



VRS Overview

Presented to:

**Virginia Association of School Superintendents and
Virginia School Business Officials**

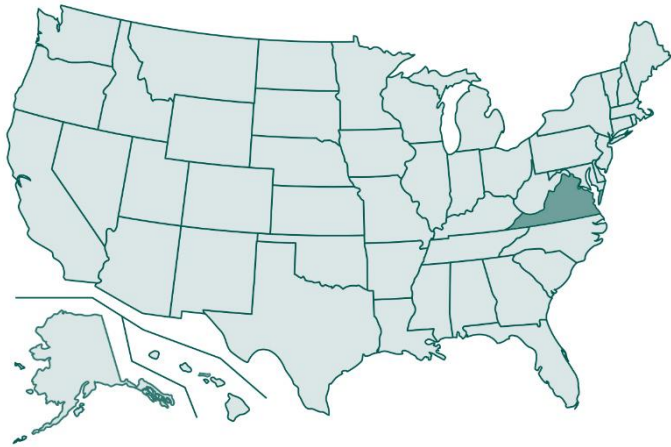
Patricia S. Bishop, VRS Director

Barry C. Faison, VRS Chief Financial Officer

January 11, 2018



VRS Overview



VRS is the

20th largest

public or private pension system in the U.S.

and the **44th largest**

public or private pension system in the world



with **more than 687,000**
members, retirees and beneficiaries

As of June 30, 2017

VRS Total Membership



	Plan 1	Plan 2	Hybrid	Total
Teachers	82,403	34,375	29,312	146,090
Political Subdivisions	52,938	31,830	21,756	106,524
State Employees	43,075	17,706	16,836	77,617
State Police Officers' Retirement System (SPORS)	1,286	591	–	1,877
Virginia Law Officers' Retirement System (VaLORS)	4,045	4,628	–	8,673
Judicial Retirement System (JRS)	266	48	105	419
Total Active Members	184,013	89,178	68,009	341,200
Total Active Members	Retirees/ Beneficiaries	Inactive/ Deferred Members	VRS Total Population	
341,200	199,064	147,230	687,494	

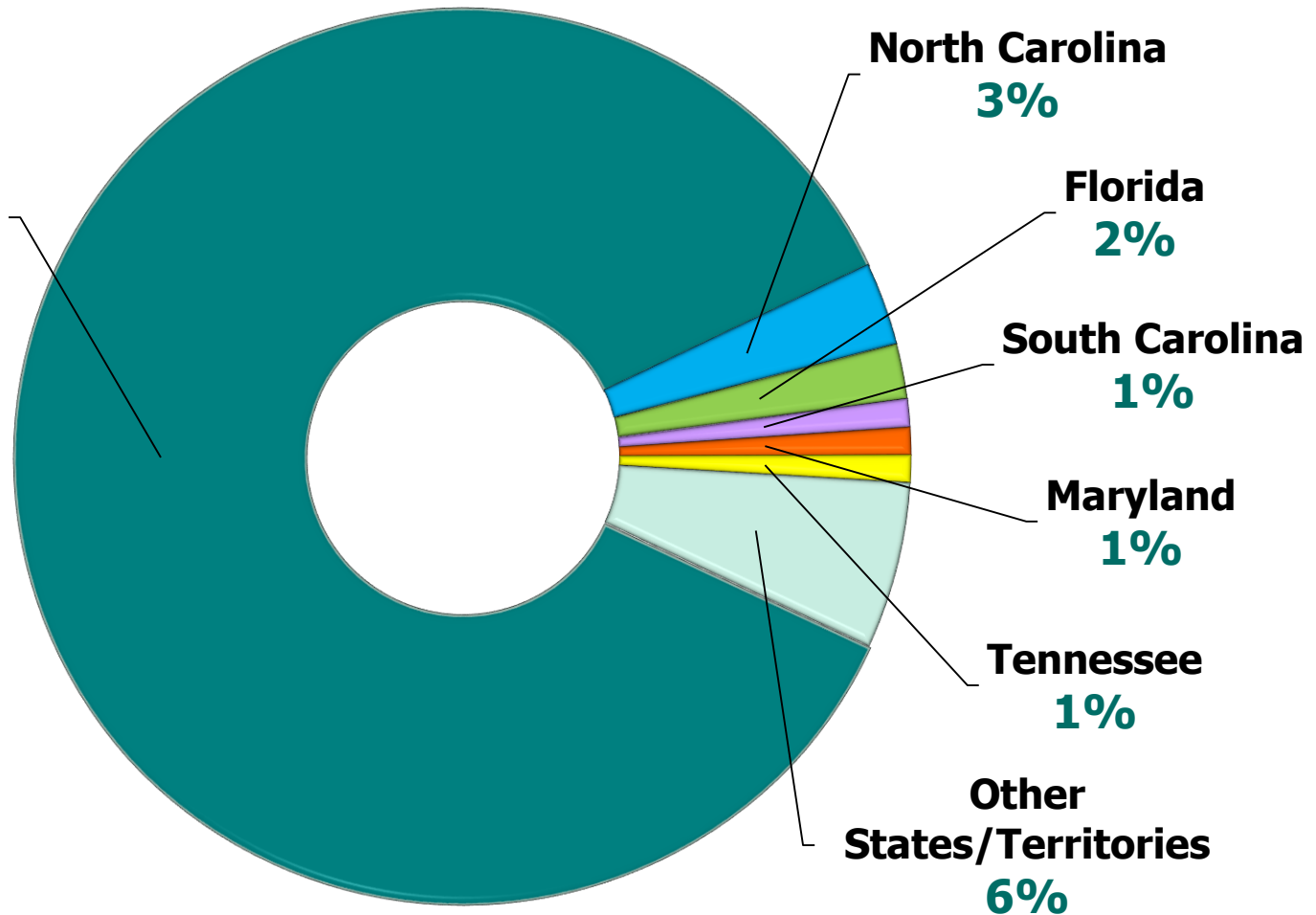
As of June 30, 2017

Where VRS Retirees Live



86%

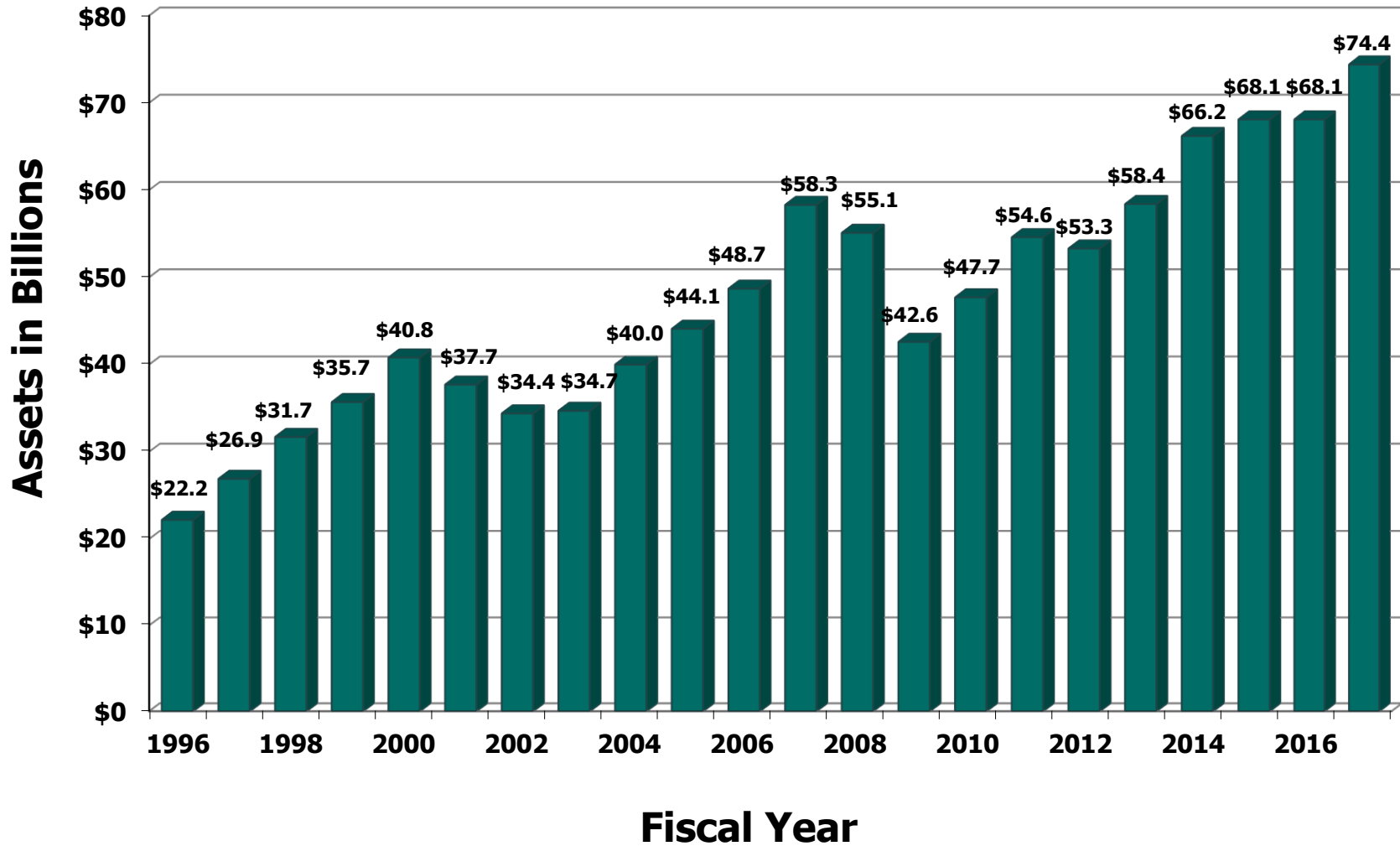
**of VRS retirees
remain
in Virginia**



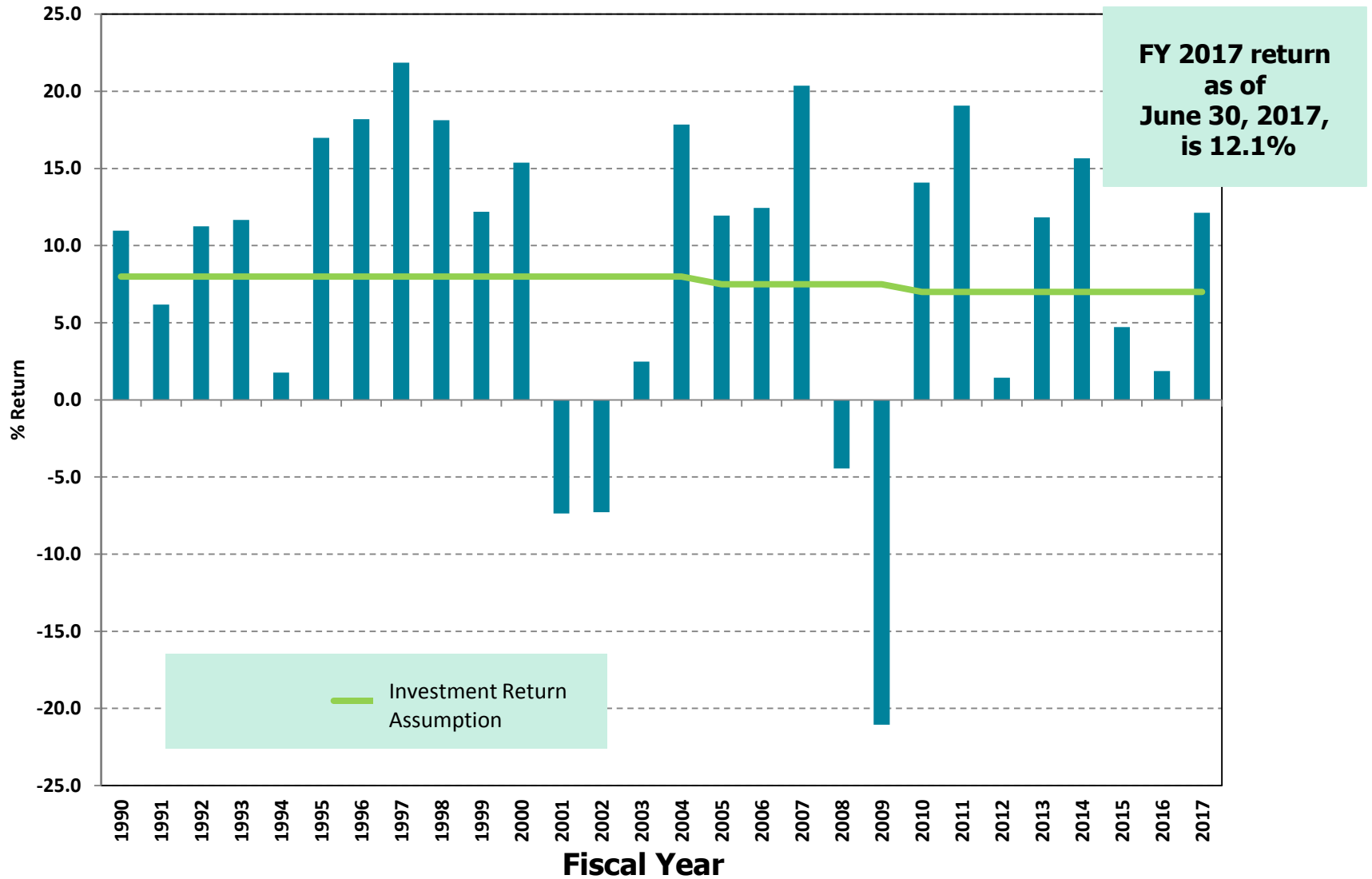


VRS Financial Overview

VRS Net Position



VRS Fiscal Year Returns





Teacher Plan

Teacher Employer Contribution Rates



	FISCAL YEAR					
	2015	2016	2017	2018	2019	2020
Statutory Phase-In of VRS Board Certified Rates Agreed Upon in 2012 Legislative Session	79.69%	79.69%	89.84%	89.84%	100%	100%
Employer Rates Based on Appropriation Act	14.50%	14.06%	14.66%	16.32% *	15.68%**	15.68%**

* Teacher contribution rate is increased to 100% of Board-certified rate in second year of 2016-2018 biennium.

** Assumed rate based on 100% of the VRS Board certified rate provided to Governor and General Assembly for 2018-2020 biennium

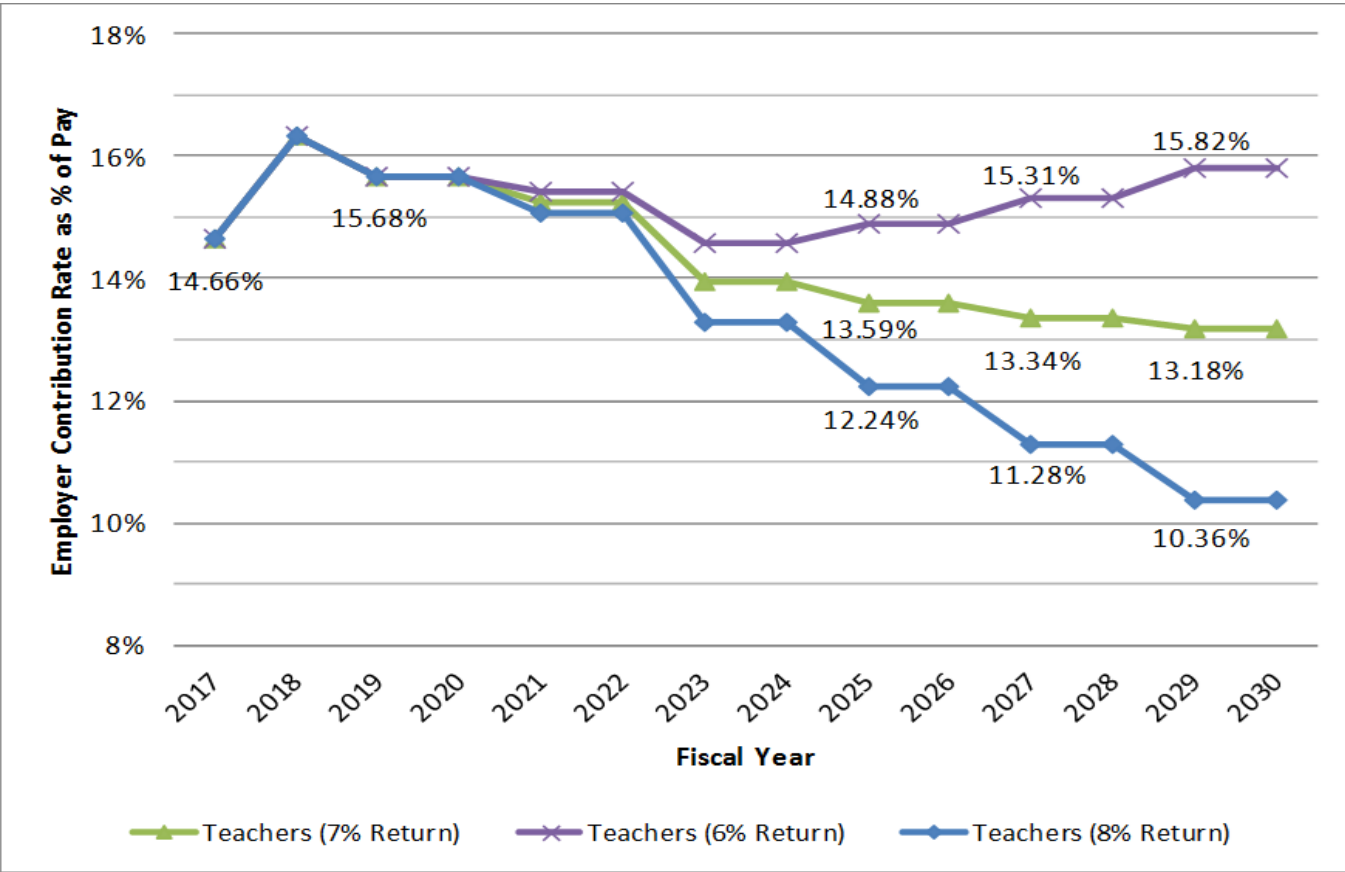
Additional Notes:

- Above contribution rates are net of employee contributions.
- Teacher rates for FY 2016 decreased due to an additional contribution of \$192.9 million that was applied to the deferred contribution balance in FY 2015.

Teacher Plan Projected Employer Contribution Rates Including Estimated Defined Contribution Hybrid Match

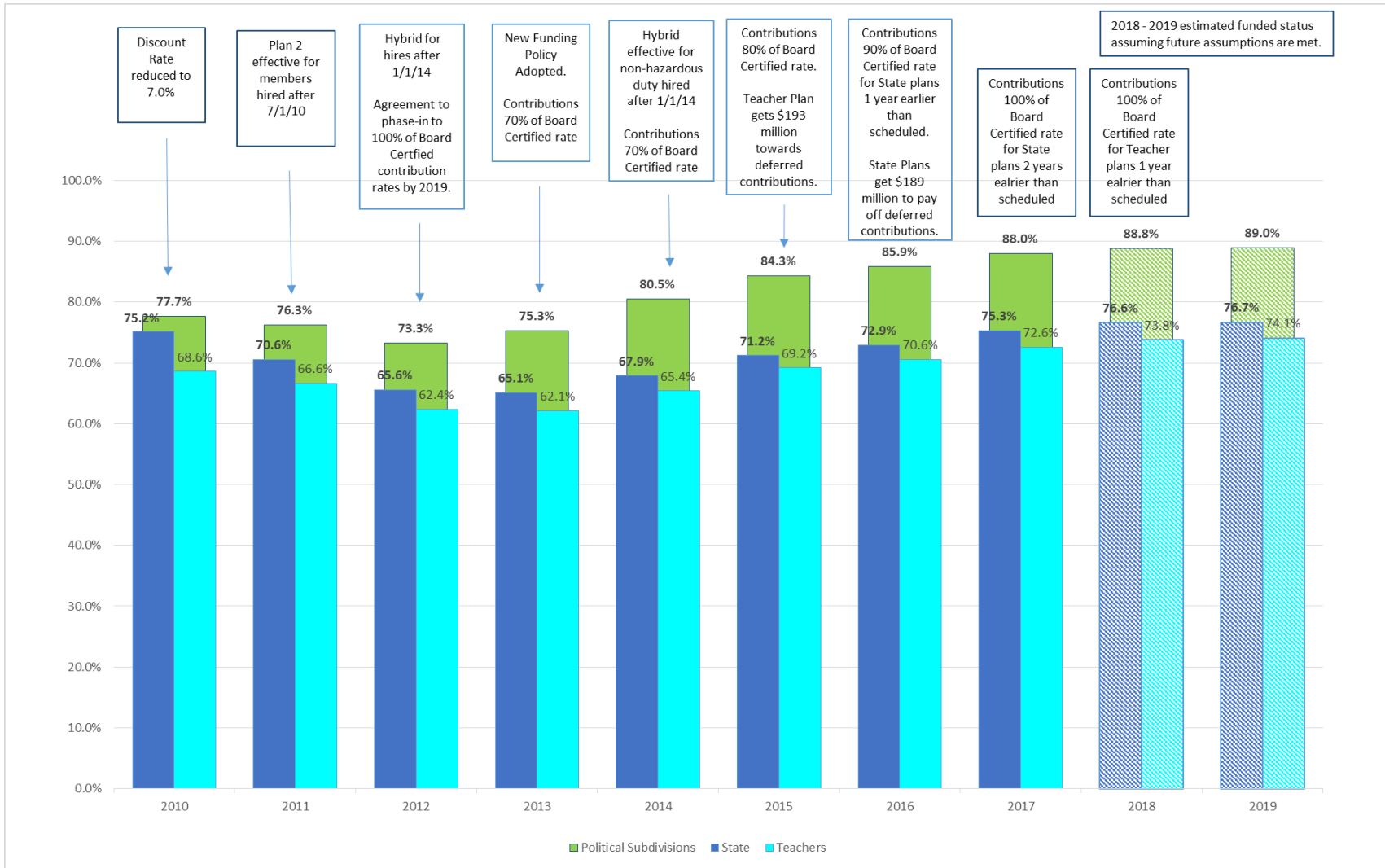


Investment Return Sensitivity



- Assumes employer match to defined contribution portion of the hybrid plan of 1.76% for members in the hybrid plan.
- Rates above are for alternative investment return scenarios only.
- Liabilities are calculated at 7% under all scenarios.

Funded Status and Pension Reforms



- Since 2012, State and Teacher plans have experienced a 10% improvement in funded status and Political Subdivisions in aggregate have seen a 15% improvement.

Unfunded Pension Liabilities (in thousands)



System	Unfunded Liability using Actuarial Value of Assets	
	FYE 2016	FYE 2017
State	\$ 6,205,467	\$ 5,763,770
Teachers	\$ 12,813,352	\$ 12,321,149
SPORS	\$ 337,324	\$ 254,951
VaLORS	\$ 748,767	\$ 649,603
Judicial	\$ 131,477	\$ 125,688
Total State-Wide Systems	\$ 20,236,387	\$ 19,115,161
Locals Aggregate	\$ 2,920,627	\$ 2,578,189
Total Fund	\$ 23,157,014	\$ 21,693,350

System	Unfunded Liability using Market Value of Assets	
	FYE 2016	FYE 2017
State	\$ 6,510,401	\$ 5,521,646
Teachers	\$ 13,413,418	\$ 11,886,472
SPORS	\$ 351,292	\$ 244,555
VaLORS	\$ 772,811	\$ 631,894
Judicial	\$ 140,409	\$ 118,773
Total State-Wide Systems	\$ 21,188,331	\$ 18,403,340
Locals Aggregate	\$ 3,264,551	\$ 2,310,073
Total Fund	\$ 24,452,882	\$ 20,713,413

OPEB Contribution Rates



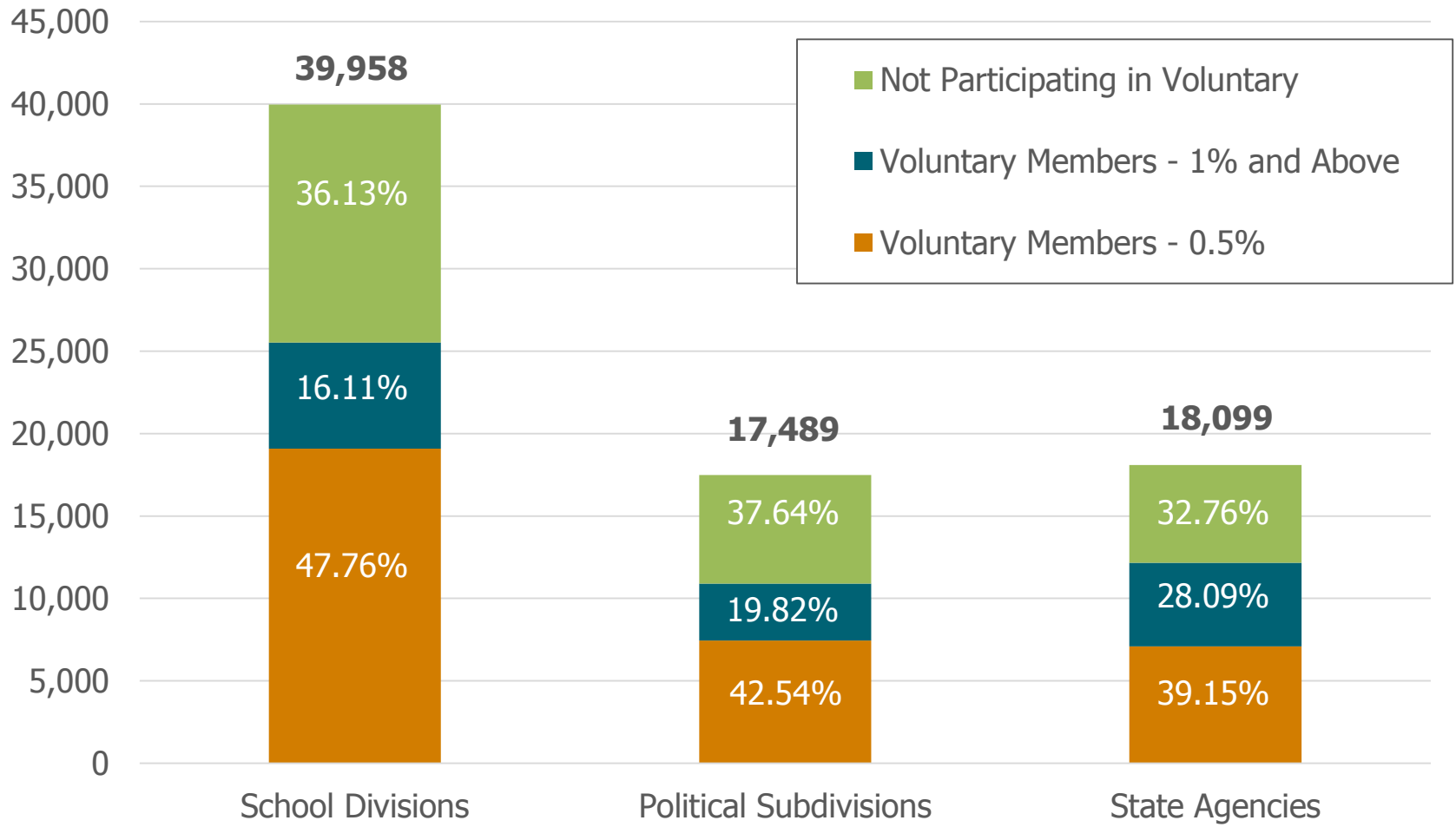
System	Fiscal Years 2017/2018		Fiscal Years 2019/2020
	Board Certified	General Assembly Approved	Board Certified
Group Life	1.31%	1.31%	1.31%
HIC Teachers	1.23%	1.11%/1.23%	1.20%
VLDP - Teachers	0.31%	N/A	0.41%

- Some employers may require employees to contribute a portion of Group Life rate.
- All 2019/2020 results are certified by the VRS Board of Trustees and then make their way through the legislative process.



Hybrid Retirement Plan

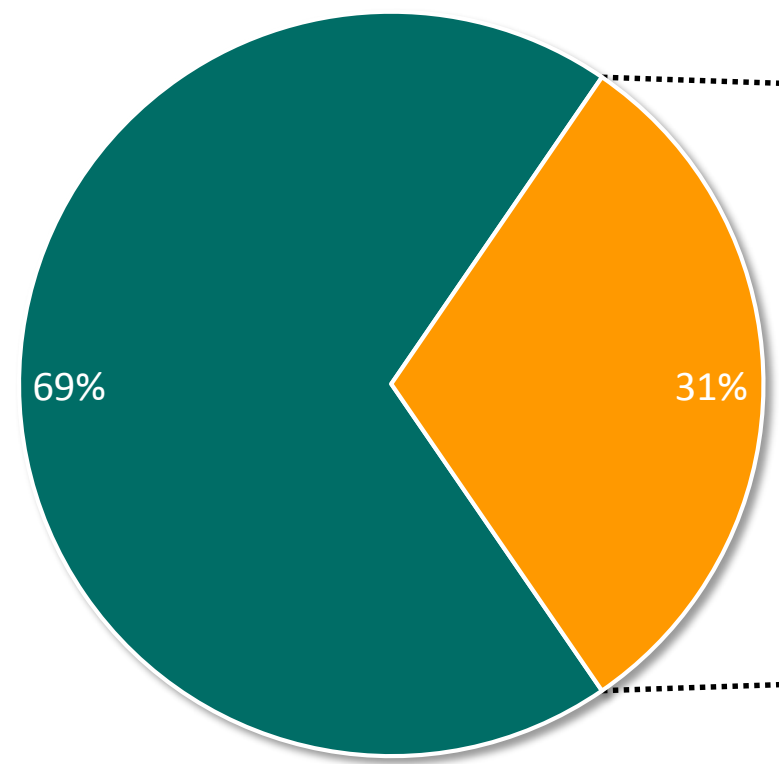
Hybrid Retirement Plan Members by Employer Type



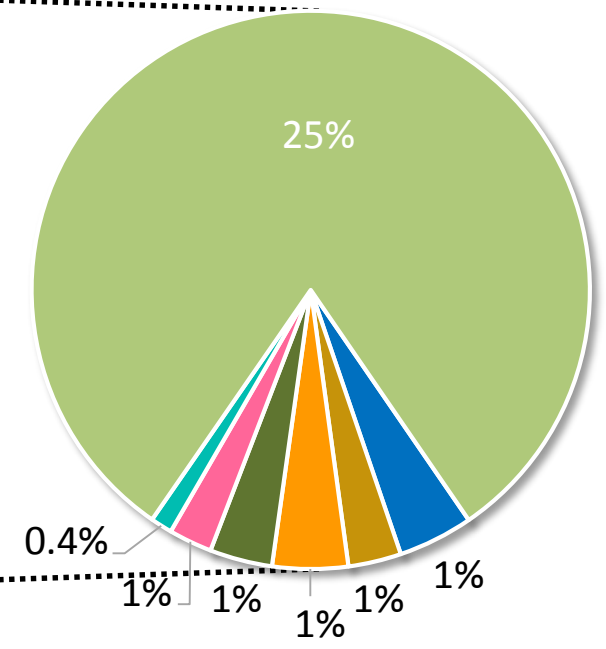
As of October 1, 2017

Hybrid 457 Plan - Voluntary Contribution Elections

Active members who have a voluntary contribution as of September 15, 2017



Active members with a voluntary contribution greater than 0.5%



Due to rounding, the total may not add to 100 percent.

Voluntary Contribution Percentages

- 0.5%
- 1.0%
- 1.5%
- 2.0%
- 2.5%
- 3.0%
- 3.5%
- 4.0%

Helping members plan for tomorrow, today.

- ✓ **Auto-Escalation** – Implemented January 1, 2017; only 3.1% of members opted out
- ✓ **SmartStep** – Allows Hybrid Retirement Plan members to auto-escalate at a time they choose
- ✓ **Enhanced Voluntary Contribution Messaging** – Provides messaging to members to encourage action

SmartStep

Launched October 12th!

What is SmartStep?

SmartStep helps you save more for retirement with small annual increases to your voluntary contribution. If you cannot save 4 percent now to receive the full match from your employer, small annual increases will help you reach the maximum contribution gradually, with less impact on your paycheck.

Is SmartStep different from auto-escalation?

SmartStep and auto-escalation are hybrid plan features that work together to help you save more for retirement. Here is how they differ:



SmartStep: You must opt in to SmartStep. Once you log in and choose the amount and month of your annual increase, SmartStep will increase your contribution each year.



Auto-escalation: No action is required for auto-escalation. Every three years your contribution automatically increases by 0.5 percent. Your next increase will occur in 2020, unless you opt out.

Hybrid 457 - Account Access

Utilizing the Enhanced Voluntary Contribution



DCP Virginia Retirement System

Welcome, Uat Summers

VIRGINIA RETIREMENT SYSTEM CONTACT US

Hybrid Commonwealth of Virginia

Announcements

Take Action With Voluntary Contributions!

As a Hybrid Retirement Plan member, you are eligible for an employer match on your voluntary contributions. When you contribute 4 percent, your employer contributes 2.5 percent. The more you start saving, the better prepared you'll be for your future.

To take full advantage of the employer match, make the maximum 4 percent voluntary contribution to your Hybrid 457 Deferred Compensation Plan before contributing to the Commonwealth of Virginia 457 Deferred Compensation Plan or any other supplemental retirement plan offered by your employer. Also, contributions to multiple 457 plans count toward the IRS annual contribution limit.

Save for a sunny day— step up your contributions!

Select One:

<p>I'm ready to save 4 percent and maximize my hybrid voluntary contributions.</p> <p>Save 4 percent now</p>	<p>I want to increase my hybrid voluntary contributions by a different amount.</p> <p>Choose an amount to save</p>	<p>I am not interested in saving more for my future at this time.</p> <p>Wait to save</p>
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GLOSSARY SITEMAP DISASTER RECOVERY & BUSINESS CONTINUITY SITE MAINTENANCE SCHEDULE SITE REQUIREMENTS IMPORTANT LEGAL INFORMATION PRIVACY POLICY

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Launched November 14th!

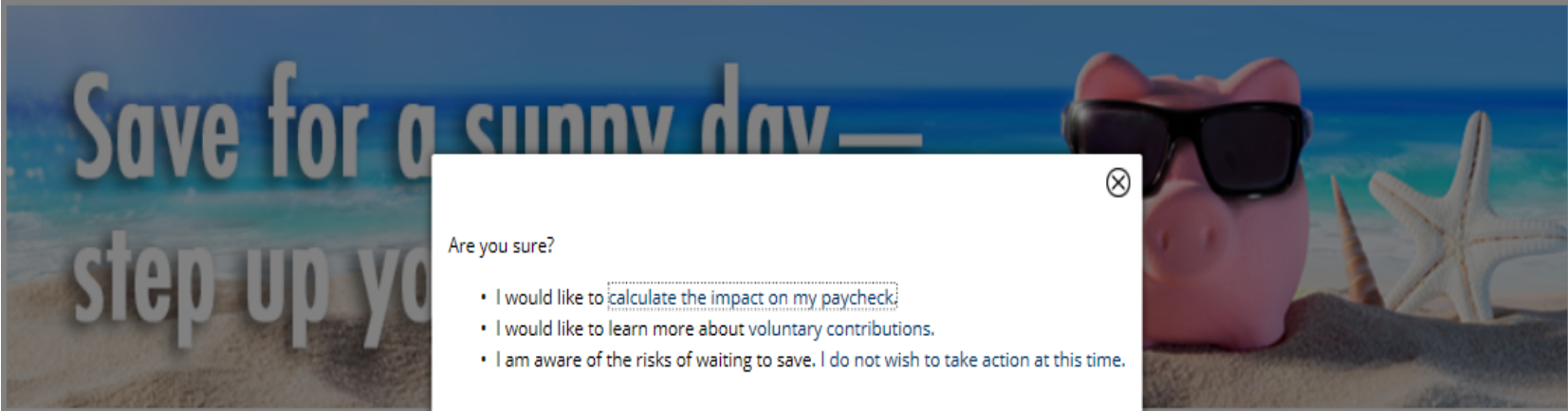
Hybrid 457 - Account Access

Utilizing the Enhanced Voluntary Contribution

Take Action With Voluntary Contributions!

As a Hybrid Retirement Plan member, you are eligible for an employer match on your voluntary contributions. When you contribute 4 percent, your employer contributes 2.5 percent. The sooner you start saving, the better prepared you'll be for your future.

To take full advantage of the employer match, make the maximum 4 percent voluntary contribution to your Hybrid 457 Deferred Compensation Plan before contributing to the Commonwealth of Virginia 457 Deferred Compensation Plan or any other supplemental retirement plan offered by your employer. Also, contributions to multiple 457 plans count toward the IRS annual contribution limit.



Are you sure?

- I would like to [calculate the impact on my paycheck](#).
- I would like to [learn more about voluntary contributions](#).
- I am aware of the risks of waiting to save. I do not wish to take action at this time.

Ok

Select One:

- I'm ready to save 4 percent and maximize my hybrid voluntary contributions.


Save 4 percent now
- I want to increase my hybrid voluntary contributions by a different amount.

Choose an amount to save
- I am not interested in saving more for my future at this time.

Wait to save



**Helping
Members Plan
for Tomorrow,
Today!**



Virginia Retirement System

Helping Members Plan for Tomorrow, Today


myVRS ▾

Employers ▾ Members ▾ Retirees ▾ Defined Contribution Plans

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- About VRS
- Calculator & Estimator
- Forms
- Financial Wellness**
- Publications
- Investments
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Home > myVRS Financial Wellness

myVRS Financial Wellness



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Expanded financial wellness content is now available exclusively for VRS members registered in myVRS. Discover interactive courses, personalized action plans and content recommendations based on your interests. Check back often for new content.

Log-In Now!

For Retirees & Non-VRS Members



Start Learning Now

Access money-management information, increase your knowledge of financial best practices and make sense of things like credit, insurance and taxes. Tips, tools and time-savers will help you on your way now and also prepare you for retirement.

Get Started!

Counseling Center
1111 East Main Street
Richmond, VA 23219
8:30 a.m.–4:00 p.m.
Monday–Friday
1-888-827-3847
[Map & Directions](#)
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Administrative Offices
1200 East Main Street
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BUDGETING
Using Your Budget to Analyze Your Expenses



BUDGETING
Setting Your First Long-Term Budget Goals



GASB Update



In June 2015, GASB released two statements aimed at improving financial reporting by state and local governments of other post-employment benefits (OPEB), such as group life and retiree health insurance.

- Statement No. 74 (applies to Plan), *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- Statement No. 75 (applies to Employer), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

VRS OPEB Liabilities by Employer

June 30, 2017 Net OPEB Liability (NOL)



(\$Thousands)

Plan	Plan Type	State	Teacher	Political Subdivisions	NOL as of 6/30/17
Group Life Insurance	Multi-Employer Cost Sharing	\$456,366	\$646,246	\$402,228	\$1,504,840
Health Insurance Credit	State -Single Employer	\$949,489	\$1,268,611	\$16,968	\$2,235,068
	Teachers - Multi-Employer Cost-Sharing				
	Pol. Subs. - Multi-Employer Agent				
Virginia Sickness and Disability Program	State - Single Employer	(\$205,321)	\$0	\$0	(\$205,321)
Virginia Local Disability Program	Teachers - Multi-Employer Cost-Sharing	\$0	\$594	\$563	\$1,157
	Pol. Subs. - Multi-Employer Cost-Sharing				
Line of Duty Act (LODA)	Multi-Employer Cost Sharing	\$159,605	\$0	\$103,186	\$262,791
Total OPEB NOL		\$1,360,139	\$1,915,451	\$522,945	\$3,798,535

Notes:

- State includes state employees regardless of pension plan.
- State HIC also contains state-funded local positions which is considered "special funding situation" for GASB.

- Centralize GASB 74/75 data process
- Engage VRS actuary to create plan-wide data under GASB 74
 - Prepare comprehensive reports including GASB 75 data for all covered employers
 - Compute proportionate share for cost-sharing plans
 - Prepare separate GASB 75 reports for each political subdivision, where appropriate
- Expand VRS webpage for new information
- Prepare implementation guidance, sample journal entries, and sample note disclosures with RSI

View the Financial Reporting Section



View the Financial Reporting section under Employer tab:

The screenshot displays the Virginia Retirement System (VRS) website interface. At the top, the VRS logo and the tagline "Helping Members Plan for Tomorrow, Today" are visible. Below this is a navigation bar with tabs for "myVRS", "Employers", "Members", "Retirees", and "Defined Contribution Plans". The "Employers" tab is selected, and a dropdown menu is open, listing various resources. The "Financial Reporting" link is circled in orange. Other links in the menu include "Purchase of Prior Service (PPS)", "Modernization Updates", "Employer Resources", "Employer Manual", "Checklists & Job Aids", "Retirees Returning to Work", "MBP Resources", "Hybrid Retirement Plan Resource Center", and "Defined Contribution Plans Resource Center".

myVRS Virginia Retirement System

Helping Members Plan for Tomorrow, Today

myVRS - Employers (show menu) Members Retirees Defined Contribution Plans

Employer Home: For human resource and payroll officers of VRS' participating employers.

- Member Retirement Plans**
 - Plan 1
 - Plan 2
 - Hybrid Retirement Plan
- Defined Contribution Plans**
 - ORP for Political Appointees
 - ORP for School Superintendents
 - ORP for Higher Education
 - COV 457 Deferred Compensation Plan
- Member Benefits & Programs**
 - Life Insurance Benefits
 - Disability Retirement & Programs
 - Death-in-Service Benefits
 - Long-Term Care Programs
 - Severance Benefits
 - Military Leave Benefits
- Purchase of Prior Service (PPS)**
 - PPS for Employers
 - PPS for Members
- Modernization Updates**
- Employer Resources**
 - myVRS Navigator Log-In
 - Your VRS Teams
 - Employer Training
 - Employer Update
 - Employer Manual
 - Financial Reporting**
 - Checklists & Job Aids
- Retirees Returning to Work**
 - MBP Resources
 - Hybrid Retirement Plan Resource Center
 - Defined Contribution Plans Resource Center

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8:30 a.m.-4:00 p.m.
Monday-Friday
1-888-827-3847
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Richmond, VA 23219

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What's New Top Forms Top Publications

- September Employer Update Available
- Recorded Webinar Now Available for Benefit Payout Options
- August Employer Update Available
- Line of Duty Act Administration Transitions to VRS, DHRM
- Check Out the Latest Updates to myVRS
- Find Us on Facebook!
- Expand Your Network by Following VRS on LinkedIn

Learn How myVRS Is Evolving!
HELPING YOU PLAN FOR TOMORROW, TODAY

Are You a New HR or Finance Professional? Introduce Yourself to VRS!

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View the Financial Reporting Section



[Home](#) > [Employers](#) > Financial Reporting

Financial Reporting

Welcome to VRS employers' financial center. Here you will find resources and links to assist with financial reporting related to VRS-administered benefit plans.

- [Governmental Accounting Standards Board \(GASB\) Resources](#)
- [GASB Audit Opinions and Disclosure Guidance](#)
- [VRS Guidelines and Resources](#)
- [Current Contribution Rates](#)
- [VRS Valuation Reports](#)
- [VRS Stress Test and Sensitivity Analysis](#) 📄 2250kb

VRS Employer Contribution Rates by Fiscal Year*

Retirement Program	2017	2018	Fiscal Years 2019 & 2020 Board-Certified Employer Contribution Rates †
State Employees	13.49%	13.49%	13.52%
Teachers	14.66%	16.32%	15.68%
State Police Officers' Retirement System	28.54%	28.54%	24.88%
Virginia Law Officers' Retirement System	21.05%	21.05%	21.61%
Judicial Retirement System	41.97%	41.97%	34.39%
Non-Professional School Board and Political Subdivision Employees	Varies by Employer	Varies by Employer	Varies by Employer

Other Post-Employment Benefits Contribution Rates by Fiscal Year

		2017	2018	Fiscal Years 2019 & 2020 Board-Certified Employer Contribution Rates*
Group Life Insurance	Employee	0.79%	0.79%	0.79%
	Employer	0.52%	0.52%	0.52%
	Total	1.31%	1.31%	1.31%
Health Insurance Credit	State Employees	1.18%	1.18%	1.17%
	Teachers	1.11%	1.23%	1.20%
	Non-Professional School Board Members and Political Subdivision Employees	Varies by Employer	Varies by Employer	Varies by Employer
Virginia Sickness and Disability Program (VSDP)	Covered Payroll	0.66%	0.66%	0.62%
Virginia Local Disability Program (VLDP)	Teachers	0.31%	0.31%	0.41%
	Political Subdivision Employees	0.60%	0.60%	0.72%

* Rates are net of member contributions.

† Employer contribution rates are full actuarially determined rates.

* Full actuarially determined rates

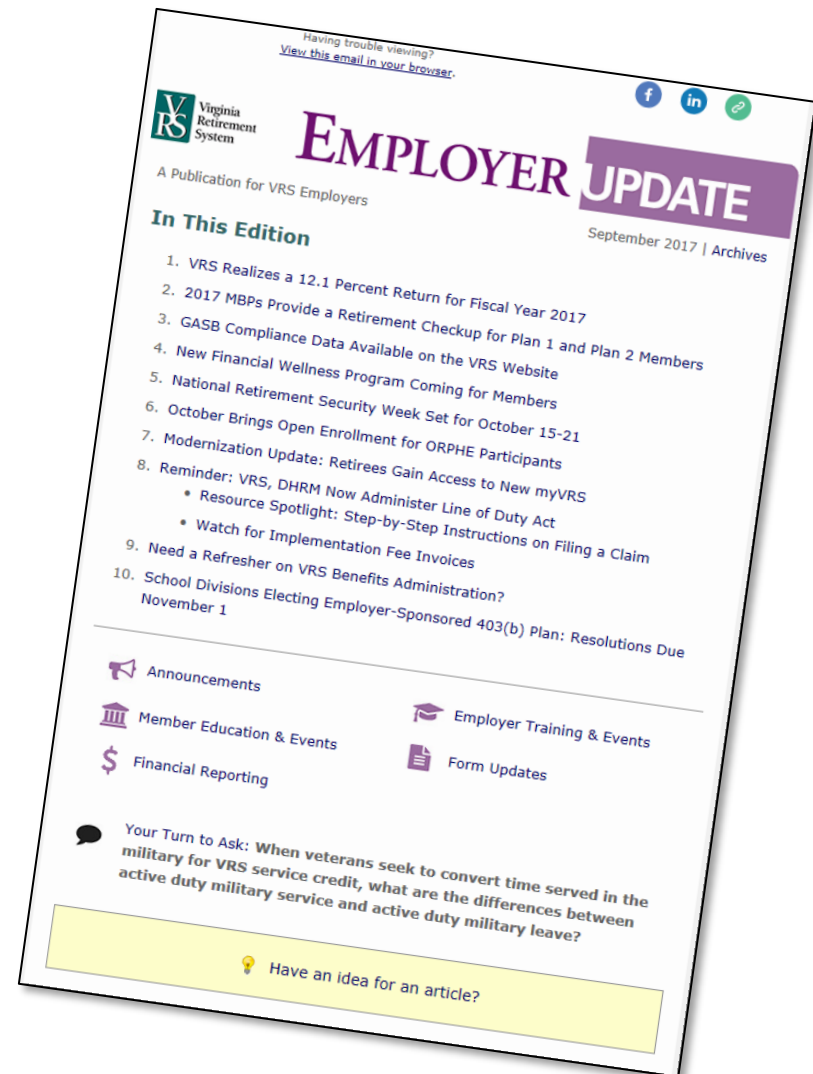


Employer Resources

Sign Up for Employer Update



- Monthly e-newsletter
- Provides updates on policy, procedures, GASB, legislation, upcoming events
- Go to the Employer menu, select Employer Update and sign up



Employer Representatives



Employer Representative Program Manager

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afeagans@varetire.org

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Thank you.