



Virginia Retirement System®

Popular Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

2020



HONORING OUR HEROES

VRS MEMBERS SERVING THE COMMONWEALTH

This *Popular Annual Financial Report* (PAFR) is a summary of VRS' audited financial statements and other information contained in VRS' *Comprehensive Annual Financial Report* (CAFR). The complete audited financial statements and pertinent notes to the financial statements can be found in VRS' 2020 CAFR. The PAFR provides summary financial information and does not conform to Generally Accepted Accounting Principles (GAAP); the CAFR conforms to GAAP and provides a comprehensive overview of the System's financial and operating results. VRS' CAFR is available at varetire.org in the Publications section or at the VRS office.

2020 Administration

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Dinwiddie County Public Schools (Retired)

From the Director

Patricia S. Bishop
Director

When a worldwide pandemic disrupted life and work as we knew it in 2020, public servants across the commonwealth quickly pivoted.

Some VRS members, including VRS staff, transitioned to a remote workforce to continue business operations. Other members provided essential in-person services by finding creative ways to distribute meals to students, continuing public services like refuse collection and even supporting virus testing with 24-hour lab operations. Indeed, the role of public servants took on a new meaning this year, which is why we are dedicating our financial report to Honoring Our Heroes.

In an extraordinary year that has required teamwork and agility, I am pleased to report that VRS continued its focus on serving those who serve others. Because of our comprehensive mobility initiative, VRS was well-positioned for the transition to remote work. Team members exhibited unwavering commitment to providing a continued high level of customer service.

We delivered additional COVID-19 support to our employers, members and retirees through a dedicated page on our website. Our award-winning myVRS Financial Wellness program responded with a COVID-19 Resource Guide, offering timely information and tools for those experiencing financial insecurity.

All the while, we continued with our daily mission. VRS staff adapted to providing member and retiree counseling online, by phone and through virtual benefit fairs. We completed the second voluntary contribution auto-escalation since the launch

of the Hybrid Retirement Plan, allowing plan members to save more toward their retirement. The agency received several awards recognizing our communications and outreach, as well as our continued excellence in financial reporting.



City of Lynchburg Department of Public Works employee Mike Franklin waves from a city truck during limited-contact refuse collection services.

We are committed to leveraging the strengths of a diverse staff and including differing perspectives as we improve services for our members. Since 2008, our Diversity and Inclusion Committee has engaged employees in conversation and activities to increase knowledge and build understanding and community. Our work will continue as we move forward with strategic questions that will guide our future.

As you browse through the PAFR, you’ll see financial results, investment information and other statistics from fiscal year 2020. VRS’ long-term investment strategy and diversified portfolio balances risks with rewards and focuses on performance over 20 years and longer. That stable foundation will allow us to continue Honoring Our Heroes throughout their careers and as they enter retirement. ■

Image credits: Cover: top, Virginia National Guard, Virginia Department of Transportation; middle, Prince William County Public Schools, Virginia Department of General Services/Division of Consolidated Laboratory Services, Virginia National Guard; bottom, Anna Shvets/Pexels, Southern Virginia Higher Education Center, August de Richelieu/Pexels. Page 2: City of Lynchburg. Page 3: Freepik. Pages 4-5: Freepik, Euclalyp and Iconixar. Page 9: Virginia Department of General Services/Division of Consolidated Laboratory Services. Page 10: Euclalyp and Ultimatearm. Page 12: Smashicons, Freepik, prettycons and surang. All icons made for Flaticon.com.

Helping Members Plan for Tomorrow, Today 2020



Member engagement: “Packing” knowledge, connecting online and providing timely resources in a changing world.

- Due to COVID-19, in-person counseling and educational programs were temporarily suspended, but VRS moved nimbly to meet members’ needs remotely with telephone and virtual counseling appointments, online webinars and participation in virtual benefits fairs.
- Early in the pandemic, the myVRS Financial Wellness program released an online COVID-19 Resource Guide, to help members cope with new layers of financial, work and family stress.

The guide served up fresh articles and information on budgeting, managing credit cards and other money-management issues.

- VRS developed a video campaign to build awareness of the myVRS Financial Wellness program among VRS members, particularly millennials. “What’s in Your VRS Backpack?” encouraged members to explore the site’s tools and resources to “Build your knowledge. Build your confidence. Build your future.” ■

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) and the VRS Investment Portfolio (VRSIP).

HYBRID MEMBER AUTO-ESCALATION

- To help Hybrid Retirement Plan members stay on track with retirement savings, VRS implemented the second auto-escalation of voluntary contributions by 0.5%, effective January 2020.



- The auto-escalation campaign took an upbeat motivational approach of “Let the Good Times Roll With Escalated Savings” that resonated with hybrid plan members. The campaign met its goal of achieving a low opt-out rate, thereby helping hybrid plan members succeed in saving more for the future.

2020 Membership

VRS ACTIVE MEMBERS AT JUNE 30

VRS
TOTAL
POPULATION
727,705



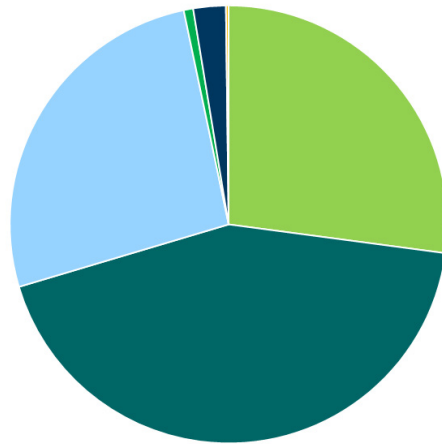
Total Active
Members
348,826

	2020		2019		2018	
	Number	Percent of Total	Number	Percent of Total	Number	Percent of Total
State Employees (VRS)	77,425	22.2%	77,010	22.3%	77,337	22.6%
Teachers (VRS)	150,073	43.0%	147,622	42.6%	146,795	42.8%
Political Subdivision Employees (VRS)	110,416	31.7%	110,538	31.9%	107,827	31.4%
State Police Officers (SPORS)	1,924	0.6%	1,912	0.6%	1,887	0.6%
Virginia Law Officers (VaLORS)	8,540	2.4%	8,734	2.5%	8,742	2.5%
Judges (JRS)	448	0.1%	457	0.1%	417	0.1%
Total Members	348,826	100.0%	346,273	100.0%	343,005	100.0%

DISTRIBUTION OF RETIREES AND BENEFICIARIES AT JUNE 30, 2020

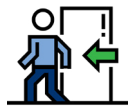


Retirees/
Beneficiaries
219,113



State Employees (VRS)	59,554	27.2%
Teachers (VRS)	94,755	43.2%
Political Subdivision Employees (VRS)	57,671	26.3%
State Police Officers (SPORS)	1,423	0.6%
Virginia Law Officers (VaLORS)	5,176	2.4%
Judges (JRS)	534	0.2%

Total Retirees and Beneficiaries **219,113** **100.0%**



Inactive/ Deferred
Members
159,766

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.

fyi

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 2020

DISTRIBUTION OF RETIREES BY YEARS OF SERVICE

ALL RETIREES AT JUNE 30, 2020

	1-10 Years	11-20 Years	21-30 Years	31-40 Years	41-50 Years	Over 50 Years	Total
VRS – State	19.40%	21.56%	27.84%	26.62%	4.49%	0.09%	100.00%
VRS – Teacher	13.20%	23.64%	33.84%	27.61%	1.69%	0.02%	100.00%
VRS – Political Subdivisions	24.15%	28.40%	30.30%	15.95%	1.17%	0.03%	100.00%
SPORS	14.82%	3.72%	32.34%	43.50%	5.48%	0.14%	100.00%
VaLORS	13.65%	27.90%	46.97%	10.90%	0.56%	0.02%	100.00%
JRS	22.28%	2.25%	6.37%	9.93%	14.23%	44.94%	100.00%
All Plans	17.81%	24.25%	31.51%	23.94%	2.34%	0.15%	100.00%

DISTRIBUTION OF RETIREES BY AGE AT RETIREMENT

ALL RETIREES AT JUNE 30, 2020

	Under 55	55-59	60-65	Over Age 65	Total
VRS – State	16.49%	21.61%	34.29%	27.61%	100.00%
VRS – Teacher	14.12%	33.51%	34.17%	18.20%	100.00%
VRS – Political Subdivisions	24.14%	19.90%	30.62%	25.34%	100.00%
SPORS	54.66%	29.73%	11.60%	4.01%	100.00%
VaLORS	43.78%	24.21%	23.82%	8.19%	100.00%
JRS	5.25%	15.54%	32.96%	46.25%	100.00%
All Plans	18.33%	26.41%	32.88%	22.38%	100.00%

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.



VRS
PARTICIPATING
EMPLOYERS

837



State Agencies

230



Special Authorities

208



Cities and Towns

162



School Boards*

144



Counties

93

* Of the 144 school boards, 132 also provide coverage for non-professional employees and are treated as political subdivisions.

2020 Financial

SUMMARY OF FIDUCIARY NET POSITION FOR THE YEARS ENDED JUNE 30

(EXPRESSED IN MILLIONS)

	2020	Increase (Decrease)	2019	Increase (Decrease)	2018
Assets:					
Cash, Receivables and Capital Assets	\$ 2,295.9	\$ 421.9	\$ 1,874.0	\$ (145.5)	\$ 2,019.5
Investments	83,729.4	(707.6)	84,437.0	4,003.0	80,434.0
Security Lending Collateral	3,459.2	(1,208.6)	4,667.8	167.5	4,500.3
Total Assets	89,484.5	(1,494.3)	90,978.8	4,025.0	86,953.8
Liabilities:					
Accounts Payable	699.2	(2.9)	702.1	499.1	203.0
Investment Purchases Payable	3,200.6	(21.0)	3,179.6	(114.4)	3,294.0
Obligations Under Securities Lending	3,459.2	(1,208.6)	4,667.8	167.5	4,500.3
Total Liabilities	7,359.0	(1,190.5)	8,549.5	552.2	7,997.3
Total Net Position – Restricted for Benefits	\$ 82,125.5	\$ (303.8)	\$ 82,429.3	\$ 3,472.8	\$ 78,956.5

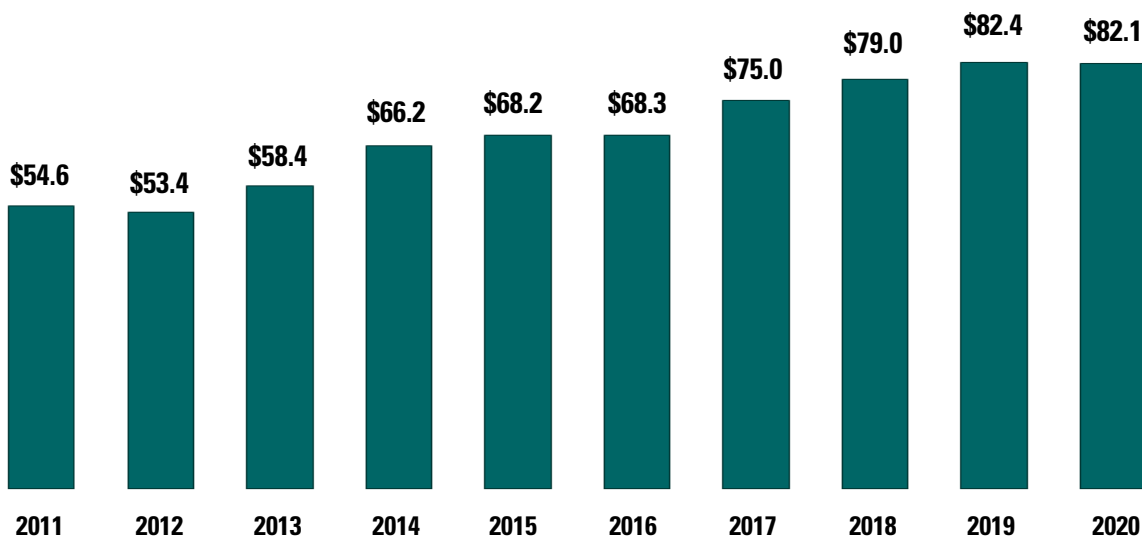
SUMMARY OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEARS ENDED JUNE 30

(EXPRESSED IN MILLIONS)

	2020	Increase (Decrease)	2019	Increase (Decrease)	2018
Additions:					
Member Contributions	\$ 1,079.9	\$ 44.1	\$ 1,035.8	\$ 23.6	\$ 1,012.2
Employer Contributions	2,912.6	124.4	2,788.2	(2.9)	2,791.1
Net Investment Income	1,563.6	(3,657.9)	5,221.5	(277.5)	5,499.0
Miscellaneous Revenue & Transfers	3.0	(1.1)	4.1	0.5	3.6
Total Additions	5,559.1	(3,490.5)	9,049.6	(256.3)	9,305.9
Deductions:					
Retirement Benefits	5,262.3	272.2	4,990.1	237.2	4,752.9
Refunds of Member Contributions	107.4	(2.2)	109.6	(9.0)	118.6
Insurance Premiums and Claims	212.1	12.2	199.9	(0.4)	200.3
Retiree Health Insurance Credit Reimbursements	168.6	(0.1)	168.7	4.8	163.9
Disability Insurance Benefits	36.9	4.0	32.9	(6.9)	39.8
Line of Duty Act Reimbursements	12.2	(0.7)	12.9	0.5	12.4
Administrative and Other Expenses	63.5	0.7	62.7	3.5	59.2
Total Deductions	5,862.9	286.1	5,576.8	229.7	5,347.1
Net Increase (Decrease) in Net Position	(303.8)	(3,776.6)	3,472.8	(486.0)	3,958.8
Net Position – Beginning of Year	82,429.3	3,472.8	78,956.5	3,958.8	74,997.7
Net Position – End of Year	\$ 82,125.5	\$ (303.8)	\$ 82,429.3	\$ 3,472.8	\$ 78,956.5

VRS FIDUCIARY NET POSITION AT JUNE 30

(EXPRESSED IN BILLIONS)



PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY

- VRS State Plan: **72.15%**
- VRS Teacher Plan: **71.47%**
- VRS Political Subdivision Plans (Aggregate Total): **83.44%**
- SPORS: **70.34%**
- VaLORS: **65.74%**
- JRS: **79.92%**

NET POSITION RESTRICTED FOR BENEFITS AT JUNE 30

(EXPRESSED IN THOUSANDS)

	2020	2019
Virginia Retirement System	\$ 76,453,387	\$ 76,871,911
State Police Officers' Retirement System	854,762	865,273
Virginia Law Officers' Retirement System	1,500,469	1,495,990
Judicial Retirement System	549,455	557,541
Group Life Insurance Advance Premium Deposit Reserve	1,855,102	1,762,972
Retiree Health Insurance Credit Reserve	301,178	269,346
Disability Insurance Trust Fund (VSDP)	490,220	488,241
Line of Duty Act Trust Fund	4,333	2,840
Disability Insurance Trust Fund (VLDP)	6,204	3,623
VRS Investment Portfolio DC Plans	45,466	45,380
Commonwealth Health Research Fund (CHTF)	39,633	40,481
Volunteer Firefighters' and Rescue Squad Workers Service Award Fund (VOLSAP)	4,180	4,147
Commonwealth's Attorneys Training Fund (CATF)	21,071	21,537
Total Pension and Other Employee Benefit Reserves	\$ 82,125,460	\$ 82,429,282

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.



2020 Financial

PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL OPEB LIABILITY

- Group Life Insurance Fund: **52.64%**
- State Employee Health Insurance Credit: **12.02%**
- Teacher Employee Health Insurance Credit: **9.95%**
- VRS Political Subdivision Plans Health Insurance Credit (Aggregate Total): **31.57%**
- State-funded Health Insurance Credit for constitutional officers: **15.78%**
- State-funded Health Insurance Credit for social services employees: **13.06%**
- State-funded Health Insurance Credit for registrars: **21.18%**
- Disability Insurance Program: **181.88%**
- Virginia Local Disability Program for teachers: **78.28%**
- Virginia Local Disability Program for political subdivisions: **76.84%**
- Line of Duty Act Program: **1.02%**

PENSION PLAN ACTIVITY FOR THE YEARS ENDED JUNE 30

(EXPRESSED IN MILLIONS)

	2020	Increase (Decrease)	2019	Increase (Decrease)	2018
Benefits	\$ 5,262.2	\$ 272.1	\$ 4,990.1	\$ 237.2	\$ 4,752.9
Refunds	107.4	(2.2)	109.6	(9.0)	118.6
Administrative and Other Expenses	55.2	(0.6)	55.8	3.5	52.3
Total Primary Expenses	\$ 5,424.8	\$ 269.3	\$ 5,155.5	\$ 231.7	\$ 4,923.8

SCHEDULE OF INVESTMENT EXPENSES AT JUNE 30

(EXPRESSED IN THOUSANDS)

	2020	2019
Total External Management Fees	\$ 444,399	\$ 431,385
Performance Fees	7,599	3,709
Total Miscellaneous Fees and Expenses	12,763	14,283
In-House Investment Management	38,183	37,122
Total Investment Expenses	\$ 502,944	\$ 486,499

EQUITY INTERESTS AT JUNE 30

Fund	2020	2019
Virginia Retirement System	93.038%	93.213%
State Police Officers' Retirement System	1.043%	1.052%
Virginia Law Officers' Retirement System	1.829%	1.817%
Judicial Retirement System	0.670%	0.678%
Group Life Insurance Fund	2.326%	2.193%
Retiree Health Insurance Credit Reserve	0.363%	0.323%
Disability Insurance Trust Fund (VSDP)	0.585%	0.582%
Line of Duty Act Trust Fund	0.005%	0.003%
Virginia Local Disability Program	0.007%	0.004%
VRS Investment Portfolio	0.055%	0.055%
CHRF	0.048%	0.049%
VOLSAP	0.005%	0.005%
CATF	0.026%	0.026%
Total Equity Interests	100.000%	100.000%

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.

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.

From the CIO

Ronald D. Schmitz

Chief Investment Officer

There is an old saying: “May you live in interesting times.” It seems like that sentiment closely matches our experience during 2020.

The global economy and financial markets had a sharp decline in early 2020 due to COVID-19. The economic recovery has been somewhat uneven, but the markets have come roaring back to achieve levels at or above those of the heady pre-pandemic days.

The stock market is forward-looking, and the recovery in market values shows that investors are focusing on the outlook for 2021. Between the government stimulus and the expectation of positive developments in vaccines and treatments for COVID-19, the market is clearly expecting a return to normal.



A lab scientist at the Division of Consolidated Laboratory Services (DCLS) works to keep up with the demand for COVID-19 testing.

The VRS Total Fund has performed well for the longer term, generally exceeding the benchmark by about half a percent and above the Board’s target excess return. The return for the current fiscal year was comfortably ahead of the benchmark.

The VRS Defined Benefit Plan portfolio seeks to maximize returns while managing risk within an acceptable range. Because of the long-term nature of the plan’s liabilities,

VRS invests with a long planning horizon. The total fund is highly diversified to help mitigate losses from significant market downturns similar to what we saw in the first quarter of 2020. Diversification also follows the mandate of the *Code of Virginia* (§ 51.1-124.30(C)) by helping to prevent frequent shifts in participating employers’ contribution rates and providing rate consistency from year to year.

The VRS portfolio provides diversification across five primary asset classes.

- The Public Equity team favors high-quality stocks that sell at prices below the value suggested by current earnings. Value-oriented strategies, such as ours, have recently tended to underperform. Despite the near-term returns, we are confident in our approach.
- Our Credit Strategies portfolio has also been under pressure in the short run. We remain confident that being exposed to higher-yielding private debt will serve us well in the longer term.
- Fixed Income, Real Assets and Private Equity all have solid long-term numbers. Fixed Income returns are strong across the board.
- Real Assets has also been an excellent source of excess returns with our emphasis on industrial/warehouse and multi-family properties. Digital infrastructure and renewable energy have also been positive contributors.
- Private Equity posted strong three-, five- and 10-year results versus its benchmark. In fact, Private Equity delivered returns that were 4% higher per year than Public Equity, exactly what we aim to achieve.

The macro outlook remains mixed, with strong performance in some sectors like housing and a rebound in manufacturing. Expectations for 2021 remain benign. ■

ANNUALIZED RETURN FOR PERIODS ENDED JUNE 30, 2020

	VRS Total Fund	Benchmark
1 Year	1.4%	1.0%
3 Years	5.2%	5.1%
5 Years	5.8%	5.6%
10 Years	8.1%	7.6%
15 Years	6.4%	6.0%
20 Years	5.5%	5.1%
25 Years	7.8%	7.2%

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.

2020 Investments

DEFINED CONTRIBUTION PLAN ACCOUNT ASSETS

AT JUNE 30, 2020

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

Commonwealth of Virginia 457 Deferred Compensation Plan

\$ 3,271,195,108

Virginia Cash Match Plan 401(a)

\$ 493,196,551

VRS Hybrid 401(a) Cash Match Plan

\$ 514,439,428

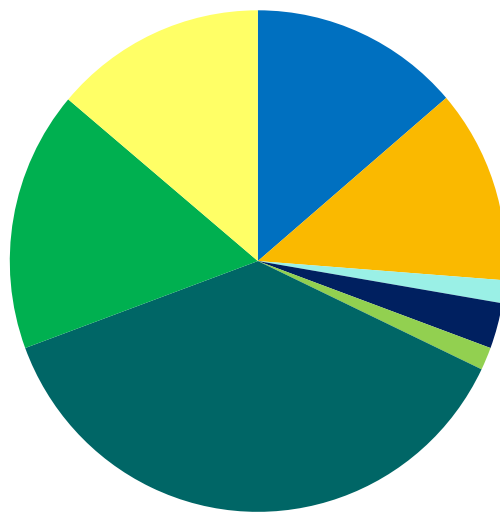
VRS Hybrid 457 Deferred Compensation Plan

\$ 239,688,933

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

VRS FUND ASSET ALLOCATION MIX AT JUNE 30, 2020



37.2%	Public Equity
16.8%	Fixed Income
13.8%	Credit Strategies
13.8%	Real Assets
12.5%	Private Equity
3.0%	Multi-Asset Public Strategies
1.5%	Private Investment Partnerships
1.4%	Cash

Source: Bank of New York Mellon

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 2020, VRS' performance exceeded the benchmark established by the board for the total fund. ■

INVESTMENT SUMMARY

FOR THE YEARS ENDED JUNE 30

	2020 Fair Value	Percent of Total Value	2019 Fair Value	Percent of Total Value
Bonds and Mortgage Securities:				
U.S. Government and Agencies	\$ 2,914,682	3.48%	\$ 4,317,660	5.11%
Mortgage Securities	4,056,194	4.84%	4,889,973	5.79%
Corporate and Other Bonds	13,110,381	15.66%	12,689,298	15.04%
Total Bonds and Mortgage Securities	20,081,257	23.98%	21,896,931	25.94%
Common and Preferred Stocks	22,987,340	27.45%	24,722,983	29.28%
Index and Pooled Funds:				
Equity Index and Pooled Funds	10,230,872	12.22%	11,069,496	13.10%
Fixed-Income Commingled Funds	1,377,164	1.64%	1,342,413	1.59%
Total Index and Pooled Funds	11,608,036	13.86%	12,411,909	14.69%
Real Assets	9,931,630	11.86%	9,877,199	11.70%
Private Equity	18,698,079	22.34%	15,083,638	17.87%
Short-Term Investments:				
Treasurer of Virginia – LGIP Investment Pool	361,958	0.43%	331,823	0.38%
Foreign Currencies	61,091	0.08%	112,545	0.14%
Total Short-Term Investments	423,049	0.51%	444,368	0.52%
Total Investments	\$ 83,729,391	100.00%	\$ 84,437,028	100.00%

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.



VRS AWARDS

VRS and its staff received the following national and local awards during fiscal year 2020:

Communicator Award of Distinction,

presented by the Academy of Interactive and Visual Arts

Capital Award of Merit, Virginia Public Relations Awards,

presented by the Public Relations Society of America—Richmond Chapter

Certificate of Achievement,

Government Finance Officers Association (GFOA) for the *Comprehensive Annual Financial Report*

Award for Outstanding Achievement in

Financial Reporting, also from GFOA, for the *Popular Annual Financial Report*

Public Pension Standards Award

for Funding and Administration from the Public Pension Coordinating Council

2020 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.” We strive to provide exceptional service and support to the commonwealth’s public servants, who are in turn serving citizens in their communities.

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.



- 191,732 calls answered
- 6,933 email responses

Member Counseling

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



- Virtual and in-person education sessions across the state, reaching nearly 27,000 members.
- Virtual, telephone and in-person member and retiree counseling sessions.

LEARN MORE ABOUT THE VIRGINIA RETIREMENT SYSTEM



In addition to this Popular Annual Financial Report (PAFR), VRS publishes a Comprehensive Annual Financial Report (CAFR). The 2020 CAFR provides complete audited financial statements and accompanying notes to the financial statements. Visit varetire.org/publications to view or download a copy.

Employer Support

We work closely with more than 800 VRS-participating employers—our partners in the delivery of benefits. We provide:



- Direct access to an employer representative.
- Employer roundtables and site visits, personally reaching more than 400 employer contacts.
- Dedicated support line through our call center.
- In-person and webinar training.
- E-courses for online learning.
- Monthly e-newsletter.
- Outreach to nearly 500 new benefit administrators at participating employers to offer technical assistance and guidance on VRS programs and services.

Web Services

The web team manages VRS and collateral websites. In addition to benefit information, the websites provide news and reminders, access to education and training, and downloadable publications.



varetire.org (main site for members and retirees): 3.4 million page views

employers.varetire.org (dedicated site for employers): 336,000 page views

orphe.varetire.org (dedicated site for the Optional Retirement Plan for Higher Education): 39,000 page views

Defined Contribution Plans and Hybrid Retirement Plan websites: 947,000 page views

JOIN THE CONVERSATION



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