

# Virginia Retirement System

## Senate Finance General Government Subcommittee

February 5, 2008

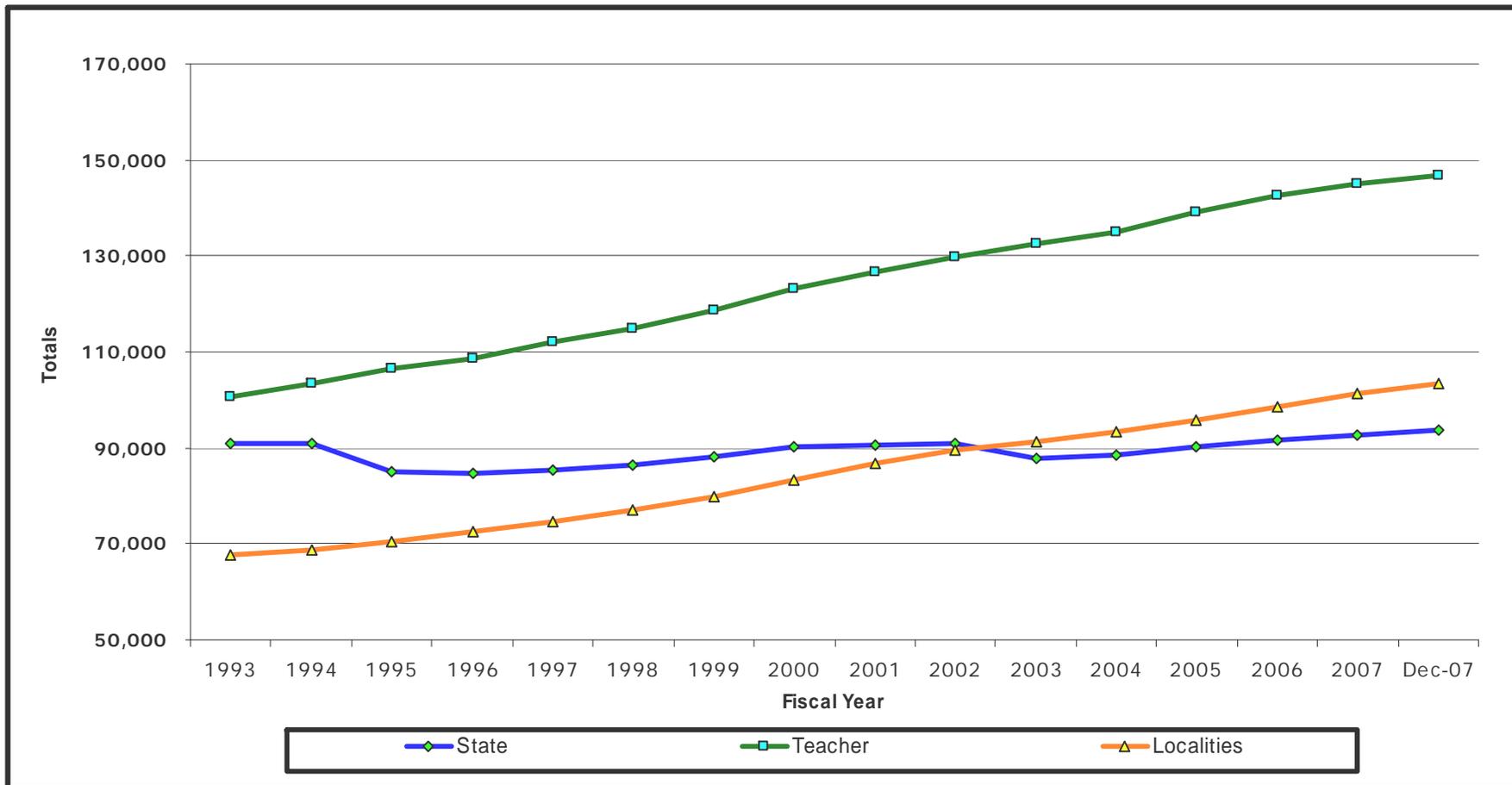
Robert P. Schultze  
Director

## VRS Total Membership

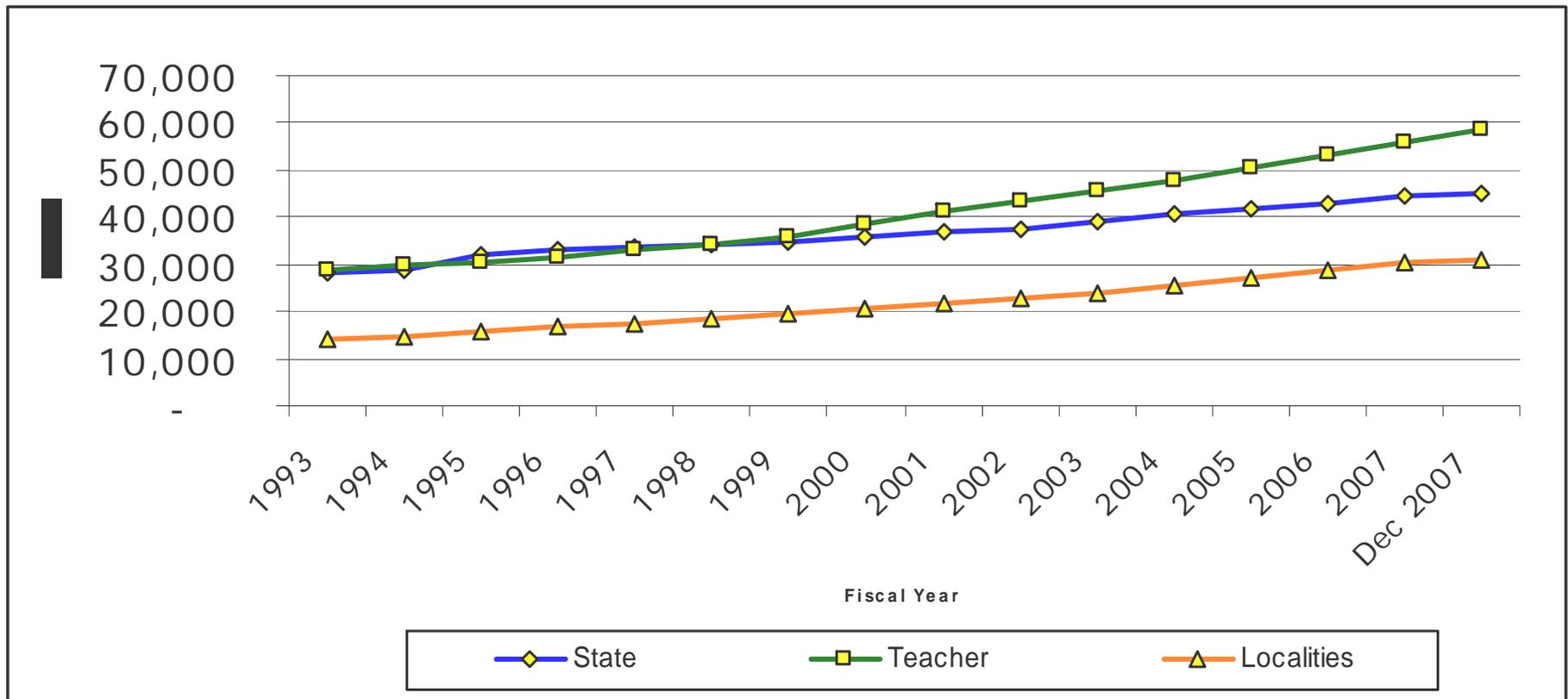
*(December 31, 2007)*

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
<b>Total</b>	<b>343,868</b>
Retirees/Beneficiaries	134,836
Inactive/Deferred Members	118,011
<b>VRS Overall Impact</b>	<b>596,715</b>

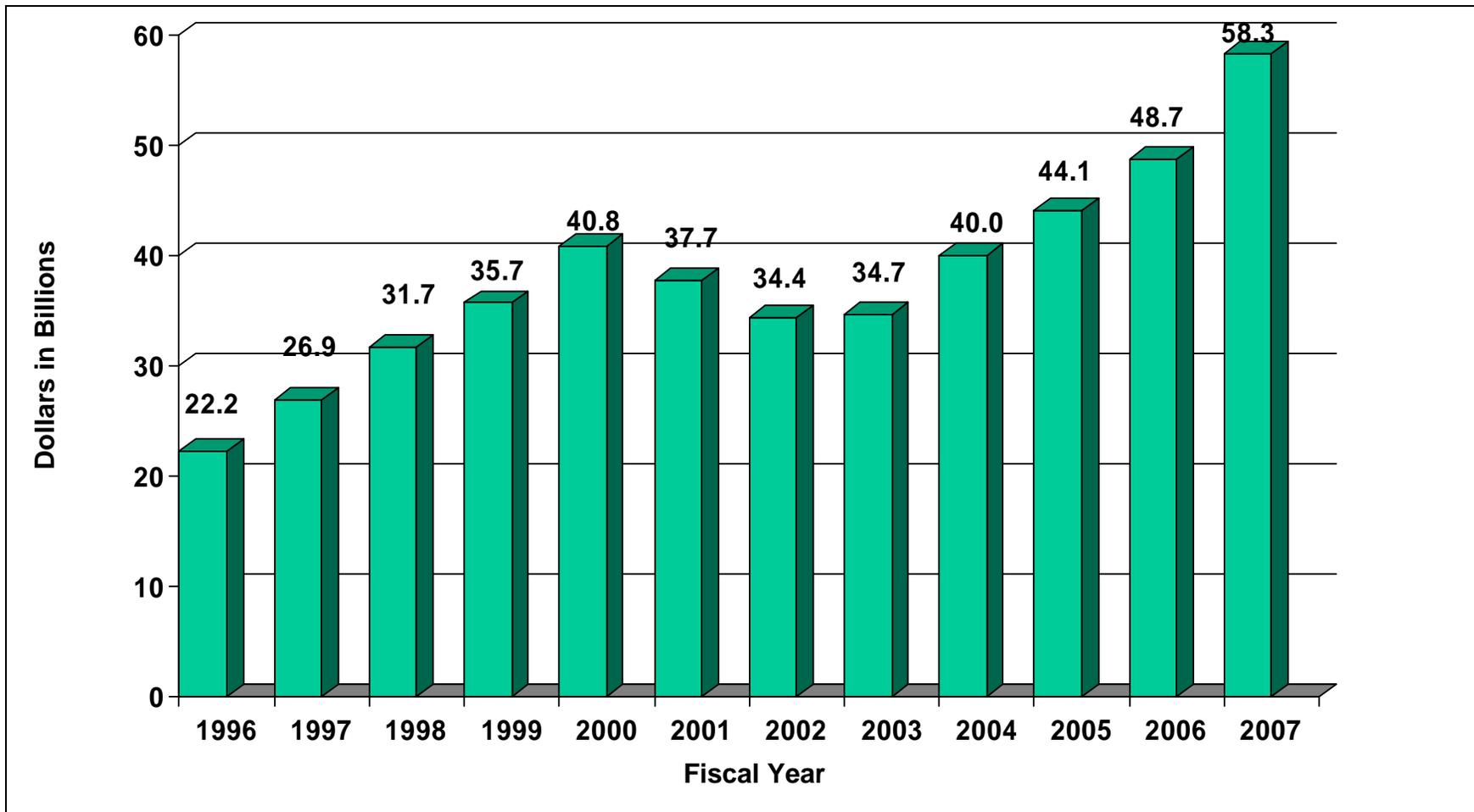
## VRS Members



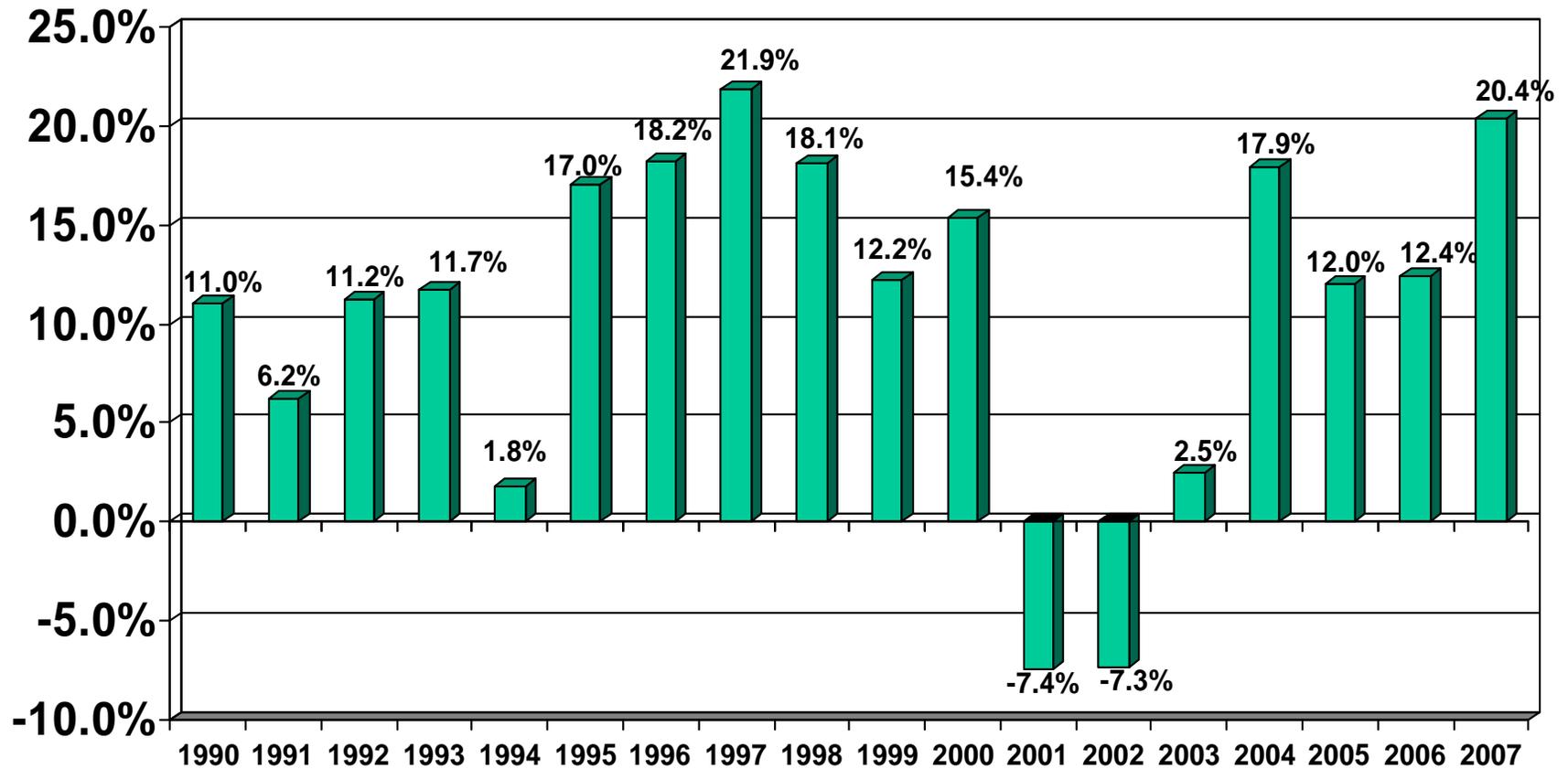
## VRS Retirees



## Net Assets Available for Benefits



## VRS Investment Returns 1990 - 2007



■ Returns

## 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.

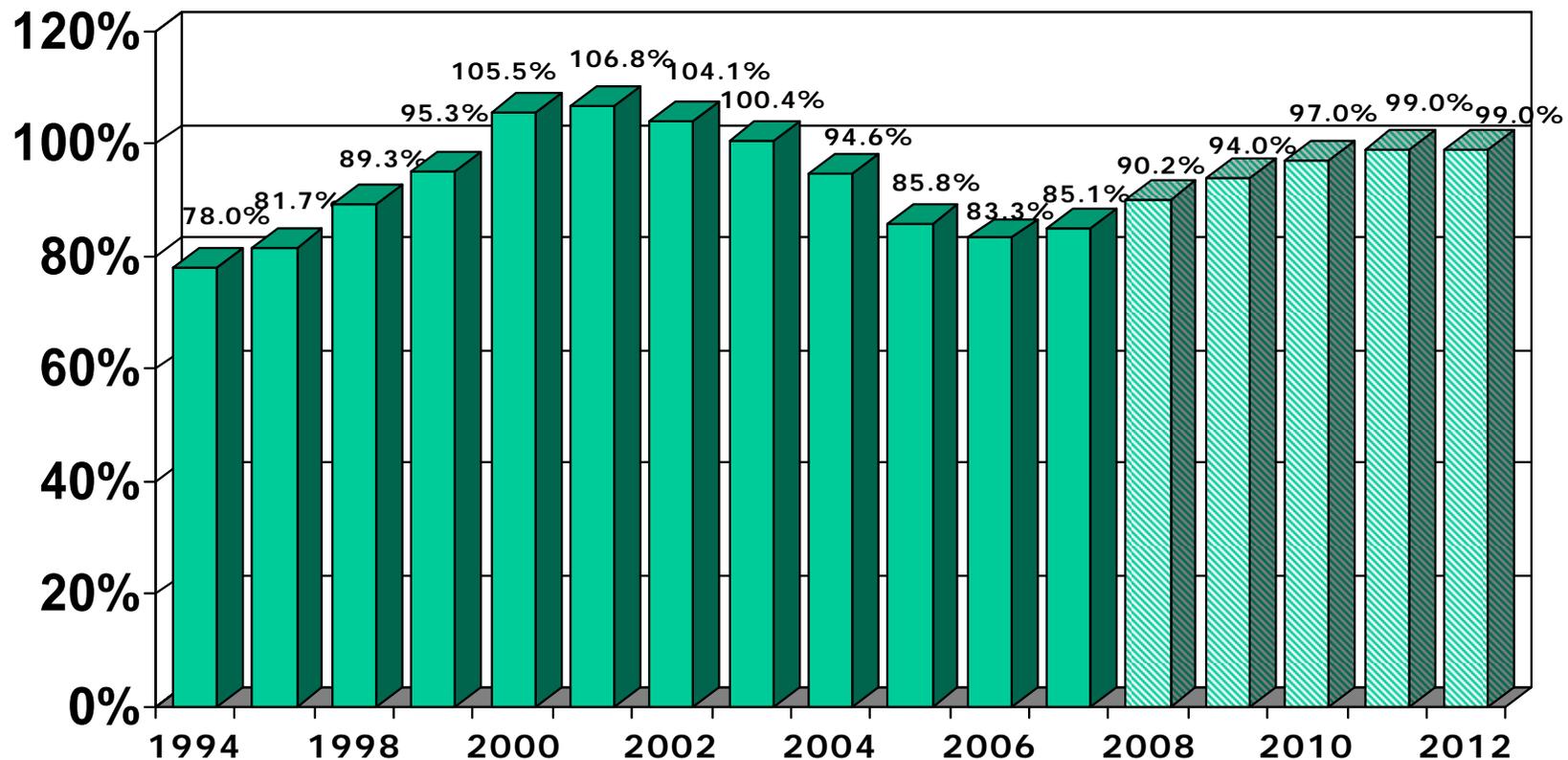
## Unfavorable

- 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)

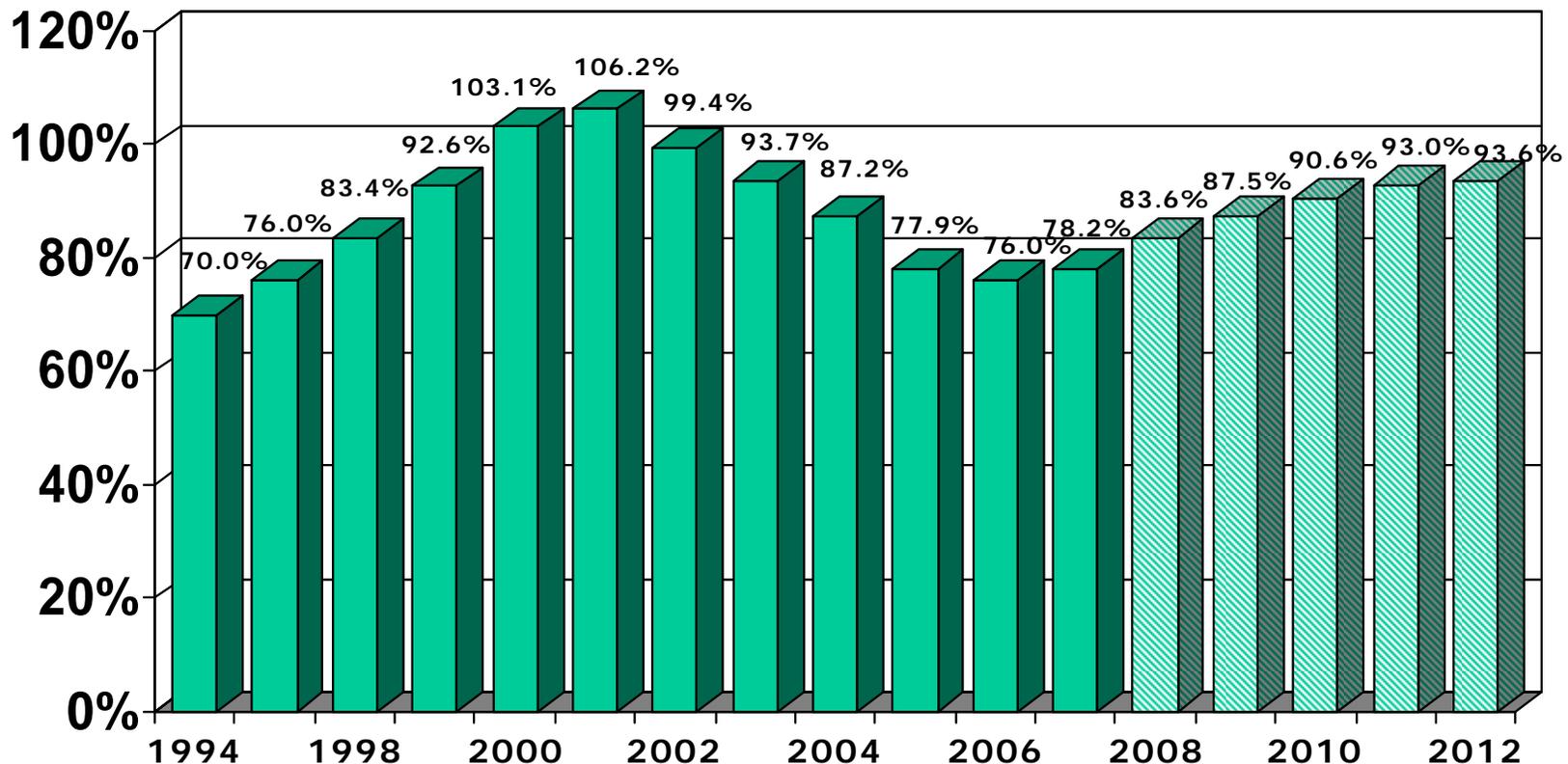
## Funded Status: State Employees (7.5% Investment Return in FY 2008)



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

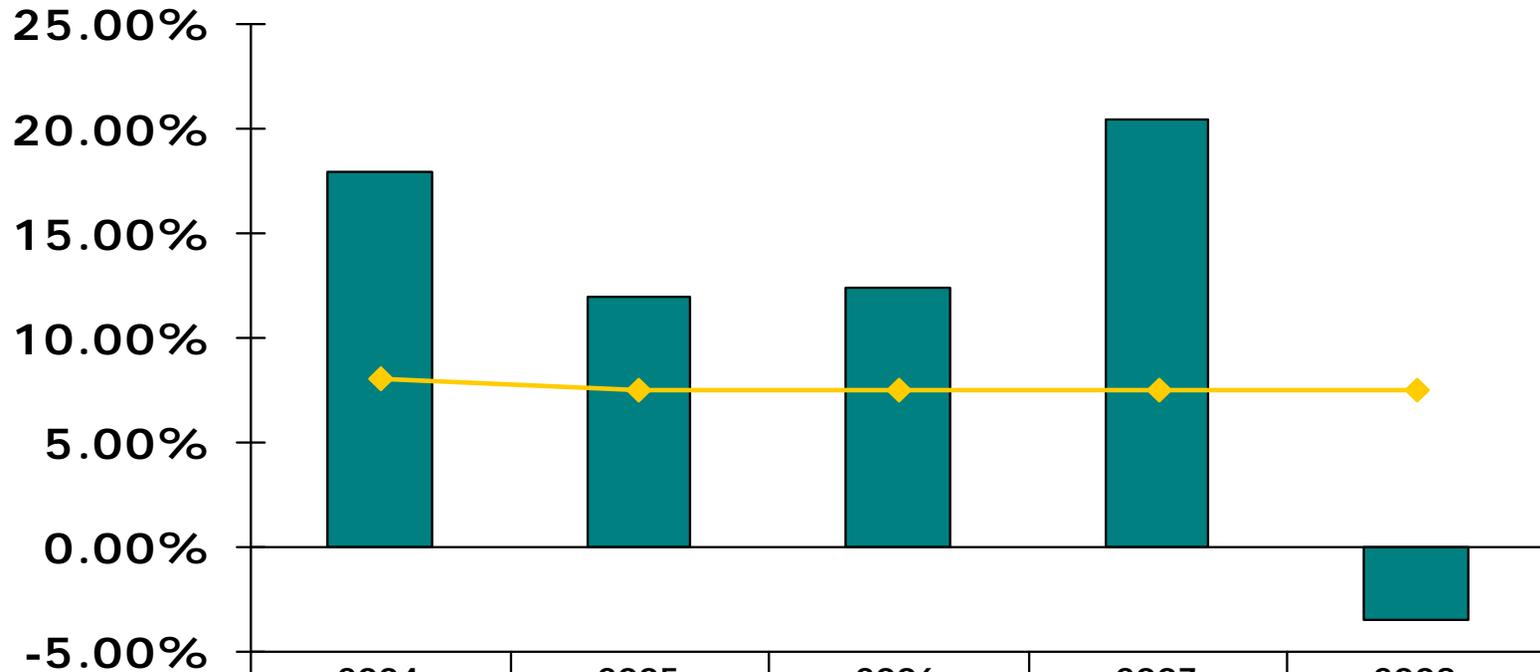
## Funded Status: Teachers (7.5% Investment Return in FY 2008)



**Assumptions:**

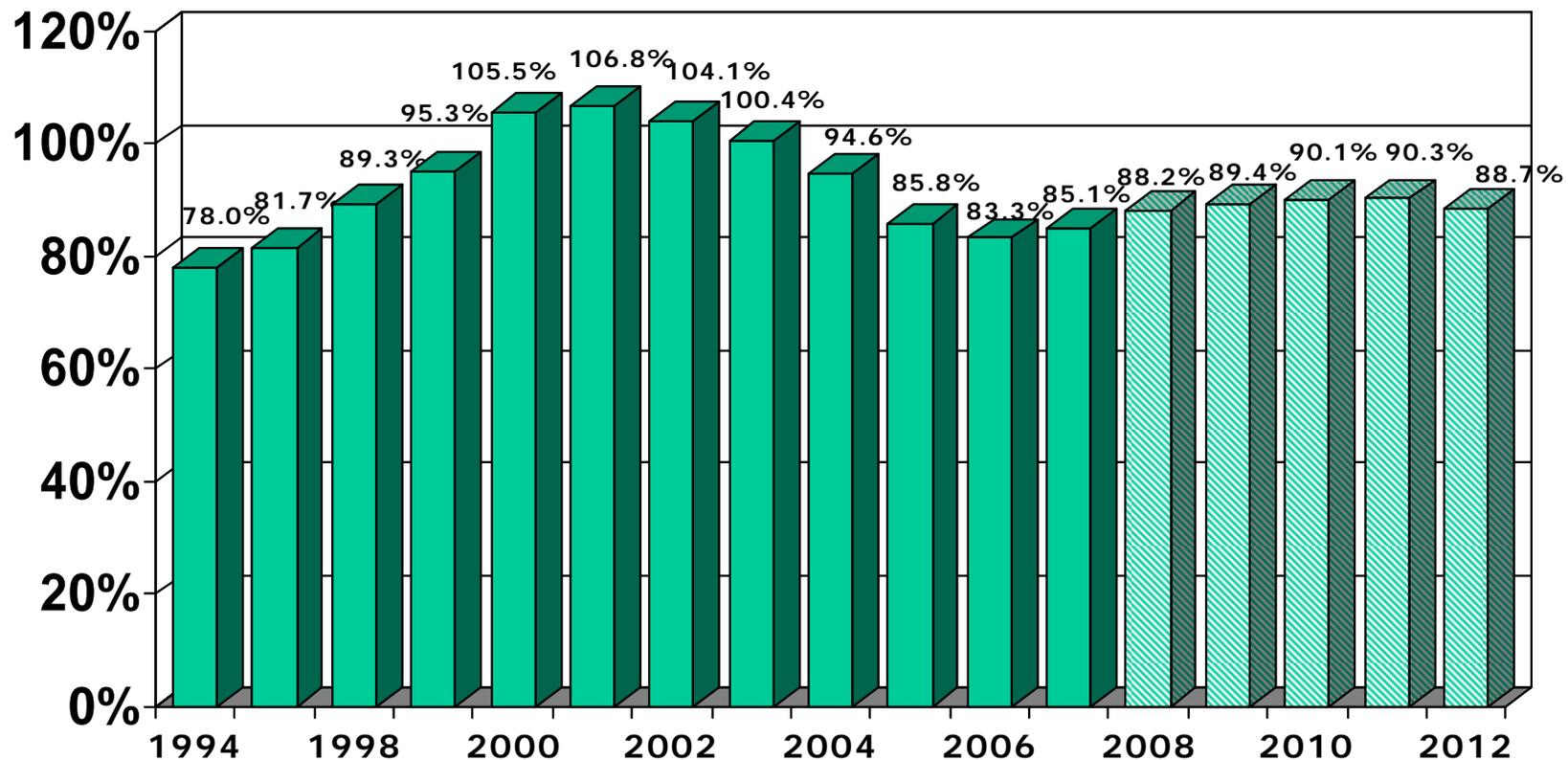
- Investments earn -3.5% in FY 2008 and 7.5% each year thereafter
- Rates in SB 30 as introduced are paid in FY 2009 and FY 2010
- Board certified contribution rates are paid in FY 2011 and FY 2012
- All actuarial assumptions are met

# 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%

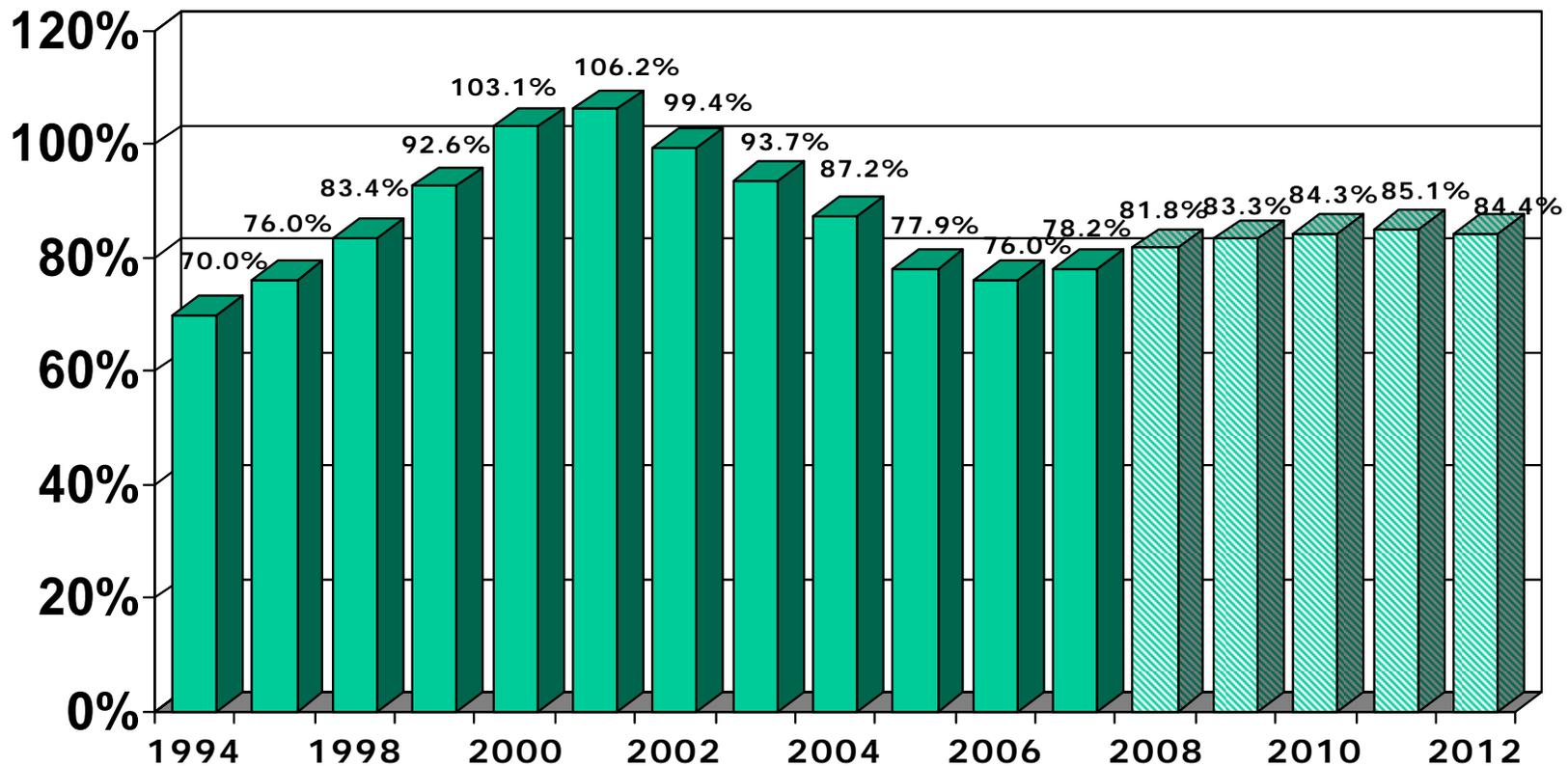
## Funded Status: State Employees (-3.5% Investment Return in FY 2008)



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.

# Teacher, State Contribution Rates FY '84 - '10

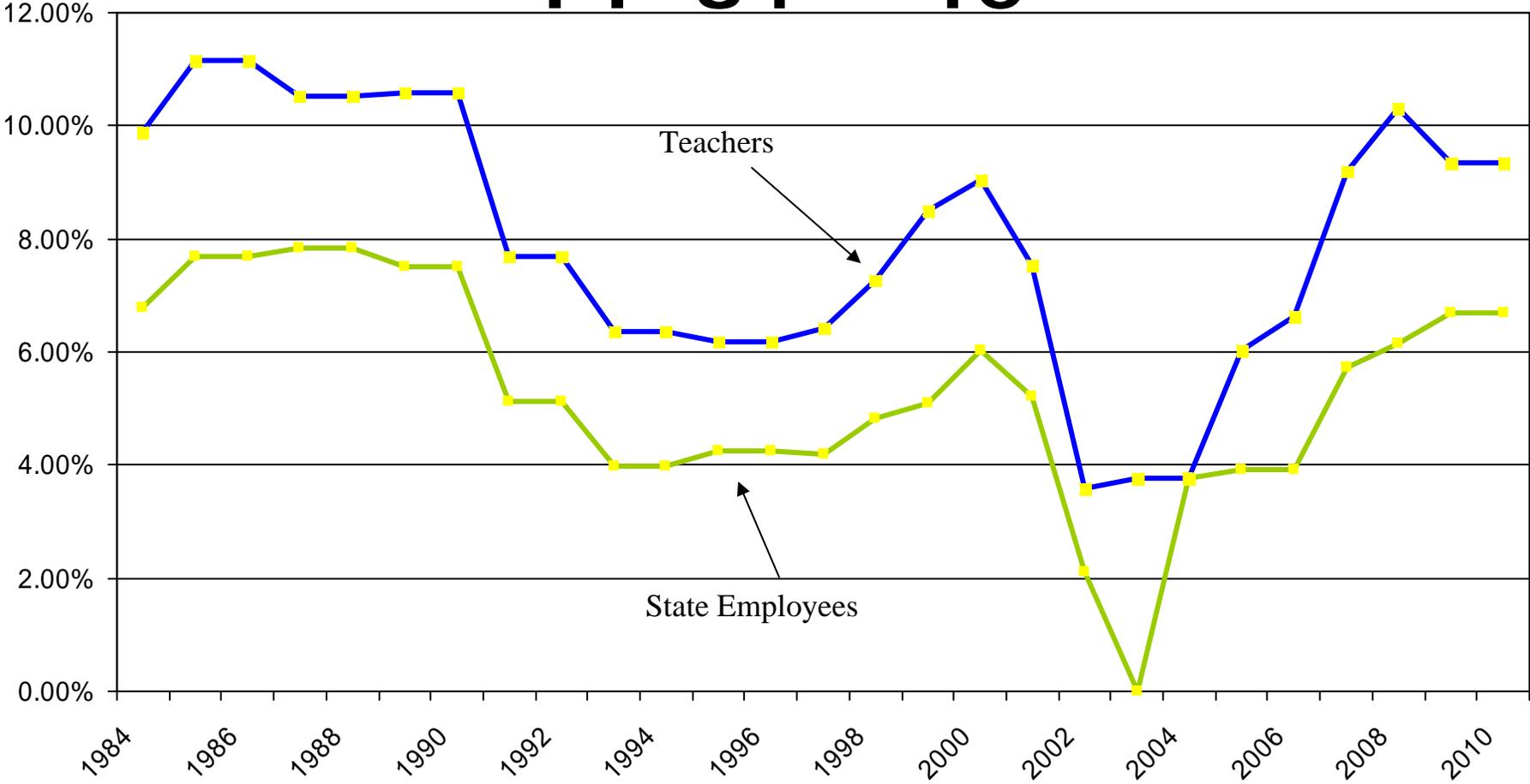




Figure  
your  
future.

Thank You!

