



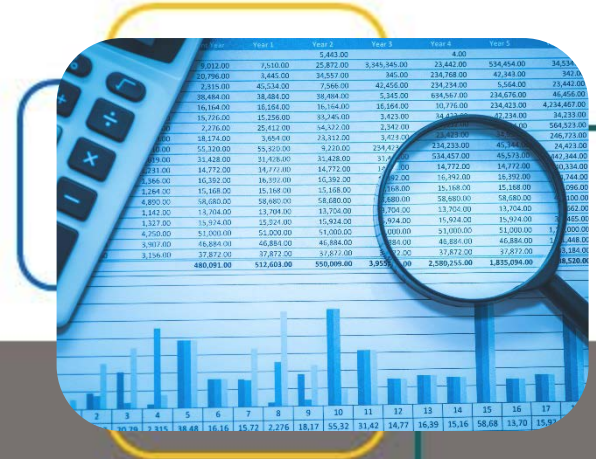
Virginia
Retirement
System

VRS Overview

Presented to:
General Government Subcommittee
of Senate Finance and
Appropriations Committee

January 21, 2020

Presented by: Patricia S. Bishop, VRS Director





Virginia
Retirement
System

Overview of the Virginia Retirement System

An independent agency of the Commonwealth



VRS Overview

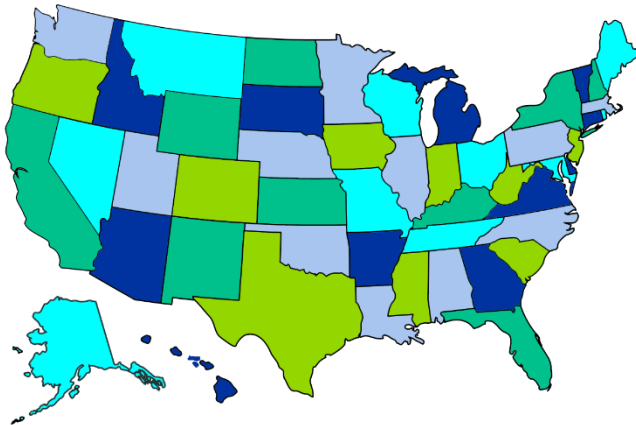
723,011
active and retired members



As of June 30, 2019

19th largest

public or private pension system
in the United States*



41st largest

public or private pension system
in the world*

* As ranked by *Pensions & Investments* in 2019

VRS Total Membership as of June 30, 2019



	Plan 1	Plan 2	Hybrid	Total
Teachers	72,080	31,767	43,775	147,622
Political Subdivision Employees	44,986	32,004	33,548	110,538
State Employees	35,955	15,614	25,441	77,010
State Police Officers' Retirement System (SPORS)	1,164	748	—	1,912
Virginia Law Officers' Retirement System (VaLORS)	3,122	5,612	—	8,734
Judicial Retirement System (JRS)	228	48	181	457
Total Active Members	157,535	85,793	102,945	346,273

**Total
Active Members
346,273**

**Retirees/
Beneficiaries
214,545**

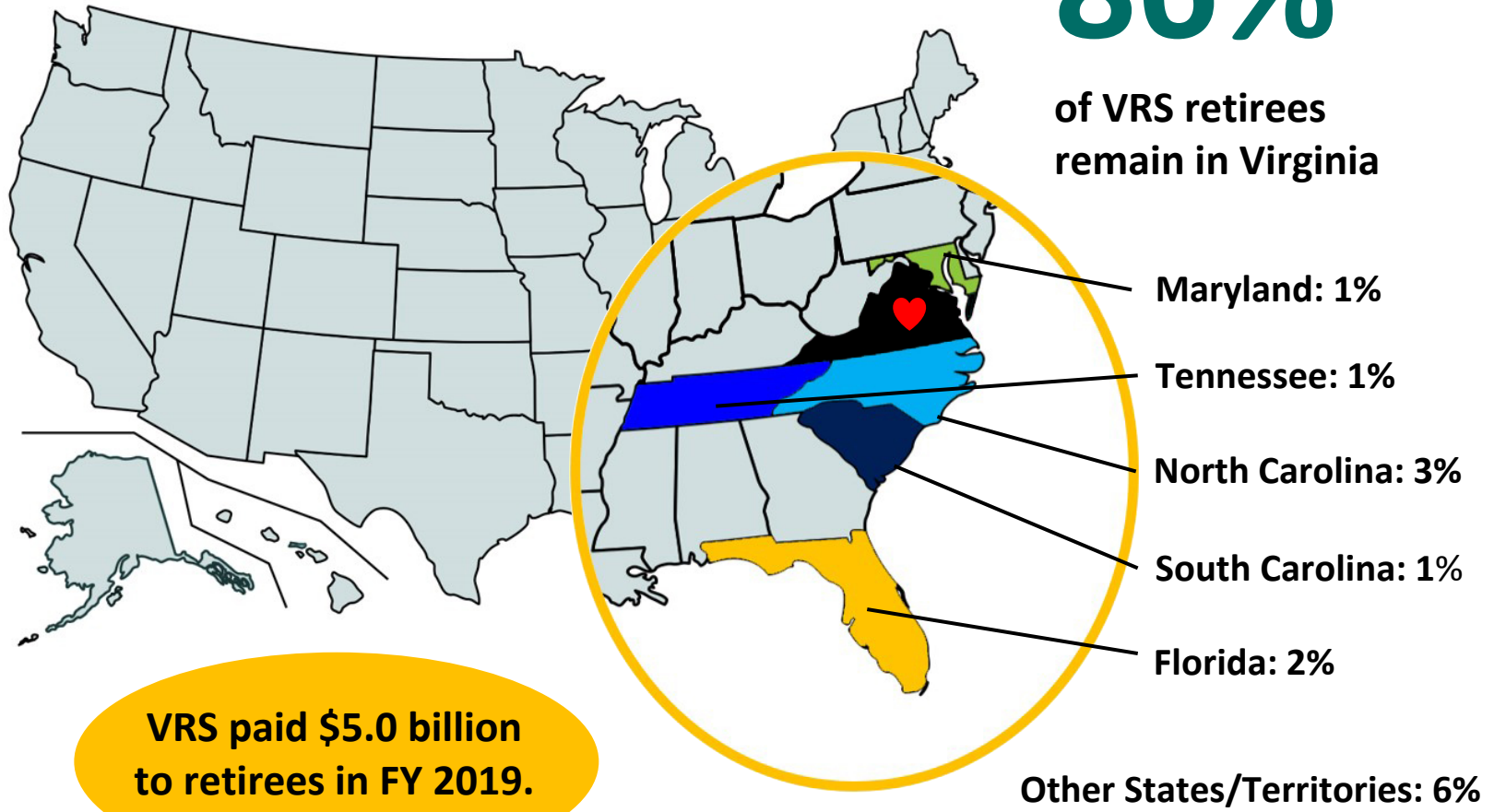
**Inactive/Deferred
Members
162,193**

**VRS Total
Population
723,011**

Where VRS Retirees Live

86%

of VRS retirees remain in Virginia



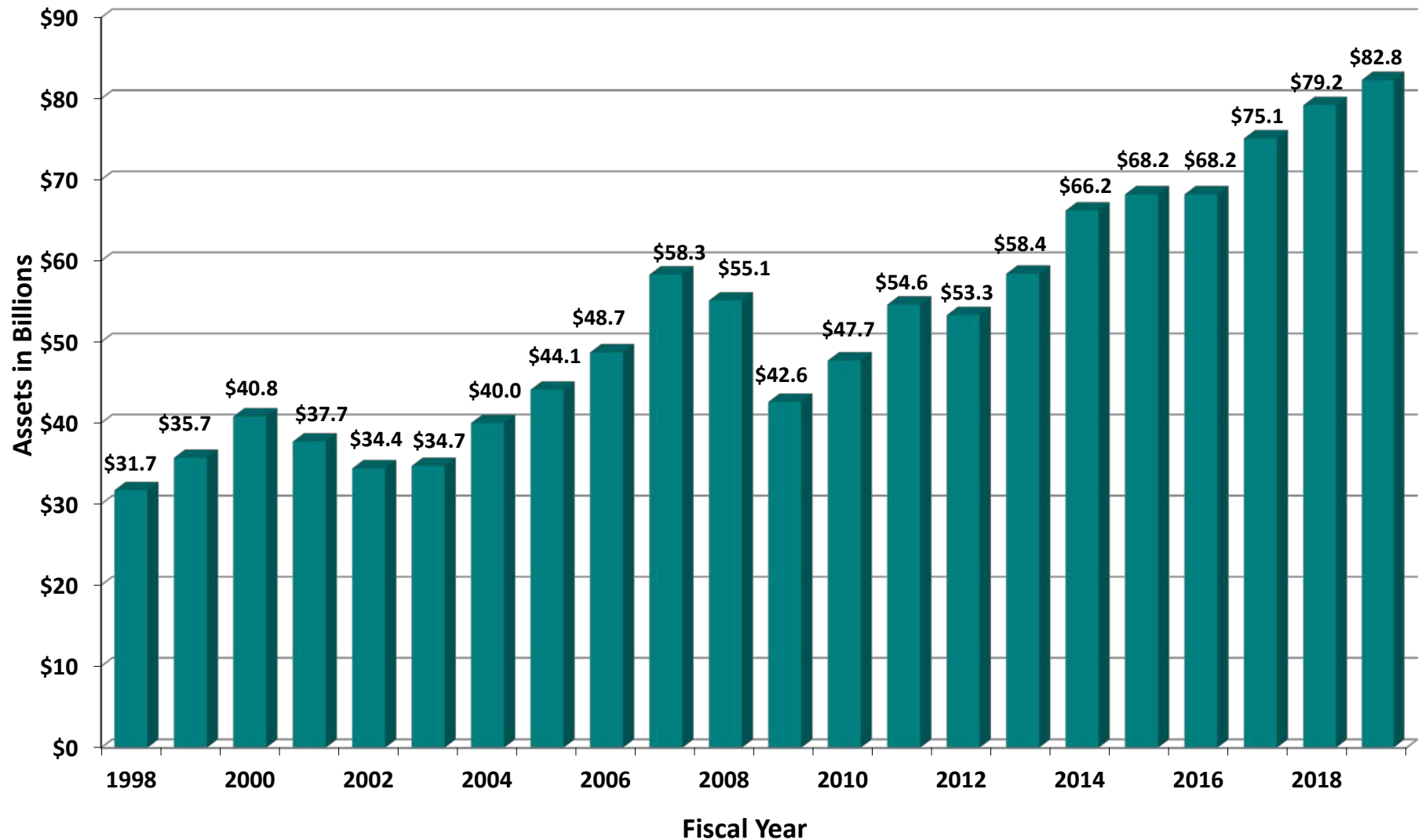
VRS paid \$5.0 billion to retirees in FY 2019.

Constitution of Virginia, Article X, Section 11

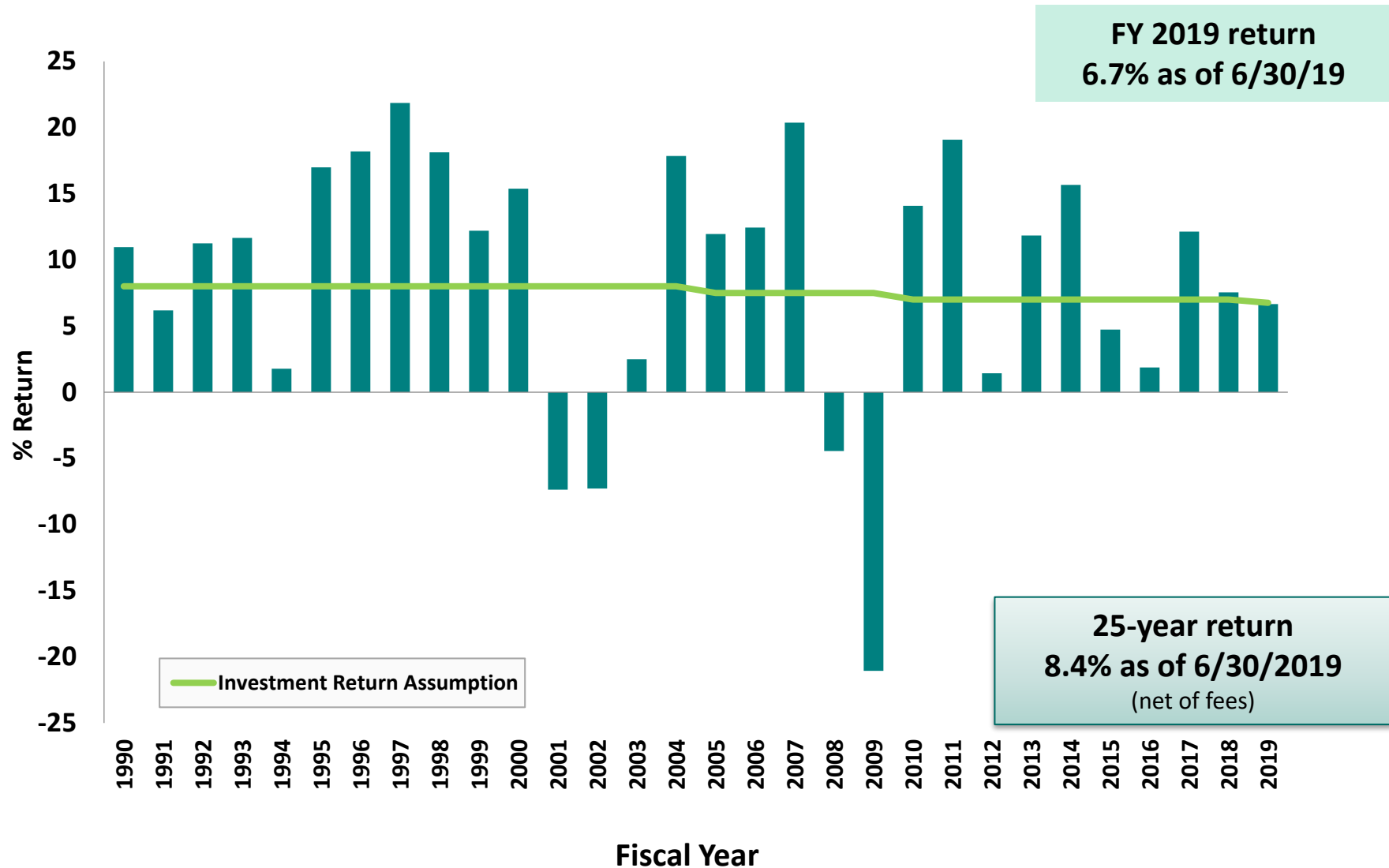
“The funds of the retirement system shall be deemed separate and independent trust funds, shall be segregated from all other funds of the Commonwealth, and shall be invested and administered solely in the interests of the members and beneficiaries thereof.”



VRS Net Position



VRS Fiscal Year Returns





Virginia
Retirement
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VRS Benefits



VRS-Administered Benefits

Retirement Plans

Defined Benefit Plans

- **VRS** (Plan 1 and Plan 2)
- **SPORS** (Plan 1 and Plan 2)
- **JRS** (Plan 1 and Plan 2)
- **VaLORS** (Plan 1 and Plan 2)

Defined Contribution Plans *

- **Hybrid 401(a) Cash Match**
- **Hybrid 457 Deferred Compensation Plan**
- **Commonwealth of Virginia Deferred Compensation Plan**
- **Virginia Cash Match Plan**
- **Optional Retirement Plan for Political Appointees**
- **Optional Retirement Plan for School Superintendents**
- **Virginia Supplemental Retirement Plan**
- **Optional Retirement Plan for Higher Education (Plan 1 and Plan 2)**

Hybrid Retirement Plan *

- **VRS**
- **JRS**

* Denotes third-party administrator

VRS-Administered Benefits

Insurance Programs

- **Life Insurance Plans***
- **Traditional Disability Retirement** (local and school employees pre-hybrid)
- **Virginia Sickness and Disability Program*** (state employees)
- **Long-Term Care Insurance Plans***
- **Health Insurance Credit**
- **Virginia Local Disability Program*** (local and school employees in hybrid)

Other Programs

- **Line of Duty Act (LODA)**
- **Virginia Volunteer Firefighters' & Rescue Squad Workers' Service Award Program (VOLSAP)**

* Denotes third-party administrator



Basic funding equation for benefits:

$$C + I = B + E$$

Contributions + Investment returns = Benefits + Expenses

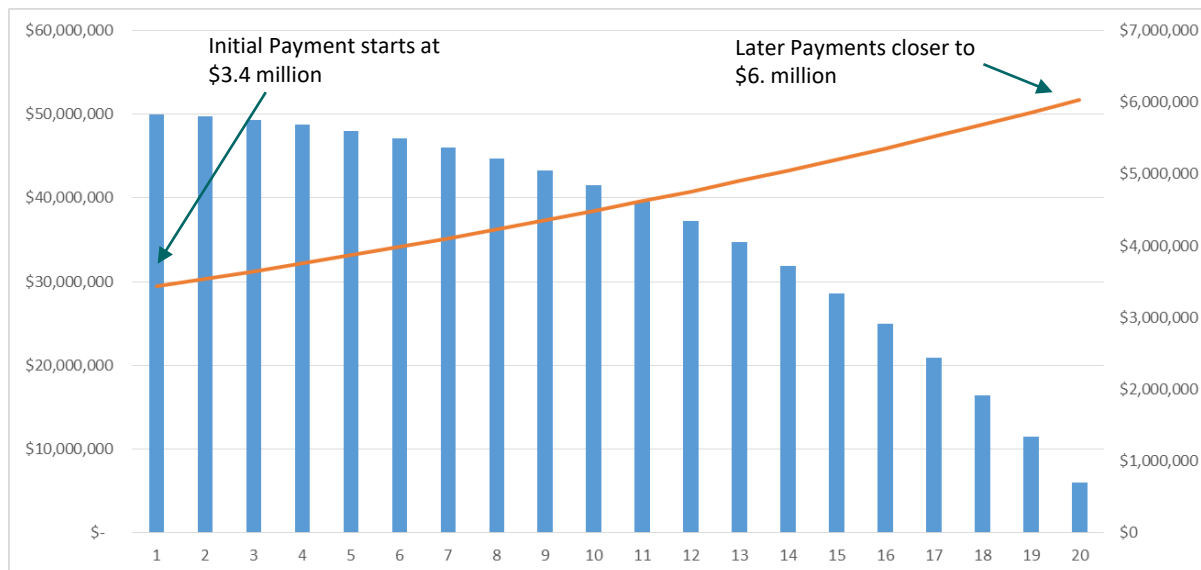
- Over the long term, actual investment returns, benefits and expenses determine the amount of contributions
- Over the short term, estimated investment returns, benefits and expenses developed in an actuarial valuation will determine the amount of contribution

Elements Contributing to Health of System

Elements That Contribute to Health of System	VRS
Fund 100% of actuarially determined and Board-certified contribution rates	✓
Use judicious discount rate	✓
Closed and shortened amortization periods	✓
Risk-sharing between employee and employer	✓
Increase flexibility for members while providing foundational monthly benefit income stream	✓
Focus on cost of future benefits	Ongoing
Reduce and not add to unfunded liabilities	Ongoing

Funding of Benefit Enhancements – Amortizing Unfunded Liabilities

- If benefit enhancements apply to both current members and future hires, an additional unfunded liability is created along with an increase in the contribution rate.
- VRS typically spreads the cost of the unfunded liabilities in order to keep the employer cost at a relatively level amount from year to year as required by statute.
- This means that the costs associated with the unfunded liability will be paid over specified periods of time, generally 20 years.
- Using the State plan as an example, if a benefit enhancement increases unfunded liabilities by \$50 million dollars, the annual cost impact due to amortizing the increase would initially be \$3.4 million dollars, or 0.08% of payroll. However, the cost over time ends up being greater than \$50 million due to financing the changes over 20 years. In this example, the funding ends up costing \$92.2 million over the 20 year period.



Accumulated Payments for \$50 million enhancement end up costing \$92.4 million due to financing costs over 20 years.

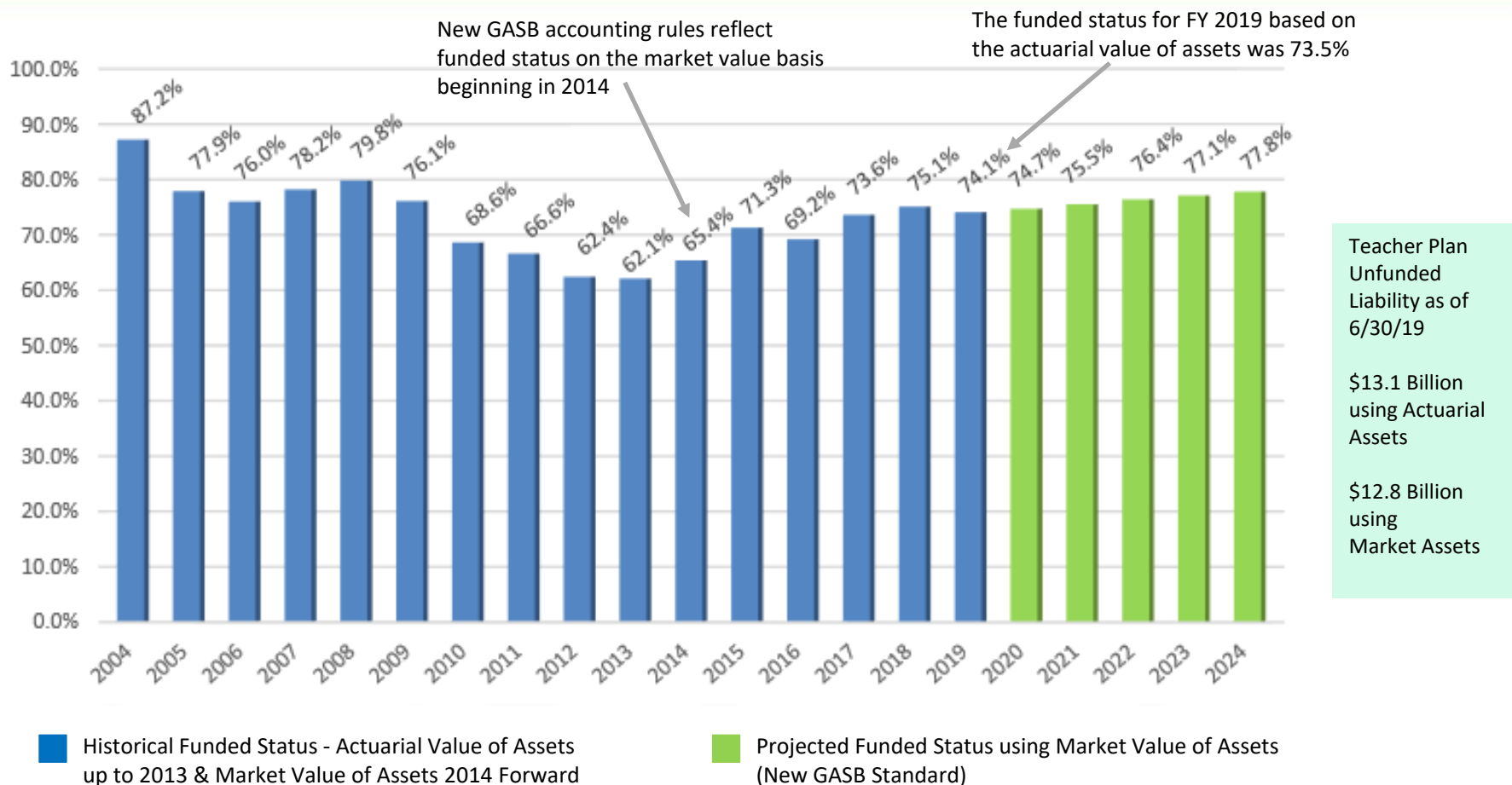


Virginia
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Funded Status and Contribution Rates



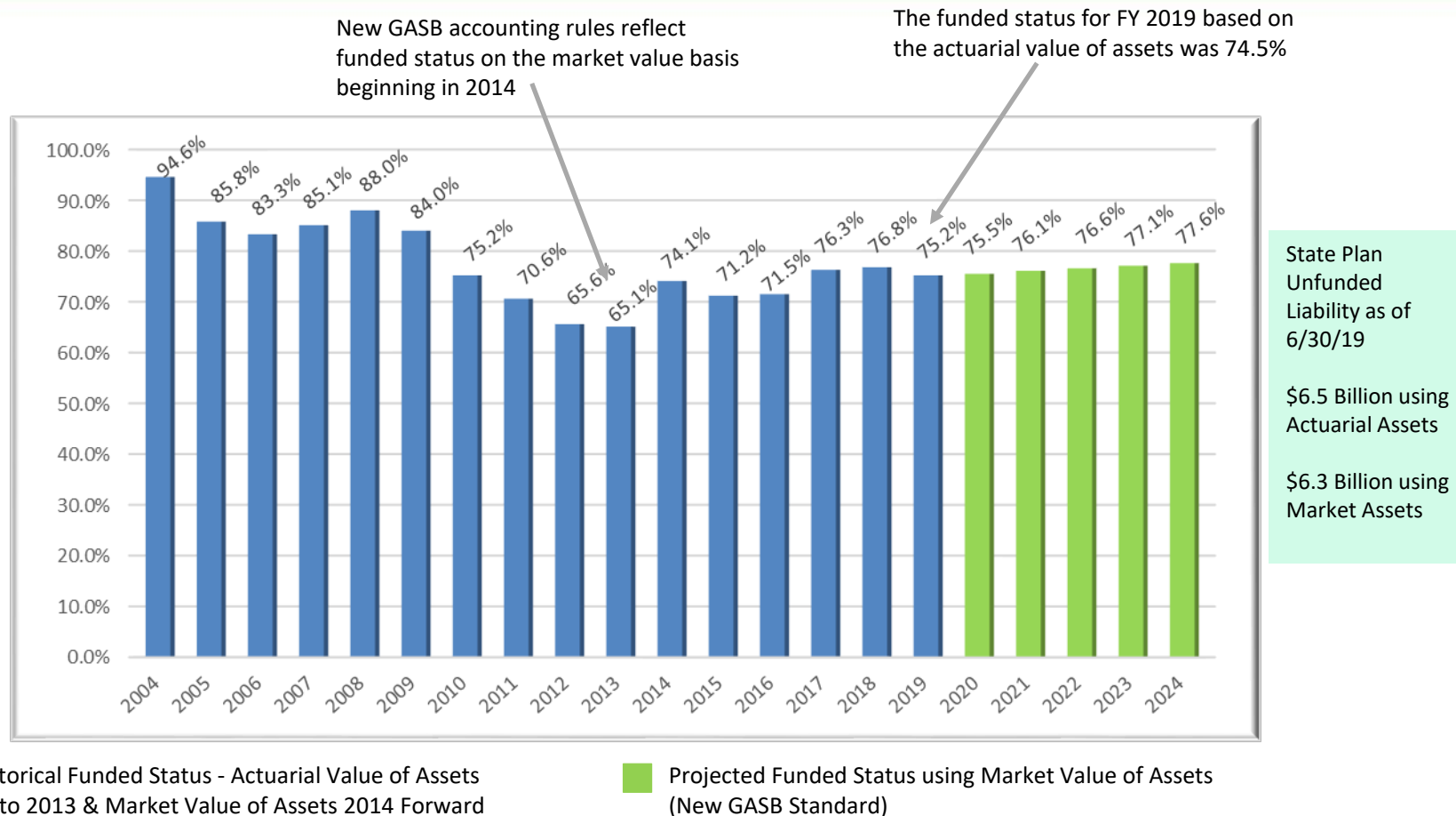
Funded Status: Teachers



Notes:

- Projected years' investment returns assume 6.75% with 2.5% inflation rate.
- New GASB Accounting Rules will reflect funded status using Market Value of Assets effective 6/30/14 for Plan Reporting and 6/30/15 for Employer Reporting.

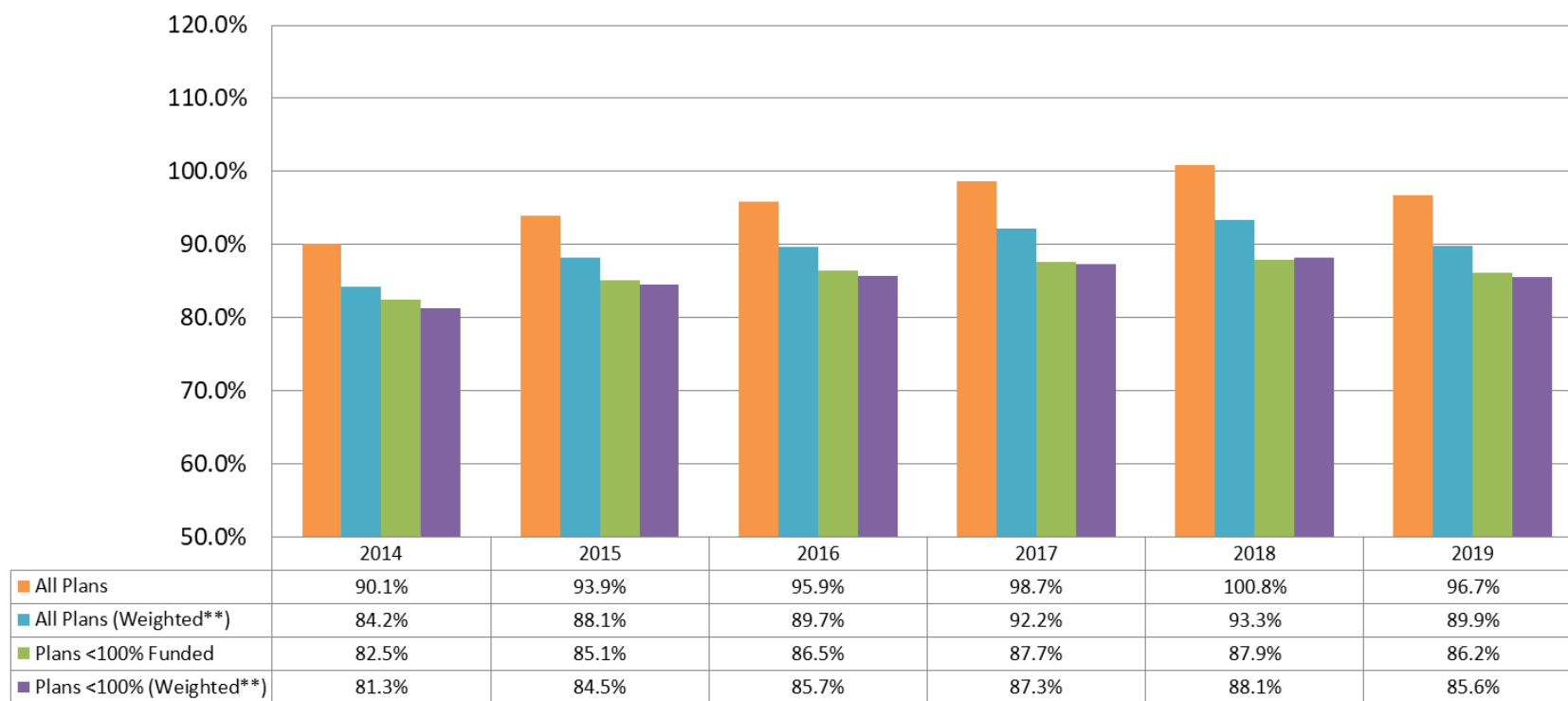
Funded Status: State



Notes:

- Projected years' investment returns assume 6.75% with 2.5% inflation rate.
- New GASB Accounting Rules will reflect funded status using Market Value of Assets effective 6/30/14 for Plan Reporting and 6/30/15 for Employer Reporting.

Average Funded Ratio for Political Subdivisions



Note: Funding ratio based on actuarial value of assets. Funding ratios are determined for each location and then the average for all locations is calculated.

Excludes one new employer.

** Weighted averages are based on active headcounts. Plans with larger headcounts have a greater effect on the average. If you take a plan that is 100% funded and another that is 50% funded, the average funded ratio is 75%. If the 100% plan has 2,000 members and the 50% plan has 4 members, the average funded ratio is 75% (not weighted) and 99.9% (weighted).

Virginia Retirement System

Unfunded Pension Liabilities by Plan (Dollars in Thousands)



Unfunded Liability using Market Value of Assets

Plans	2018	2019
State-Wide Pension Plans	\$18,194,949,000	\$20,232,563,000
Local Plans in Aggregate	\$2,244,319,000	\$3,176,545,000
Total Pension Funds	\$20,439,268,000	\$23,409,108,000

- The investment return assumption is the single most consequential of all actuarial assumptions in terms of its effect on a pension plan's finances.
- Similar to VRS, assumed returns among peer groups have been trending down.
- This trend is likely to continue as long as interest rates are low and equity asset prices are high.
- As of August 2019, the median investment rate of return assumption for other statewide public plans is 7.25%.

Employer Contribution Rates for Statewide Plans

Impact of Changing Long-Term Rate of Return



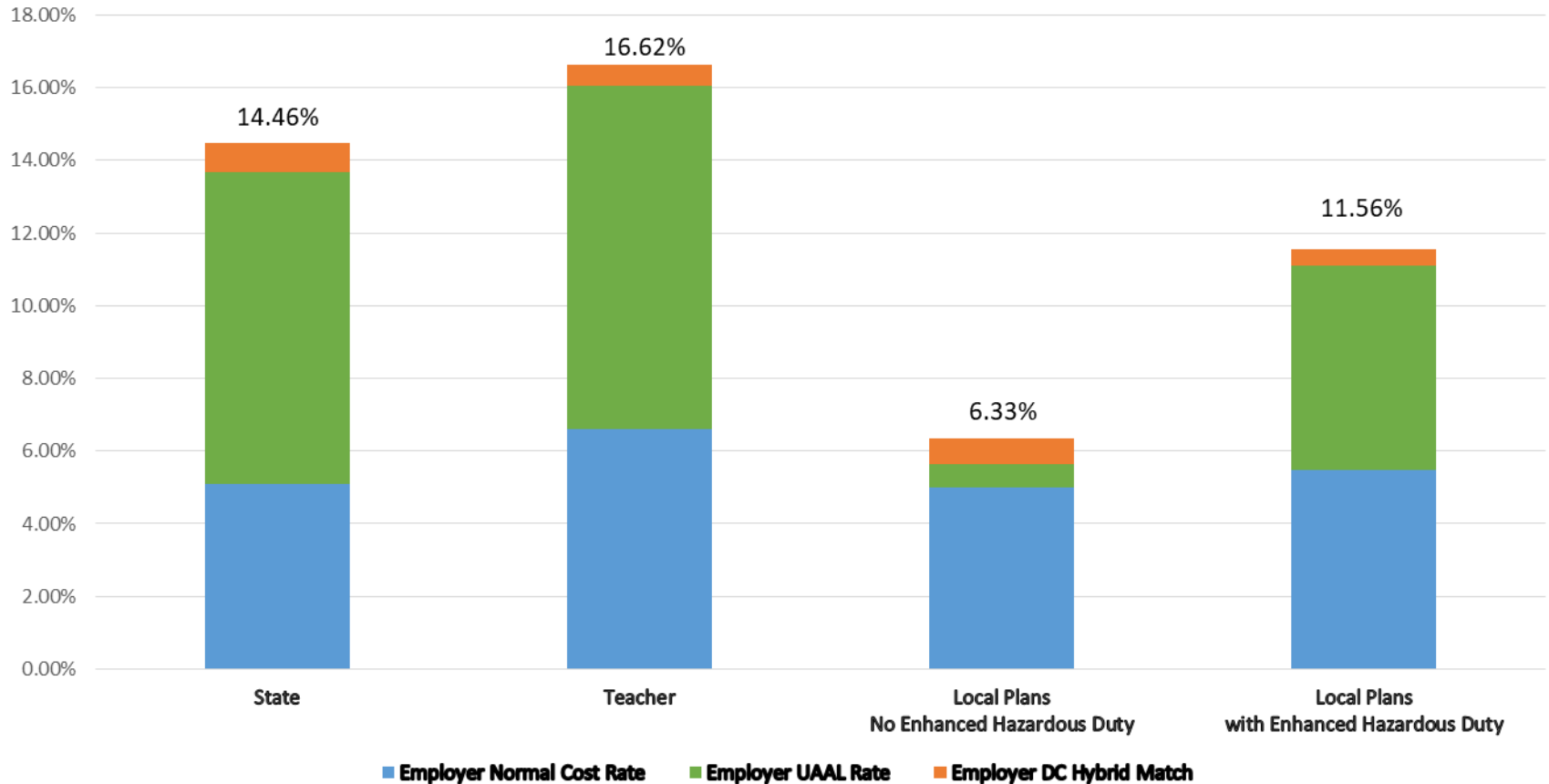
Plan	Fiscal Year 2020	Fiscal Year 2021	
	Discount Rate 7.0%	Prior Discount Rate 7.0%	Current Discount Rate 6.75%
State	13.52%	13.12%	14.46%
SPORS	24.88%	23.88%	26.26%
VaLORS	21.61%	20.19%	21.88%
JRS	34.39%	27.76%	29.84%
Teachers	15.68%	15.00%	16.62%
Total Estimated Employer Contributions	\$2,018,107,000	\$1,987,556,000	\$2,195,905,000
General Fund	\$892,433,000	\$875,484,000	\$965,911,000
Non-General Fund	\$1,125,674,000	\$1,112,072,000	\$1,229,994,000

Scenario	Additional Funding Required	General Fund	Non-General Fund
Difference Between FY 2021 Rates @ 7.0% and FY 2021 Rates at 6.75%	\$208,349,000	\$90,427,000	\$117,922,000
Difference Between FY 2020 Rates @ 7.0% and FY 2021 Rates at 6.75%	\$177,798,000	\$73,478,000	\$104,320,000

*Estimated funding for FY 2020 is based on payroll from the 2019 valuation, while estimated funding for FY 2021 uses payroll from the 2019 valuation projected forward one year by plan assumptions. Actual funding will be based on payrolls in effect at time of billing.

Contribution Rate Development Information

Components of Employer Rates for Selected Pension Plans



Teacher Plan – Deferred Contributions from 2010-2012 Biennium



- Balance remaining on deferred contributions from 2010-2012 biennium is \$118.8 million as of June 30, 2019.
- Two payments of \$61.4 million remain to be paid. Contributions will be collected as part of the FY 2021/2022 Teacher employer rates.
- The amortization payment will represent approximately 0.73% of covered payroll in the 2021/2022 Teacher rate.

Other Post-Employment Benefits Contribution Rates by Fiscal Year



		2019 & 2020	VRS-Certified Rates for 2021 & 2022
Group Life Insurance	Employee	0.79%	0.80%
	Employer	0.52%	0.54%
	Total	1.31%	1.34%
Health Insurance Credit	State Employees	1.17%	1.12%
	Teachers	1.20%	1.21%
	Non-Professional School Board Members and Political Subdivision Employees	Varies by employer	Varies by employer
Virginia Sickness & Disability Program (VSDP)	Covered Payroll	0.62%	0.61%
Virginia Local Disability Program (VLDP)	Teachers	0.41%	0.47%
	Political Subdivision Employees	0.72%	0.83%

Funded Status by Plan – OPEBs

Plan	6/30/2018 Funding Basis Smoothed Assets	6/30/2019 Funding Basis Smoothed Assets
Group Life	49.7%	51.0%
HIC State	9.7%	10.8%
HIC Teachers	8.2%	9.1%
VSDP	173.6%	195.2%
HIC Constitutional Officers	11.0%	14.2%
HIC Social Services	9.3%	15.5%
HIC Registrars	10.8%	16.0%
HIC - Locals in Aggregate	56.6%	55.9%
VLDP Teachers	50.5%	63.4%
VLDP Political Subdivisions	32.8%	70.0%

Virginia Retirement System

Unfunded OPEB Liabilities by Plan (Dollars in Thousands)



Unfunded Liability using Market Value of Assets		
Plans	2018	2019
Group Life	\$1,571,760,000	\$1,651,350,000
HIC State	\$899,751,000	\$917,729,000
HIC Teacher	\$1,267,433,000	\$1,296,868,000
VSDP	(\$197,669,000)	(\$239,729,000)
HIC Locals	\$17,782,000	\$19,285,000
HIC Constitutional Officers,	\$39,799,000	\$39,908,000
VLDP Teachers & Locals	\$2,766,000	\$1,816,000



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Hybrid Retirement Plan



Hybrid Contributions

Defined Benefit (DB) Component

Provides a lifetime monthly benefit based on a formula

Mandatory *Employee* Contribution
4%

***Employer* Contribution**
Varies based on contributions to the DC component

Employee contributions are placed into the Member Contribution Account and are used to provide a monthly retirement benefit.

The employer makes a separate contribution to VRS for all covered employees (not individuals).

VRS invests these contributions to provide a monthly retirement benefit once the member meets eligibility requirements.

Defined Contribution (DC) Component

Provides a balance to draw from in retirement based on contributions and investment performance

Mandatory *Employee* 401(a) Contribution
1%

Voluntary *Employee* 457 Contribution
0–4%

Mandatory *Employer* 401(a) Contribution
1%

***Employer* Matching 401(a) Contribution**
0–2.5%

All mandatory contributions, along with any employer matching contributions, are placed into the Hybrid 401(a) Cash Match Plan.

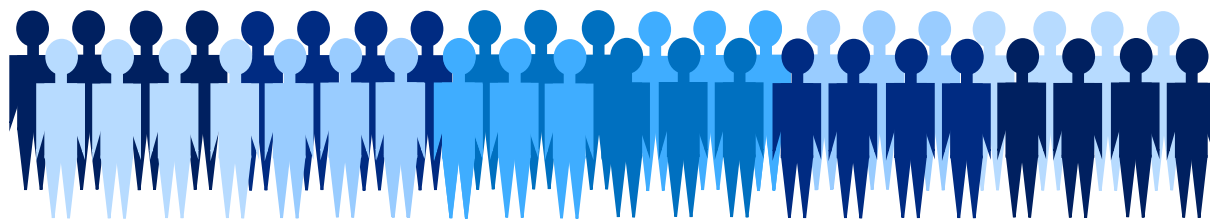
All voluntary contributions are placed into the Hybrid 457 Deferred Compensation Plan.

The employee should consider investment objectives, risks, fees and expenses carefully before investing.

For more details, refer to the VRS Hybrid Retirement Plan Handbook and additional resources at www.varetire.org/hybrid, select Publications.

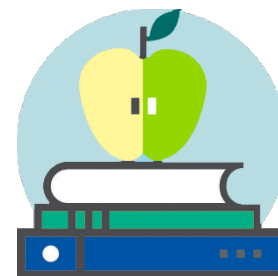
Hybrid Retirement Plan

Hybrid Retirement Plan Member Profile as of January 1, 2020



116,131

**Active Hybrid Retirement
Plan members**



Largest Member Group

Teachers

52,735 members
(45%)

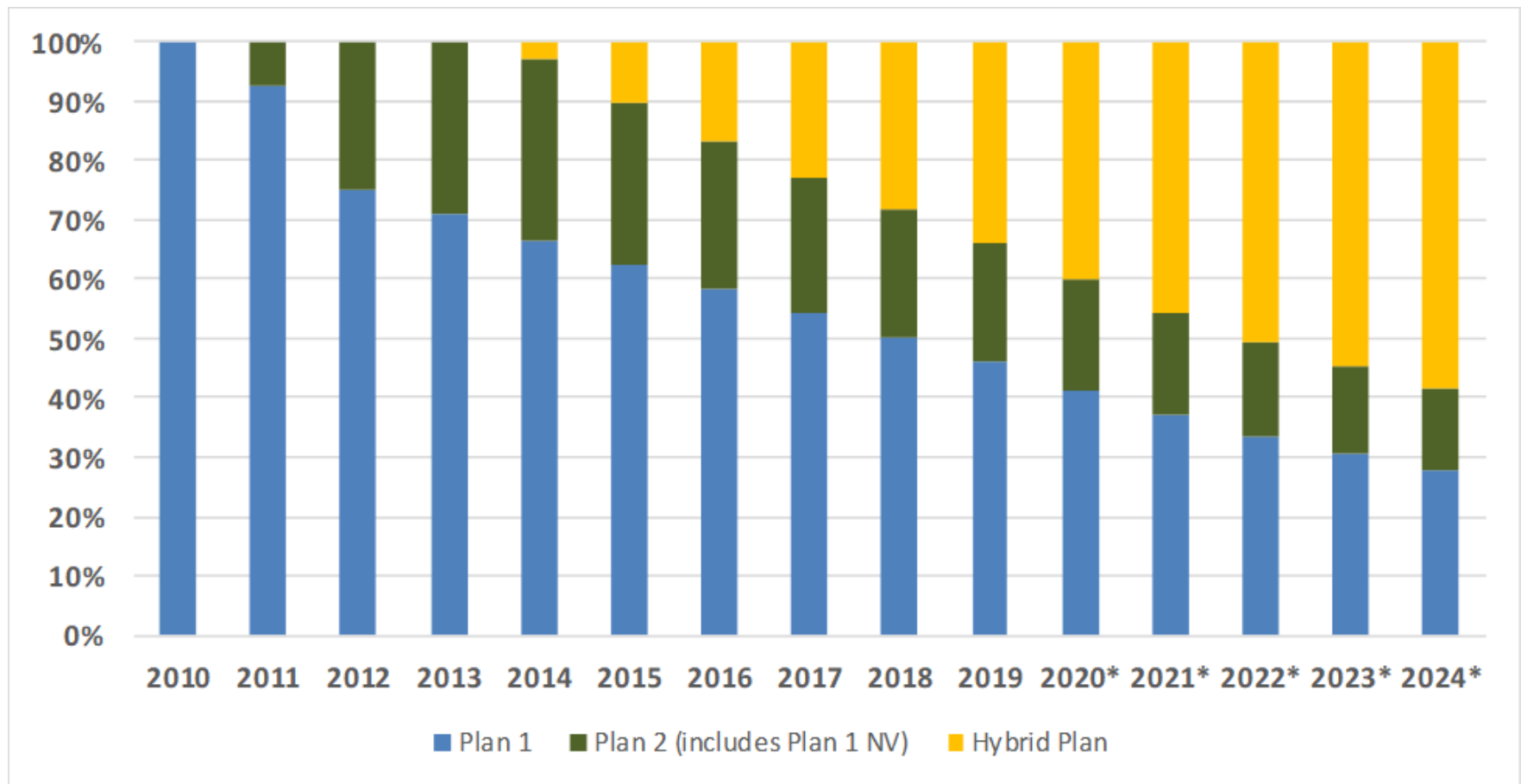


Median Salary
\$43,630

Median Age
36 years old

Average Years in the Plan
2.15

State Employee Active Member Breakdown



* Fiscal years 2019-2023 show projected membership breakdown based on historical turnover experience.



Population of members
eligible for auto escalation:

86,004

- Auto-escalation occurred effective **Jan. 1, 2020**
- **Helps members save** for the future
- **Every three years**, members' voluntary contributions to their Hybrid 457 Deferred Compensation Plan accounts automatically **increase by 0.5%** until reaching the maximum 4%
- **Extensive communications** efforts
- Members could **opt out Oct. 1 – Dec. 16** online or by phone
 - **Less than 1%** (859) opted out

Communications and Outreach



A **resource toolkit** assists employers in communicating plan provisions and the importance of voluntary contributions



SmartStep allows members to increase their voluntary contributions at a date they choose



The **hybrid paycheck calculator** helps members see the change in their paycheck if making voluntary contributions

Enhanced voluntary contribution messaging on account pages is a

reminder for members who are not making a voluntary contribution



With **GoHybrid**, employees can elect a voluntary contribution before their hire date or enrollment in VRS

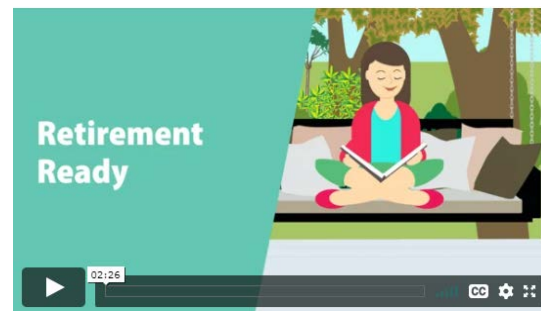


The **VRS DCP mobile app** for iPhones, Android smartphones and tablets allows members to manage their accounts on the go

Hybrid Learning Channel



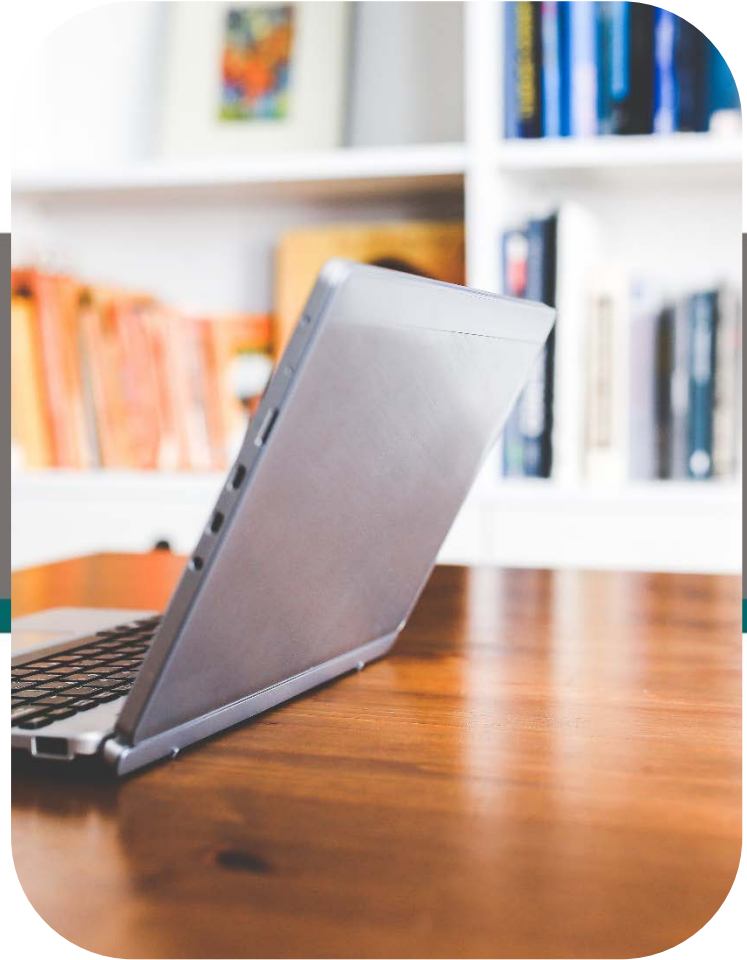
- Features a video series to educate members
- Employers can use as a tool when onboarding new employees





Virginia
Retirement
System

myVRS and Financial Wellness



One unified system with the following features for members:

- A new goal-based **retirement planner**
- A refreshed **benefit estimator**
- A **self-service** purchase of prior service component
- **Security enhancements** and new features for retirees
- New **comparison tools** to help college and university faculty members compare and contrast their retirement plan options
- **Member Benefit Profile (MBP)**
- **Financial wellness** resources, tips and tools



Our work continues as we gear up to **accept retirement applications and beneficiary changes online.**

Financial Wellness Features



Budget: Plan for expenses, set goals and keep your finances on track

Calculators: Experiment with mortgage, budget, auto, student loan calculators



Courses: Learn the fundamentals of money management

Games: Play financial trivia and real-world simulator games



Live Webinars: Watch webinars with financial wellness experts

Scholarship Search: Find quality scholarships to help pay for school



Student Loan Snapshot: Track all your student loans in one place in five minutes or less

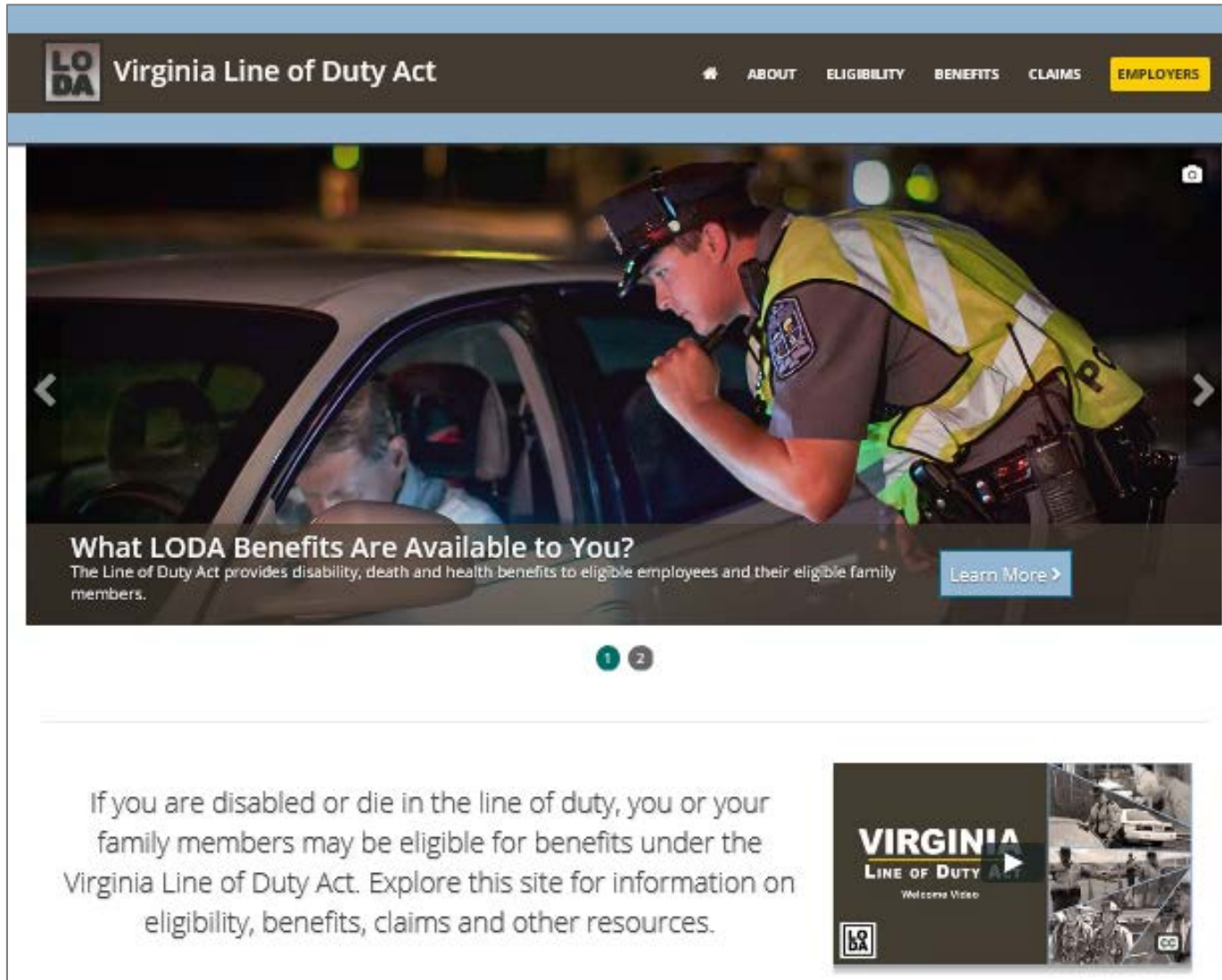


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Line of Duty Act



Line of Duty Act



The screenshot shows the homepage of the Virginia Line of Duty Act website. At the top, there is a dark navigation bar with the LODA logo on the left and links for ABOUT, ELIGIBILITY, BENEFITS, CLAIMS, and EMPLOYERS on the right. The main content area features a large hero image of a police officer in a high-visibility vest leaning into a car window. Below this image is a text box with the heading "What LODA Benefits Are Available to You?" and a subtext explaining that the act provides disability, death, and health benefits to eligible employees and their families. A "Learn More" button is positioned to the right of this text. Below the hero image are two small circular icons labeled 1 and 2. Further down, there is a paragraph of text explaining the act's purpose. To the right of this text is a video player thumbnail titled "VIRGINIA LINE OF DUTY Act Welcome Video" with a play button icon and a Creative Commons license logo.

LODA Virginia Line of Duty Act

ABOUT ELIGIBILITY BENEFITS CLAIMS EMPLOYERS

What LODA Benefits Are Available to You?
The Line of Duty Act provides disability, death and health benefits to eligible employees and their eligible family members.

Learn More >

1 2

If you are disabled or die in the line of duty, you or your family members may be eligible for benefits under the Virginia Line of Duty Act. Explore this site for information on eligibility, benefits, claims and other resources.

VIRGINIA
LINE OF DUTY Act
Welcome Video

LODA CC

valoda.org

LODA Administrative Roles

The Virginia Line of Duty Act (LODA):

- Established in Title 9.1 of the *Code of Virginia*, enacted in 1972
- Provides benefits to the following persons:
 - Eligible family members of eligible employees killed in the line of duty
 - Eligible employees disabled in the line of duty and their eligible family members

VRS	DHRM
<ul style="list-style-type: none">▪ Determines line of duty eligibility▪ Issues benefit payments on behalf of LODA Fund participating employers▪ Issues notification for benefit payments for LODA Fund non-participating employers	<ul style="list-style-type: none">▪ Administers continuous LODA Health Benefits Plans<ul style="list-style-type: none">• Eligible spouse and eligible children in case of death (line of duty or presumption)• Disabled person and eligible family members in case of disability

LODA Fund Employer Participation

Employers had an opportunity to elect not to participate in the LODA Fund during an opt-out period in 2012.

LODA Fund Non-Participating Employers	LODA Fund Participating Employers
<ul style="list-style-type: none">• Political subdivision of the Commonwealth	<ul style="list-style-type: none">• State agency or political subdivision of the Commonwealth
<ul style="list-style-type: none">• Directly fund the cost of benefits provided under LODA	<ul style="list-style-type: none">• Contribute to the LODA Fund and the LODA Fund will cover the cost of benefits provided under LODA
<ul style="list-style-type: none">• Elected not to participate in the LODA Fund	<ul style="list-style-type: none">• Did not elect to become non-participating

A list of LODA Fund non-participating employers is available at valoda.org (select Employers).

If the employer is not listed, it is a LODA Fund participating employer.

Eligible employees or volunteers who become disabled or die in the line of duty, or their beneficiaries, may be eligible for benefits under the Virginia Line of Duty Act (LODA).

Death Benefit

Under LODA, designated beneficiaries (or family members, absent a will) may be eligible for a death benefit in the event the LODA-eligible employee or volunteer dies in the line of duty. In addition, the eligible family members may enroll in the premium-free LODA Health Benefits Plans administered by the Department of Human Resource Management (DHRM).

Disability Benefit

If a LODA-eligible employee or volunteer becomes disabled in the line of duty, the employee or volunteer, eligible spouse and eligible family members may enroll in the premium-free LODA Health Benefits Plans administered by the Department of Human Resource Management (DHRM).

LODA Premium Rates

	FY 2021-2022
Employer Contribution Rate*	\$695.18

- The Governor's proposed budget includes funding for a higher premium rate of \$709.21 to provide health insurance coverage to dependents who lost coverage on July 1, 2017.
- Proposed 2020 amendments to the Virginia Worker's Compensation Act could increase required LODA contribution rate.

* Rate is based on a pooled approach.

Volunteers billed at 25% of the FTE rate; part-time National Guard participants billed at 10% of FTE rate.

VRS actuary conducts annual valuation of LODA Fund.

Due to variance in number of eligible individuals and actual plan experience, rates will fluctuate over time.



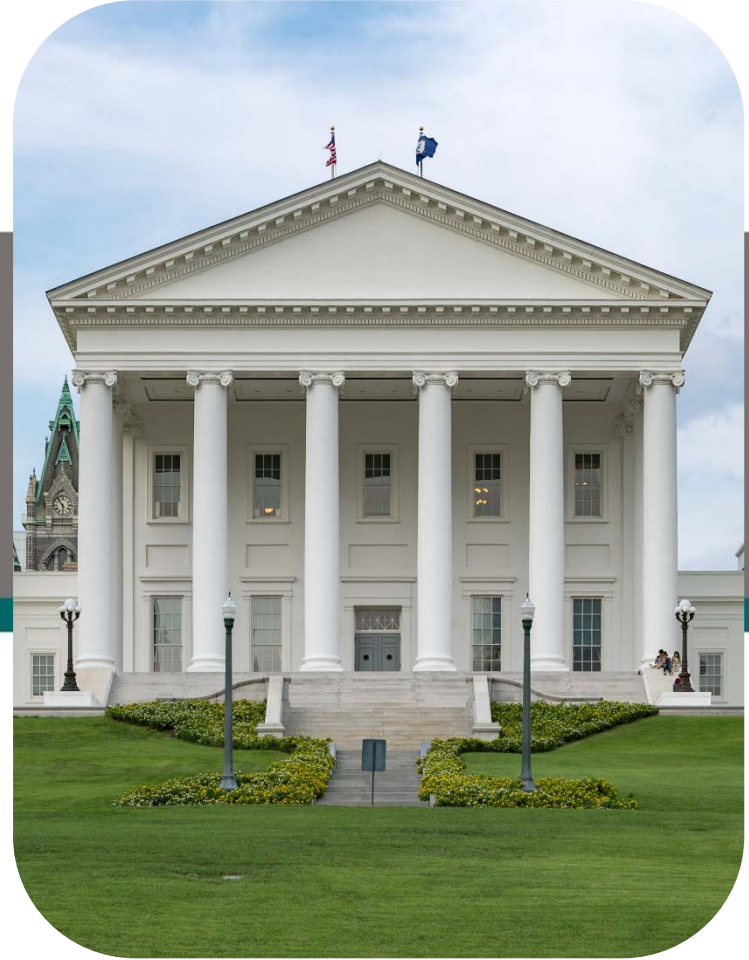
Virginia
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Appendix



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2020 Legislation



Summary of VRS-Related Bills



Topic	Bills
VRS Board of Trustees Requested Bills	<ul style="list-style-type: none"> • Technical amendment to the felonious assault benefit to reflect statutory changes to the Virginia College Savings Plan and Internal Revenue Code. The bill changes the formula by using the average public college tuition for determining the amount of the college savings account for children of VRS members who die in service as a result of a felonious assault. Carr (HB 536) and Ruff (SB 109)
Line of Duty Act (LODA)	<ul style="list-style-type: none"> • Changes eligible dependents of LODA-eligible participants • Requires LODA medical eligibility reviews to be conducted by health practitioners licensed in Virginia • Changes eligibility for certain employees and diseases
Return to Work	<ul style="list-style-type: none"> • Allows retired school bus drivers to return to work while receiving a benefit • Allows retired law enforcement officers to return to work as School Safety Officers (SSO) or School Resource Officers (SRO) while receiving a benefit • Allows localities to employ up to two retirees at any one time while receiving a benefit
Judicial Retirement System (JRS)	<ul style="list-style-type: none"> • Removes 78% cap on the retirement benefit • Increases multiplier for certain judges in the hybrid retirement

Summary of VRS-Related Bills



Topic	Bills
Hazardous Duty Mandatory Retirement	<ul style="list-style-type: none">• Allows state police officers, VaLORS members and local hazardous duty officers to work beyond mandatory retirement age of 70 with permission of supervisor
Virginia Law Officers' Retirement System (VaLORS)	<ul style="list-style-type: none">• Expands VaLORS eligibility to certain DMV and Department of Conservation and Recreation officers• Increases age for the VaLORS supplement to Social Security retirement age
Workers' Compensation	<ul style="list-style-type: none">• Adds to Workers' Compensation certain presumptions for specific employees• Adds to Workers' Compensation certain diseases and conditions
Hazardous Duty	<ul style="list-style-type: none">• Adds local 911 operators to list of positions eligible for hazardous duty benefits
Early Retirement	<ul style="list-style-type: none">• Changes retirement eligibility for certain constitutional officers
Health Insurance Credit	<ul style="list-style-type: none">• Increases the amount of HIC for school support personnel

2020 VRS-Related Bills

VRS-Requested Bills

Bill Number	Patron	Description
SB 109 HB 536	Ruff Carr	VRS Board of Trustees requested bill. To reflect statutory changes to the Virginia College Savings Plan and Internal Revenue Code, the bill changes the formula for determining the amount of the college savings account for children of VRS members who die in service as a result of a felonious assault.

LODA Bills

Bill Number	Patron	Description
HB 51 SB 40	Knight DeSteph	Children born or adopted after the death/disability of LODA-covered individual become eligible for health insurance
SB 168	DeSteph	Requires medical review by Virginia licensed health practitioner

2020 VRS-Related Bills

Return to Work/Critical Shortage

Bill Number	Patron	Description
HB 351	Bell	Allows school bus drivers to be designated critical shortage under certain conditions and return to work as a retiree
HB 986	Batten	Allows law enforcement officers to collect a retirement benefit and return to work as a school security officer
HB 1368	Leftwich	Allows law enforcement officers to collect a retirement benefit and return to work as a school security officer
HB 1493	Helmer	Allows law enforcement officers to collect a retirement benefit and return to work as a school security officer or school resource officer
HB 1495	Torian	Allows law enforcement officers to collect a retirement benefit and return to work as a school security officer or school resource officer
SB 54	Cosgrove	Allows law enforcement officers to collect a retirement benefit and return to work as a school security officer
SB 324	Deeds	Allows school bus drivers to be designated critical shortage under certain conditions
SB 671	Mason	Allows up to two retirees at a time to return to work in full-time positions for a locality and collect retirement benefits

2020 VRS-Related Bills



VaLORS

Bill Number	Patron	Description
HB 845	Krizek	Adds special agents of Washington Metropolitan Area Transit Authority to definition of law enforcement officer, making them eligible for LODA
HB 1350	Mullin	Adds sworn member of DMV law enforcement division to VaLORS
SB 554	Ruff	Changes the cutoff age from 65 to Social Security retirement age for VaLORS supplement payments
SB 790	Deeds	Adds conservation officers to VaLORS

JRS

Bill Number	Patron	Description
HB 556	Knight	Removes JRS retirement allowance cap of 78 percent under certain conditions
SB 606	McDougle	Increases retirement multiplier for certain judges who participate in the Hybrid Retirement Plan

2020 VRS-Related Bills



Hazardous Duty Mandatory Retirement

Bill Number	Patron	Description
SB 338	Stuart	Allows exception to compulsory retirement at age 70 for SPORS and local hazardous duty members with permission of supervisor

Other

Bill Number	Patron	Description
HB 480	Subramanyam	Adds local 911 dispatchers to those eligible for enhanced retirement benefits
HB 1029	L. Adams	Under certain conditions a constitutional officer may be eligible for early retirement without having met age or service requirements
HB 1513	McQuinn	Requires school divisions to provide \$4 health insurance credit to all school division employees
SB 1013	Ruff	For state employees with at least 30 years of service, increases the health insurance credit annually by the Plan 2 COLA, effective January 1, 2021.

2020 VRS-Related Bills

Workers' Compensation

Bill Number	Patron	Description
SB 345	Bell	Adds correctional officers and full-time sworn members of enforcement division of DMV to presumption for infectious diseases
HB 169	Tyler	Adds correctional officers only to presumption for infectious diseases
HB 1542	Convirs-Fowler	Adds full-time sworn members of enforcement division of DMV to presumption for hypertension, heart disease
HB 649	Campbell	Adds full-time salaried police dispatchers to presumption for hypertension, heart disease
HB 52	Knight	Adds Virginia Beach EMTs to presumption for hypertension, heart disease
HB 438 SB 561 SB 924 (rolled into SB 561)	Heretick Vogel/ Cosgrove Cosgrove	Adds PTSD as a presumption for law enforcement officers and firefighters (new Code section)
SB 741	McPike	Adds PTSD as a presumption for law enforcement officers, firefighters, hazardous materials officers, animal protection officers and 911 dispatchers

2020 VRS-Related Bills

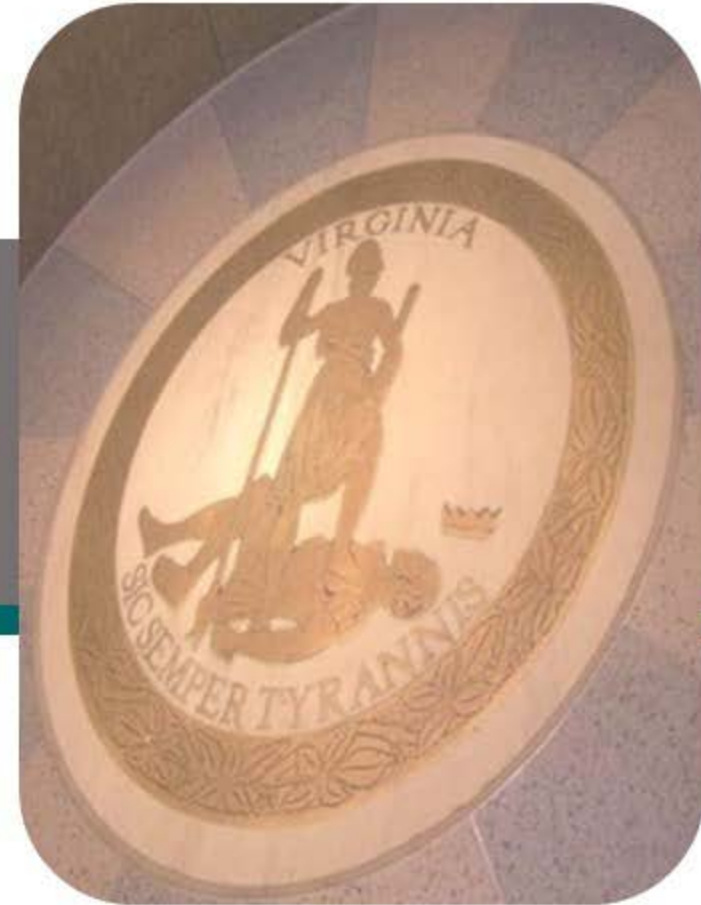
Workers' Compensation

Bill Number	Patron	Description
HB 44 HB 733 HB 783 SB 9 SB 58 (rolled into SB 9)	Brewer Reid Askew Saslaw, Cosgrove, McPike, Vogel Cosgrove	Adds brain, colon and testicular cancers as presumptions for firefighters and certain employees
SB 381 (rolled into SB 9)	McPike	Adds brain, colon and testicular cancers as presumptions for firefighters and certain employees, removes need for contact and includes some JLARC recommendations
SB 531(rolled into SB 9)	Vogel	Adds brain, colon and testicular cancers as presumptions for firefighters and certain employees, removes need for contact and removes definition of toxic substance
HB 121 HB 1536	Carroll-Foy Wyatt	Adds brain, colon and testicular cancers as presumptions for firefighters and certain employees
HB 617	Guzman	Adds repetitive motion injuries as new presumption
HB 1596	Murphy	Adds psychological injuries as a new presumption



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Additional VRS Information



Unfunded liability - The amount of liabilities (the present value of promised benefits) that are greater than assets of a pension plan.

Amortization period – The time period over which unfunded liabilities are paid off with interest. The legacy unfunded liability established June 30, 2013 was amortized over a 30-year period, of which 24 years remain. Future unfunded liabilities are amortized over a 20-year period.

Benefit enhancements – Changes to the amount of or eligibility for benefits that lead to an increase in costs.

Contribution rate – There are employee and employer contribution rates. The employee contribution rate is 5% of salary. The employer contribution rate varies depending on the plan benefits and covered population and is expressed as a percentage of total payroll. The employer contribution rate includes components for the cost of the current year's benefit accrual as well as the amortization payment towards the unfunded liability.

Actuarial assumptions bridge the gap between the information that we know with certainty as of the valuation date and what may happen in the future.

The assumptions used include the following:

- Demographic (people assumptions)
 - Retirement
 - Termination before retirement
 - Disability
 - Death
- Economic (money assumptions)
 - Investment return – 6.75% per year
 - Salary increase – from 5.35% to 3.50% based on service
 - Inflation 2.50%
 - Total payroll growth – 3.00%

The Actuarial Valuation Process

Present Value of Future Benefits (PVFB)

- Using the assumed investment return assumption, we discount projected benefits into today's dollars. We refer to this dollar amount as the PVFB.
- If the fund has current assets equal to the PVFB and all other assumptions are met, there would be sufficient funds on hand to pay benefits to all current members when they retire.
- The PVFB is the sum of expected benefits each year in the future discounted to June 30, 2019.

An actuarial cost method known as Entry Age is used to allocate the PVFB to:

- Actuarial Accrued Liability – past service
- Present Value of Future Normal Costs – future service
- Normal Cost – current years service

The goal of actuarial funding is to pay the present value of future benefits while the member is working so that additional contributions are not needed in retirement.

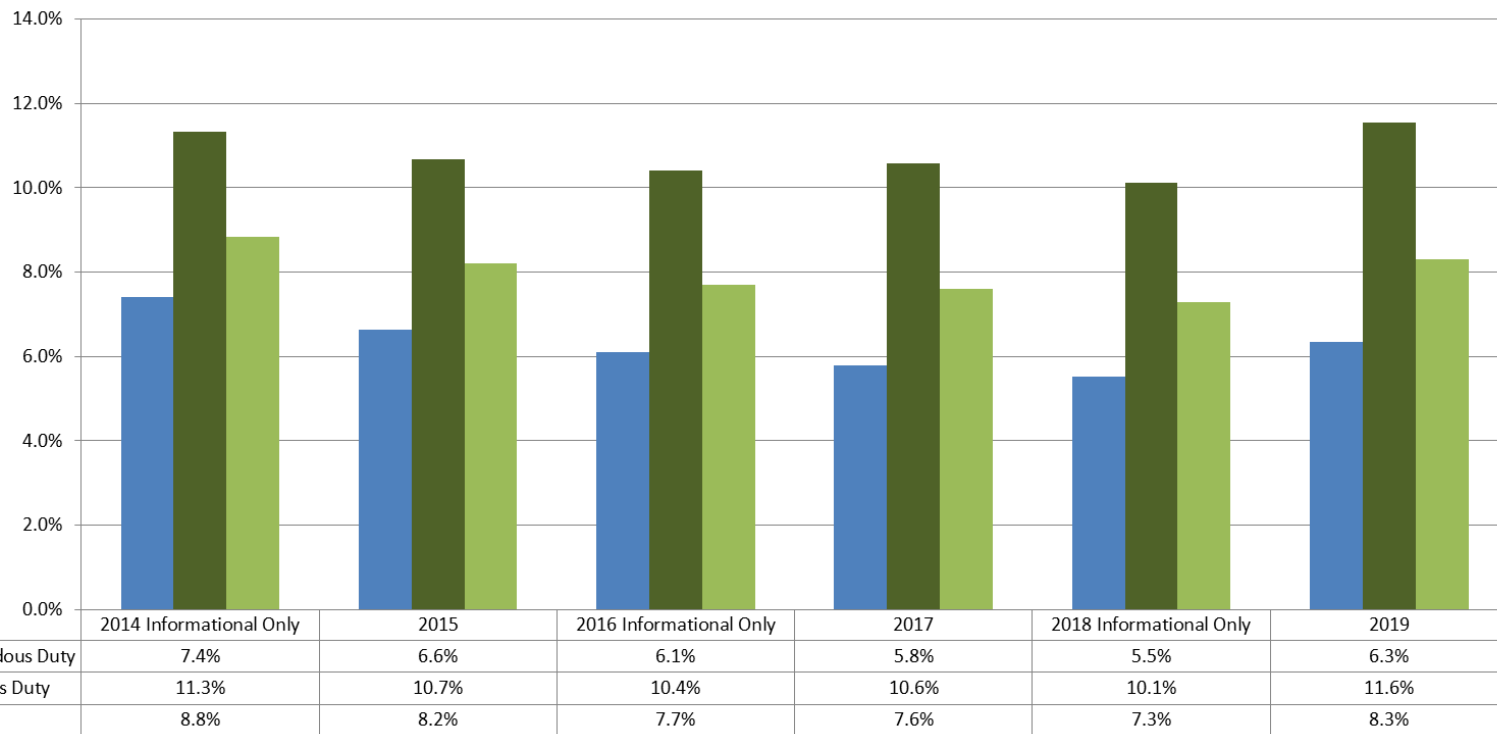


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Contribution Rates



Average Employer Contribution Rates Plans With and Without Hazardous Duty



Rates net of member contribution rate and include employer contribution rate for Hybrid Defined Contribution component.

Teacher Rate Development Information

Development of Employer Normal Cost

	Total Normal Cost Rate % of Payroll		Member Contribution % of Payroll		Employer Normal Cost % of Payroll
Plan 1	13.43%	-	5.00%	=	8.43%
Plan 2	11.51%	-	5.00%	=	6.51%
Hybrid	6.91%	-	4.00%	=	2.91%
Total Blended	11.01%	-	4.68%	=	6.33%
Administrative Expense Load					0.27%
Employer Normal Cost Rate					6.60%



Development of Unfunded Amortization of Liability

	Amortization of Unfunded Liability % of Payroll
Legacy Unfunded - 2013 (24 Years Remaining)	10.99%
2014-2019 Experience Gains/Losses (15 - 20 Years Remaining)	-3.55%
2017 & 2019 Assumption Changes (18 - 20 Years Remaining)	1.29%
2011 Deferred Contributions (2 Years Remaining)	0.73%
Total Unfunded Amortization	9.46%



Development of Board Certified Employer Contribution Requirement

Blended Normal Cost Rate		Rate to Amortize Unfunded Liability		Board Certified Rate Defined Benefit Plan		Employer Contribution Rate to Hybrid DC Component		Board Certified Rate
6.60%	+	9.46%	=	16.06%	+	0.56%	=	16.62%

State Rate Development Information

Development of Employer Normal Cost

	Total Normal Cost Rate % of Payroll		Member Contribution % of Payroll		Employer Normal Cost % of Payroll
Plan 1	11.51%	-	5.00%	=	6.51%
Plan 2	10.55%	-	5.00%	=	5.55%
Hybrid	6.58%	-	4.00%	=	2.58%
Total Blended	9.39%	-	4.60%	=	4.79%
Administrative Expense Load					0.29%
Employer Normal Cost Rate					5.08%



Development of Unfunded Amortization of Liability

	Amortization of Unfunded Liability % of Payroll
Legacy Unfunded - 2013 (24 Years Remaining)	10.62%
2014-2019 Experience Gains/Losses (15 - 20 Years Remaining)	-3.21%
2017 & 2019 Assumption Changes (18 - 20 Years Remaining)	1.18%
Total Unfunded Amortization	8.59%



Development of Board Certified Employer Contribution Requirement

Blended Normal Cost Rate		Rate to Amortize Unfunded Liability		Board Certified Rate Defined Benefit Plan		Employer Contribution Rate to Hybrid DC Component		Board Certified Rate
5.08%	+	8.59%	=	13.67%	+	0.79%	=	14.46%

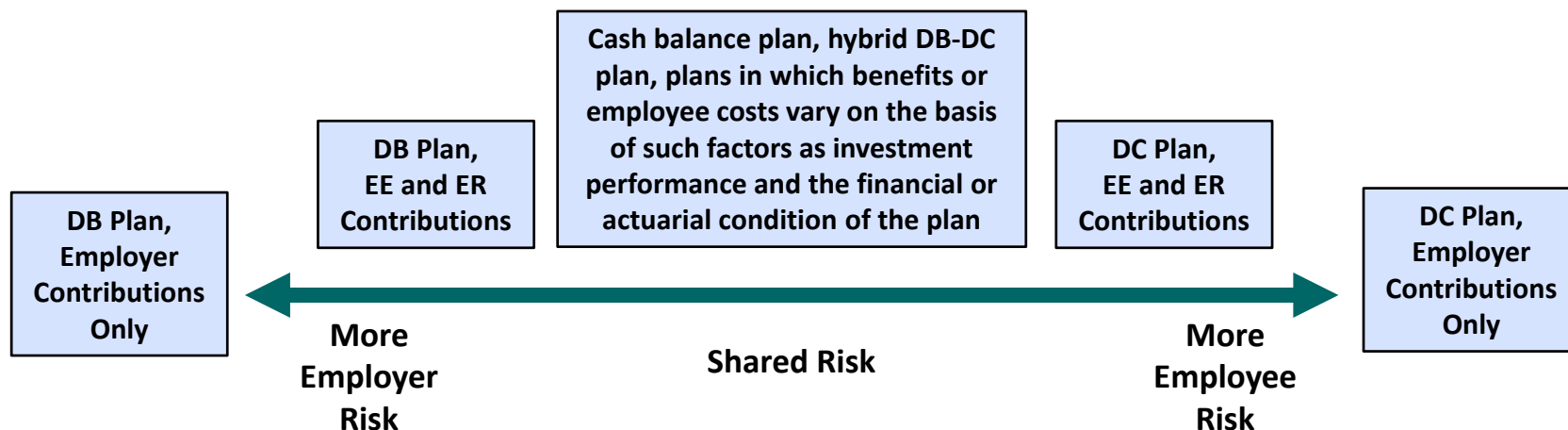


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Hybrid Retirement Plan



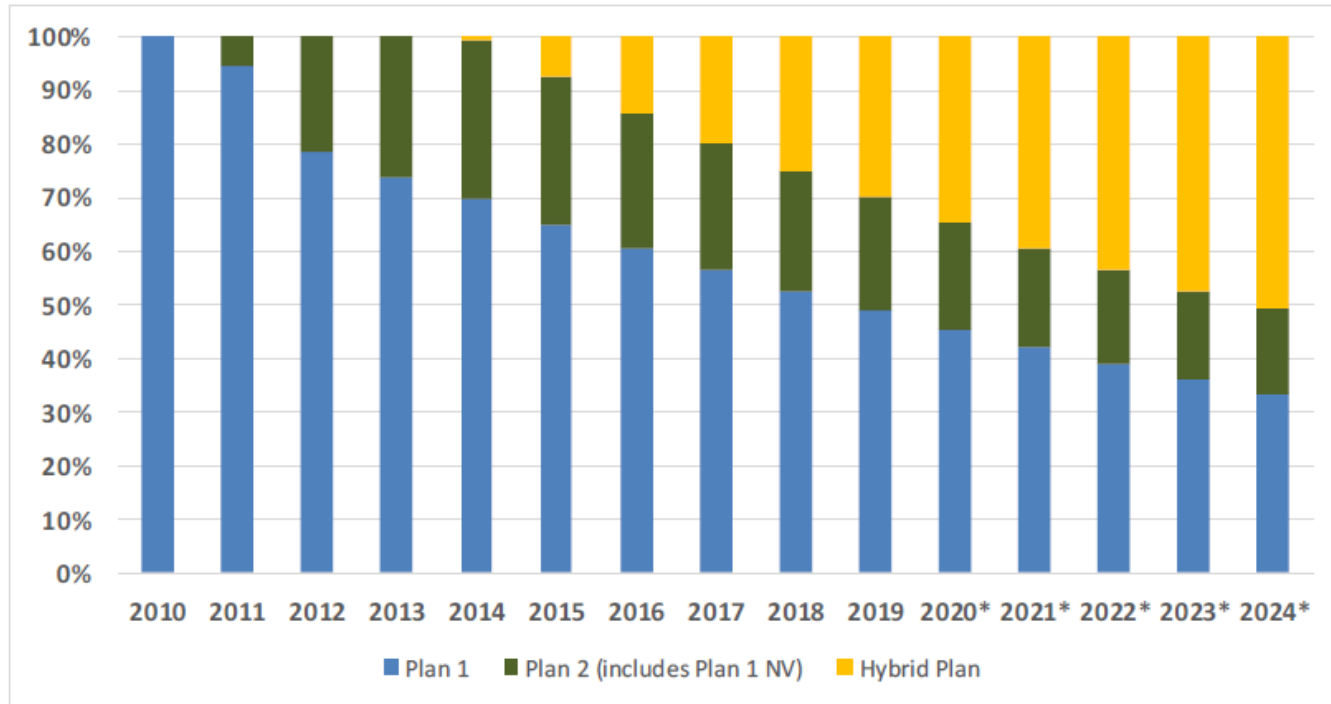
Retirement Plan Design – Risk Sharing



Risk Distribution in a Defined Benefit Pension Plan		
Risk	Employer	Employee
Investment	X	
Inflation	X	
Longevity	X	
Market Timing	X	
Portability/Accrual		X
Vesting		X

Risk Distribution in a Defined Contribution Pension Plan		
Risk	Employer	Employee
Investment		X
Inflation		X
Longevity		X
Market Timing		X
Portability/Accrual		X
Vesting		X

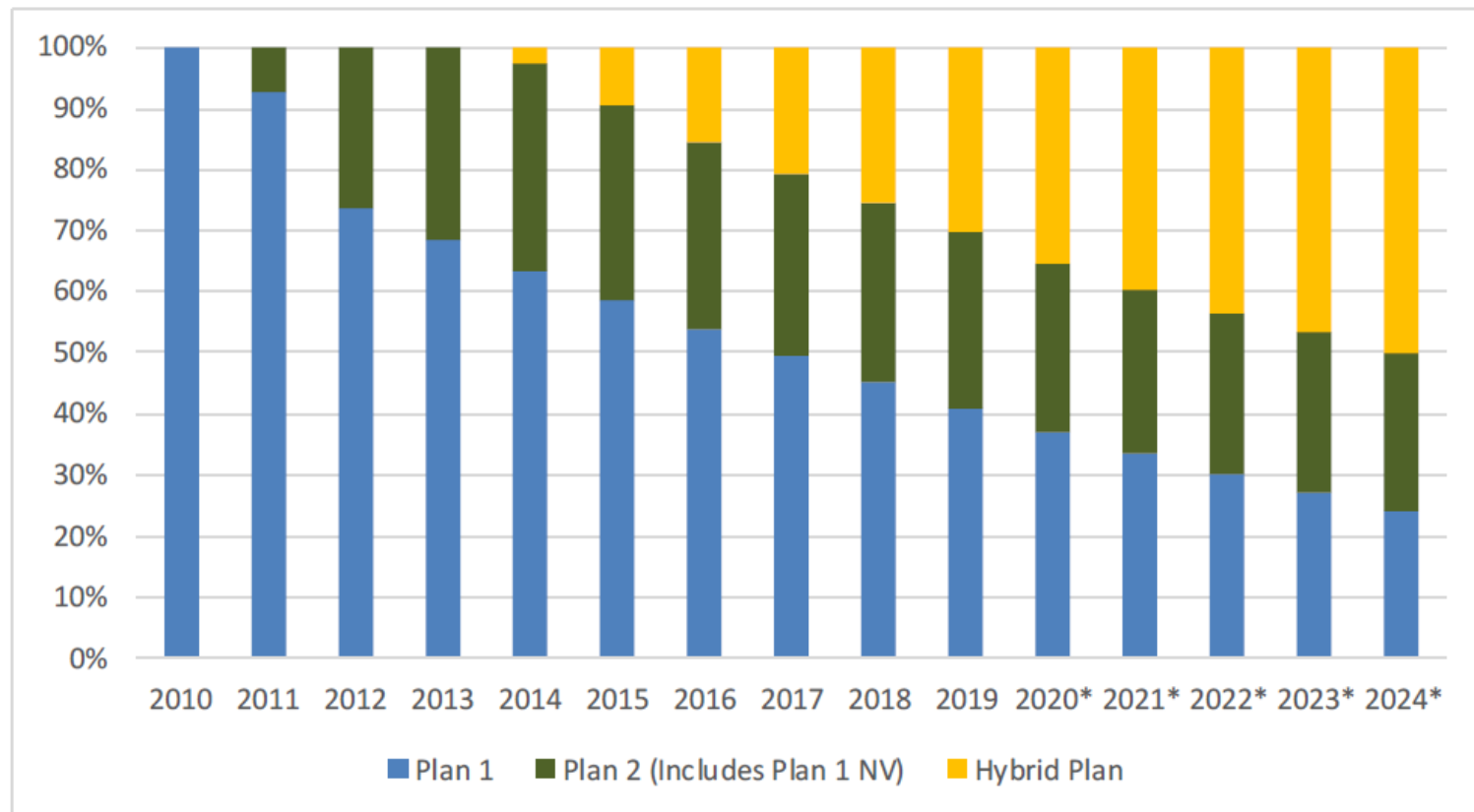
Teacher Active Member Breakdown



* Fiscal years 2020-2024 show projected membership breakdown based on historical turnover experience.

Note: The turnover experienced in the Teacher Plan has been less than the turnover experienced by the State Plan. Thus, the Teacher Plan is migrating to the Hybrid Plan slower than the State Plan.

Political Subdivision Active Member Breakdown



*Projected assuming number of actives remains constant

Note: Fiscal years 2020-2024 show projected membership breakdown based on historical turnover experience.



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Line of Duty Act



LODA Administrative Roles



A partnership of VRS and DHRM

LODA Eligibility

Employee or volunteer must serve in an eligible position for state or local government in Virginia as defined in the *Code of Virginia* § 9.1-400

Death or disability must occur in the line of duty as the direct or proximate result of performance of duty, including presumptions (respiratory diseases, hypertension, infectious diseases, certain cancers and heart disease)

A member of any **fire company or department or emergency medical services agency** that has been **recognized by an ordinance or a resolution** of the governing body of any county, city or town of the Commonwealth as an integral part of the official safety program

Death Benefit

The death benefit is a one-time payment made to a beneficiary or the beneficiaries of deceased eligible employees or volunteers:

- It is paid based on the will of a deceased employee or volunteer.
- If there is no will, the benefit is paid according to the order of precedence as defined in the *Code of Virginia*.

Benefit	Scenario
\$100,000	Death as the direct or proximate result of performing duty January 1, 2006, or after
\$25,000	Cause of death is attributed to one of the applicable presumptions and is within five years of the retirement date
\$20,000	Additional benefit paid when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001

The **Federal Public Safety Officers' Benefit Act** provides death and education benefits to survivors of fallen law enforcement officers, firefighters and other first responders, and disability benefits to officers catastrophically injured in the line of duty. More information is available from the Bureau of Justice Assistance.

VRS members may be eligible for other benefits in addition to those provided through LODA and must apply separately for these benefits:

- **Life Insurance Benefits**
- **Disability Retirement & Managed Disability Programs**
- **Death-in-Service Benefits**
- **Long-Term Care Programs**