



Virginia Retirement System Overview

House Appropriations Committee Retreat

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New Pension Accounting Rules

Understanding New Guidelines



State and local governments will need to distinguish several separate pension calculations that will be derived in different manners for distinct purposes.

	Books	Bonds	Budgets
Purpose	Standardized Financial Reporting of pensions for accounting	Testing the degree to which pension obligations impact the government ability to repay bonded debt	Determining pension contribution to properly fund benefits
Primary Audience	Users of government financial statements	Rating agencies	Policymakers
Accounting Highlights	<p>Assets marked to market</p> <p>Discount rate = return assumption (except when actuarial determined contributions are not fully funded)</p> <p>Apportionment of unfunded liabilities to local governments and component reporting units of the Commonwealth</p> <p>Liabilities reported on entities balance sheets (not buried in the footnotes)</p>	<p>Fitch and S & P will generally follow GASB</p> <p>Moody's will recalculate using reduced discount rates</p>	<p>Assets will be smoothed</p> <p>Liabilities will be amortized over closed periods</p> <p>Discount rate is equal to long-term return assumption</p>

Virginia Retirement System Liabilities



Unfunded Liabilities by Plan

Plan	6/30/2013 Funding (in billions)	6/30/2013 GASB * (in billions)	6/30/2013 Moody's * (in billions)
State Employees (includes SPORS, JRS, VaLORS)	\$8.78	\$7.89	\$15.41
Teachers	\$15.13	\$13.78	\$26.07
Local Political Subdivisions	\$4.47	\$3.76	\$9.36
Total	\$28.38	\$25.43	\$50.84

* GASB and Moody's unfunded liabilities are estimates based on guidance provided to date. Moody's unfunded liability is based on 4.81% discount rate.

Teacher Cost-Sharing Plan Unfunded Liabilities

Top 10 Largest Localities



School Board	Total Estimated NPL	Percent of Total Payroll	FY 2013 Creditable Compensation
Fairfax County	\$ 2,479,162,000	18.00%	\$ 1,297,815,385
Prince William County	873,092,000	6.34%	457,054,735
Loudoun County	824,092,000	5.98%	431,403,379
Virginia Beach	728,814,000	5.29%	381,526,465
Chesterfield	496,143,000	3.60%	259,725,888
Arlington County	471,469,000	3.42%	246,809,101
Henrico County	459,996,000	3.34%	240,802,988
Chesapeake	403,701,000	2.93%	211,333,325
Norfolk	399,918,000	2.90%	209,352,934
Newport News	287,825,000	2.09%	150,673,191
Total Teachers Plan	\$ 13,776,000,000		\$ 7,211,543,435

Estimated Net Pension Liability (NPL)

Assuming June 30, 2013, Liabilities



School Board	Estimated Share of Teacher Plan NPL	County School Plan	County Plan	Total
Fairfax County	\$ 2,479,162,000	Locally Administered	Locally Administered	\$ 2,479,162,000
Prince William County	873,092,000	21,126,000	209,076,000	1,103,294,000
Loudoun County	824,092,000	14,042,000	90,549,000	928,683,000
Virginia Beach	728,814,000	24,959,000	437,332,000	1,191,105,000
Chesterfield County	496,143,000	24,144,000	227,734,000	748,021,000
Arlington County	471,469,000	5,027,000	Locally Administered	476,496,000
Henrico County	459,996,000	3,362,000	286,707,000	750,065,000
Chesapeake	403,701,000	19,961,000	175,224,000	598,886,000
Norfolk	399,918,000	16,693,000	12,726,000	429,337,000
Newport News	287,825,000	(511,000)	(1,448,000)	285,866,000

Component-Unit Plans - Unfunded Liabilities

Top 4 Largest Universities



College / University	State Employee Plan		VaLORS Plan	
	Estimated NPL	% of Total Payroll	Estimated NPL	% of Total Payroll
University of Virginia – Academic	\$ 452,568,000	6.89%	\$ 4,975,000	0.66%
Virginia Commonwealth University - Academic	326,577,000	4.98%	\$7,951,000	1.06%
Virginia Tech	413,115,000	6.29%	\$5,239,000	0.70%
George Mason University	\$213,185,000	3.25%	\$5,925,000	0.79%
Total State Employee & VaLORS Plans	\$ 6,564,000,000		\$ 750,000,000	

Upcoming GASB Accounting Changes



- GASB changing standards for financial reporting for pension plans:
 - Standards are effective for financial statements (CAFR) as of June 30, 2014, for VRS and as of June 30, 2015, for employers.
- Reported liabilities may increase if the General Assembly doesn't stick with phasing in the contribution rates. A discount rate that blends long-term investment assumption with municipal bond rate would be required if full contribution is not funded.
- Standards will require mark to market (asset smoothing no longer used).
- Unfunded liabilities of cost-sharing plans (school teachers) must be apportioned among participating employers.
 - Unfunded liabilities for component reporting units will be apportioned (colleges/universities).
- GASB is eliminating ARC and is requiring pension administrators to develop their own funding standards.



Thank you!