<td>$27,069</td>
<td>15.9%</td>
</tr>
<tr>
<td>HIC Social Services</td>
<td>$12,646</td>
<td>13.3%</td>
</tr>
<tr>
<td>HIC Registrars</td>
<td>$450</td>
<td>21.9%</td>
</tr>
<tr>
<td>VLDP Teachers</td>
<td>$447</td>
<td>86.6%</td>
</tr>
<tr>
<td>VLDP Political Subdivisions</td>
<td>$433</td>
<td>88.5%</td>
</tr>
</tbody>
</table>

Note: Unfunded liabilities and funded status using market value of plan assets.
Your Benefits in Retirement
2022 Cost-of-Living Adjustment (COLA)

3.85%
Plan 1
COLA

3.00%
Plan 2 & Hybrid
COLA
Enhancements to myVRS

Additional self-service features are available in myVRS for members and retirees:

- Direct deposit management
- Online beneficiary management
- Health insurance credit management
- Survivor accounts
myVRS Financial Wellness

Interactive learning resources

Personalized content in myVRS, including videos to get you started

Easy access to courses for your needs and interests

Courses

Educational Games

Budgeting Tools

Calculators
New Financial Planning Services

- Complements the existing myVRS Financial Wellness program.
- Available to all VRS members and retirees, regardless of participation in a DC plan, through MissionSquare Retirement.
- Dedicated financial planners for VRS membership; no investment advice provided.

CFP professionals offer guidance and support to help you feel confident about your financial security and find a path forward.

varetire.org/make-a-plan
Do You Have a Story to Share?

Contact VRS at proffice@varetire.org with your unique retirement experiences or advice about life in retirement.

You might become one of our featured retirees!
Take Action Today!

- Claim your myVRS account
- Share your story for Retiree News
- Update your beneficiaries
- Explore myVRS Financial Wellness
- Organize your assets and documents
- Consider a financial plan
Serving those who serve others.
Special Section: VRS Milestone Moments
VRS: 80 Years of Serving Those Who Serve Others

1908: Retired Teachers’ Fund created; discontinued during Great Depression for insufficient funding

1942: VRS
Teachers, school administrators, state employees

1944: VRS
Political subdivision employees

1950: SPORS

1952: VRS becomes VSRS

1970: JRS & VRS
Political subdivision hazardous duty employees

1999: VaLORS

1990: VSRS becomes VRS again

2014: Hybrid Retirement Plan

1908
1942: Virginia Retirement System (VRS) established for teachers, school administrators and state employees.

1944: Political subdivision employees added to VRS.
1950: State Police Officers’ Retirement System (SPORS) established.

1952: The Virginia Supplemental Retirement System (VSRS) was created as a supplement to Social Security.

1960: Group Life Insurance Program created.
1970: Cost-of-Living Adjustment (COLA) established; VRS opened to hazardous duty employees of political subdivisions; Judicial Retirement System (JRS) established.
1990: The name of the system was changed back to Virginia Retirement System by the 1990 session of the General Assembly.

1992: Health Insurance Credit for retired teachers established; the cap was lifted in 2007.


1999: Virginia Law Officers’ Retirement System (VaLORS) established.
2010: VRS Plan 2 created for members hired or rehired on or after July 1, 2010.

2014: Hybrid Retirement Plan and Virginia Local Disability Program (VLDP) implemented.

2016: Members can now access the enhanced myVRS; in 2017, self-service purchase of prior service, enhanced security, features for retirees and financial wellness for members were added.
2021: Most members can now retire online and use additional self-service features in myVRS.

2022 and Beyond: Two things are sure – VRS will serve those who serve others and help members prepare for tomorrow, today – wherever they may be!