

**Joint Legislative Audit and Review Commission  
of the Virginia General Assembly**



**VRS Oversight:  
Semi-Annual Investment Report  
July 2005**

**JLARC Staff Briefing  
Trish Bishop  
July 11, 2005**

# VRS Oversight Act

---

- **Section 30-78 *et seq.* of the *Code of Virginia* requires JLARC to oversee and evaluate VRS on a continuing basis**
  
- **Areas for review and evaluation include:**
  - **structure, governance, administration, and management**
  - **actuarial policy and actuarial soundness**
  - **investment practices, policies, and performance**

# VRS Oversight Act

---

- **Specifically, JLARC is required to:**
  - **oversee and evaluate VRS on a continuing basis**
  - **submit a semi-annual report on the VRS investment programs**
  - **publish a biennial status report**
  - **conduct a quadrennial actuarial analysis**
  - **publish an informational guide for legislators**
  - **hire an actuary for use by JLARC, House Appropriations, and Senate Finance**

# Recent Fund Performance

- **Market value of the fund's assets as of March 31, 2005, was \$43.1 billion**
- **VRS' investment returns fell short of the current actuarial assumed investment return of 8 percent in the three- and five-year periods ending March 31, 2005**

<b>Third Quarter FY 2005</b>	<b>One-Year Return</b>	<b>Three-Year Return</b>	<b>Five-Year Return</b>	<b>Ten-Year Return</b>
<b>9.3%</b>	<b>9.4%</b>	<b>7.7%</b>	<b>2.6%</b>	<b>10.4%</b>

# Leadership Changes

---

5

- **Robert P. Schultze was appointed Director by the VRS Board of Trustees effective May 2, 2005**
- **VRS Chief Investment Officer (CIO) Nancy Everett resigned March 21, 2005, and Deputy Chief Investment Officer Charles Grant was named acting CIO by the Board of Trustees**
- **Paul W. Timmreck was named chair of the Board of Trustees by Governor Warner**
- **Palmer P. Garson was appointed to the Board of Trustees by Governor Warner**

# Leadership Changes

(continued)

---

6

- **The Board of Trustees named Joe Grills as Chairman of the Investment Advisory Committee (IAC)**
  
- **The Board also named three new members to the IAC:**
  - **Christopher Brightman of the University of Virginia Investment Management Company (UVIMCO)**
  - **Rod Smyth of Wachovia Securities**
  - **Erwin H. Will, Jr., former VRS Chief Investment Officer**

# Quadrennial Actuarial Audit

---

- Section 30-81 of the *Code of Virginia* directs JLARC to conduct an actuarial review of VRS once every four years
- In compliance with *Code* requirements, JLARC requested the JLARC actuary to conduct a review and analysis of the June 30, 2004, valuation of VRS
- In December 2004, JLARC approved basing the full quadrennial actuarial audit on the June 30, 2005, valuation and presenting the results to the Commission in 2006