



# VRS Update

Virginia Association of Counties (VACo), General Government Steering Committee

August 15, 2024

Presented by

Patricia S. Bishop, VRS Director

Andrew F. Feagans, VRS Employer Relationship Program Manager

Sandra M. Jack, VRS Director of Policy, Planning and Compliance

# Agenda

- VRS Overview
- Funded Status and Contribution Rates
- VRS and Local Governments
- Purchase of Prior Service



VRS' mission is to deliver retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.





VRS is the **14<sup>th</sup> largest** public pension system in the **U.S.**

VRS serves **more than 829,000** members, retirees and beneficiaries



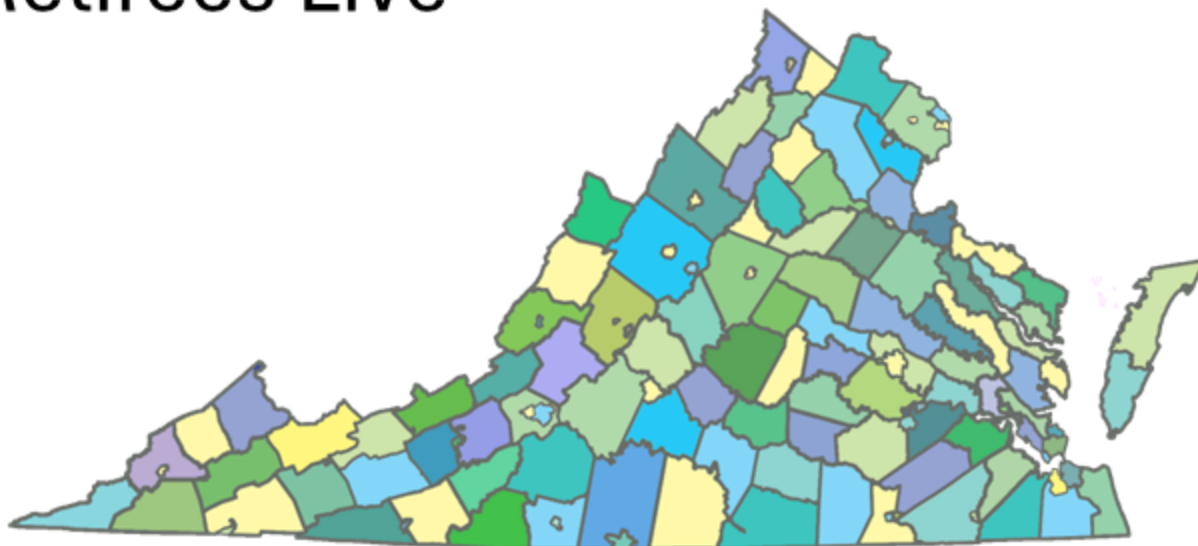
VRS is the **42<sup>nd</sup> largest** public pension system in the **world**

# Where VRS Retirees Live

# 84%

of VRS retirees  
remain in Virginia

(as of 6/30/23)



North Carolina:

**3%**



Florida:

**3%**



Maryland:

**1%**



South Carolina:

**1%**



Tennessee:

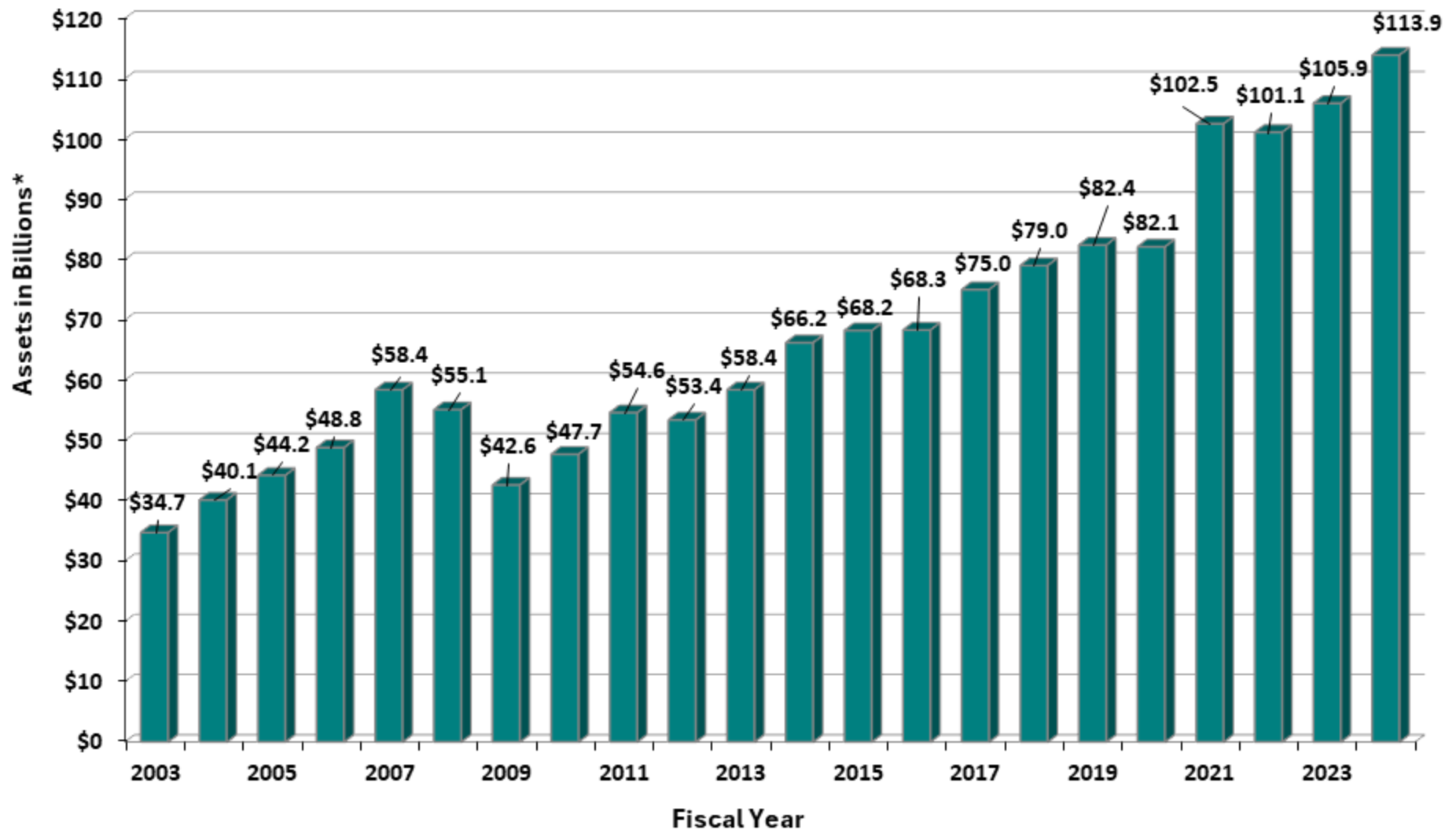
**1%**

Other States/Territories:

**7%**

**VRS paid \$6.0 billion  
to retirees in FY 2023.**

# VRS Net Position



\* Values for all years prior to FY2020 in this table were adjusted to reflect the impact of the implementation of GASB Statement No. 84 in FY 2020.

# Benefit Administration

## Federal Law



## Code of Virginia



## Constitution of Virginia



# VRS Total Membership as of June 30, 2024

	Plan 1	Plan 2	Hybrid	Total
Teachers	51,741	25,926	78,488	<b>156,155</b>
Political Subdivision Employees	29,218	31,941	57,481	<b>118,640</b>
State Employees	22,876	12,253	43,904	<b>79,033</b>
State Police Officers' Retirement System (SPORS)	868	1,012	—	<b>1,880</b>
Virginia Law Officers' Retirement System (VaLORS)	1,610	5,773	—	<b>7,383</b>
Judicial Retirement System (JRS)	120	38	294	<b>452</b>
<b>Total Active Members</b>	<b>106,433</b>	<b>76,943</b>	<b>180,167</b>	<b>363,543</b>

**Total  
Active Members  
363,543**

**Retirees/  
Beneficiaries  
244,539**

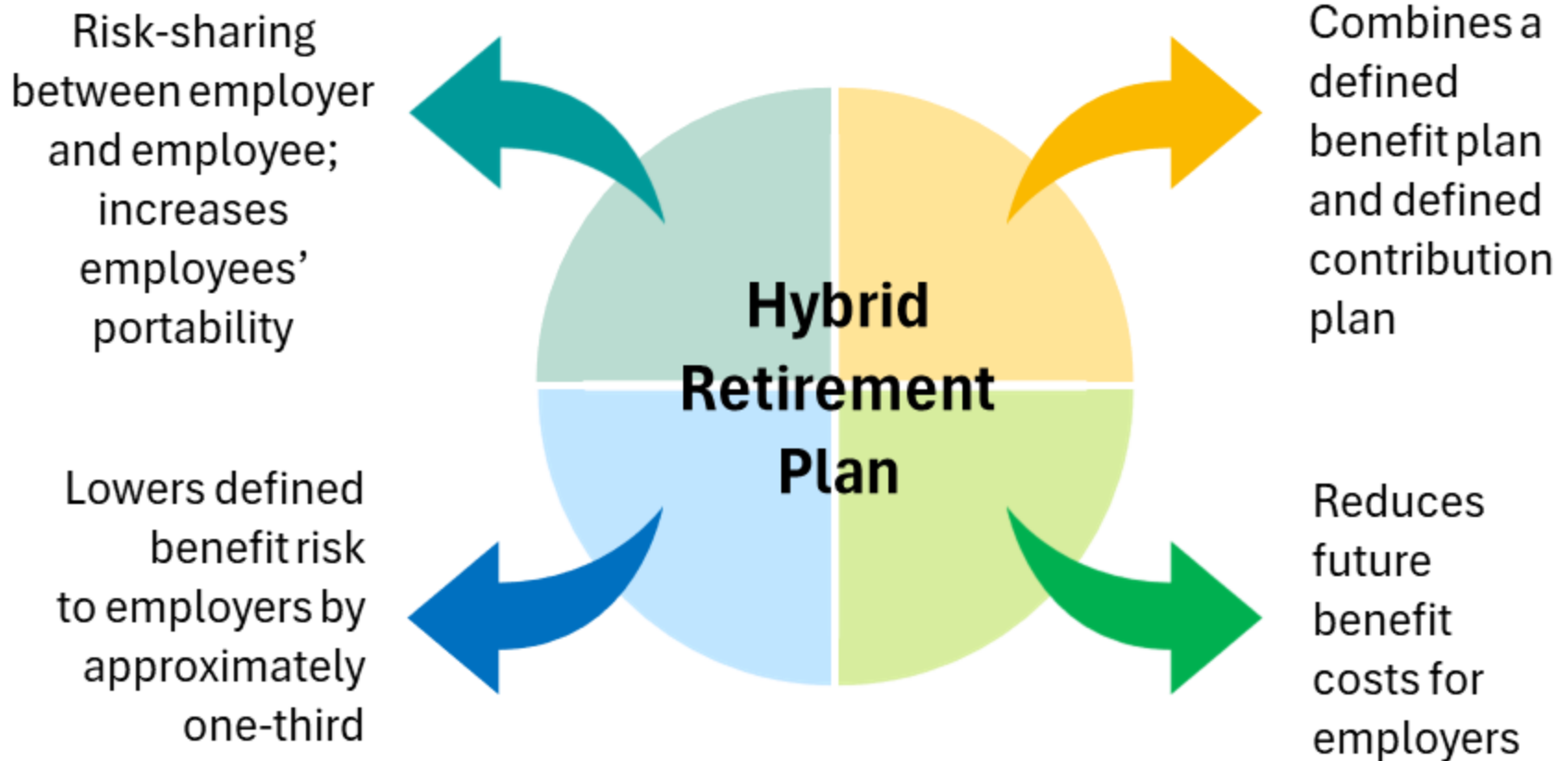
**Inactive/Deferred  
Members  
221,804**

**VRS Total  
Population  
829,886**

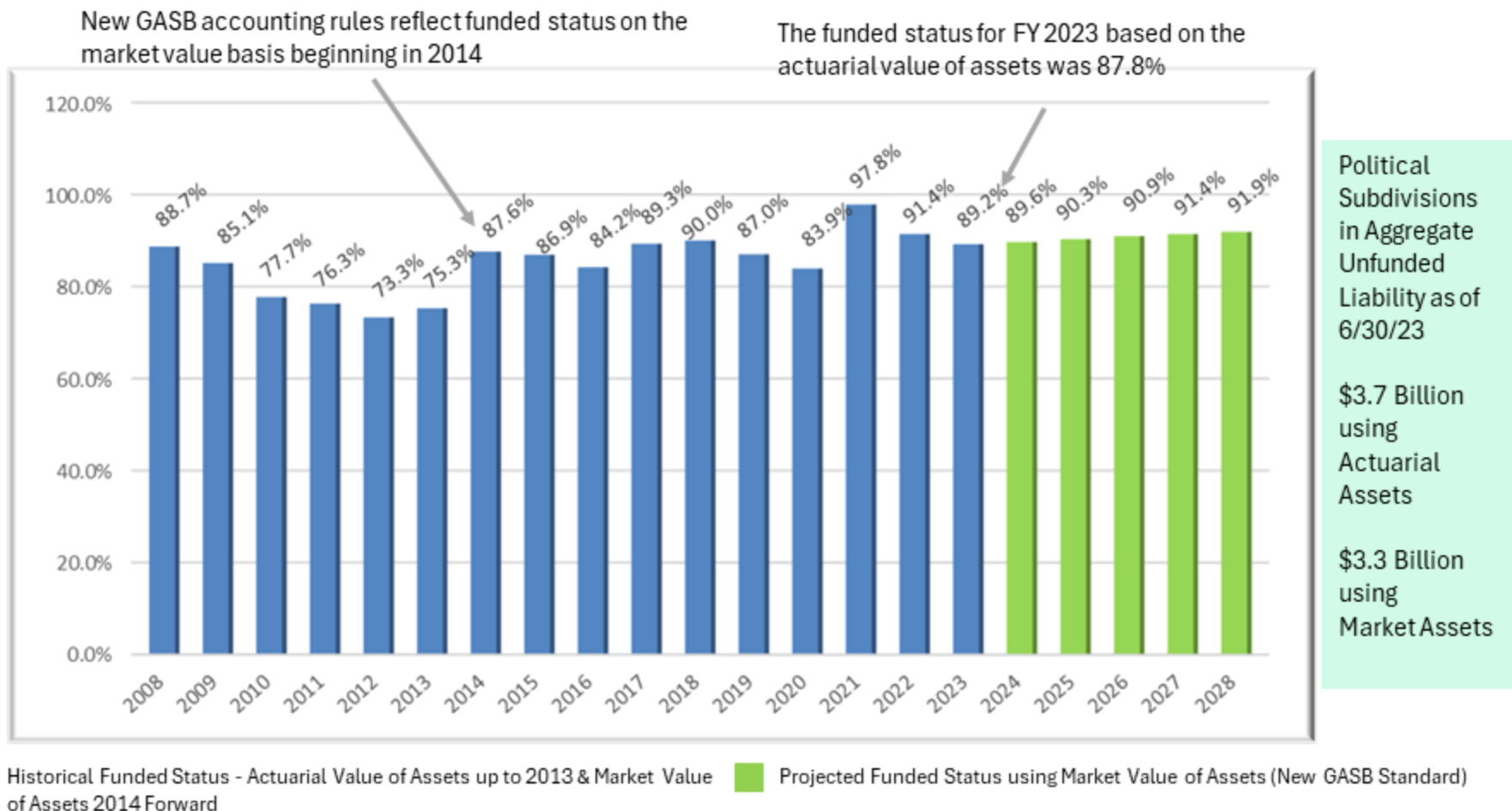


# Hybrid Retirement Plan

The Hybrid Retirement Plan is the dominant plan for VRS members.



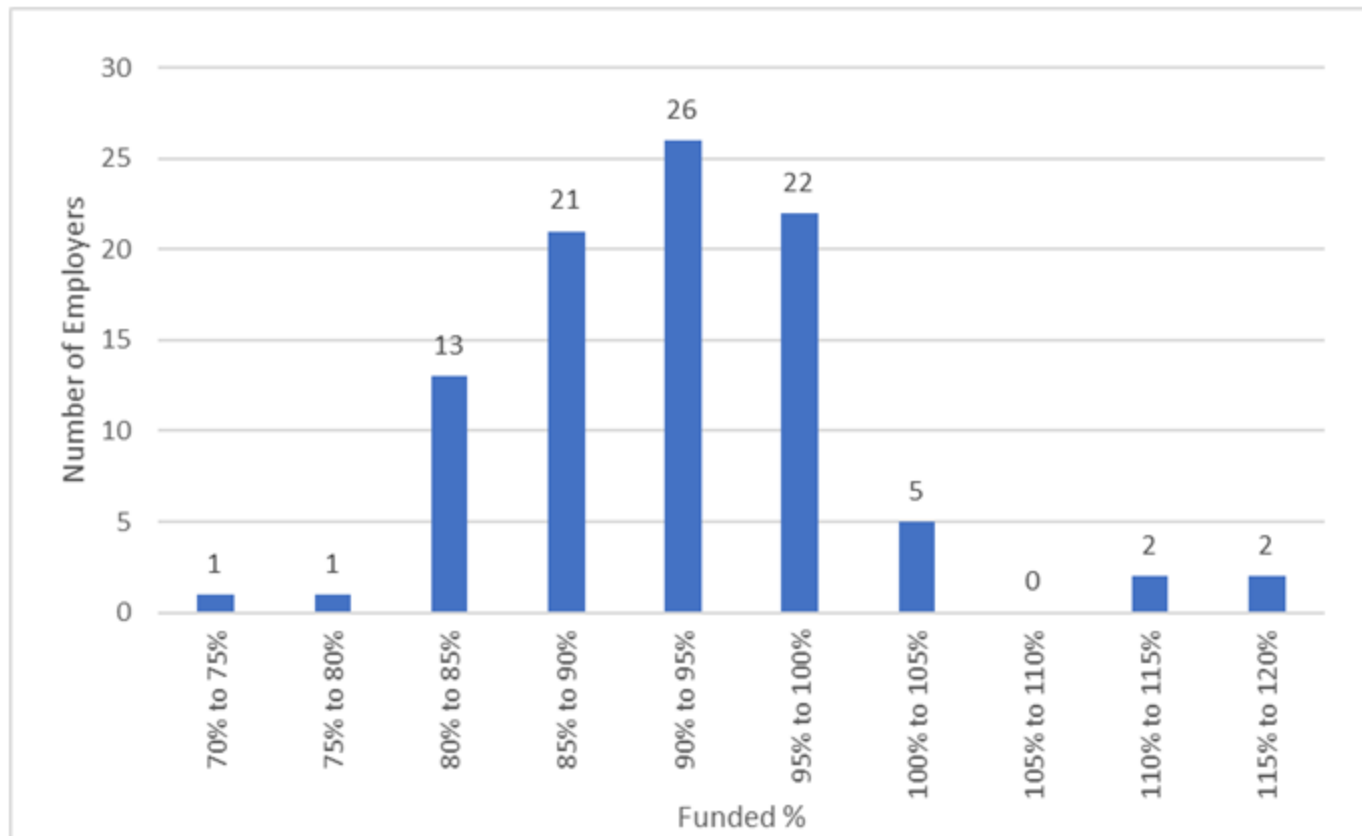
# Funded Status: Political Subdivisions in Aggregate



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 (MVA) as of June 30, 2023: Pensions – 93 County Plans



Average Funded Status:

**87.9%**

County Plans

70 of 93 County Plans  
have funded status  
greater than 87.9%

Average Funded Status  
weighted by Actuarial  
Accrued Liability

Contribution rates  
are calculated  
using specific factors  
and methods.



# VRS Funding

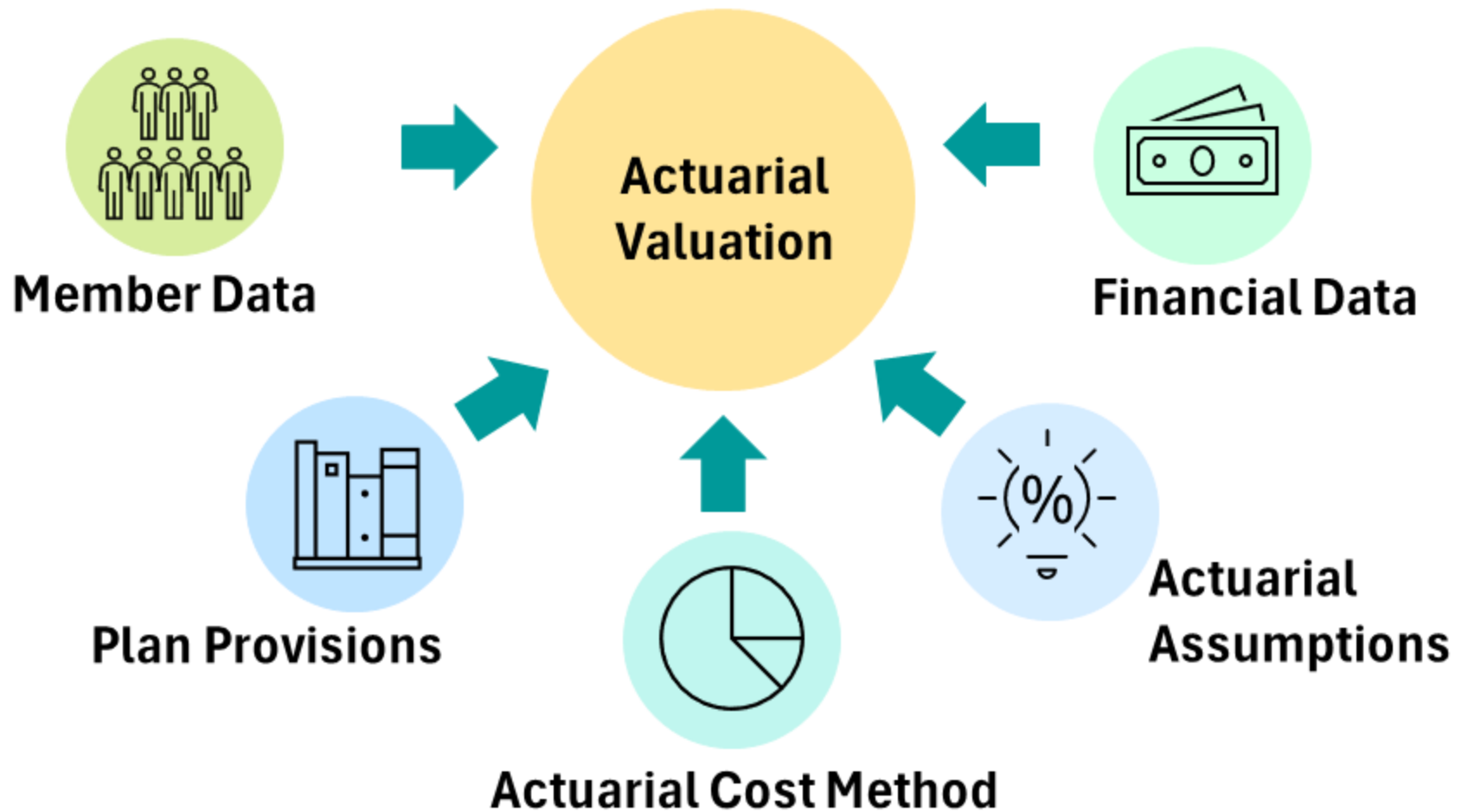
**Basic funding equation for benefits:**

$$C + I = B + E$$

**Contributions** + **Investment returns** = **Benefits** + **Expenses**

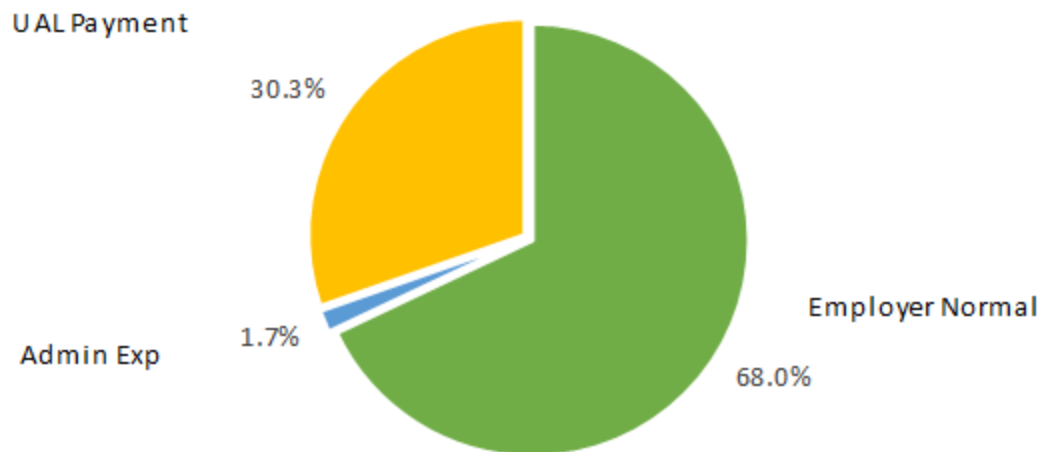
- Over the long term, actual investment returns, benefits and expenses determine the amount of contributions.
- Over the short term, estimated investment returns, benefits and expenses developed in an actuarial valuation will determine the amount of contributions.

# Actuarial Valuation Process: Statewide Pension and Political Subdivisions



# Calculated Pension Contributions: County Plans Average Employer Rate\*

County Plans Weighted Average Employer Rate



**Normal Cost will trend down to Plan 2/Hybrid level as new members are added to plans**

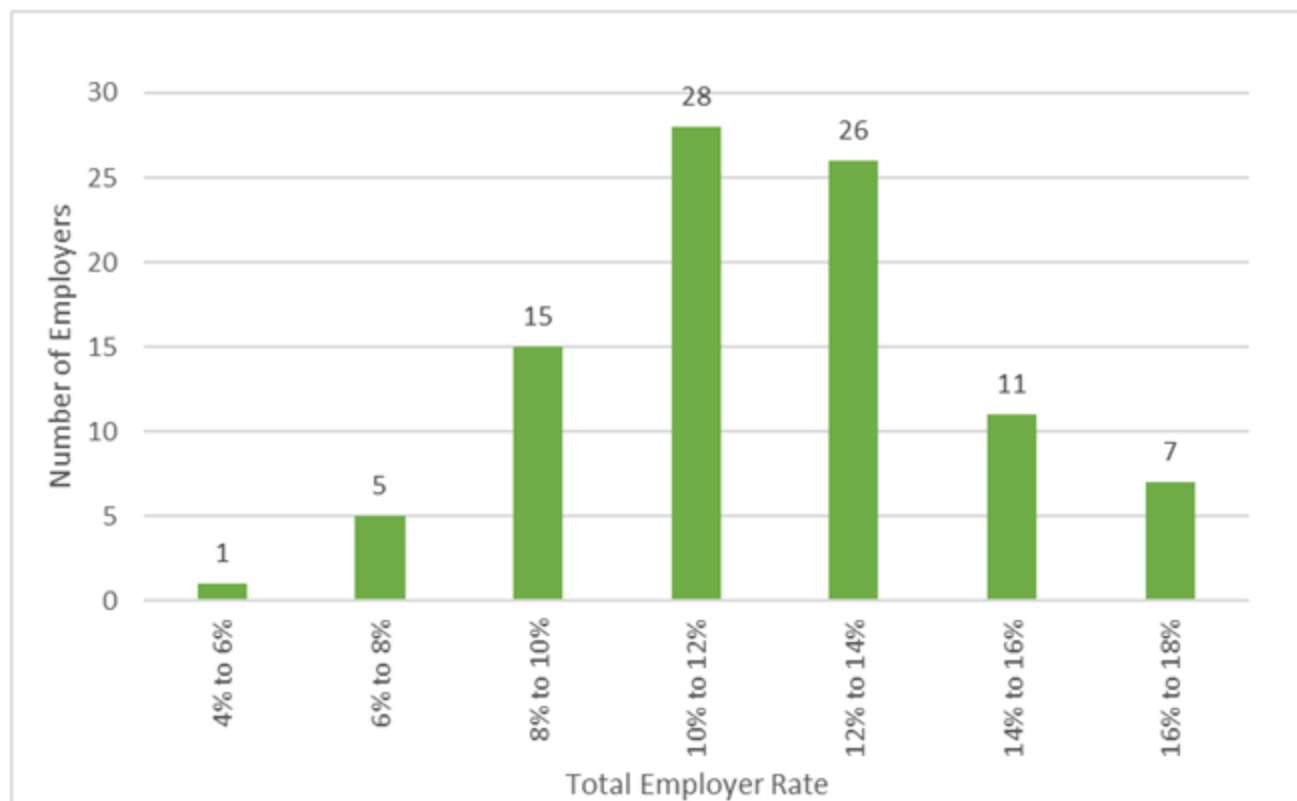
Component	% of Pay
Employer NC	9.56%
Admin Exp	0.24%
UAL Payment	4.27%
<b>Total:</b>	<b>14.06%</b>

Note: 30.3% of County plans contribution is for UAL payment - vs. ~60% for Statewide pension plans (other than JRS)

\* Average employer rate weighted by covered payroll

# Actuarially Determined Employer Contributions (ADEC) Employer Rates – County Plans

## ADEC Rate as of June 30, 2023, for 93 County Employers



Average ADEC Rate:

**14.06%**

County Plans

All county plans have elected hazardous duty benefits for eligible members.

Average Employer Rate weighted by covered payroll

Employer rates above are for the defined benefit plan only. Additional rate required for hybrid defined contribution matching contribution for eligible hybrid plan members.



# Administration



- Members and retirees count on VRS to deliver benefits efficiently and reliably.



- VRS distributes more than \$6 billion in benefit payments.

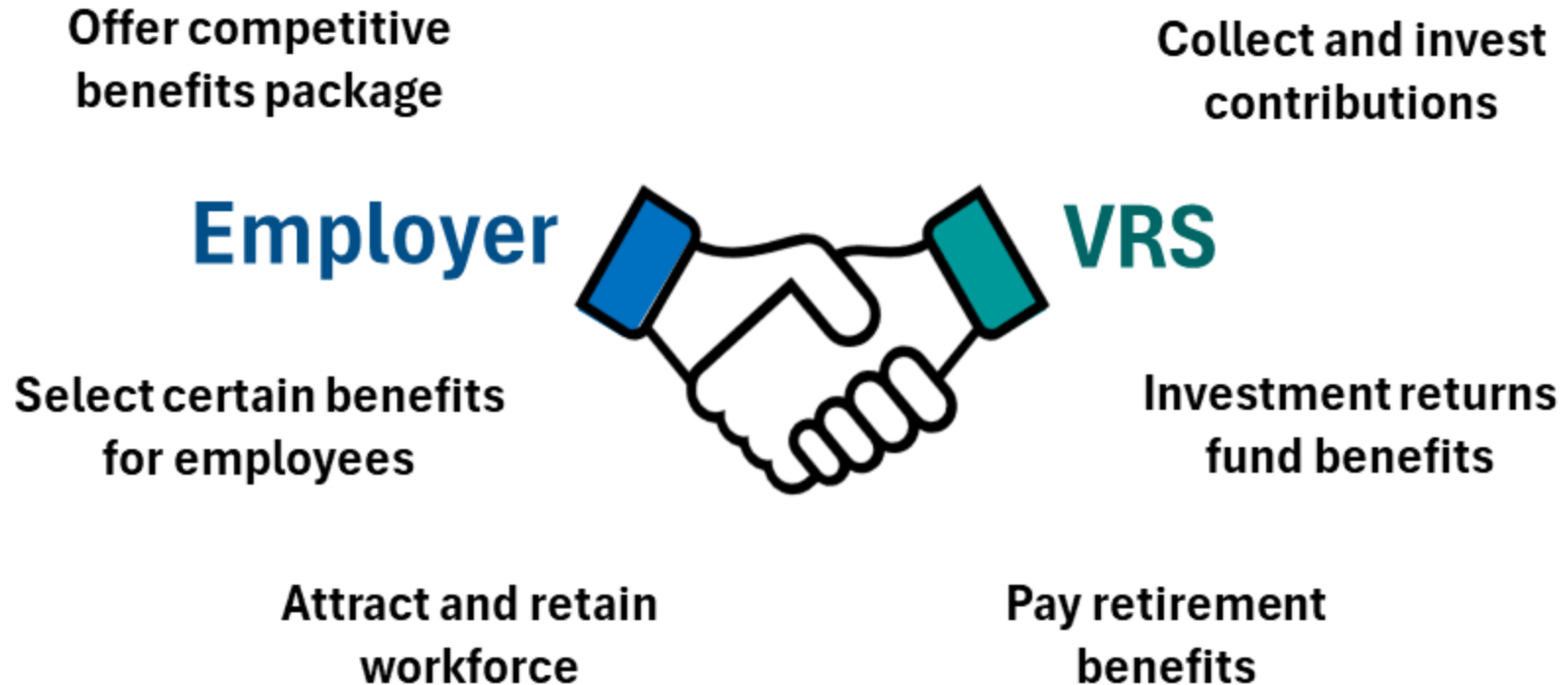


- CEM Benchmarking rates VRS as a low-cost, high-service plan in their peer comparison assessment.

VRS serves more than  
800 participating  
employers  
across Virginia.

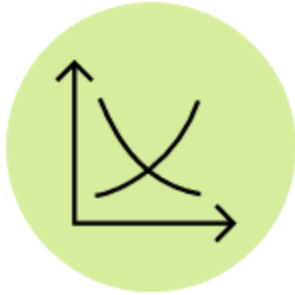


# VRS Partners With Employers



**Local economy reaps the benefit of retiree payments.**

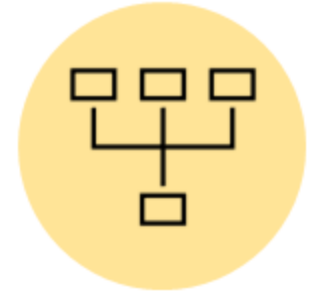
# VRS Provides Employers



Economies of scale



Investment expertise



Risk pooling on a large scale



High level of service at lower cost, compared to peers

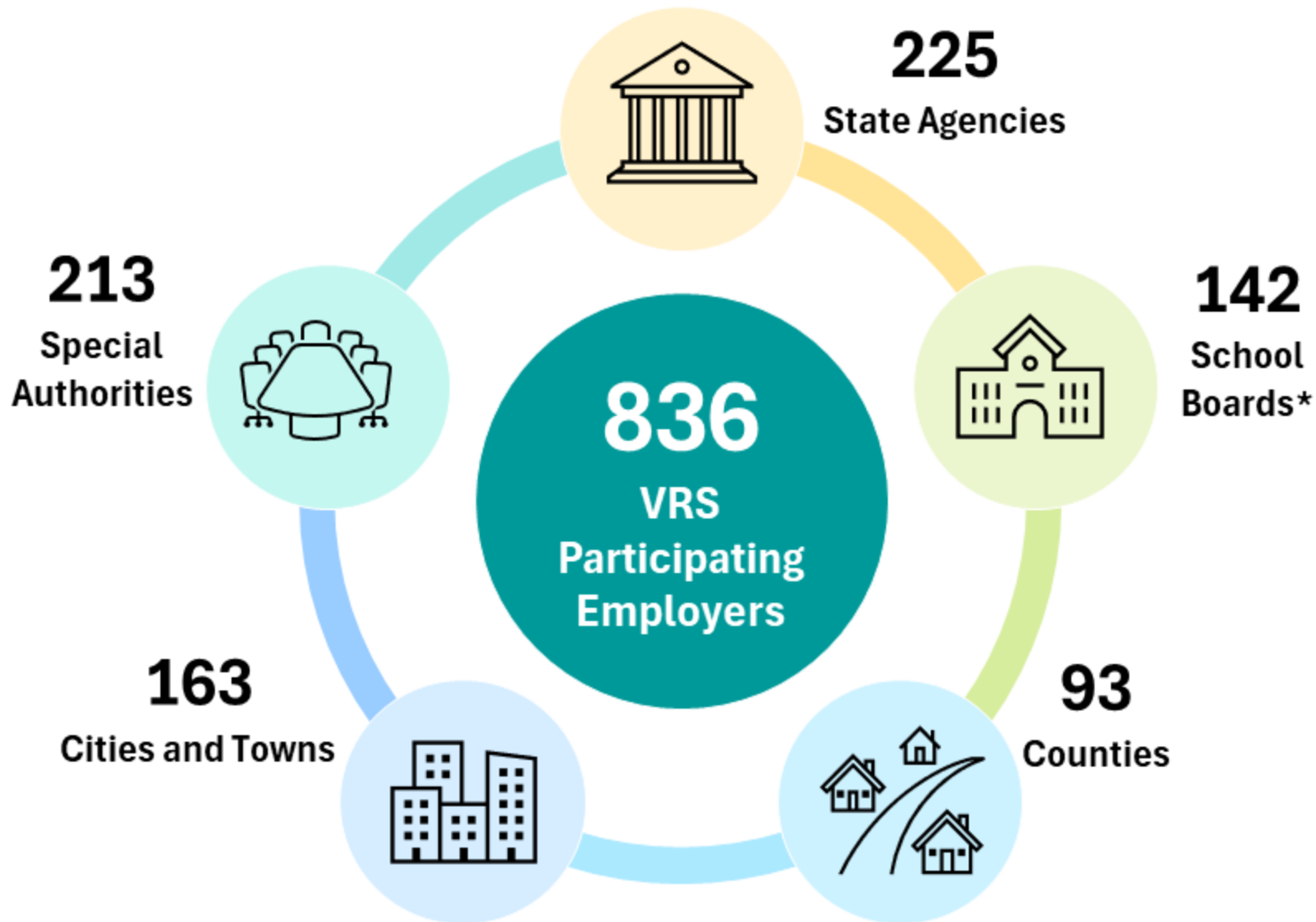


Employer support



Resources for employers to support employees

# VRS Employer Population in FY 2023



\* Of the 142 school boards, 131 also provide coverage for non-teacher employees and are treated as political subdivisions.

# Serving Employers Across Virginia in FY 2023

Employer Relationship Managers (Political Subdivisions) serve

**469**  
employers

Employer Relationship Managers (School Divisions) serve

**142**  
employers



**91**  
employer roundtables



**87**  
employer site visits

Employer Relationship Managers (State Agencies) serve

**225** employers

Employer Relationship Managers serve

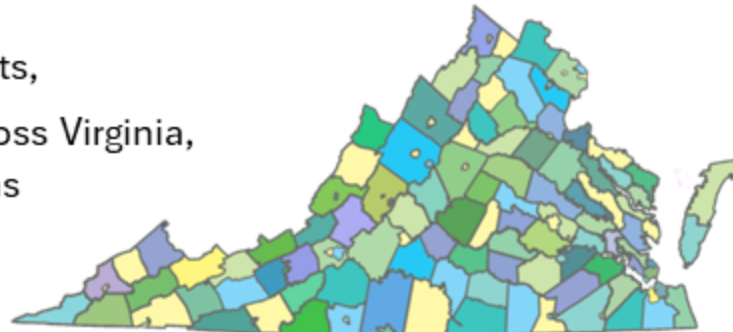
**836**  
participating VRS employers

Employer Relationship Manager (Employer Coverage and Benefit Elections)

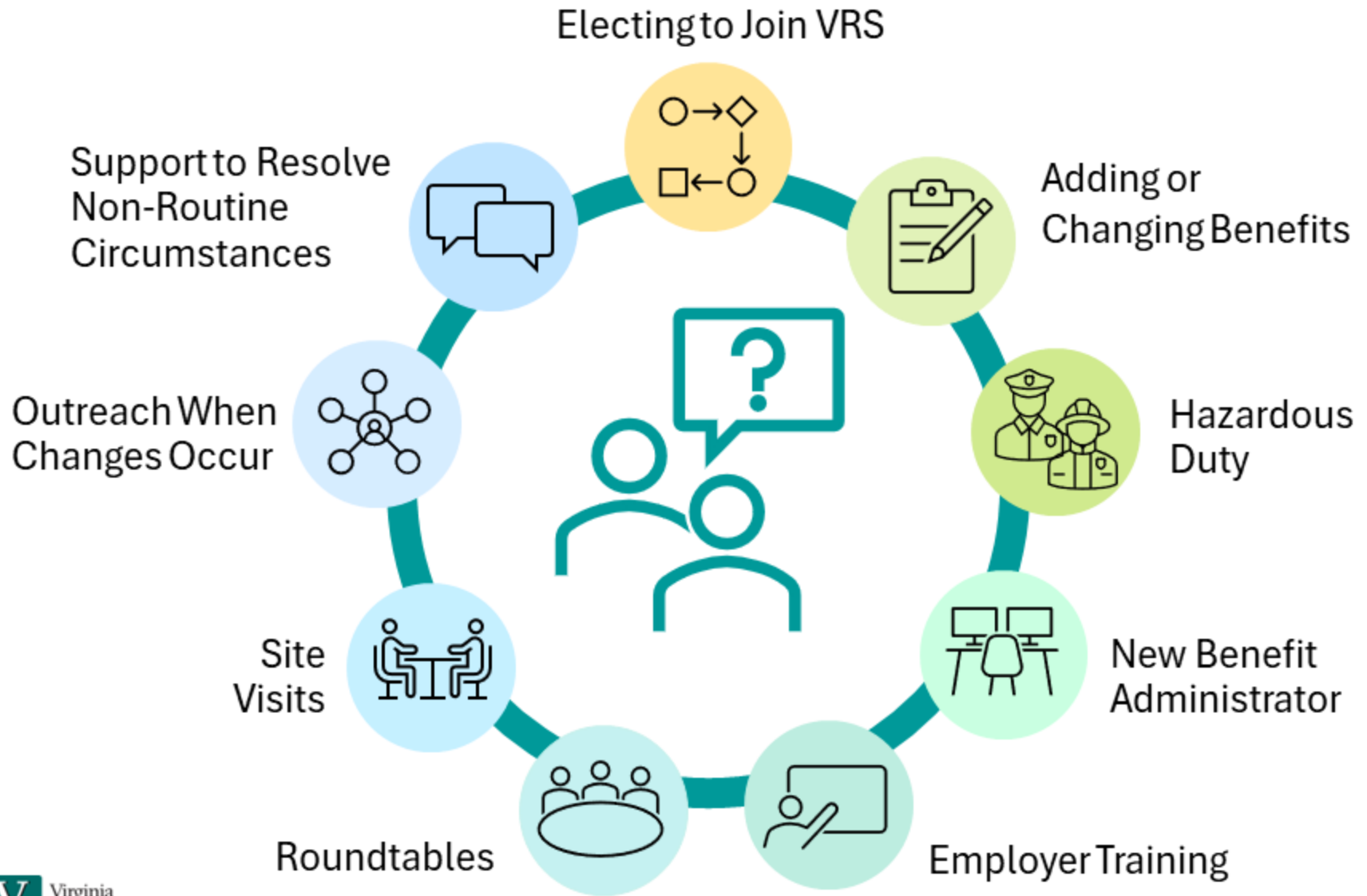


Outreach to **418**  
new Benefit Administrators at participating employers

**2,017** participants,  
representing **693** employers across Virginia,  
in roundtable sessions



# Services for Employers



# Employer Coverage

Employer Relationship Managers assist employers with the following services:

**Join VRS  
as a political  
subdivision  
for retirement  
benefits\***

**Commonwealth  
of Virginia  
457 Deferred  
Compensation  
Plan**

**Enhanced  
hazardous duty  
benefits  
for political  
subdivisions\***

**Group life  
insurance  
program**

**Health  
insurance  
credit  
benefits\***

**Pretax salary  
reduction  
for purchase  
of prior service**

**Virginia  
Cash Match  
Plan**

*\* An actuarial study is required.*



# Employer Relationship Managers

**Stephanie Conyers**  
SConyers@varetire.org

**Daveida Murphy-Hasan**  
DHasan@varetire.org

- Serve Virginia counties, cities, towns, authorities, commissions, districts, regional institutions and community service boards
- Contact for consultations and site visits related to member benefits, VRS policy and reporting requirements

# Resources for Employers



VRS Employer Website:  
[employers.varetire.org](http://employers.varetire.org)



**Hybrid  
Resource Center  
for Employers**



**Defined Contribution Plans  
Resource Center  
for Employers**



**Employer Manual**



**Employer Update  
e-newsletter**



**myVRS Toolkit**



**Dedicated  
Employer  
Advisors**

# Employer Training Opportunities

Employers can find training, based on their experience level and position.



**Overview  
Series**



**Benefits  
Series**



**Technical  
Series**



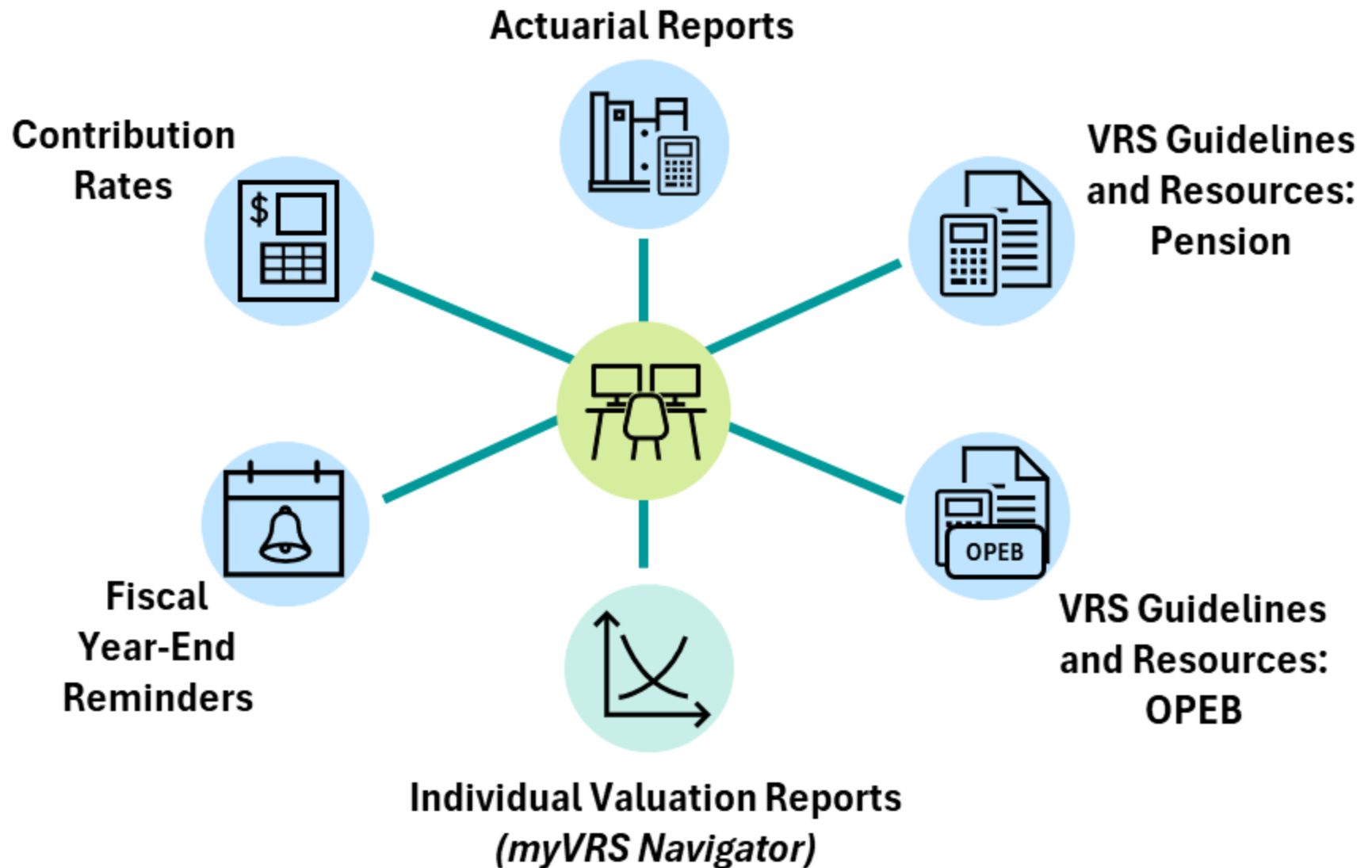
**Checklists &  
Job Aids**



**Commonwealth  
of Virginia  
Learning Center**

For a complete description of VRS e-courses and resources, view the VRS Training Academy Curriculum on **[employers.varetire.org](http://employers.varetire.org)**.

# Financial Reporting Resources



# Financial Reporting Resources

**Virginia Retirement System** | VRS Website for Employers

About Careers Newsroom VRS Home **EZLink** **myVRS Navigator**

Employer Hub ▾ Training Financial Reporting ▾ Plans ▾ Benefits ▾ Forms Publications Q ▾

## Financial Reporting

© Photo Illustration: Virginia Tourism Corporation - Assateague Lighthouse, Easter

Welcome to VRS employers' financial center, where you'll find resources to assist with financial reporting related to VRS-administered benefit plans.

### Contribution Rates & Valuation Reports

Current employer contribution rates for retirement programs and other post-employment benefits.

[Rates & Valuation Reports >](#)

### Fiscal Year-End

Detailed information on fiscal year-end tasks you must perform in myVRS Navigator during the summer months.

[Year-End Reminders >](#)

### Pension

Audit opinions, sample journal entries and sample note disclosures for your reference.

### OPEB

Access audit opinions and disclosure guidance for other post-employment benefits (OPEB).

#### Additional Resources

- [Stress Test & Sensitivity Analysis Reports](#)
- [VRS Annual Reports](#)
- [VRS Experience Study](#)
- [Annual Imputed Income Calculation for Group Term Insurance](#)
- [Auditor of Public Accounts](#)

# Individual Valuation Reports



Visit myVRS Navigator to download the 2023 actuarial valuation reports and rate letters.

To access the actuarial valuation and rate letter:

- Simply log in to myVRS Navigator.
- Click Reports on drop-down menu.

See VRS Employer Update, February 2024 edition, for more information.

# Resources for Members



**Retirement  
education via  
webinars/videos**



**Dedicated  
call center**



**One-on-one  
retirement  
counseling**



**myVRS**



**Dedicated  
benefit  
website**



**Annual benefit  
statement**



**myVRS  
Financial  
Wellness**

# Summary



VRS dedicates resources to help counties administer benefit programs:



- A dedicated team to help you if you want to adopt benefits and ensure you have the latest information on VRS benefits.



- A call center and website devoted to employers to get you answers to your benefit questions.
- Resources and training opportunities to help you administer the benefits and serve your employees.



- Resources to assist you as you work with your auditors and your budget office.



Active members may purchase prior service at any point while an active VRS member.



# Purchase of Prior Service



- Categories of purchase\*:
  - Eligible periods of leave
  - Federal service
  - Birth/adoption/death of child
  - Non-covered service
  - Public service
  - Active-duty military service
  - VRS refunded service
  
- Prior service credit counts toward the five years needed to become vested and eligibility for retirement and the health insurance credit.

\* For a complete list, view the VRS website *Purchase of Prior Service*.

# Purchase of Prior Service



- Cost:
  - Members have a two-year window to purchase most types of service at approximate normal cost
  - After this, cost changes to an actuarial equivalent cost
- All purchase of prior service impacts the VRS Trust Fund.
- While the cost to purchase service is based on actuarial principles, this does not fully protect the fund from the investment and longevity risk associated with these purchases.
- Allowing for large purchases increases the risk exposure for VRS and the contributing employer, which is one of the reasons caps were set in the 2017 legislative reforms.

# Purchase of Prior Service: School Superintendents



- Vested school superintendents:
  - May purchase an additional 10 years of public service with a Virginia public employer that does not participate in VRS, or with a public employer or a school system of another state or U.S. territory.
  - Have one year from the vesting date to purchase at 10% rate; moves to actuarial cost after this.
- If the superintendent fails to serve a comparable number of years as purchase, the service is forfeited and monies are returned.
- There is a risk to the Trust Fund of this purchase.

# Early Retirement Provisions



- County administrators/managers and county/city/town attorneys are provided early retirement provisions (§ 51.1-155.2):
  - Must be involuntarily separated\* from service and have 20 or more years of creditable service at the date of separation.
    - Plan 1 members may retire without a reduction in retirement allowance upon after attaining age 50.
    - Plan 2 and Hybrid Retirement Plan members may retire without a reduction in retirement allowance after attaining age 60.

*\* Involuntary separation means any dismissal, requested resignation, or failure to obtain reappointment, except in case of a conviction for a felony or crime involving moral turpitude or dishonesty.*



Thank you for your partnership  
in support of administering  
benefits for the Commonwealth's  
public servants.

We appreciate the opportunity  
to exchange information.

We welcome your feedback  
and questions.

Helping members  
plan for tomorrow,  
today

