



Virginia Retirement System Overview

Senate Finance

Robert P. Schultze, VRS Director
January 27, 2015



VRS Overview

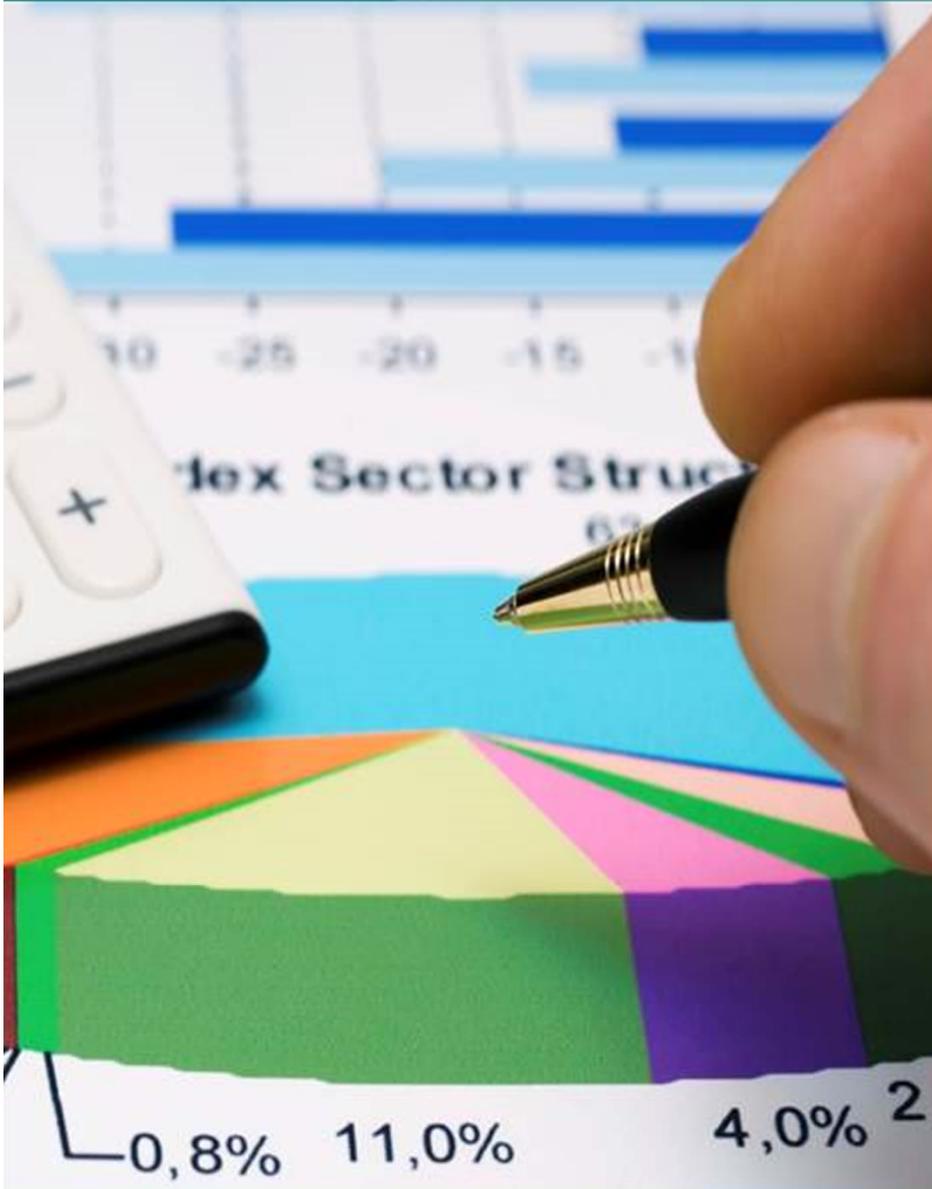
VRS Total Membership



	Plan 1	Plan 2	Hybrid	Total
Teachers	96,672	40,644	9,508	146,824
Political Subdivisions	64,215	34,469	6,736	105,420
State Employees	51,297	21,860	5,381	78,538
State Police Officers' Retirement System (SPORS)	1,484	473	–	1,957
Virginia Law Officers' Retirement System (VaLORS)	5,353	3,913	–	9,266
Judicial Retirement System (JRS)	310	69	–	379
Total Active Members	219,331	101,428	21,625	342,384

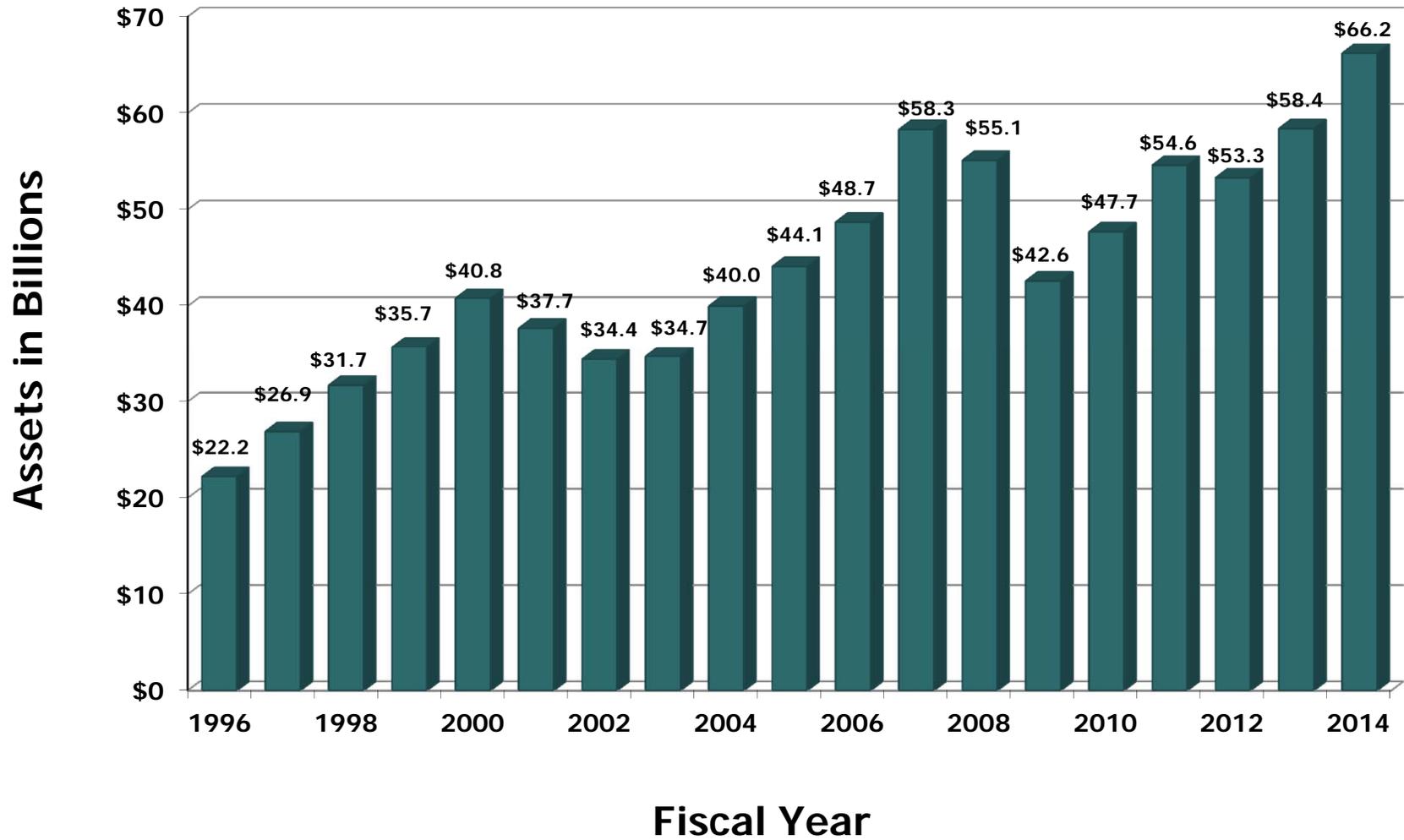
Total Active Members	Retirees/ Beneficiaries	Inactive/ Deferred Members	VRS Total Population
342,384	182,864	130,003	655,251

As of December 31, 2014

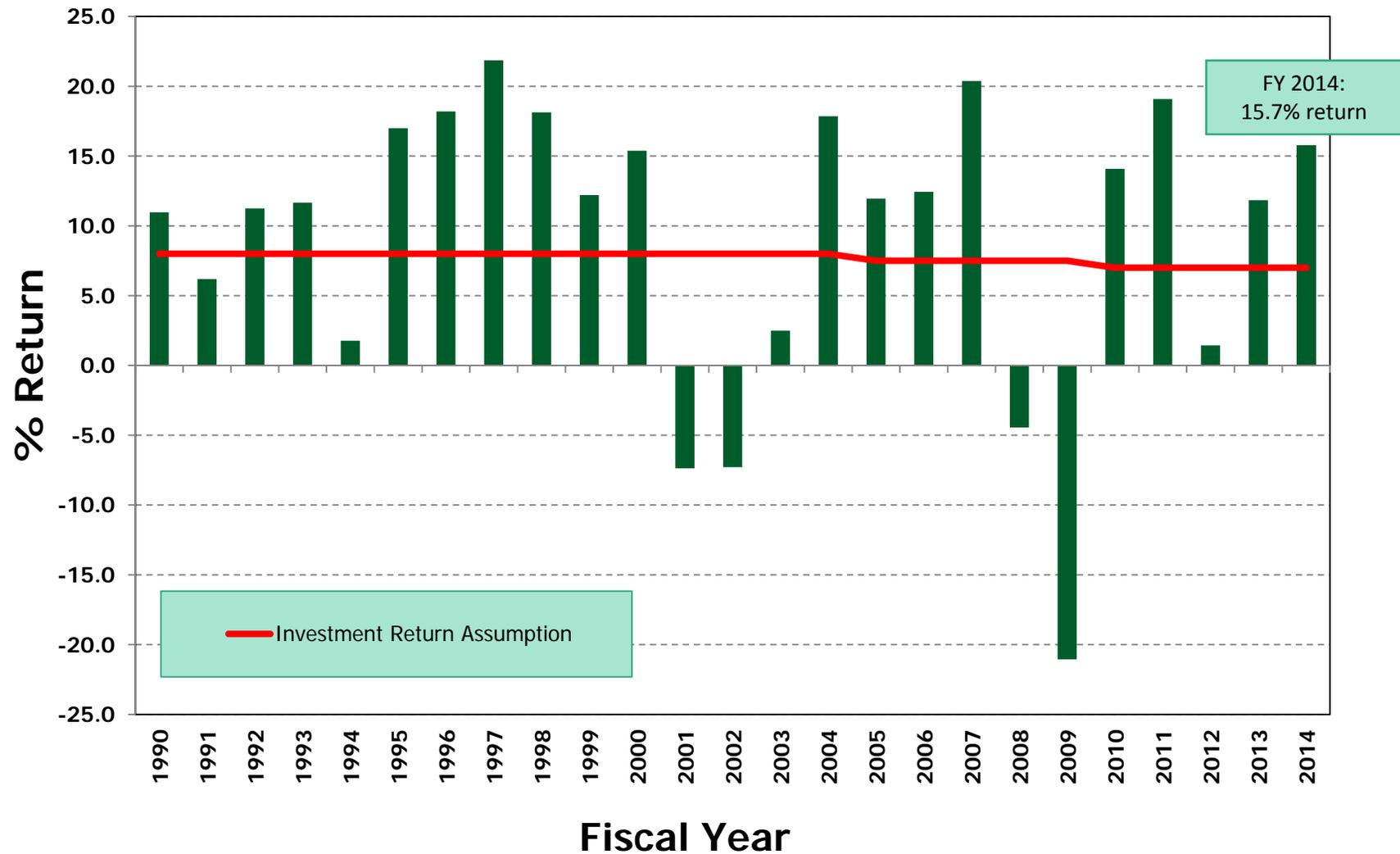


VRS Investments Overview

Net Assets Available for Benefits



VRS Fiscal Year Returns





Fund Performance

	VRS Return (As of June 30, 2014)
3-year	9.5%
5-year	12.3%
10-year	7.4%
15-year	6.1%
20-year	8.8%
25-year	8.7%

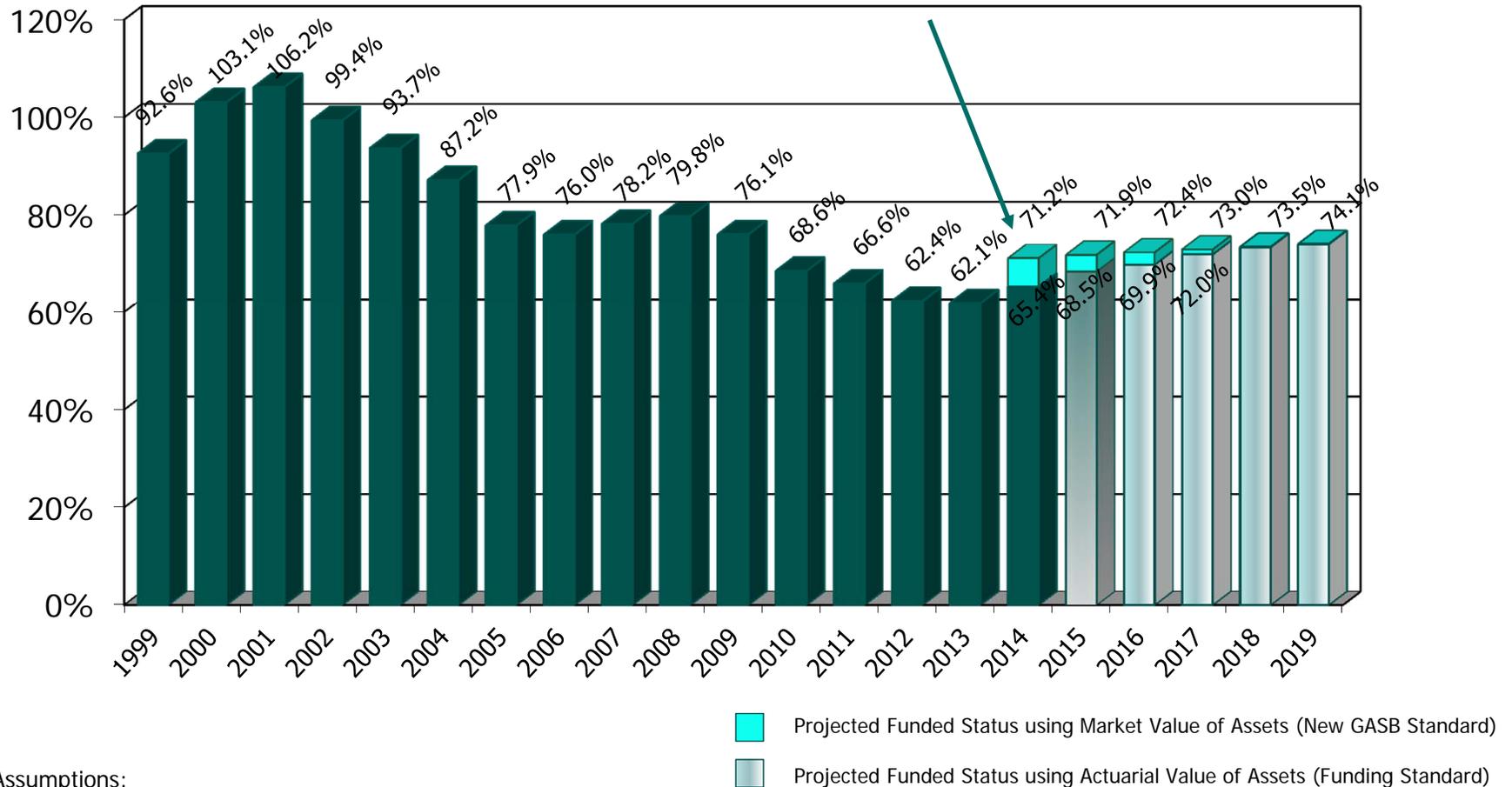


Funded Status and Contribution Rates

Funded Status: Teachers



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.



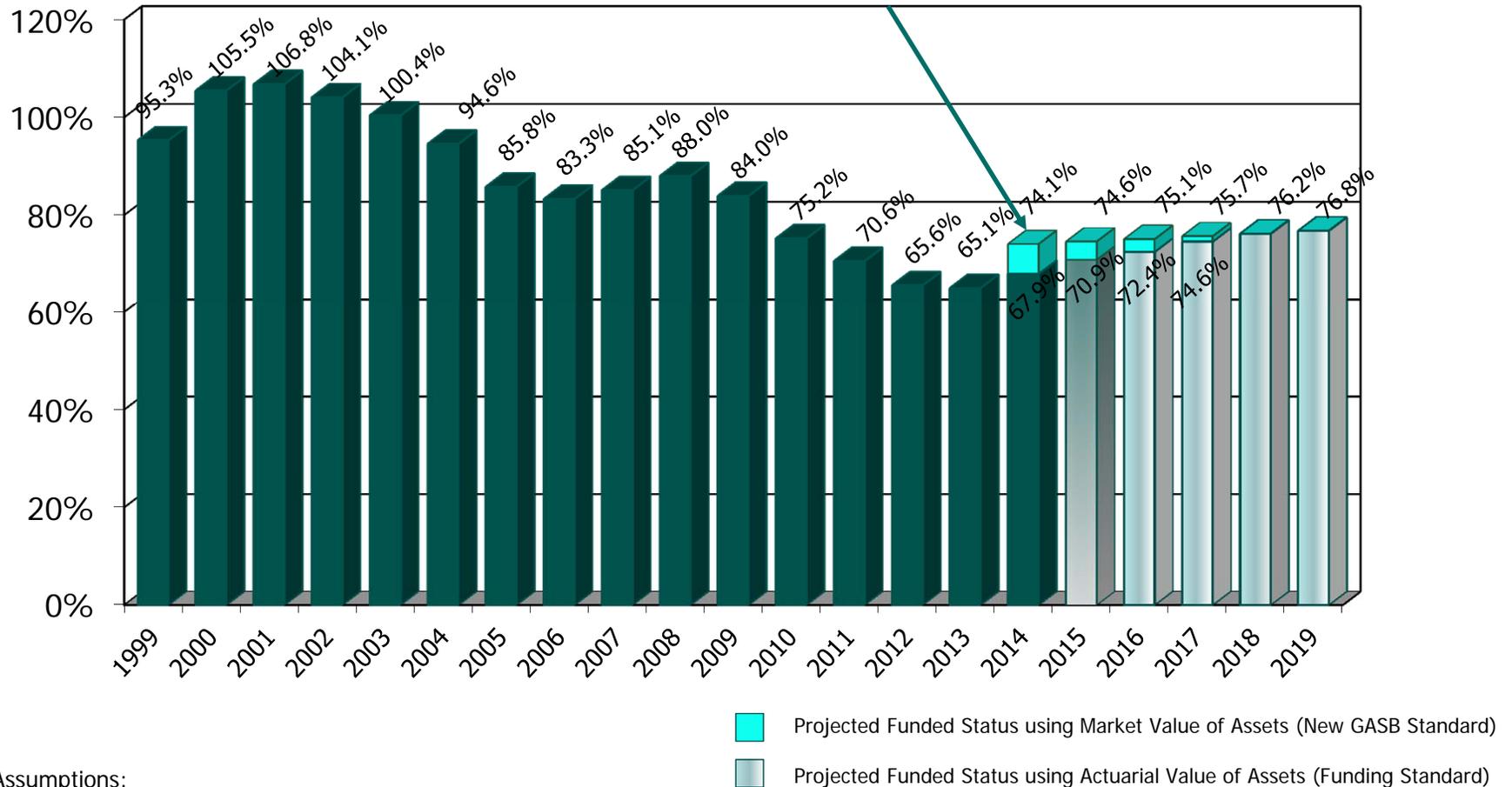
Assumptions:

- Fiscal Year 2014 investment return at 15.7%.
- Other projected years' investment returns assume 7.0% with 2.5% inflation rate.
- Projected Funded Status reflects additional \$150 million contribution to Teachers Plan on 6/30/15.

Funded Status: State Employees



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.



Assumptions:

- Fiscal Year 2014 investment return at 15.7%.
- Other projected years' investment returns assume 7.0% with 2.5% inflation rate.

Virginia Retirement System Liabilities



Unfunded Liabilities by Plan

Plan	6/30/2013 Funding Smoothed Assets	6/30/2014 Funding Smoothed Assets	6/30/2014 GASB* Market Assets	6/30/2014 Moody's* Market Assets
State Employees (includes SPORS, JRS, VaLORS)	\$8.78	\$8.33	\$6.80	\$16.63
Teachers	\$15.13	\$14.27	\$11.89	\$27.94
Local Political Subdivisions*	\$4.47	\$3.67	\$2.34	\$9.71
Total	\$28.38	\$26.27	\$21.02	\$54.28

* GASB unfunded liabilities are estimates based on 7.00% discount rate. Moody's unfunded liability is based on 4.33% discount rate.

Estimated VRS Employer Contribution Rates



General Assembly committed to phase-in contribution rates for the teacher and state plans to the VRS board-certified rates as follows:

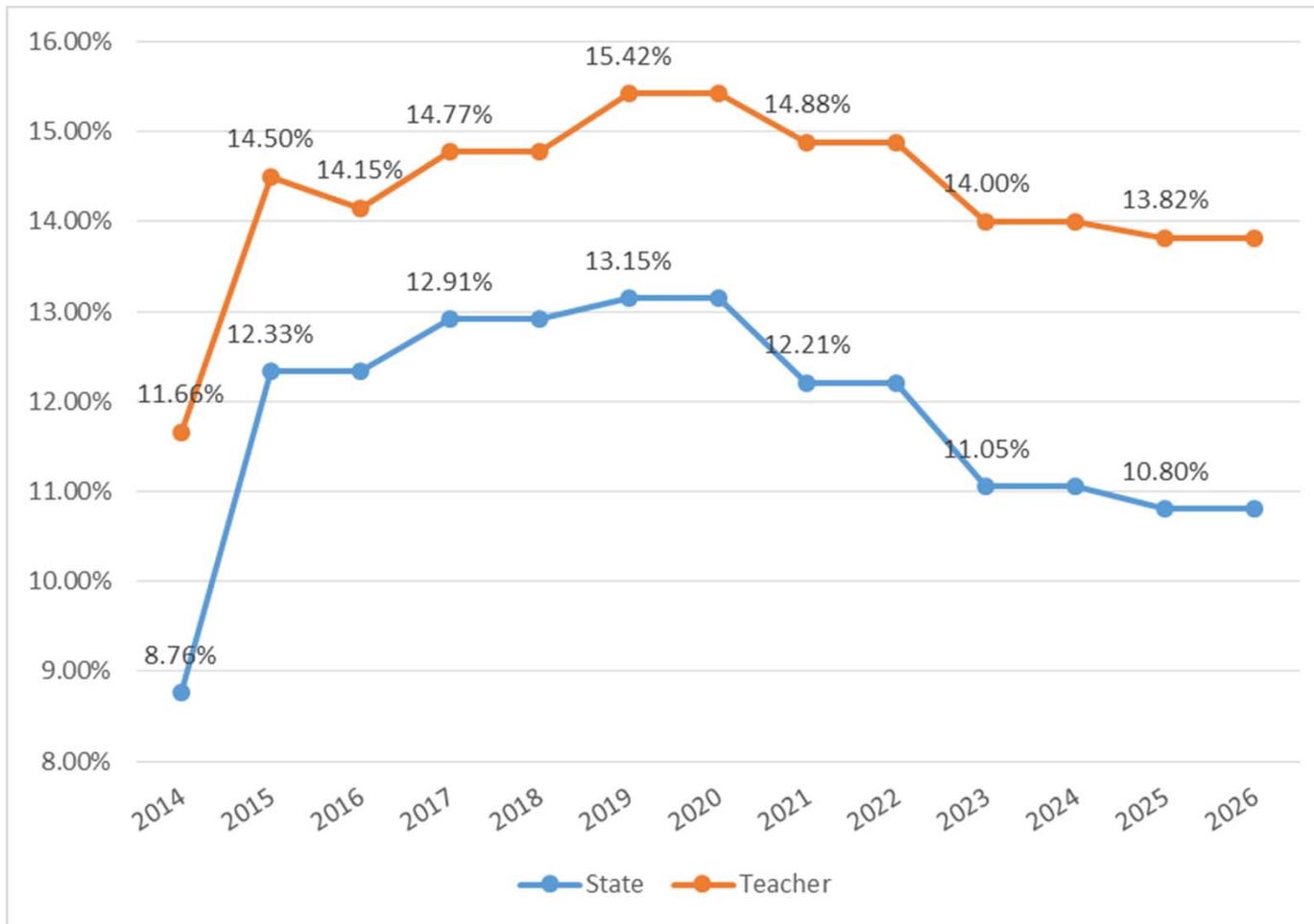
	July 1, 2012	July 1, 2014	July 1, 2016	July 1, 2018
State	67.02%	78.02%	89.01%	100%
Teachers	69.53%	79.69%	89.84%	100%

Estimated Contribution Rates by Fiscal Year

	2013-14	2015 & 2016	2017 & 2018	2019 & 2020
State	8.76%	12.33%	12.91%	13.15%
Teachers	11.66%	14.15% (14.50%)	14.77% (15.12%)	15.42% (15.79%)

- Added cost to achieve the 2015/2016 contribution rate increases is approximately \$315 million for the biennium in General Funds.
- Fiscal Year 2014 investment return estimated at 15.7%.
- Above contribution rates are net of employee contributions.
- Teacher rates for FY 2016 were lowered due to additional contribution of \$150 million applied to deferred contribution balance during FY 2015. The subsequent rates for FY 2017 – 2020 were also lowered to reflect the accelerated payment received. (Rate prior to accelerated payment is in parenthesis.)

State & Teacher Projected Employer Contribution Rates Including Defined Contribution Hybrid



- Assumes employer match to defined contribution portion of the hybrid plan of 1.5% of payroll for members in the hybrid plan.
- Teacher rates in fiscal years 2016 – 2020 reflect accelerated payment of \$150 million to payback deferred contributions from 2010-2012 biennium. Accelerated payment was proposed in 2015 budget bill.

Teacher Plan – 10 Year Payback Schedule for Deferred Contributions from 2010-2012 Biennium



Original Amortization Schedule

Modified Amortization Schedule

Date	Outstanding Balance	Years Remaining On Amortization Schedule	Amortization Payment
6/30/2011	\$ 741,432,106	10	\$99,232,610
6/30/2012	\$ 691,780,147	9	\$99,232,610
6/30/2013	\$ 634,025,864	8	\$99,232,610
6/30/2014	\$ 572,228,782	7	\$99,232,610
6/30/2015	\$ 506,105,904	6	\$99,232,610
6/30/2016	\$ 435,354,424	5	\$99,232,610
6/30/2017	\$ 359,650,341	4	\$99,232,610
6/30/2018	\$ 278,646,972	3	\$99,232,610
6/30/2019	\$ 191,973,367	2	\$99,232,610
6/30/2020	\$ 99,232,610	1	\$99,232,610
6/30/2021	\$ -	0	

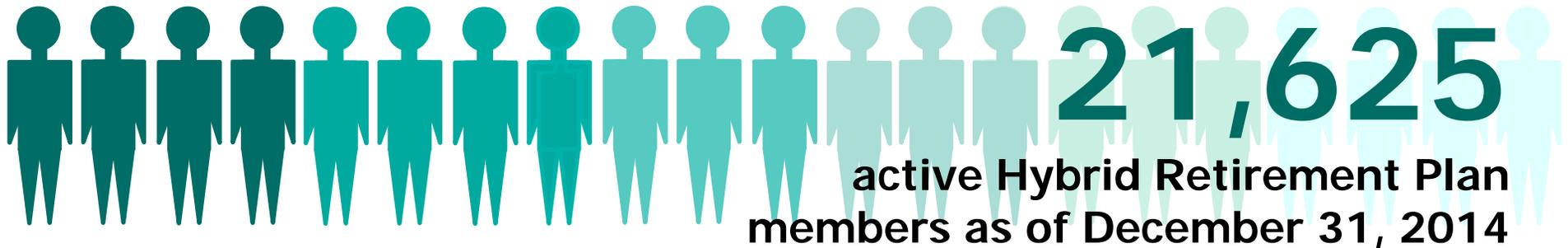
Date	Outstanding Balance	Years Remaining On Amortization Schedule	Amortization Payment
6/30/2011	\$ 741,432,106	10	\$99,232,610
6/30/2012	\$ 691,780,147	9	\$99,232,610
6/30/2013	\$ 634,025,864	8	\$99,232,610
6/30/2014	\$ 572,228,782	7	\$99,232,610
6/30/2015	\$ 356,105,904	6	\$69,821,984
6/30/2016	\$ 306,323,794	5	\$69,821,984
6/30/2017	\$ 253,056,937	4	\$69,821,984
6/30/2018	\$ 196,061,400	3	\$69,821,984
6/30/2019	\$ 135,076,175	2	\$69,821,984
6/30/2020	\$ 69,821,984	1	\$69,821,984
6/30/2021	\$ -	0	

Reflects accelerated payment of \$150 million proposed in 2015 Budget Bill to pay down outstanding balance of contributions deferred during the 2010-2012 biennium.



Hybrid Retirement Plan

Hybrid Retirement Plan

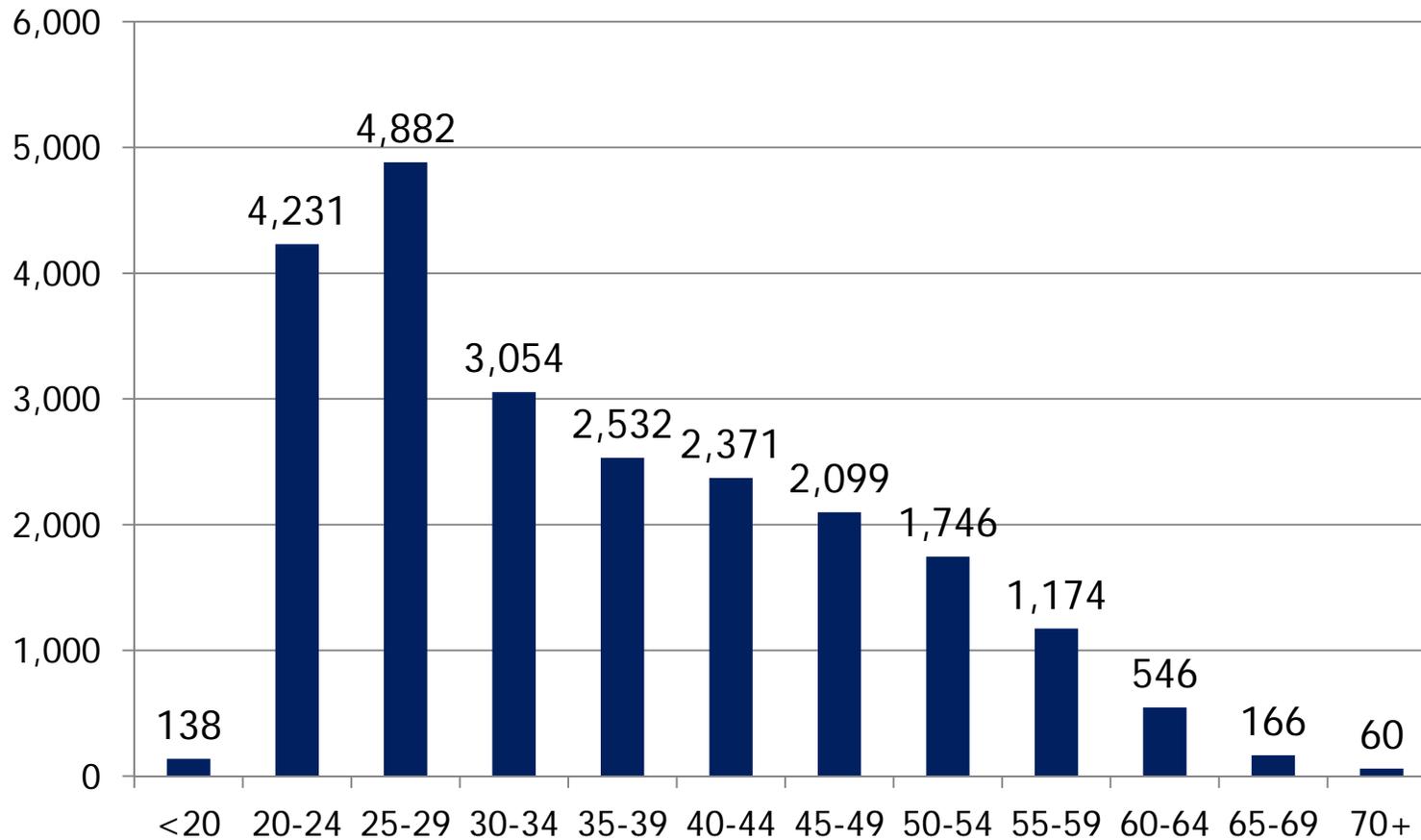


- Total combined balance in the Hybrid 401(a) Cash Match Plan and the Hybrid 457 Deferred Compensation Plan is \$9.4 million.
- Only approximately 1,500, or 6.6%, of hybrid members are making voluntary contributions.

Hybrid Retirement Plan



Hybrid Retirement Plan Members by Age

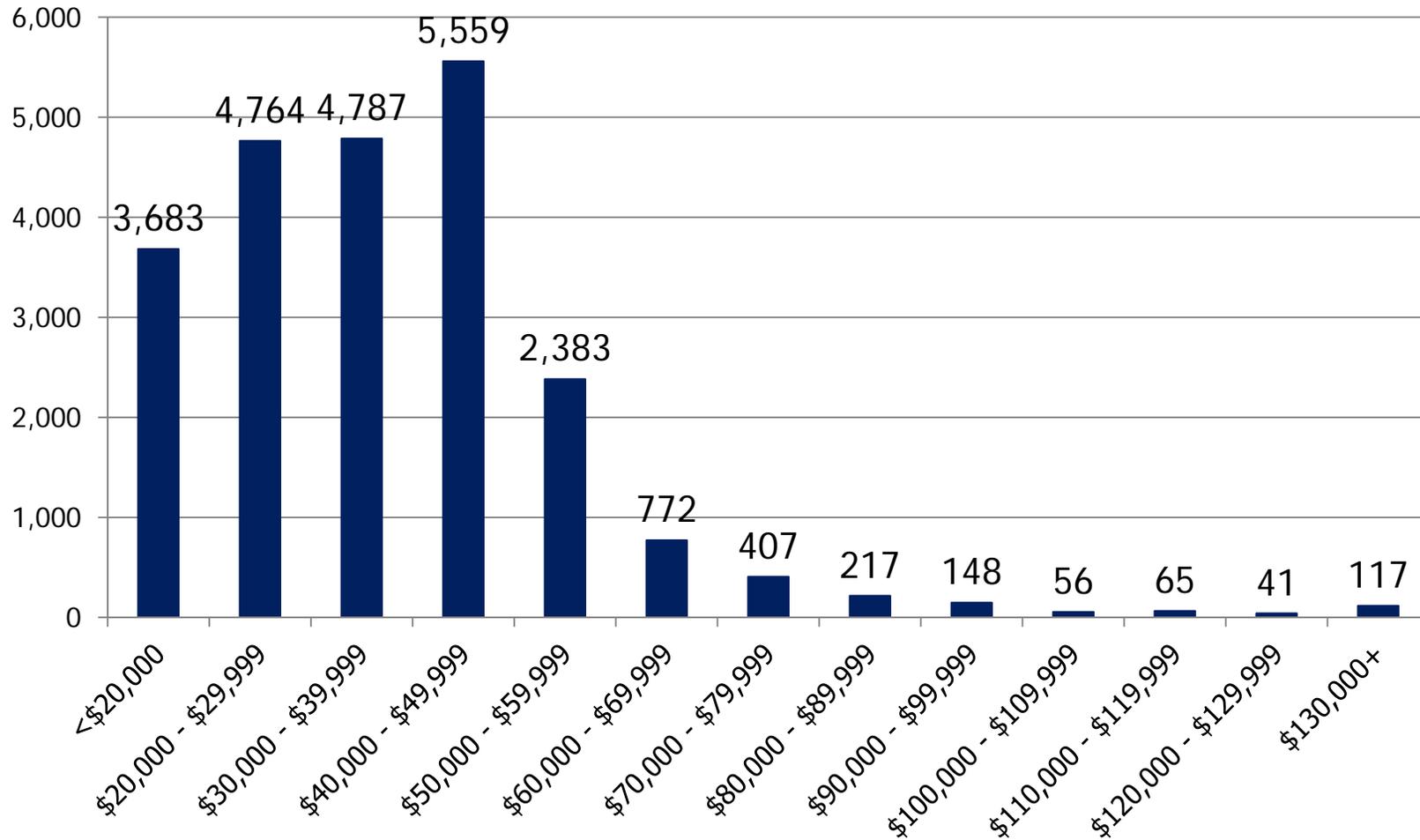


As of January 1, 2015

Hybrid Retirement Plan



Number of Hybrid Retirement Plan Members by Salary



As of January 1, 2015



Summary

- Funded status of the VRS state and teacher plans is improving:
 - Solid investment gains
 - Now receiving higher percentage (80%) of actuarially determined contributions in accordance with the 2012 Pension Reform Plan
 - GASB 67 accounting rules produce further improvement as market value of assets is \$5 billion higher than actuarial (smoothed) value of assets.
- Pension Reform Plan will require modest increases in employer contribution rates for state and teacher plans over the next two biennia 2016-18 (90%) and 2018-20 (100%).
- Long-range prognosis for the health of VRS is positive if the General Assembly adheres to the funding plan.



Questions?