

Senate Finance General Government Subcommittee January 27, 2009

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Director



Virginia
Retirement
System

Valuations, Rates and Funded Status



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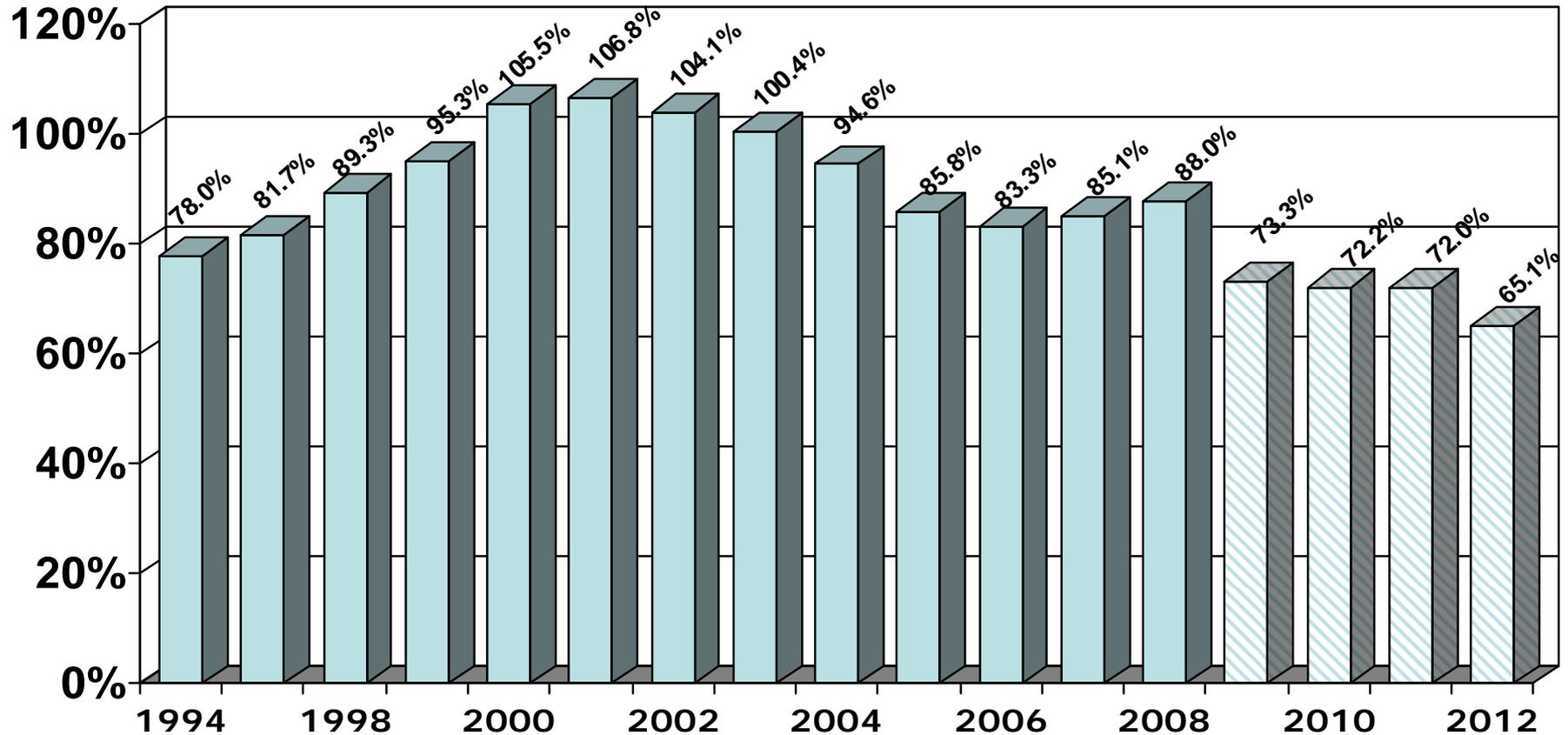
Funding VRS Benefits

- 71% of benefit costs funded by investment earnings
- 29% of benefit costs funded by employee/employer contributions
- Nearly all employee contributions are “picked up” by employers

Funded Status

- Compares assets available to pay benefits with 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

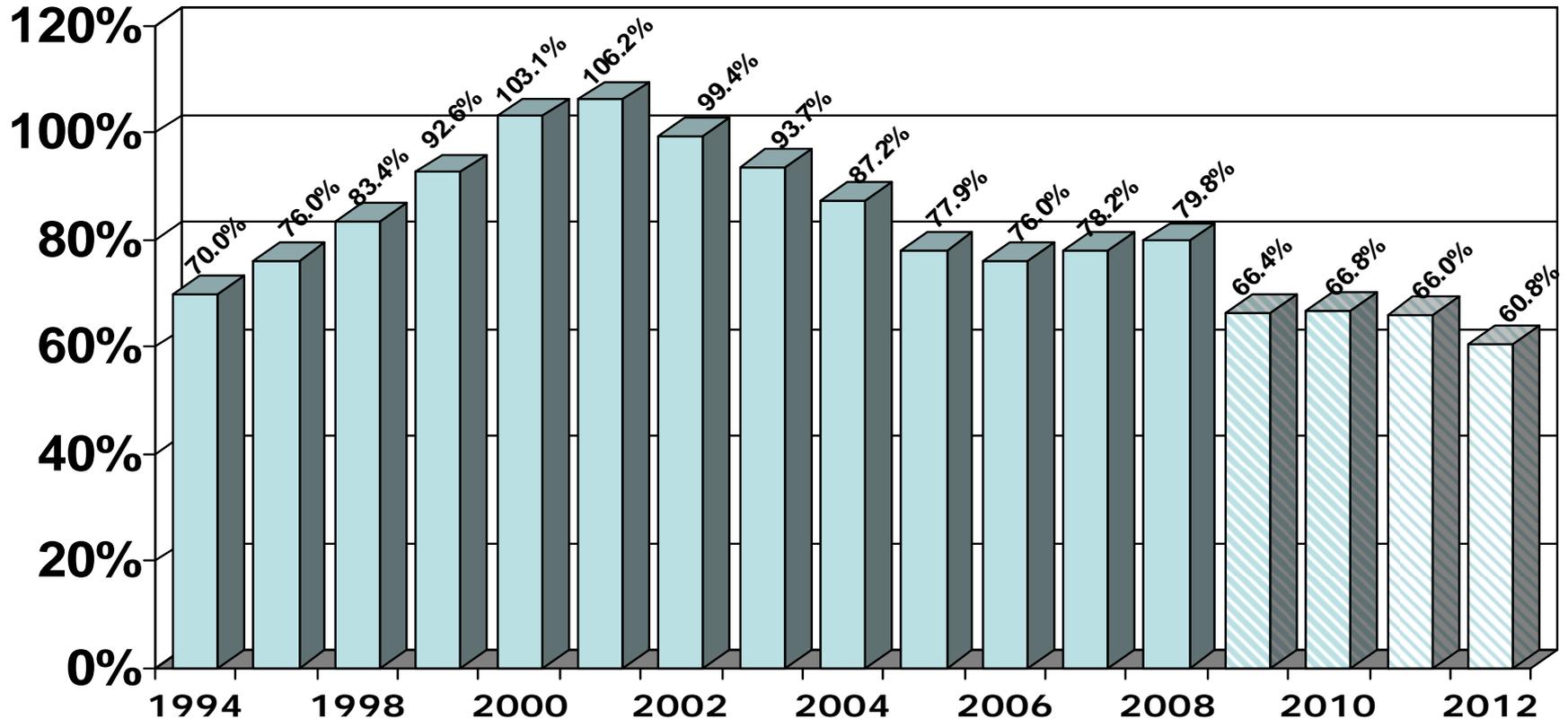


Assumptions:

- FY 2009 investment return estimated at -24.0%.
- All projected years investment return is 7.5%.
- Employer contribution rates for fiscal years 2009 and 2010 are fixed at 6.23% for state and 8.81% for teachers.



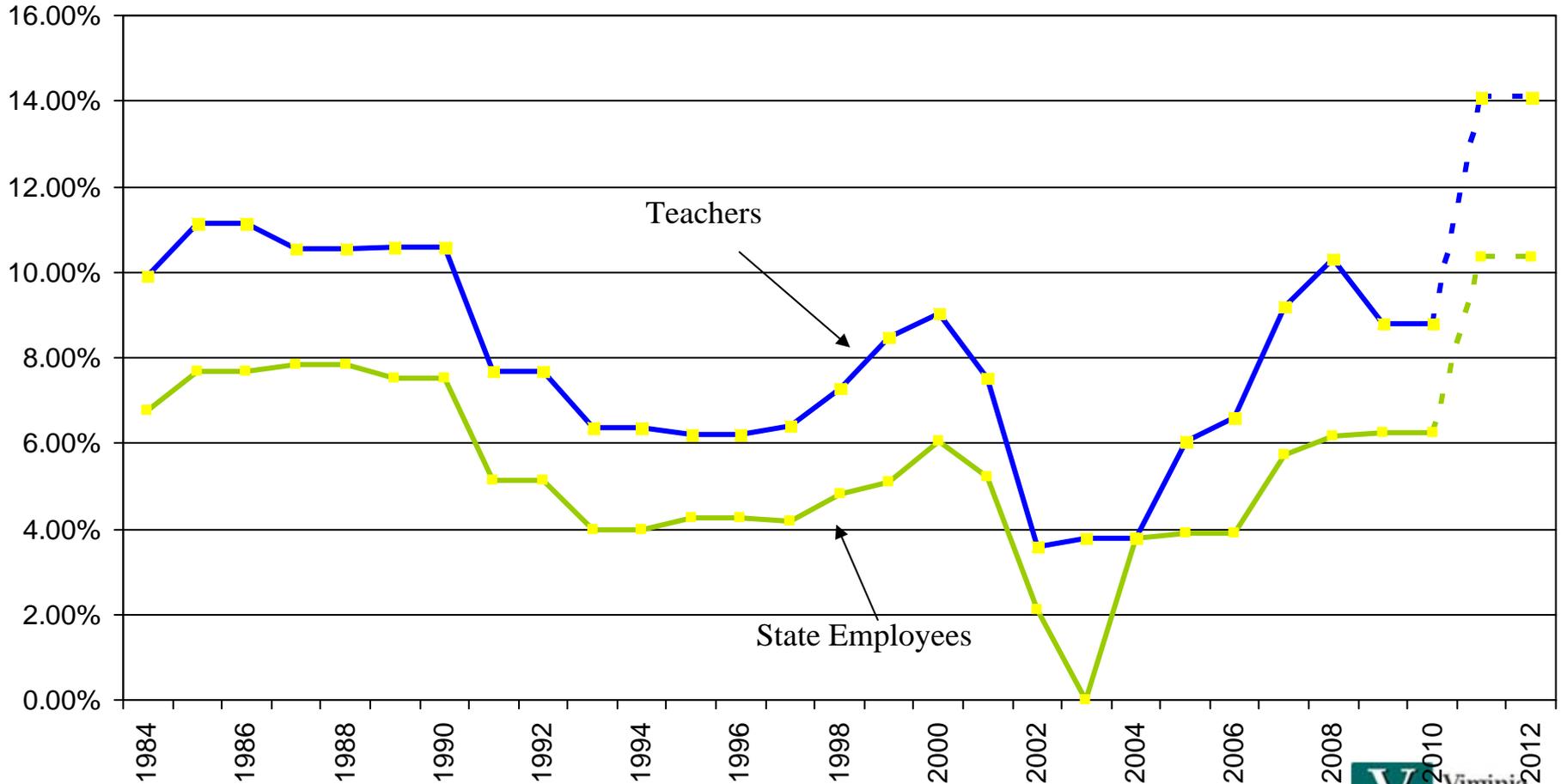
Funded Status: Teachers



Assumptions:

- FY 2009 investment return estimated at -24.0%.
- All projected years investment return is 7.5%.
- Employer contribution rates for fiscal years 2009 and 2010 are fixed at 6.23% for state and 8.81% for teachers.

Teacher and State Contribution Rates FY '84 – '12



- Projected rates are based on an 8% rate of return, a 3% inflation rate and a 30-year amortization.
- These employer rates do not include the 5% member contributions that are also paid by employers.



Governor's Proposed Budget Amendments



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Contribution Rate Assumptions

FY 2009 - 10

	VRS Board	2008 Governor and General Assembly	2009 Governor Proposal
Amortization Period	20 years	30 years	30 years
Inflation Rate	2.5%	3.0%	3.0%
Rate of Return	7.5%	8.0%	8.0%

Contribution Rates FY 2009-10

	Board-Certified Rates FY 2009 - 2010	2008 Governor and General Assembly Funded Rates	2009 Governor Proposed Funded Rates
State	8.02%	6.23%	FY 2009 6.23% FY 2010 6.26%
Teacher	11.84%	8.81%	8.81%
SPORS	24.09%	20.05%	20.05%
VaLORS	16.78%	14.23%	14.23%
JRS	38.04%	34.51%	34.51%

These employer rates do not include the 5% member contributions that are also paid by employers.



Contribution Rates FY 2009-10

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

	Board-Certified Rates FY 2009 – 10	2008 Governor & General Assembly Funded Rates	2009 Governor Proposed Rates
State Health Insurance Credit	1.22%	1.18%	FY 2009 - 1.18% FY 2010 - 1.00%
Teacher Health Insurance Credit	1.12%	1.08%	FY 2009 - 1.08% FY 2010 - 1.04%
Life Insurance	0.89%	0.82%	FY 2009 - 0.82% FY 2010 - 0.79%
VSDP	1.96%	1.94%	FY 2009 - 1.79% FY 2010 - 0.80%

Governor Proposals – Local Rates

- In FY 2010, allows political subdivisions to elect to pay contribution rates using the alternate actuarial assumptions of:
 - 30-year amortization period
 - 8% rate of return
 - 3% inflation rate

Governor Proposals – Local Rates

- Issues to consider:
 - Average funded status of political subdivisions is about 96%; demonstrating soundness of board policy.
 - Employee costs make up a larger portion of municipal operating budgets than the state budget; future increased liabilities can place increased stress on local taxpayers.
 - If one of 571 political subdivisions goes defunct, then unfunded liabilities would be stranded; benefits to affected members would be reduced.

Governor Proposals-Long-term Care

- State-funded long-term care (LTC) program closed to new members, effective 7/1/09.
- Employees given a one-time election to continue coverage on a voluntary, employee-paid basis.
- Existing program reserves used to maintain entry-age premium levels.



Governor Proposals-Long-term Care

- Long-term Care Overview:
 - About 75,168 state employees were covered, as of 6/30/08.
 - VRS recently made it a self-insured program, reducing costs by \$1.5 million annually.

Governor Proposals- WTA

- Agencies that terminate state employees shall not be required to pay VRS for costs associated with the enhanced retirement benefits provided to laid-off workers under the Workforce Transition Act (WTA).
- Cost of WTA retirement benefits shall be factored into actuarial valuations and amortized over 30 years.

Governor Proposals- WTA

- Issues to consider:
 - Small increase in future contribution rates for the state pool (already included in Governor's proposed rate for FY2010).
 - Annual WTA payments to VRS reduced by \$8.6 million.

Governor Proposals- VOLSAP

- Reduces the annual general fund transfer of administrative fees for Volunteer Firefighters' and Rescue Squad Workers' Service Award (VOLSAP) from \$78,000 to \$28,000.

Governor Proposals- VOLSAP

- Program Information:
 - Voluntary defined contribution plan elected by localities for those individuals who volunteer with local fire and rescue squad units to encourage participation
 - Program established – 1999
 - Number of participants (6/30/08) – 1,385
 - Accumulated Assets - \$1.4 million
 - Decrease in funding will have no impact to program.

Thank you!



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