

Virginia Retirement System

Senate Finance General Government Subcommittee

February 5, 2008

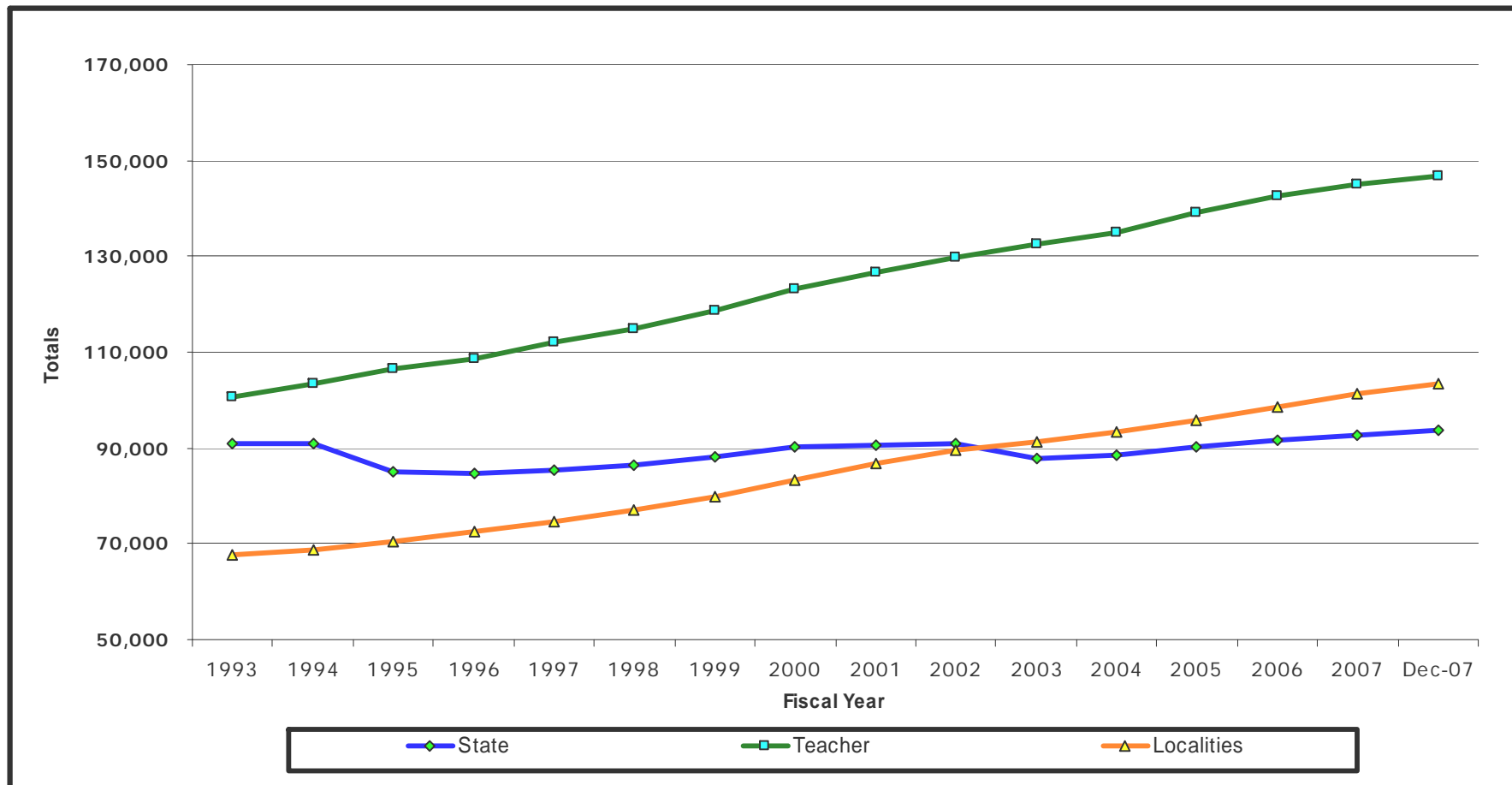
Robert P. Schultze
Director

VRS Total Membership

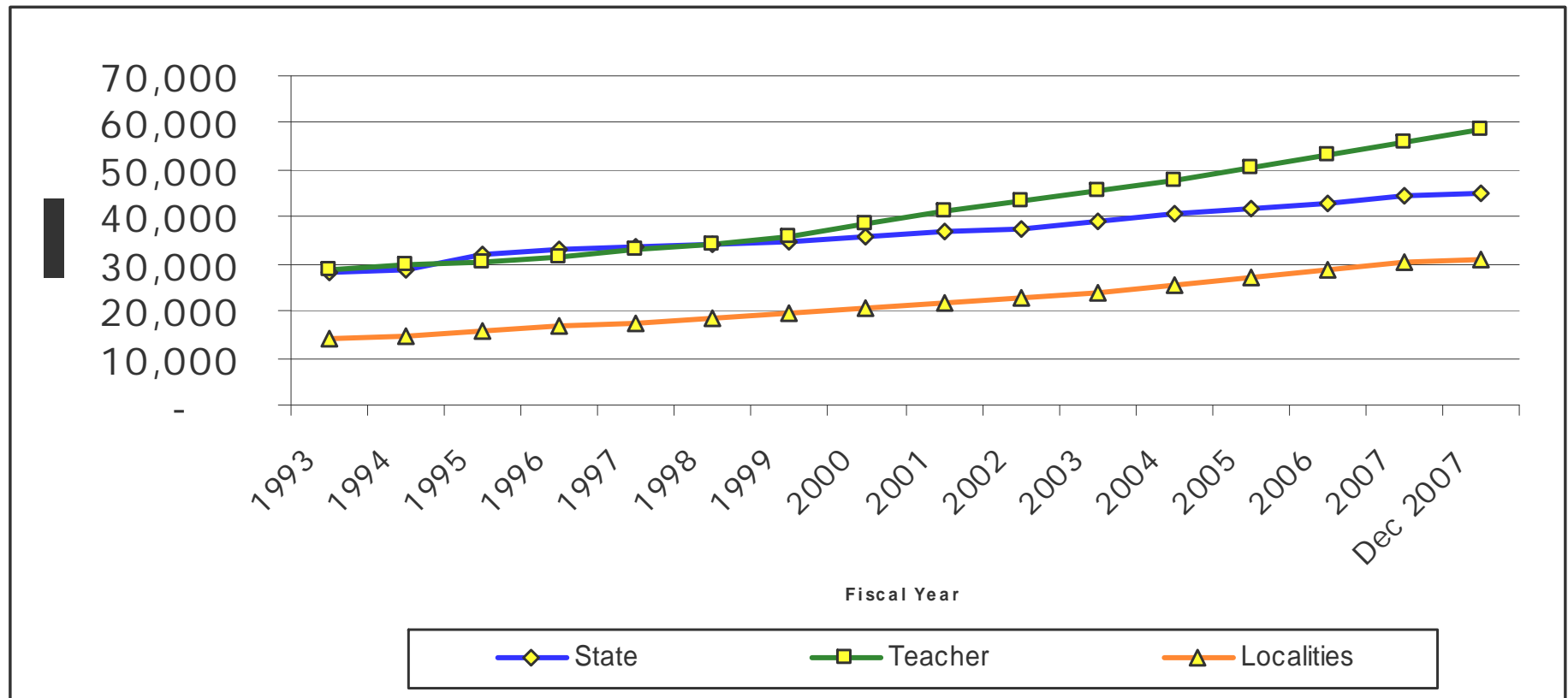
(December 31, 2007)

Teachers	146,811
Political Subdivisions	103,462
State Employees	80,992
State Police Officers' Retirement System (SPORS)	1,897
Judicial Retirement System (JRS)	420
Virginia Law Officers' Retirement System (VaLORS)	10,286
Total	343,868
Retirees/Beneficiaries	134,836
Inactive/Deferred Members	118,011
VRS Overall Impact	596,715

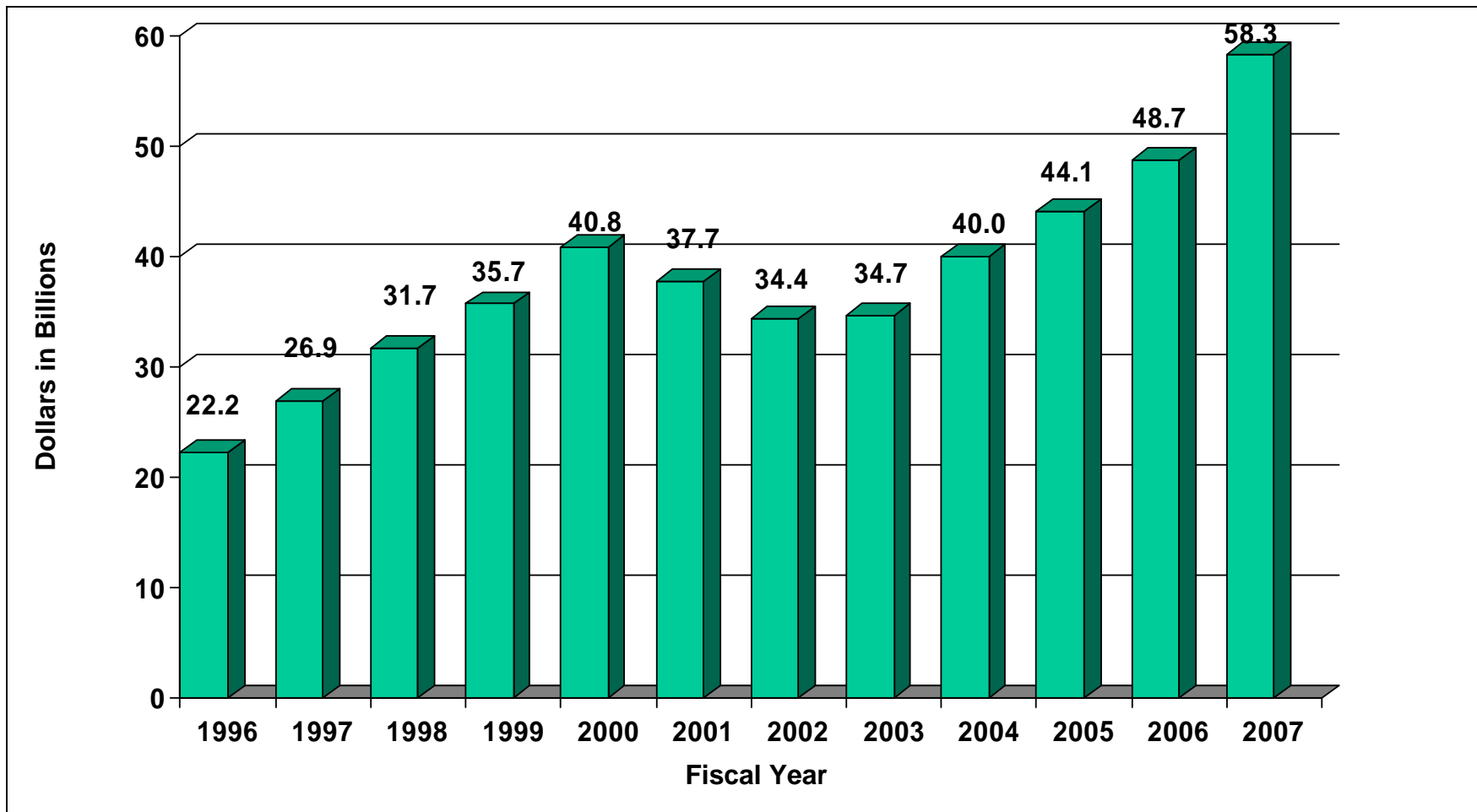
VRS Members



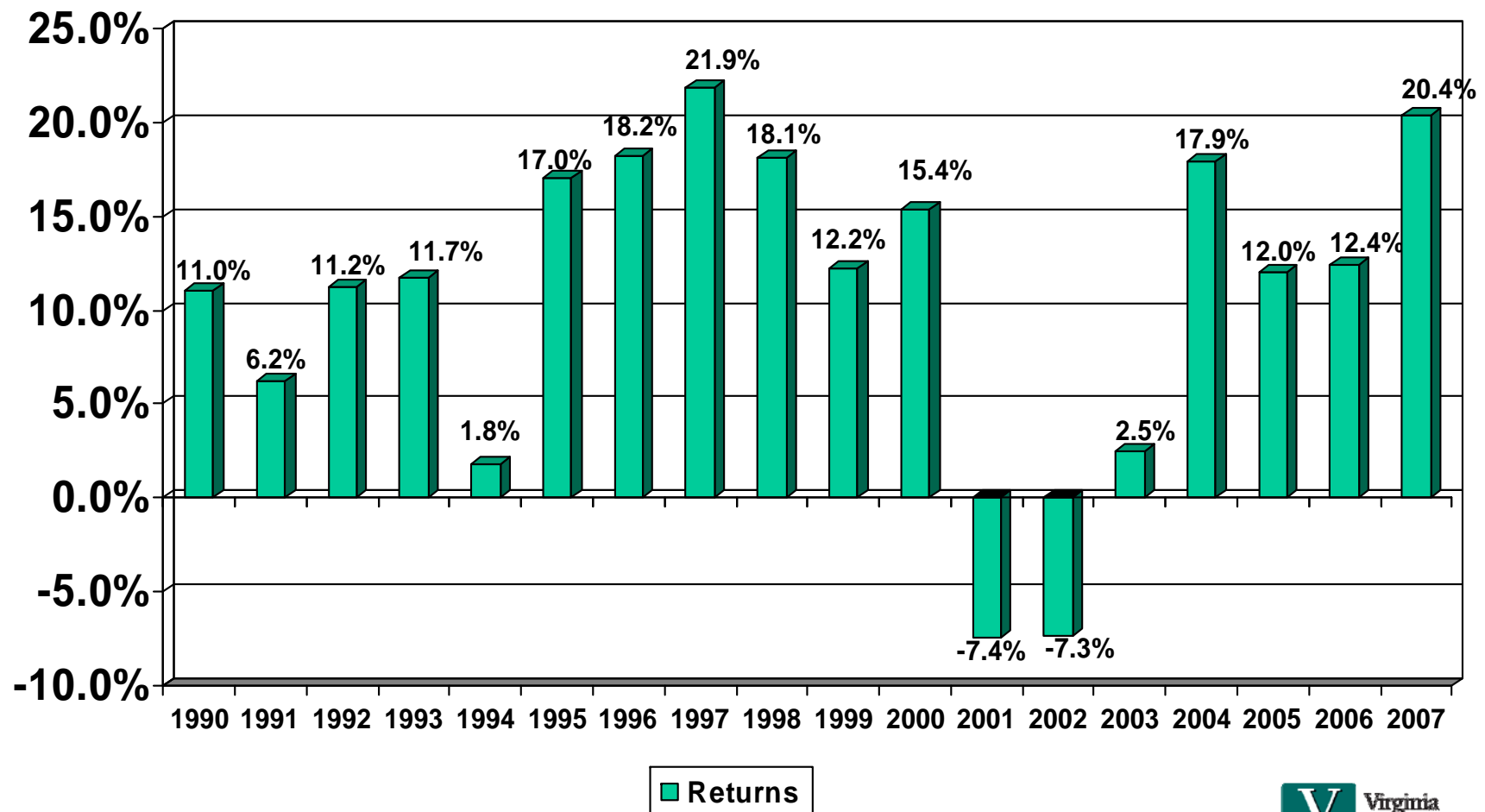
VRS Retirees



Net Assets Available for Benefits



VRS Investment Returns 1990 - 2007



Funding VRS Retirement Benefits

Benefits are funded by:

- Investment earnings – pay over 70% of all benefit costs.
- Employer contributions – set every two years, based on actuarial analysis and demographics.
- Employee contributions – established in statute at 5% of salary; most employers pay on behalf of employee.

Separate Valuations & Rates

- Teacher Plan, State Employee Plan and Local Government plans separately rated.
- Each plan is rated according to its demographics and benefit design.
- Assets and liabilities are segregated by plan.
- Assets are pooled only for investment purposes.

New Actuarial Valuations as of June 30, 2007

- Determine funded status of each plan
- Calculate recommended contribution rates
- Project future contribution rates
- Incorporate key assumptions about future:
 - Investment returns projected at 7.5%
 - Inflation projected at 2.5%
 - Amortization period for unfunded accrued actuarial liability (UAAL) stabilized at 20 years

Factors Affecting 2007 Valuation

Favorable

- Employer contributions increased over the last two years
- Strong investment gains, although recognition is lagged.

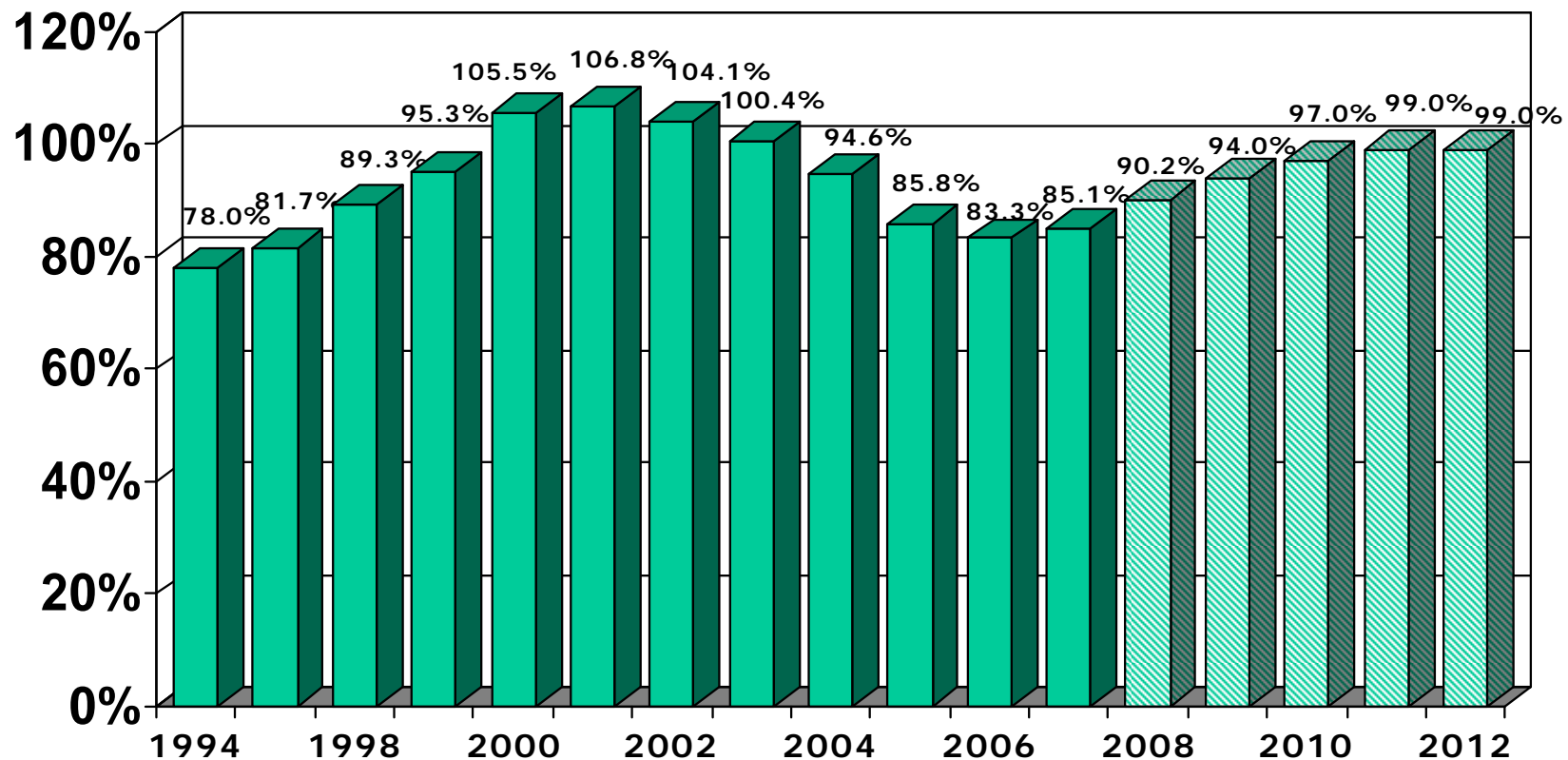
Unfavorable

- Teacher and state employee salary increases outpaced actuarial assumptions
- July 2007 COLA of 3.1% compared to the assumed 2.5%
- State employee and teacher retirements higher than expected

Funded Status

- Compares assets available to pay benefits to present value of future liabilities
- Asset/liability ratio is typical measure
- Percentage of assets available to pay present value of all future liabilities (until the last member of the plan dies)

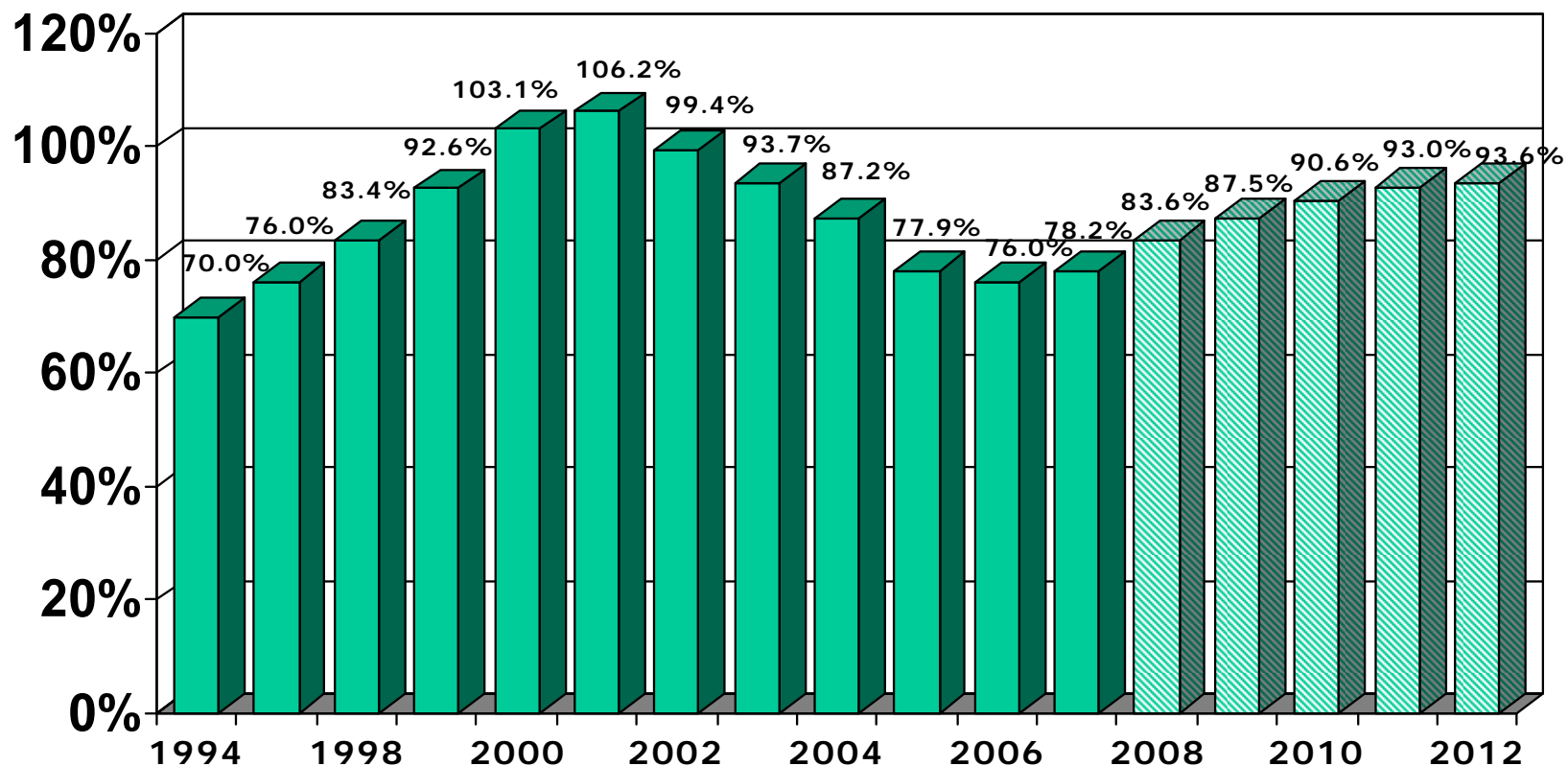
Funded Status: State Employees (7.5% Investment Return in FY 2008)



Assumptions:

- Investments earn 7.5% each year thereafter
- Rates in SB 30 as introduced are paid in FY 2009 and FY 2010
- Board certified contribution rates are paid in FY 2011 and FY 2012
- All actuarial assumptions are met

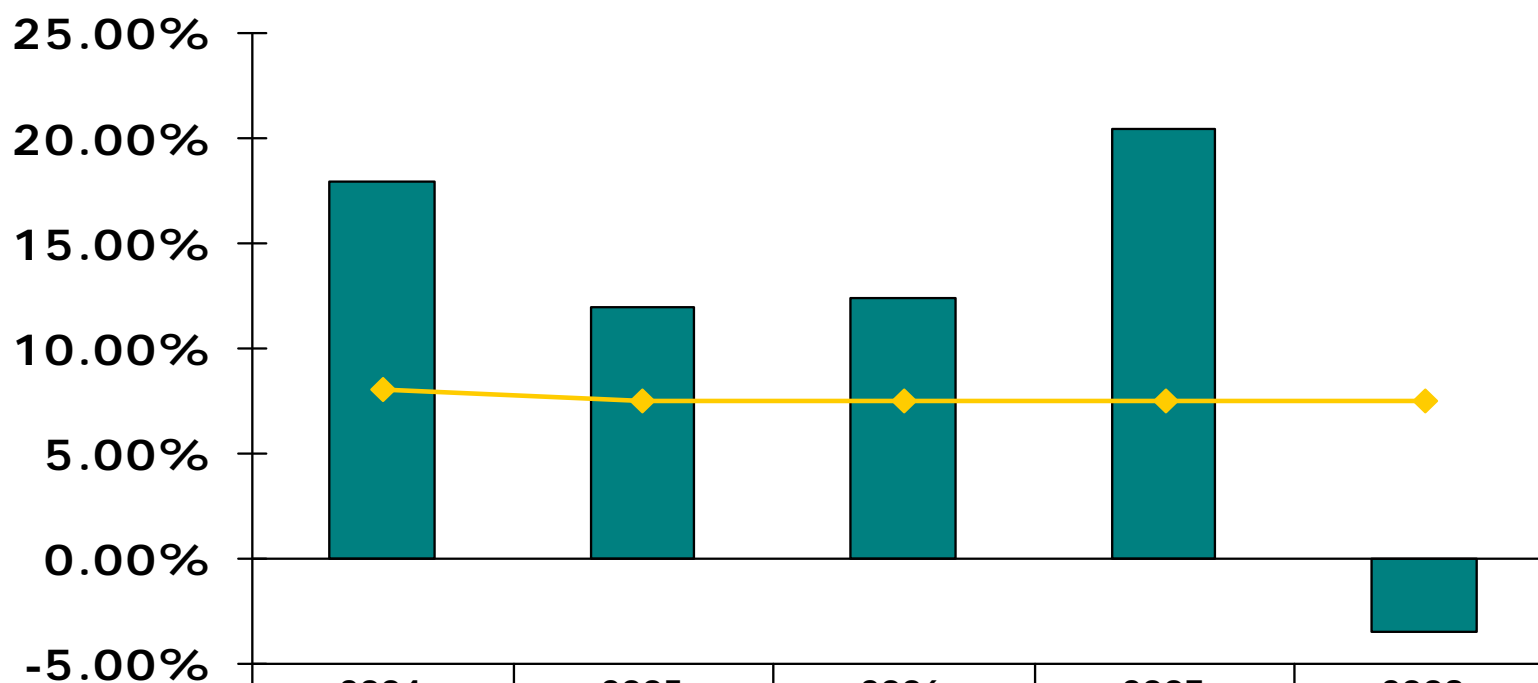
Funded Status: Teachers (7.5% Investment Return in FY 2008)



Assumptions:

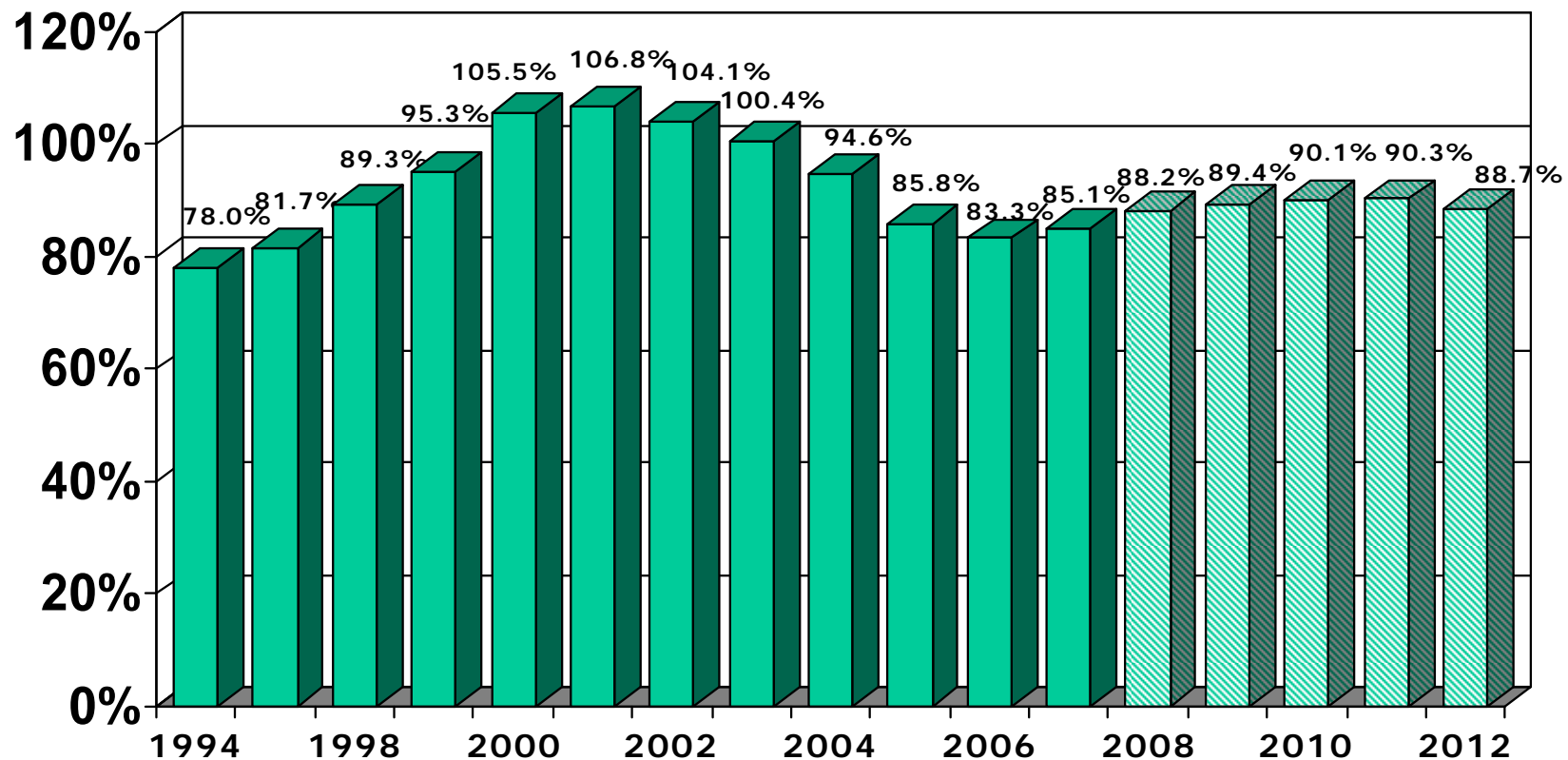
- Investments earn -3.5% in FY 2008 and 7.5% each year thereafter
- Rates in SB 30 as introduced are paid in FY 2009 and FY 2010
- Board certified contribution rates are paid in FY 2011 and FY 2012
- All actuarial assumptions are met

Impact of Actuarial Smoothing



	2004	2005	2006	2007	2008
Investment Return	17.90%	12.00%	12.40%	20.40%	-3.50%
Return Assumption	8.00%	7.50%	7.50%	7.50%	7.50%
Excess Gain/Loss	9.9%	4.5%	4.9%	12.9%	-11.0%
Smoothing Weight	100%	80%	60%	40%	20%
Smoothing Impact	9.9%	3.6%	2.9%	5.2%	-2.2%
Remaining for Future Valuations	0%	0.9%	2.0%	7.7%	-8.8%

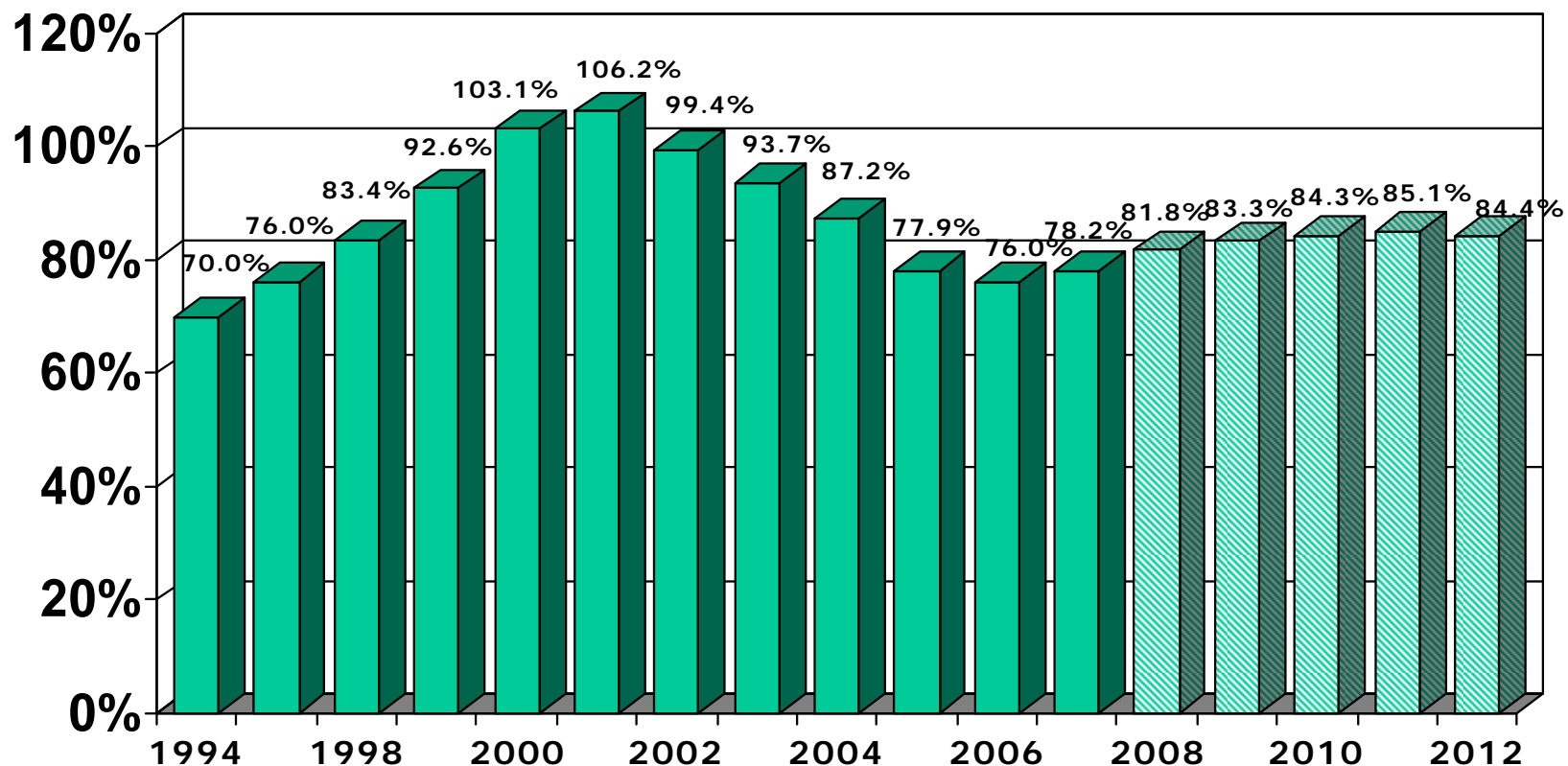
Funded Status: State Employees (-3.5% Investment Return in FY 2008)



Assumptions:

- Investments earn -3.5% in FY 2008 and 7.5% each year thereafter
- Rates in SB 30 as introduced are paid in FY 2009 and FY 2010
- Board certified contribution rates are paid in FY 2011 and FY 2012
- All actuarial assumptions are met

Funded Status: Teachers (-3.5% Investment Return in FY 2008)



Assumptions:

- Investments earn -3.5% in FY 2008 and 7.5% each year thereafter
- Rates in SB 30 as introduced are paid in FY 2009 and FY 2010
- Board certified contribution rates are paid in FY 2011 and FY 2012
- All actuarial assumptions are met

Retirement Employer Contribution Rates

	2008 Funded Rates (Chap. 847)*	Governor's Rates 2008-2010*	Board Certified Rates 2008 - 2010*
State	6.15%	6.68%	8.02%
Teacher	10.30%	9.35%	11.84%
SPORS	20.76%**	21.48%	24.09%
VaLORS	15.86%	15.02%	16.78%
JRS	38.01%	35.74%	38.04%

*Does not include 5% employee contribution.

** Reflects cost of benefit increase of 1.85% multiplier.

Contribution Rates

Non-Pension Programs Other Post Employment Benefits (OPEB) Employer Contribution Rates

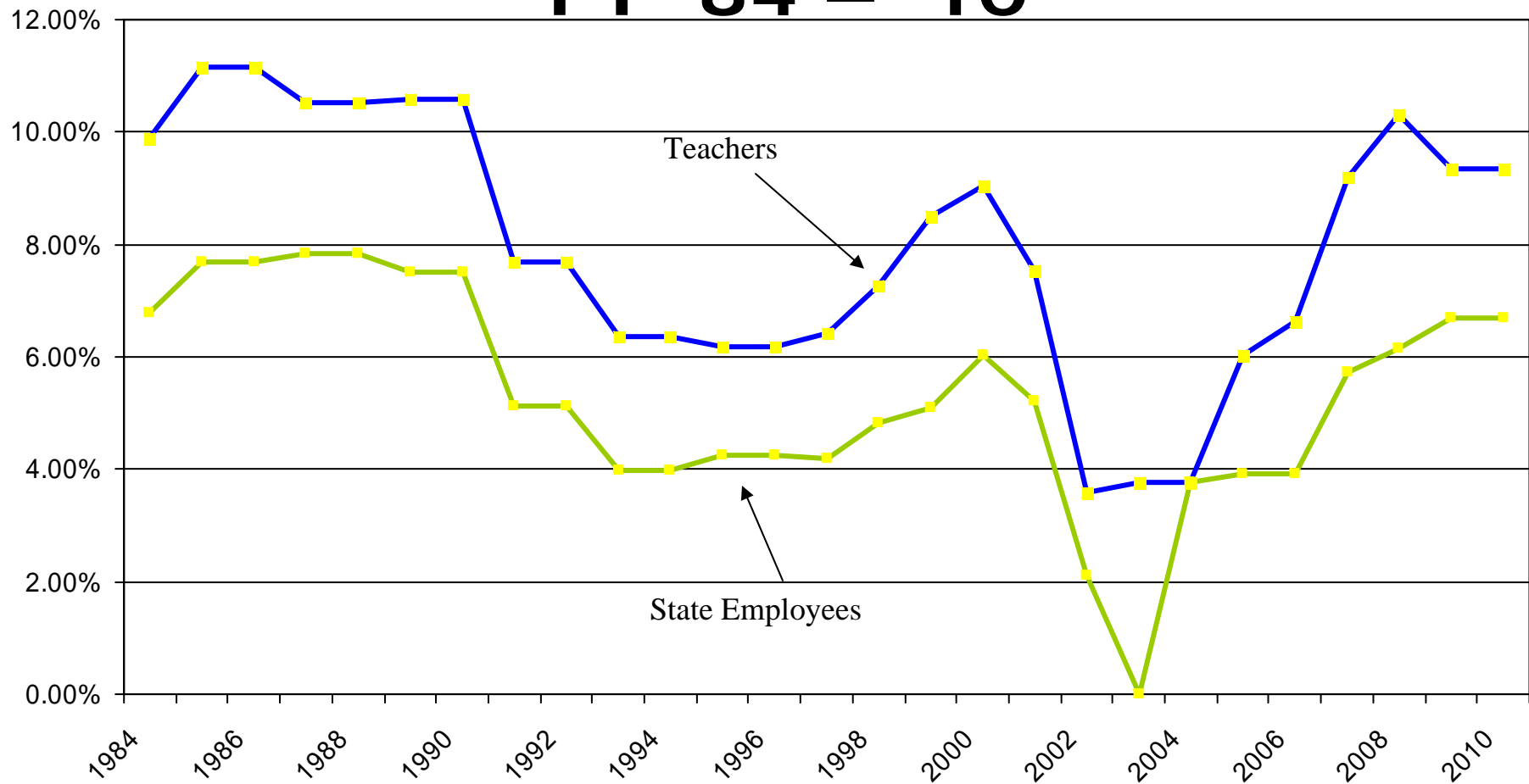
Board approved rates for non-pension programs that affect pre-funding
as required by GASB 43 & 45

	2008 Funded Rates (Chap. 847)	Governor's Rates 2008-2010	Board Certified Rates 2008-2010
State Health Insurance Credit	1.20%	1.22%	1.22%
Teacher Health Insurance Credit	1.16%*	1.12%	1.12%
Life Insurance	1.00%	0.89%	0.89%
VSDP	2.00%	1.96%	1.96%

*Includes 0.46% for benefit enhancement 7/1/2007.

Contribution Rates

Teacher, State Contribution Rates FY '84 – '10



Thank You!



Virginia
Retirement
System