

Virginia Retirement System 2017 Fiscal Impact Statement

1. **Bill Number:** HB 1768

House of Origin	<input type="checkbox"/>	Introduced	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Engrossed
Second House	<input type="checkbox"/>	In Committee	<input type="checkbox"/>	Substitute	<input checked="" type="checkbox"/>	Enrolled

2. **Patron:** Garrett

3. **Committee:** Passed both houses

4. **Title:** VRS; stress testing and reporting policies

5. **Summary:** Requires the Virginia Retirement System (VRS) to formally adopt stress testing and additional reporting policies. The bill requires VRS to analyze and regularly report on projections of benefit levels, pension costs, liabilities, and debt reduction under various scenarios; to provide a detailed online statement of investment policy and include investment performance data in certain timeframes up to 25 years; and to report investment performance and expenses such as carried interest fees.

6. **Budget Amendment Necessary:** No

7. **Fiscal Impact Estimates:** Final; none.

8. **Fiscal Implications:** None.

9. **Specific Agency or Political Subdivisions Affected:** VRS.

10. **Technical Amendment Necessary:** No.

11. **Other Comments:** VRS already performs many of the activities covered in the substitute bill as outlined below per industry standard or Board policy. The VRS Board of Trustees is in the process of formalizing applicable requirements through its Request for Board Action process.

- The substitute bill requires VRS to do the following:
 - § Regularly conduct and report stress tests and sensitivity analyses
 - VRS already regularly conducts stress tests and sensitivity analyses per industry standard.
 - § Provide online a clear and detailed statement of investment policy
 - VRS already posts its investment policy online.
 - § Include 20- and 25-year returns in annual return reports
 - VRS already includes 1-, 3-, 5-, and 10-year returns in its quarterly reports.

- In addition, VRS also already reports its 15-, 20-, and 25-year returns on its web site as of fiscal year end, and in its Comprehensive Annual Financial Report.
- § Report quarterly investment returns net of fees
 - VRS already reports its returns net of fees, which is generally considered to be a best practice.
 - Report returns by asset class and returns gross of fees annually
- § Regularly report investment performance and expenses for all asset classes
 - VRS already provides performance and expense reporting for all asset classes. As discussed at the Retirement Working Group, VRS will continue to explore the best method for reporting carried interest fees, likely using a method modeled largely upon a template developed by the Institutional Limited Partners' Association (ILPA).

Date: 2-22-2017

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