

Joint Legislative Audit and Review Commission



**VRS Oversight:
Semi-Annual Investment Report
December 2009**

Commission Briefing

December 14, 2009

VRS Oversight Act

- Oversee and evaluate VRS on continuing basis
- Prepare semi-annual investment reports
- Prepare biennial status report
- Conduct quadrennial actuarial analysis
- Publish informational guide for legislators
- Hire actuary for use by JLARC, House Appropriations, and Senate Finance

Fund Performance

- Total market value of fund as of 9-30-2009 was **\$46.9 billion**
- VRS' investment returns added value over benchmarks over longer term
- Did not achieve the assumed actuarial rate of return (7.5%)

	FY to Date*	One-Year	Three-Year	Five-Year	Ten-Year
Returns	10.3	-3.1%	-1.3%	4.6%	4.4%
<i>Benchmark</i>	<i>11.4</i>	<i>-2.4%</i>	<i>-1.3%</i>	<i>4.2%</i>	<i>3.7%</i>

* FY to Date is 7-1-09 to 9-30-09

Individual Asset Class Performance

Program	% of Portfolio	Met Benchmarks for FY to Date*?	FY to Date* Returns
Public Equity	44.4	No	16.7
Fixed Income	25.0	Yes	5.9
Credit Strategies	14.3	No	12.3
Private Equity	8.1	No	2.0
Real Estate	7.6	No	-0.4

* FY to Date is 7-1-09 to 9-30-09

Recent or Planned Investment Strategies

- Continued pursuit of investments in credit and debt-related strategies
- Transition to global equity benchmark
- Recalculation of Tracking Error

Code of Ethics Provisions Strengthened

- Code of Ethics and Standards of Professional Conduct Policy revised to address use of placement agents
- Disclosure by external investment managers on use of placement agents
- New investments will require disclosure of fees paid to placement agents in connection with VRS

Board Certifies New FY 2011-2012 Contribution Rates

- Combined unfunded liability of State-supported plans amounts to \$11.9 billion
- Increased contributions necessary to make up for market losses
 - Near-term earnings alone not expected to be sufficient to compensate for losses
- Board suspends use of AVA corridor for calculating value of VRS assets
 - Results in a smaller recommended increase in employer rates
- Absent increased contributions, plan changes may be necessary
 - Other public plans considering changes to plan structures

Actuarial Valuation Results

Plan	Board Certified Rates* 2008-2010	Funded Rates FY 2010	Funded Status (6-30-09)	Board Certified Rates* 2010-2012
State Employees	8.02%	6.26%	84.0%	8.46%
Teachers	11.84%	8.81%	76.1%	12.91%
State Police	24.09%	20.05%	73.6%	25.56%
Law Officers	16.78%	14.23%	72.5%	15.93%
Judges	38.04%	34.51%	64.7%	46.79%

* Rates do not include the five percent member contribution.

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and on the table by the door.