
Joint Legislative Audit and Review Commission



**VRS Oversight:
Semi-Annual Investment Report July 2007**

Commission Briefing

July 9, 2007



JLARC

VRS Oversight Act

- Oversee and evaluate VRS on a continuing basis
- Prepare semi-annual investment reports
- Prepare 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

Fund Performance

- Total market value of fund assets on March 31, 2007
\$55.1 billion
- VRS' investment returns exceeded performance benchmarks and assumed actuarial rate of return

One-Year Return	Three-Year Return	Five-Year Return	Ten-Year Return
13.5%	12.9%	10.4%	9.2%

Fund Performance

- Public equity program

- 64.7% of portfolio
- exceeded performance benchmarks in 3- and 5-yr periods ending March 31, 2007
- included hedge funds

- Fixed income

- 19.9% of total fund
- 99% of assets invested domestically
- exceeded performance benchmarks

Fund Performance

■ Private equity

- 6.1% of total fund
- strong returns in 1-, 3-, and 5-yr periods ending March 31, 2007
- exceeded performance benchmarks

■ Real estate program

- 5.0% of total fund
- exceeded performance benchmarks in 1-, 3-, and 5-yr periods ending March 31, 2007



Fund Performance

- Credit strategies program

- \$2.2 billion in assets, represented about 4.0% of total fund as of March 31, 2007
- returned 9.2% for 1-yr period ending March 31, 2007
- fell short of benchmark for fiscal year- and 1-yr periods ending March 31, 2007



Fund Performance

■ Hedge Funds

- not a separate asset class at VRS, but are active investment strategies used within any of the investment programs
- subject to 5% total policy limit set by Board
- \$2.2 billion in assets as of March 31, 2007
- most hedge fund managers are public equity managers
- one credit strategies hedge fund manager

VRS Board of Trustees

- Governor Kaine appointed Frankie D. Hughes to VRS Board of Trustees
- Joint Rules Committee reappointed Raymond B. Wallace, Jr., to VRS Board of Trustees

Status: Study of Employee Compensation

Major Research Activity	Status / Timeframe
RFP for retirement consulting and actuarial services	Released June 15 Proposals due July 13
Interviewing State HR managers and employees	In Progress
Interviewing local HR managers and employees	In Progress
Survey of State employees who leave their job	In Progress
RFP for total compensation assessment and comparison	Drafting, Summer '07
Survey of State agencies with classified employees	Drafting, Summer '07
Survey of all classified State employees	Fall '07

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For More Information

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and on the table by the door.