

Virginia Retirement System Update

House Appropriations
Subcommittee on Compensation
and Retirement

January 13, 2011
Robert P. Schultze
Director



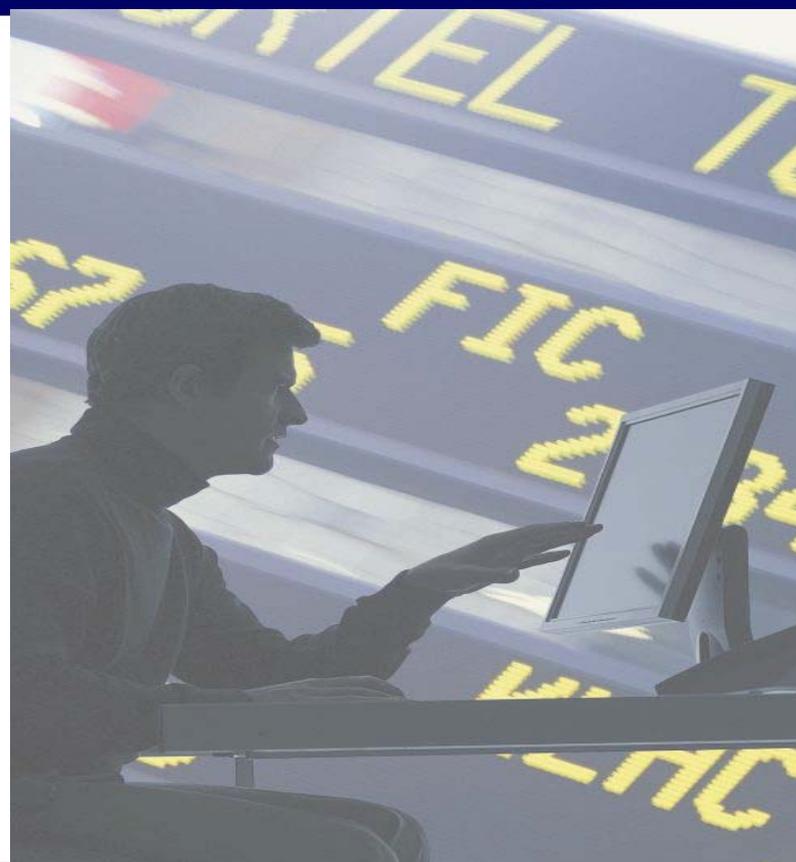
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Agenda

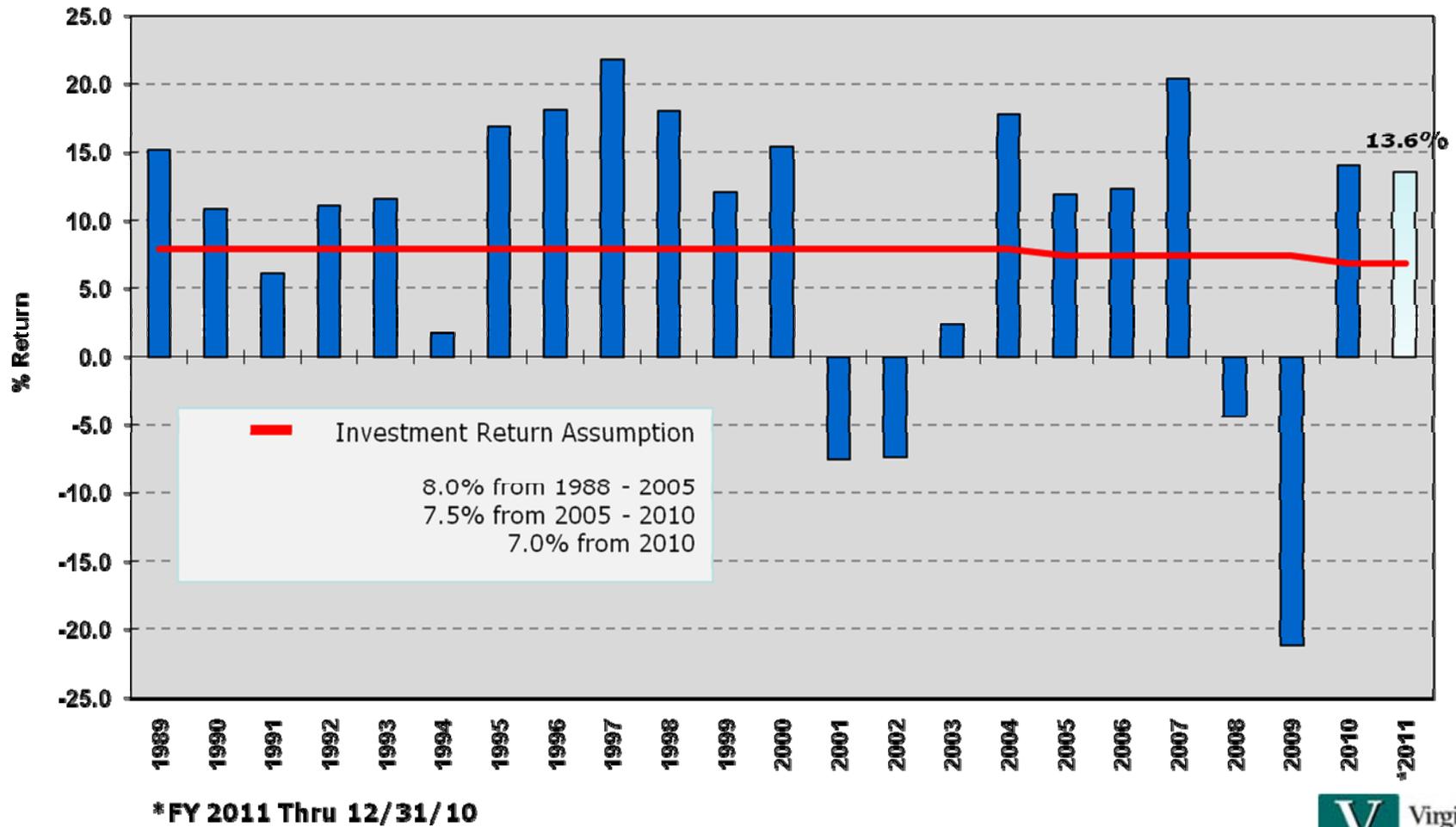
- Update on VRS Returns
- VRS Actions in Introduced Budget
- Changes in Line of Duty Act Funding
- Short-Term Disability Claims at Department of Corrections

VRS Returns

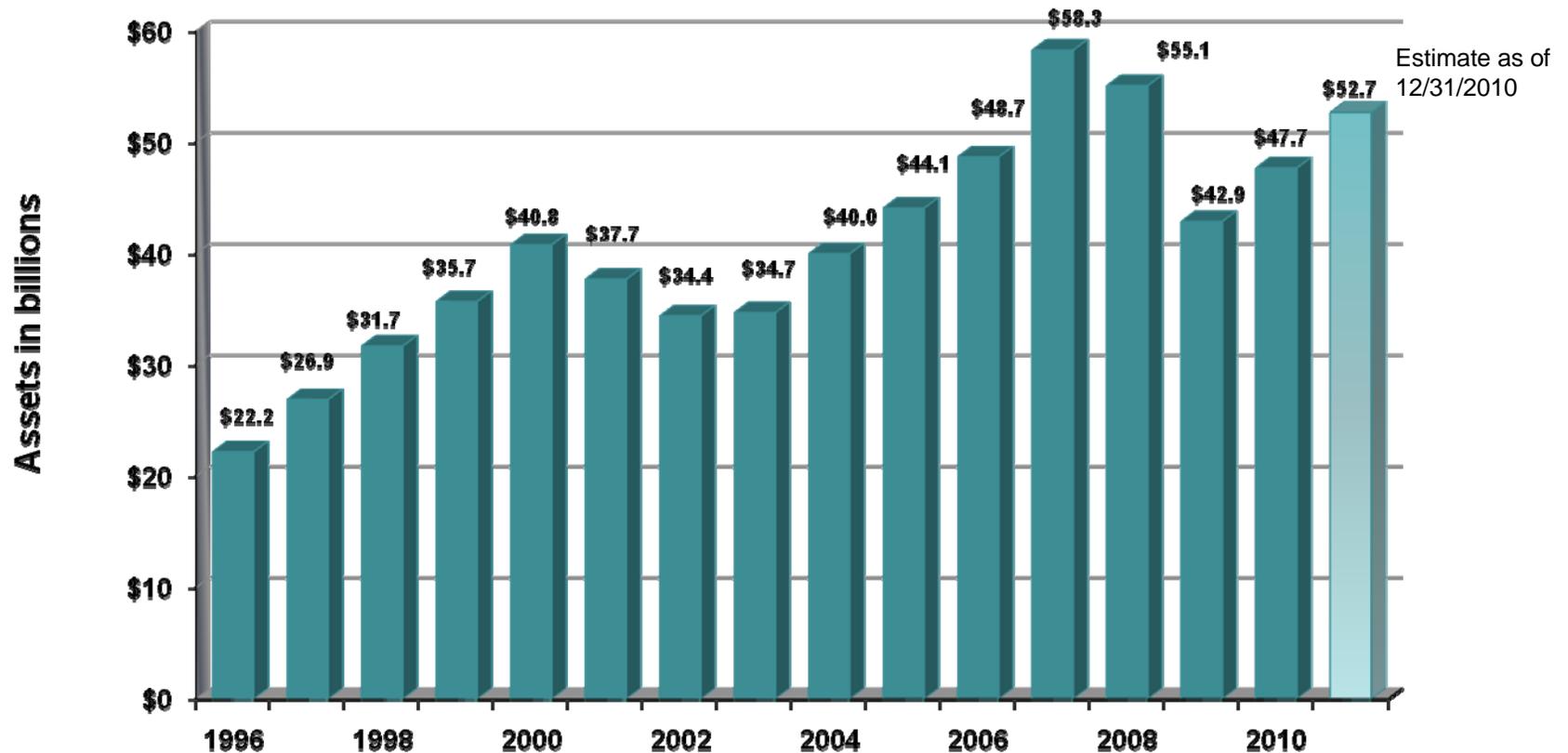


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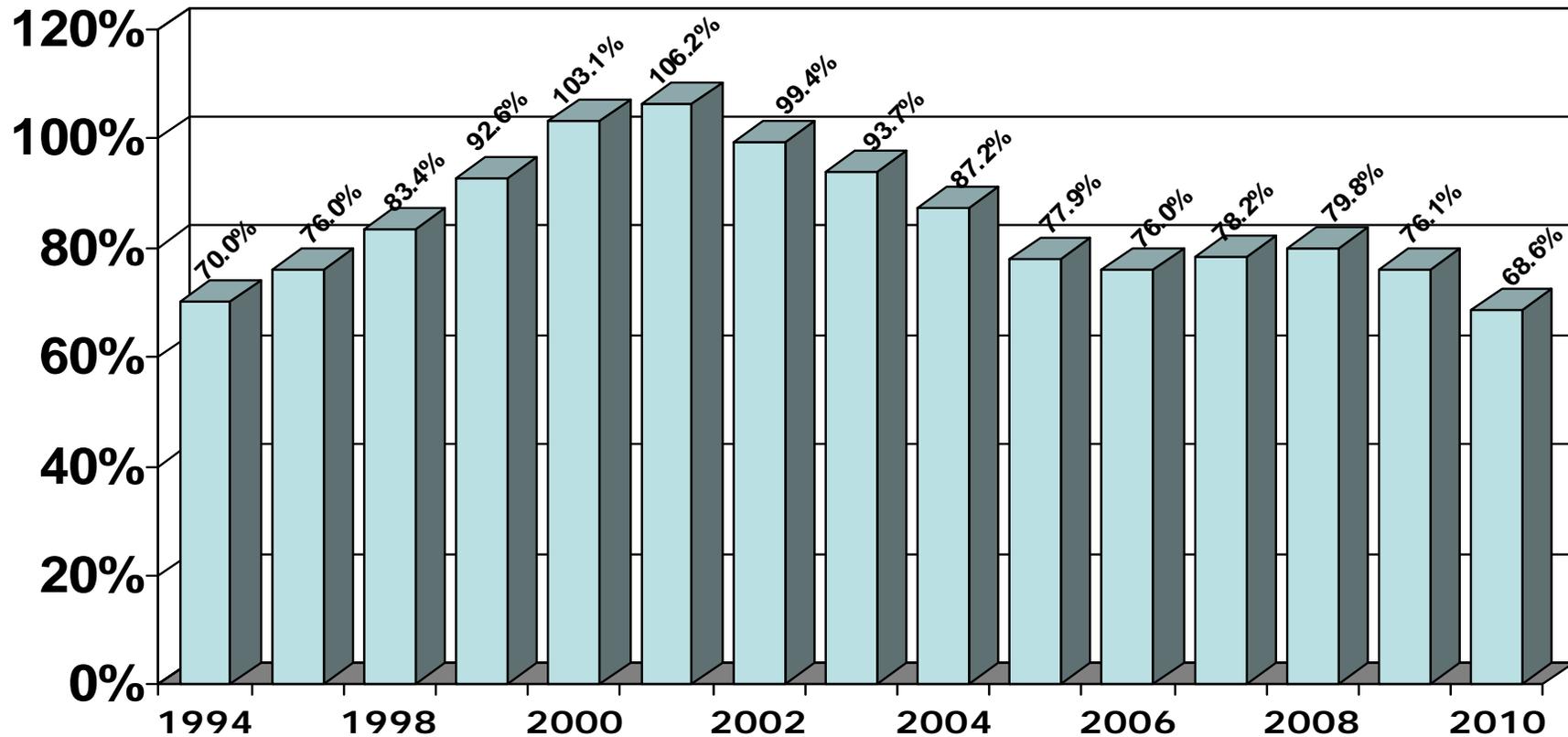
VRS Fiscal Year Returns



Net Assets Available for Benefits



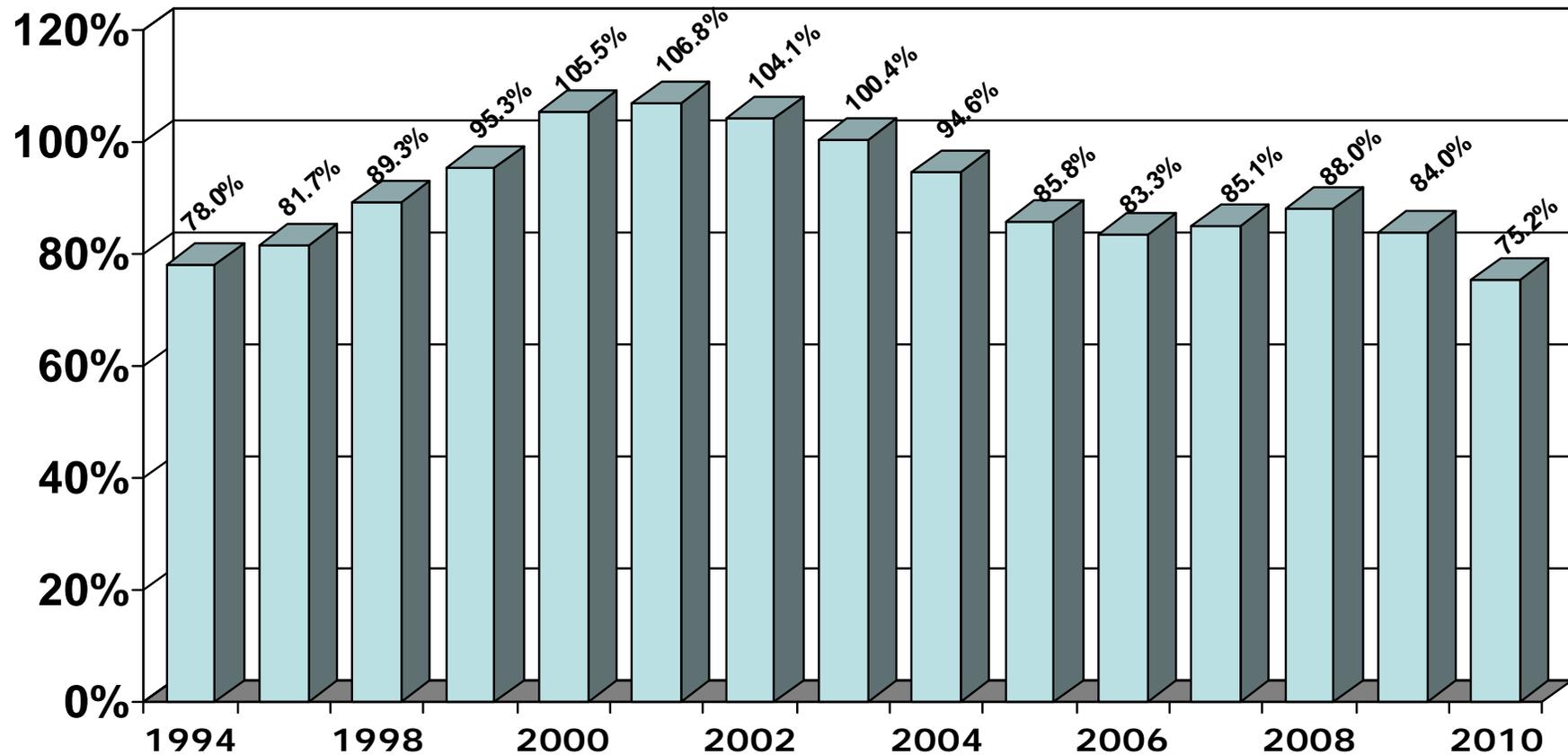
Funded Status: Teachers



Assumptions:
7% assumed rate of return; 20-year amortization period



Funded Status: State Employees



Assumptions:
7% assumed rate of return; 20-year amortization period



House Bill 1500

Senate Bill 800



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HB 1500/SB 800

- Plan 1 state employees would pay full 5% member contribution, effective 7/1/2011
- Added state employee costs will be partially offset by a 3% salary increase for Plan 1 defined benefit employees, effective 7/1/2011
- A 2% contingency bonus proposed for all state employees
- Employer contributions to VRS in FY2012 will be increased by 4% for state employees (from 2.08% to 6.08%) and 2% for teachers (from 5.16% to 7.16%)

HB 1500/SB 800

- Over \$311 million in new contributions would be paid in FY2012
- Employer contributions for ORP Plan 1 employees reduced from 10.4% to 8.5% (no employee contribution required)
- Local employers and school boards will have option to require Plan 1 employees to also pay 5% member contribution if offset by at least a 3% salary increase

HB 1500/SB 800

Current and Proposed VRS Contribution Rates

Plan 1 Employees	FY2012 Chapter 874 *	FY2012 HB1500/SB 800*	Percent Increase
State	7.08%	11.08%	56.5%
Teachers	10.16%	12.16%	19.7%
State Police	12.73%	16.73%	31.4%
VaLORS	10.07%	14.07%	39.7%
Judges	33.65%	37.65%	11.9%

* Includes the 5% member contribution rate

HB 1500/SB 800

- Affect on state employees:
 - Unifies most Plan 1 and Plan 2 state employees with respect to member contributions
 - 5% member contribution will be pretax (except FICA)
 - Creditable compensation will be increased by 3%
 - Social security wage base will be increased
 - Late career employees will gain more in lifetime benefits than the annual cost of their contributions
 - Life insurance coverage will rise accordingly

HB 1500/SB 800

- Affect on VRS Plans:
 - \$311 million in new contributions in FY2012
 - 56% increase in FY 2012 contributions to state employee plan
 - 20% increase in FY2012 contributions to teacher plan

Line of Duty Act Fund



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Line of Duty Act – Program Overview

- Defined in §9.1-400 (1972 – death benefit & 2000 – health care benefit)
- Provides benefits to first responders who die or become disabled in the line of duty
- Benefits:
 - Death benefit:
 - \$100,000 for death occurring as a direct or proximate result of duties
 - \$25,000 for death by presumptive cause or within five years of retirement
 - Continued health insurance coverage
 - Disabled employee
 - (Surviving) spouse
 - Dependent children

Line of Duty Act – Program Overview

- Law-enforcement officers of the Commonwealth or any of its political subdivisions
- Correctional officers
- Jail officers
- Regional jail officers
- Regional jail or jail farm superintendents
- Sheriff, deputy sheriff, or city sergeant or deputy city sergeant of the City of Richmond
- Police chaplains
- Members of fire companies or departments or rescue squads recognized by any county, city or town of the Commonwealth as an integral part of an official safety program
- Virginia National Guard of the Virginia State Defense Force members
- Special agents of the Virginia Alcoholic Beverage Control Board
- Regular or special conservation police officers
- Commissioned forest wardens
- Members or employees of the Virginia Marine Resources Commission granted the power of arrest
- Department of Emergency Management hazardous materials officers
- Other employees of the Department of Emergency Management if performing duties related to a major disaster or emergency
- Employees of any county, city or town performing official emergency management or emergency services duties in cooperation with the Department of Emergency Management
- Non-firefighter regional hazardous materials emergency response team members
- Conservation officers of the Department of Conservation and Recreation

Line of Duty Act – Benefits

- Line of Duty Act (LODA) benefits remain the same after the implementation of the Budget Item
 - Department of Accounts administers the benefit, reviews claims, pays claims, verifies eligibility
 - State Comptroller will continue to make eligibility determinations
 - Eligibility and coverage remain unchanged

Line of Duty Act Fund – 2010 Budget Language

- Item 258 – 2010 Budget Bill:
 - Changed funding mechanism for the program and created the Line of Duty Act Fund
 - Loan from the VRS Group Life Insurance Program to cover expenses/claims for FY2011
 - Requires VRS to invest and manage the Fund
 - Establishes funding mechanism based on state and local government contributions, effective July 1, 2011

Line of Duty Act – Claims by Fiscal Year

Fiscal Year	Health Insurance	Death Benefit	Total
2005	\$2,268,153	\$250,000	\$2,518,153
2006	\$3,690,131	\$540,000	\$4,230,131
2007	\$5,113,195	\$1,175,000	\$6,288,195
2008	\$6,465,153	\$550,000	\$7,015,153
2009	\$7,508,169	\$750,000	\$8,258,169
2010	\$9,084,273	\$255,555	\$9,339,828

Source: Virginia Department of Accounts

Line of Duty Act Fund - Contribution Rate Estimates

Costs/Contributions Per Active Full-Time Employee Estimated 75,000 Active Employees

FY2012	FY2013	FY2014	FY2015
\$233.89	\$365.70	\$503.33	\$642.47

Note: The FY2012 rate is a pay-as-you-go rate. Future contributions will increase as the five-year, phase in of prefunding the program on an actuarial basis begins. Prefunding the benefit will begin in FY2013. The VRS Board of Trustees approved the contribution rate of \$233.89 for FY2012. This is a per capita rate (amount locality will pay per participant).

Line of Duty Act Fund – Contribution Rates

- Other program elements:
 - Hazardous duty volunteers - 25% of the per capita rate
 - Part-time National Guard - 10% of the per capita rate
 - VRS actuary to conduct annual plan valuation to examine experience and participants covered
 - Due to variance in covered lives and plan experience, rates will fluctuate over time
 - Future rates will vary by the number of participating localities versus those that self-fund the benefit
 - In the future, plan will migrate to experience-rated plan where localities are rated individually versus pooled rate

Line of Duty Act Fund - Time Frame

- Winter/Spring 2011 – Local Election Period
 - Localities choose between two options:
 - Participate in the Fund
 - Opt out of the Fund by choosing to self-fund the benefit: Pay-as-you-go or pre-fund
 - Deadline to opt out of the Fund: 6/30/2011
 - If localities do not take action, they will be enrolled automatically in the Fund

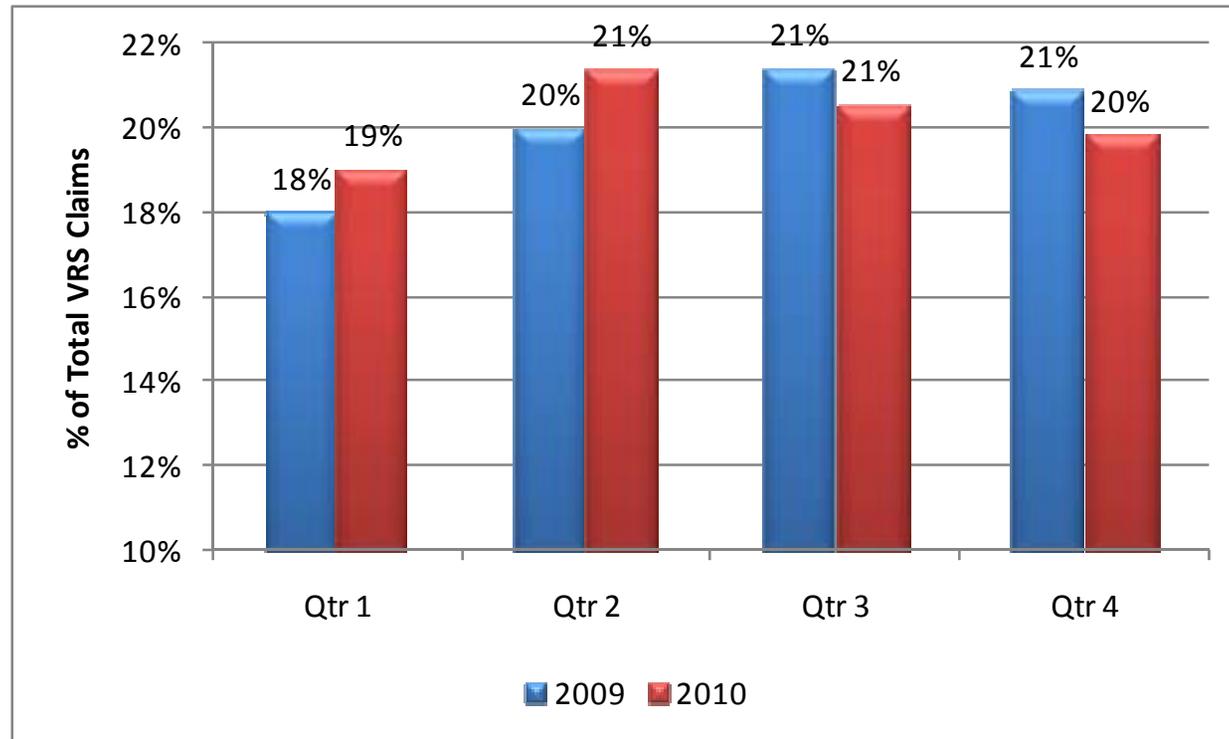
- Fiscal Year 2012
 - VRS will bill state and localities for contributions.

Dept. of Corrections Usage of VSDP



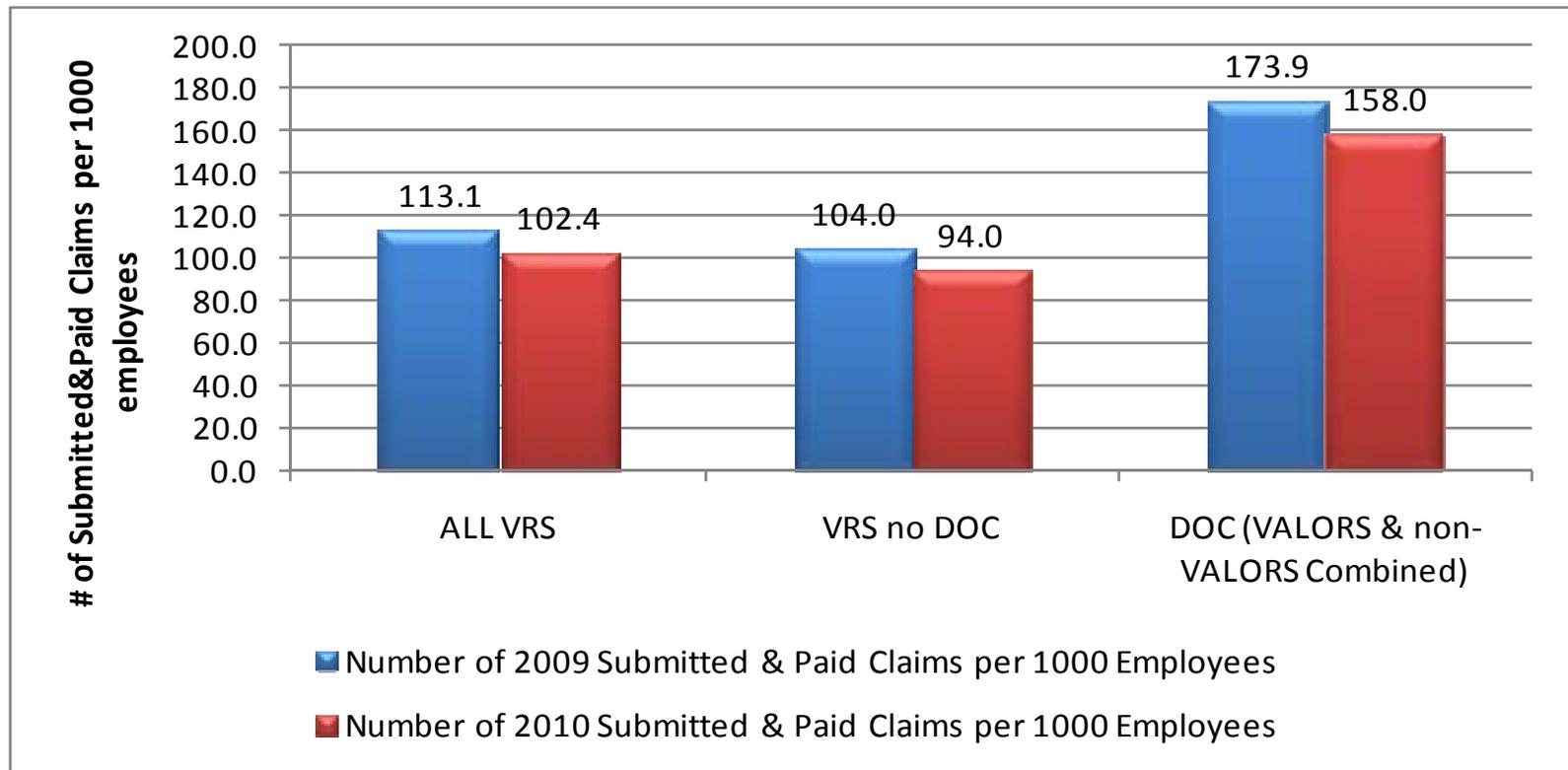
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All DOC STD Claims as a Percentage of Total VRS STD Claims



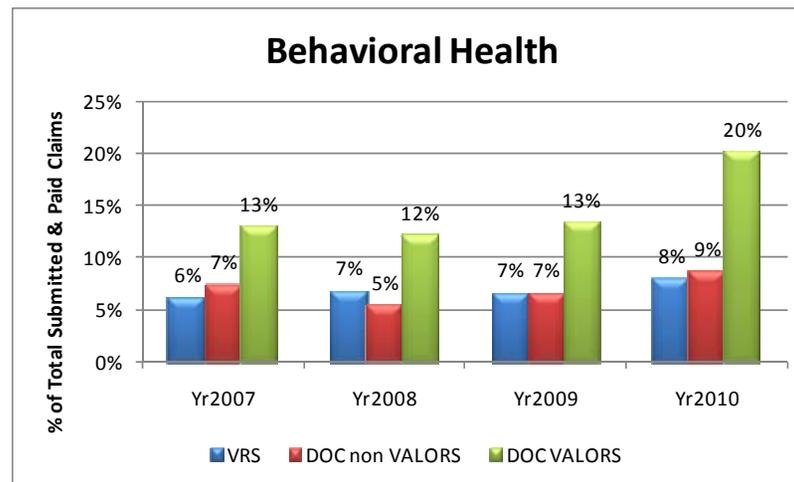
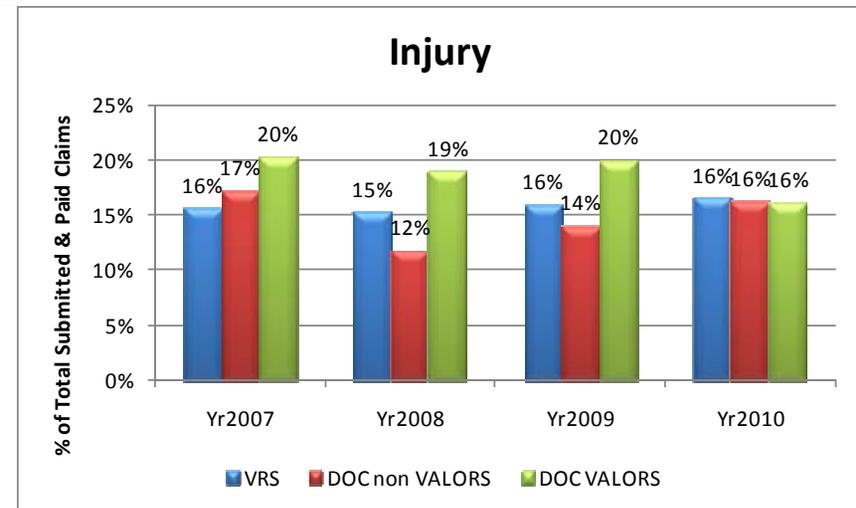
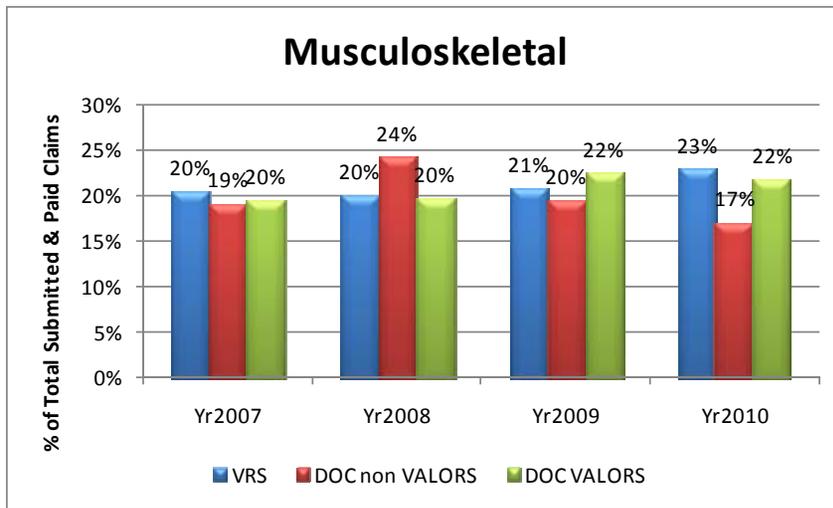
Data as of January 5, 2010

Submitted and Paid STD Claims per 1000 Employees



Claims received by Unum during the year that were deemed payable

Leading Diagnostic Trends for DOC



DOC & VRS Initiatives

- Meeting held with key stakeholders (VRS/DHRM/UNUM/DOC)
 - UNUM dedicated specific staff to work with DOC claims
 - UNUM and DOC to enhance efforts on investigations, surveillance and return-to-work accommodations
 - UNUM will contact doctors to ensure that they understand work accommodations available
 - DOC and DHRM will examine preventive care options and other related policies
 - Agreed to hold quarterly meetings to review progress

Thank you!



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