

Virginia Retirement System

Virginia Retirement System Overview

House Appropriations Compensation and Retirement Subcommittee

January 17, 2008

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Director

VRS Overview

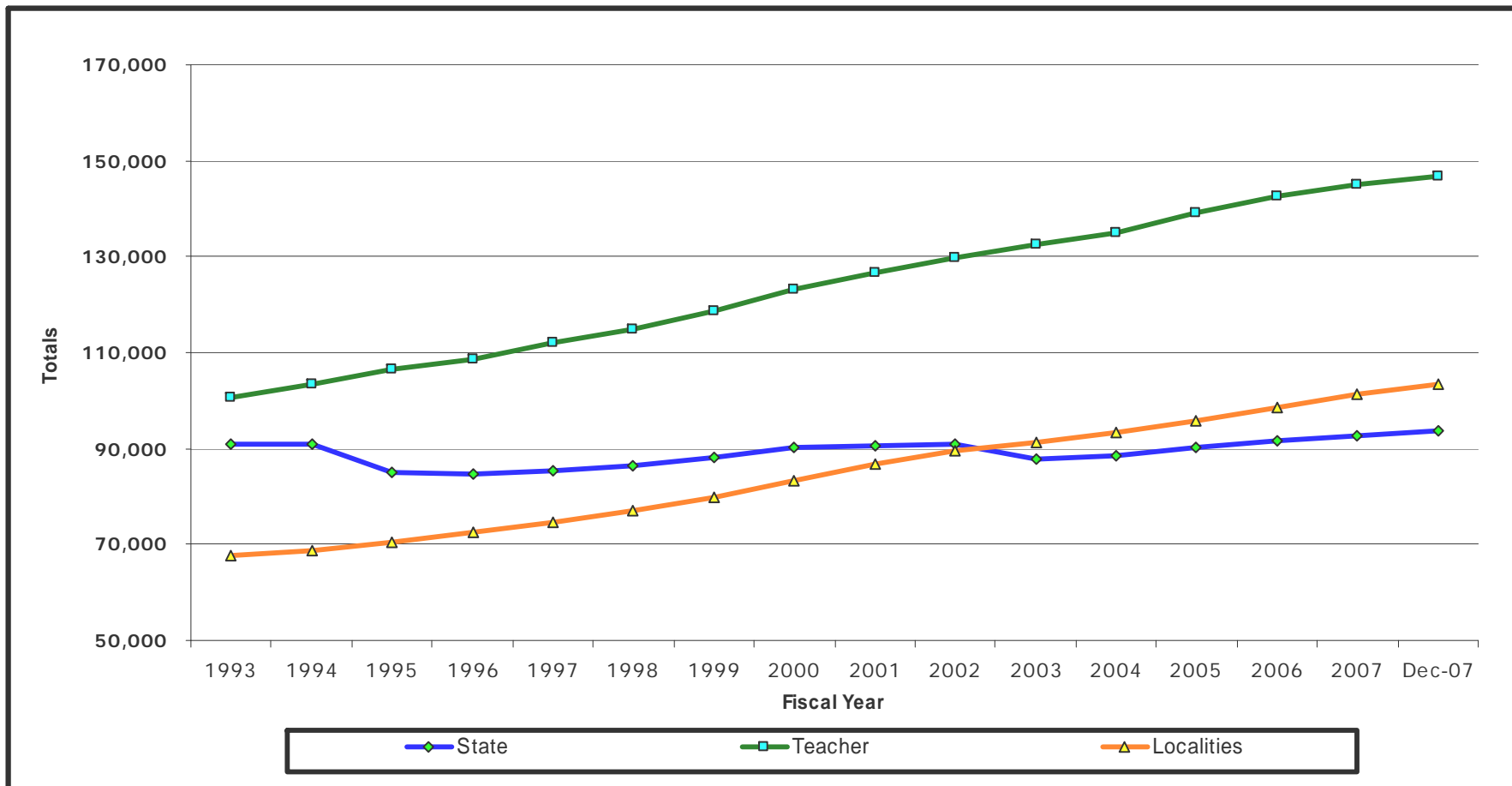
- VRS is the 26th largest public or private pension system in the U.S.
- There are more than 596,000 members, retirees and beneficiaries.
- Assets total \$58.3 billion as of 6/30/07.

VRS Total Membership

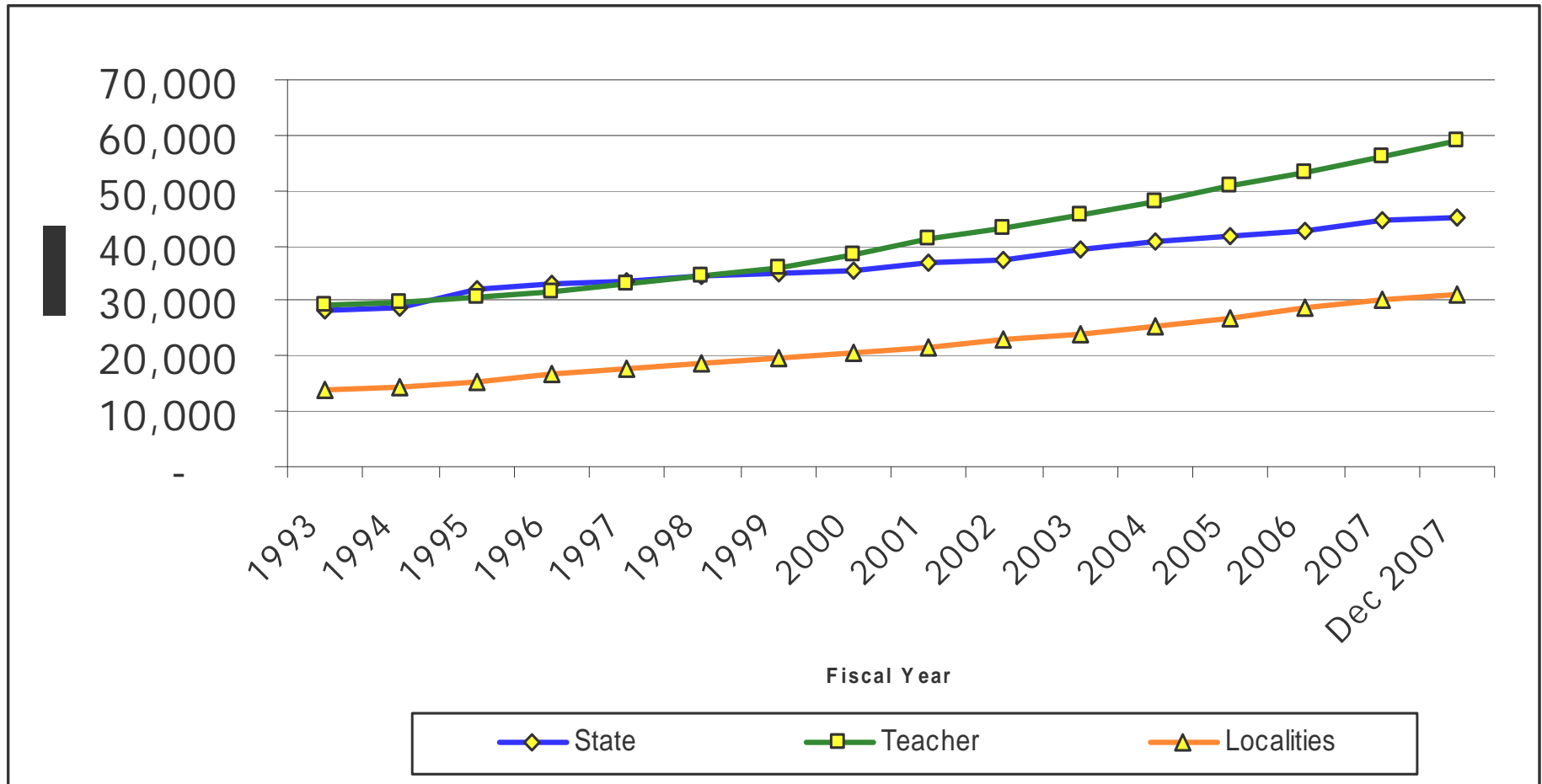
(December 31, 2007)

Teachers	146,811
Political Subdivisions	103,462
State Employees	80,992
State Police Officers' Retirement System (SPORS)	1,897
Judicial Retirement System (JRS)	420
Virginia Law Officers' Retirement System (VaLORS)	10,286
Total	343,868
Retirees/Beneficiaries	134,836
Inactive/Deferred Members	118,011
VRS Overall Impact	596,715

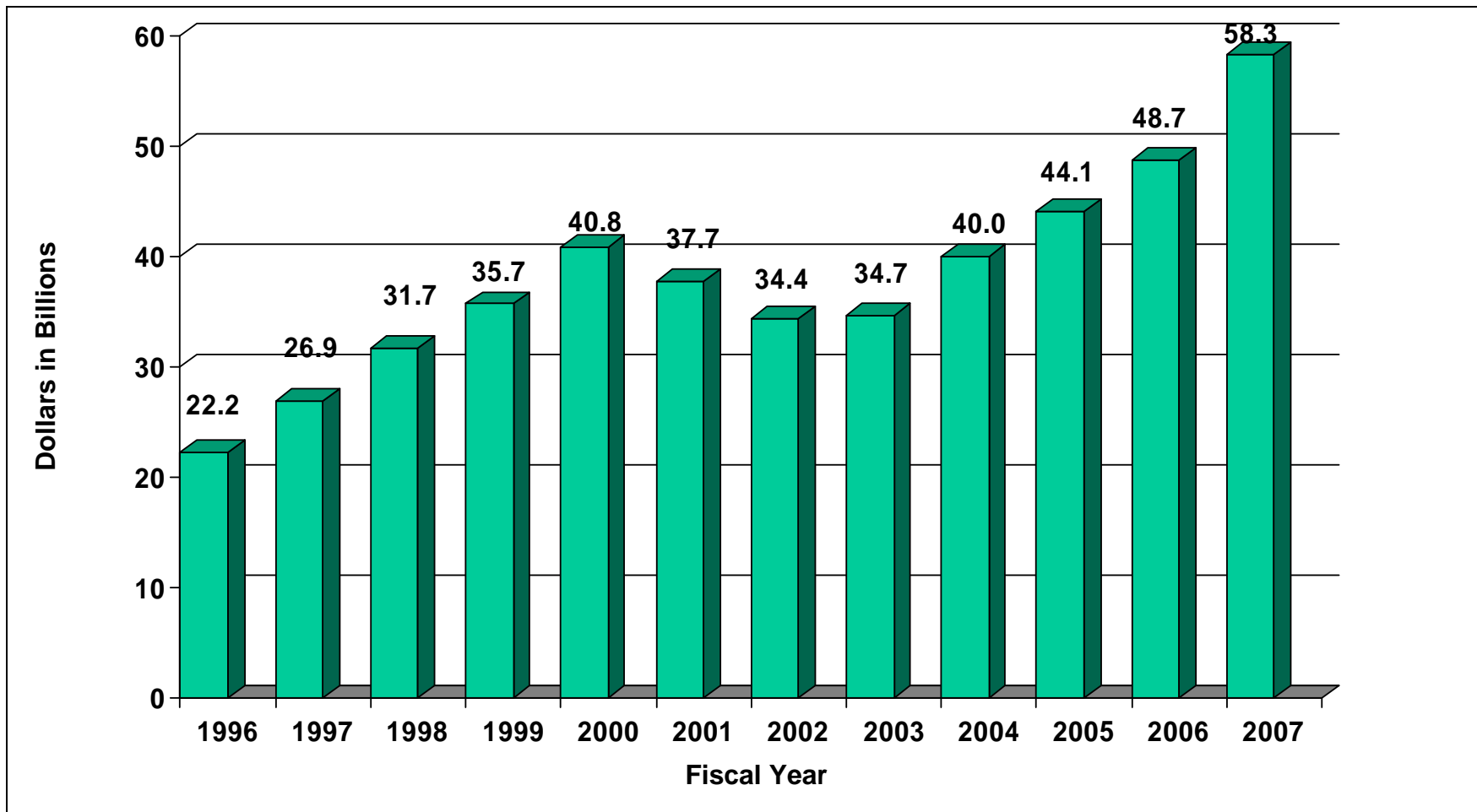
VRS Members



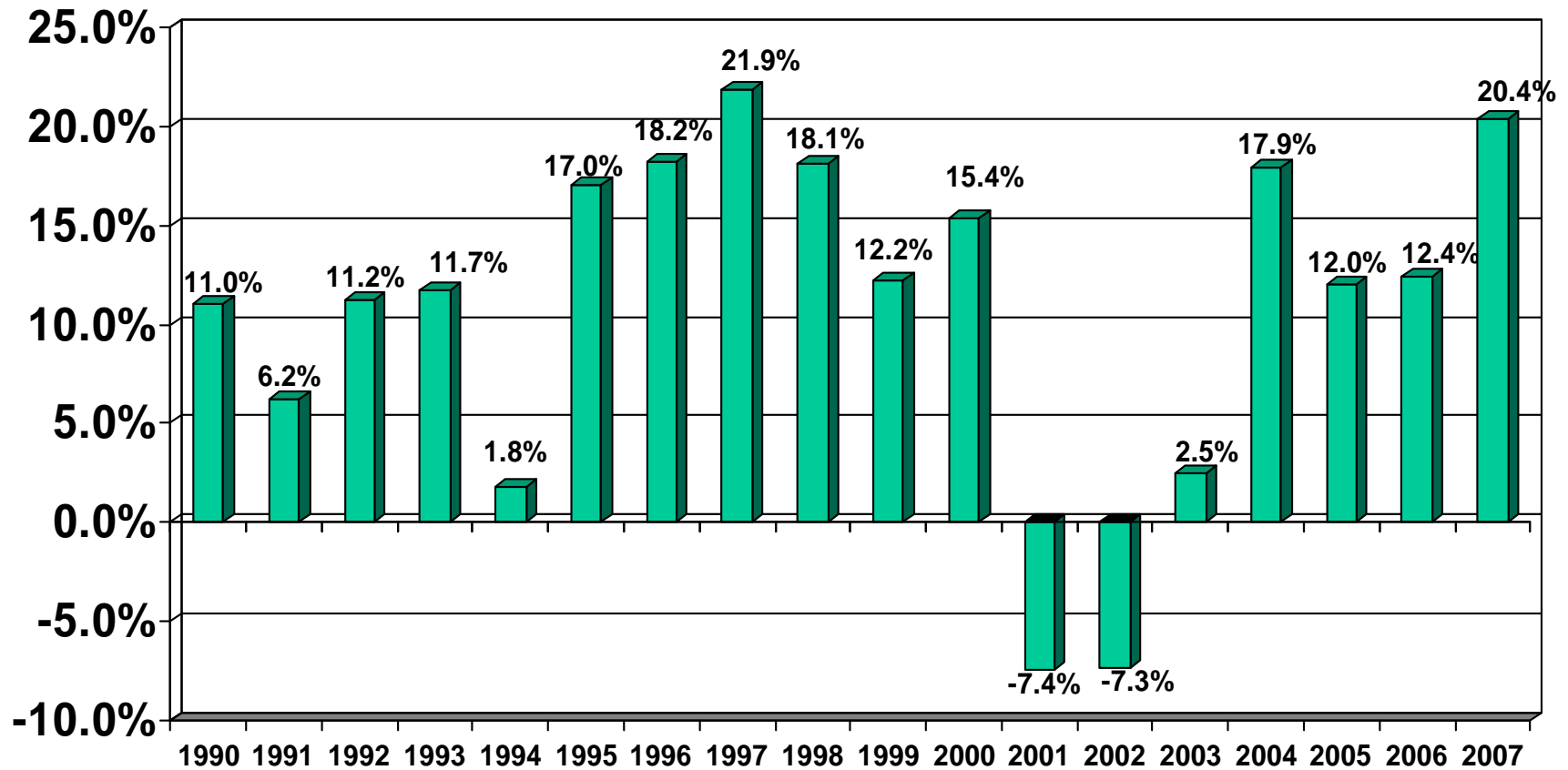
VRS Retirees



Net Assets Available for Benefits



VRS Investment Returns 1990 - 2007



■ Returns

Funding VRS Retirement Benefits

Benefits are funded by:

- Investment earnings – pay over 70% of all benefit costs.
- Employer contributions – set every two years, based on actuarial analysis and demographics.
- Employee contributions – established in statute at 5% of salary; most employers pay on behalf of employee.

Separate Valuations & Rates

- Teacher Plan, State Employee Plan and Local Government plans separately rated.
- Each plan is rated according to its demographics and benefit design.
- Assets and liabilities are segregated by plan.
- Assets are pooled only for investment purposes.

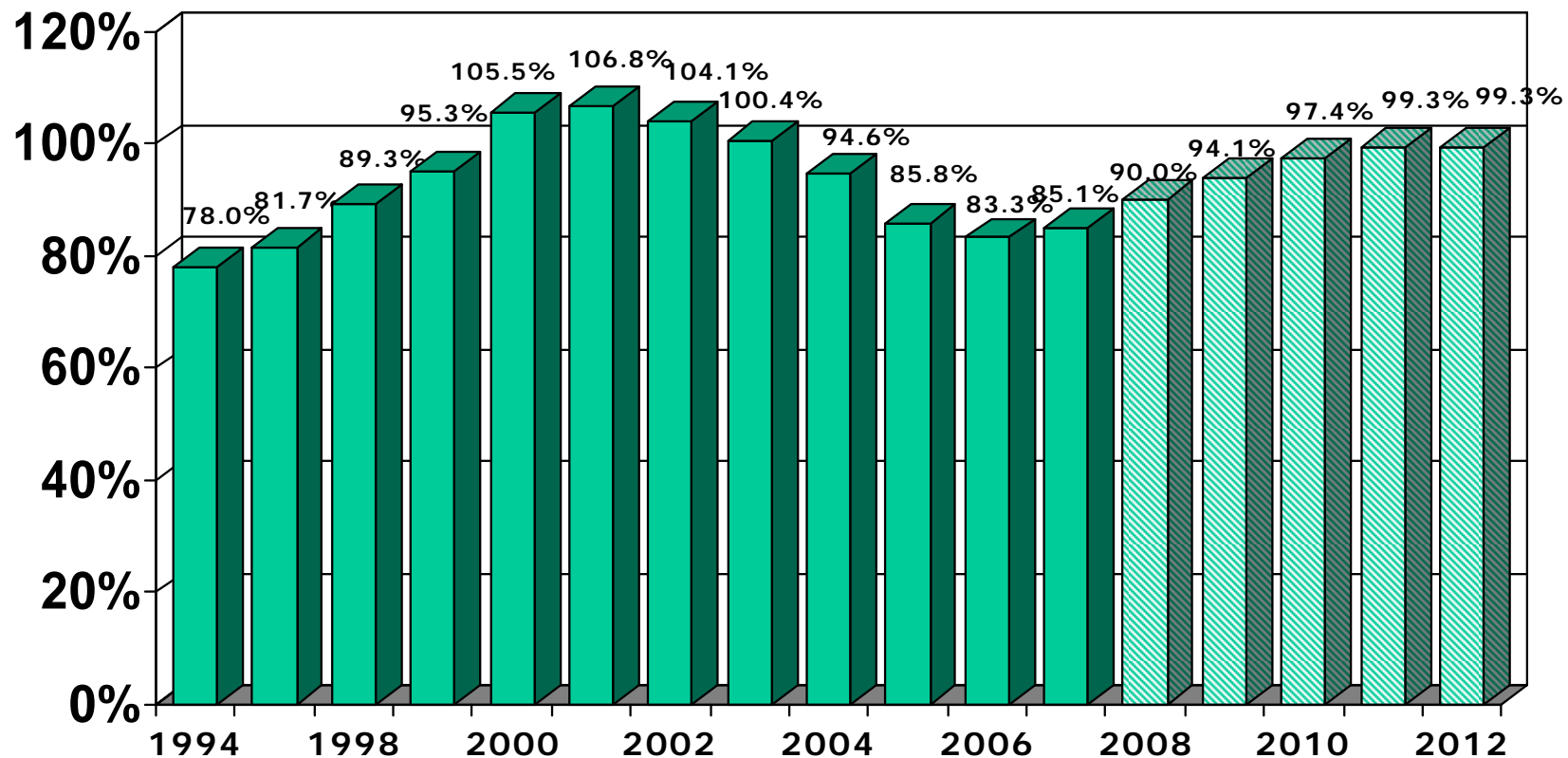
New Actuarial Valuations as of June 30, 2007

- Determine Funded Status of Each Plan
- Calculate Recommended Contribution Rates
- Projects Future Contribution Rates
- Based on Board's Key Assumptions about Future:
 - Investment returns projected at 7.5%
 - Inflation projected at 2.5%
 - Amortization period for unfunded accrued actuarial liability (UAAL) stabilized at 20 years

Funded Status

- Compares assets available to pay benefits to present value of future liabilities
- Asset/liability ratio is typical measure
- Percentage of assets available to pay present value of all future liabilities (until the last member of the plan dies)

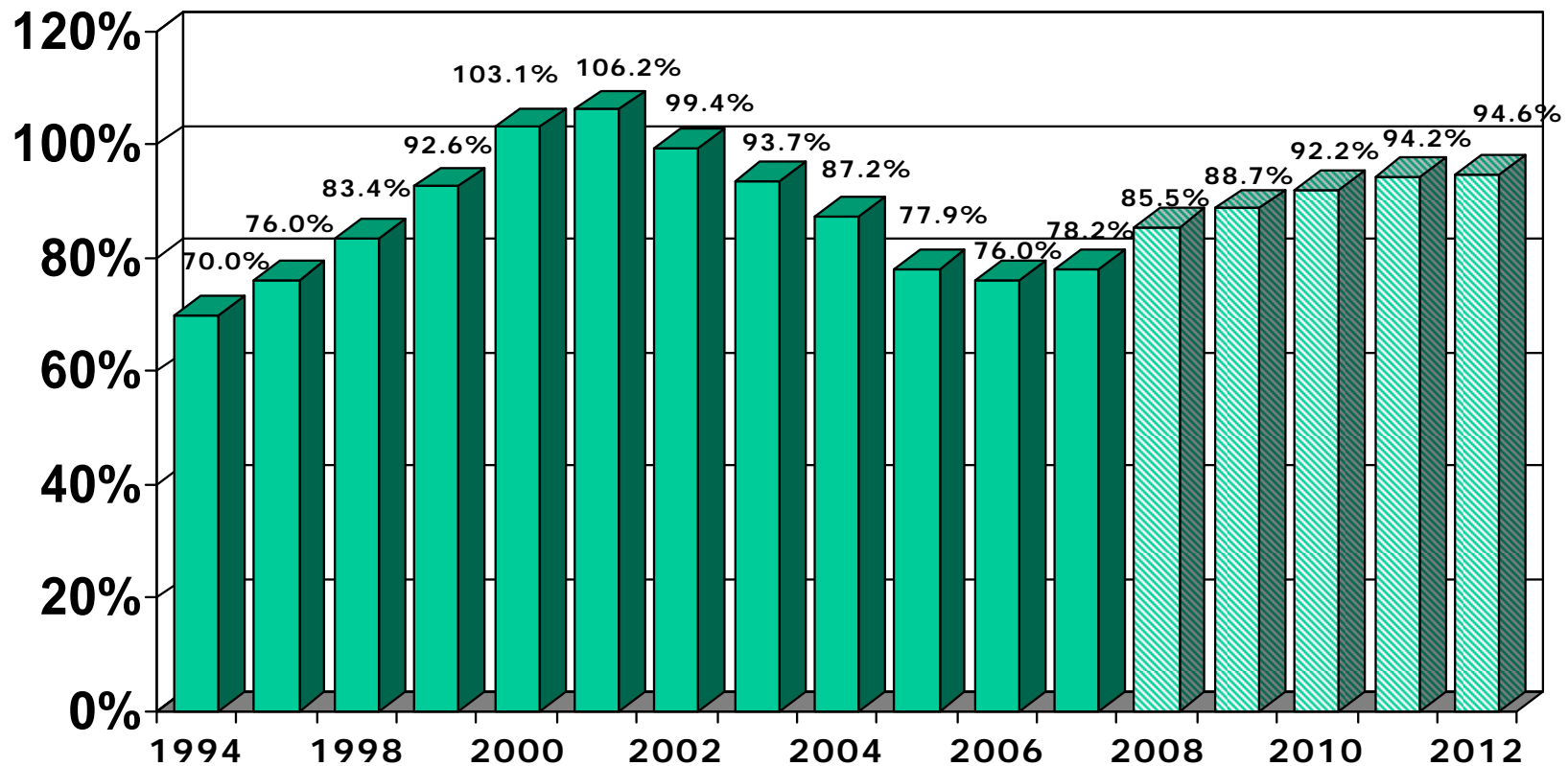
Funded Status: State Employees



Assumptions:

- Investments earn 7.5% each year
- Board certified contribution rates are paid each year
- All actuarial assumptions are met

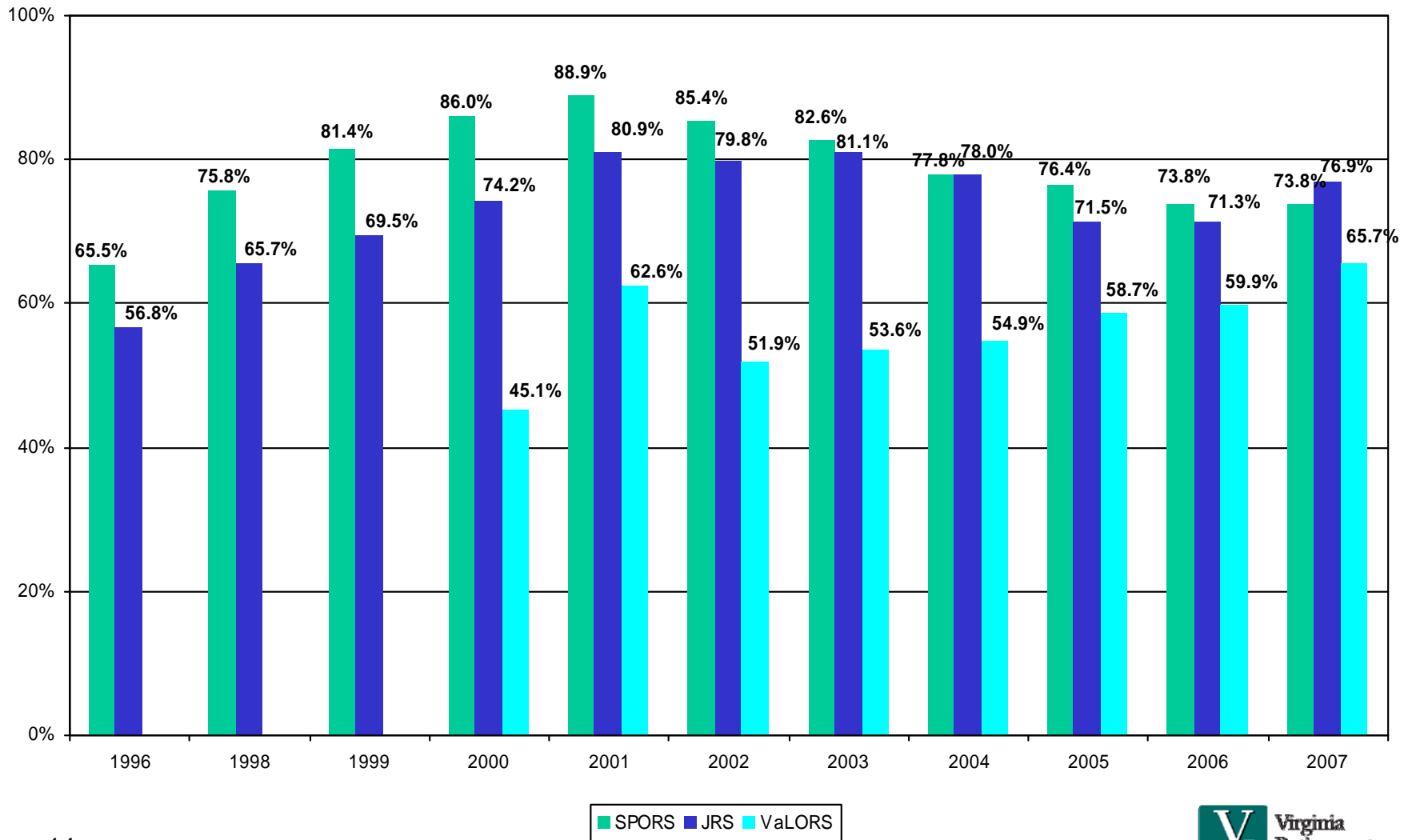
Funded Status: Teachers



Assumptions:

- Investments earn 7.5% each year
- Board certified contribution rates are paid each year
- All actuarial assumptions are met

SPORS, JRS and VaLORS



Factors Affecting 2007 Valuation

Favorable

- Employer contributions increased over the last two years
- Strong investment gains, although recognition is lagged.

Unfavorable

- Teacher and state employee salary increases outpaced actuarial assumptions
- July 2007 COLA of 3.1% compared to the assumed 2.5%
- State employee and teacher retirements higher than expected

Retirement Employer Contribution Rates

	2008 Funded Rates (Chap. 847)*	Governor's Rates 2008-2010*	Board Certified Rates 2008 - 2010*
State	6.15%	6.68%	8.02%
Teacher	10.30%	9.35%	11.84%
SPORS	20.76%**	21.48%	24.09%
VaLORS	15.86%	15.02%	16.78%
JRS	38.01%	35.74%	38.04%

*Does not include 5% employee contribution.

** Reflects cost of benefit increase of 1.85% multiplier.

Contribution Rates

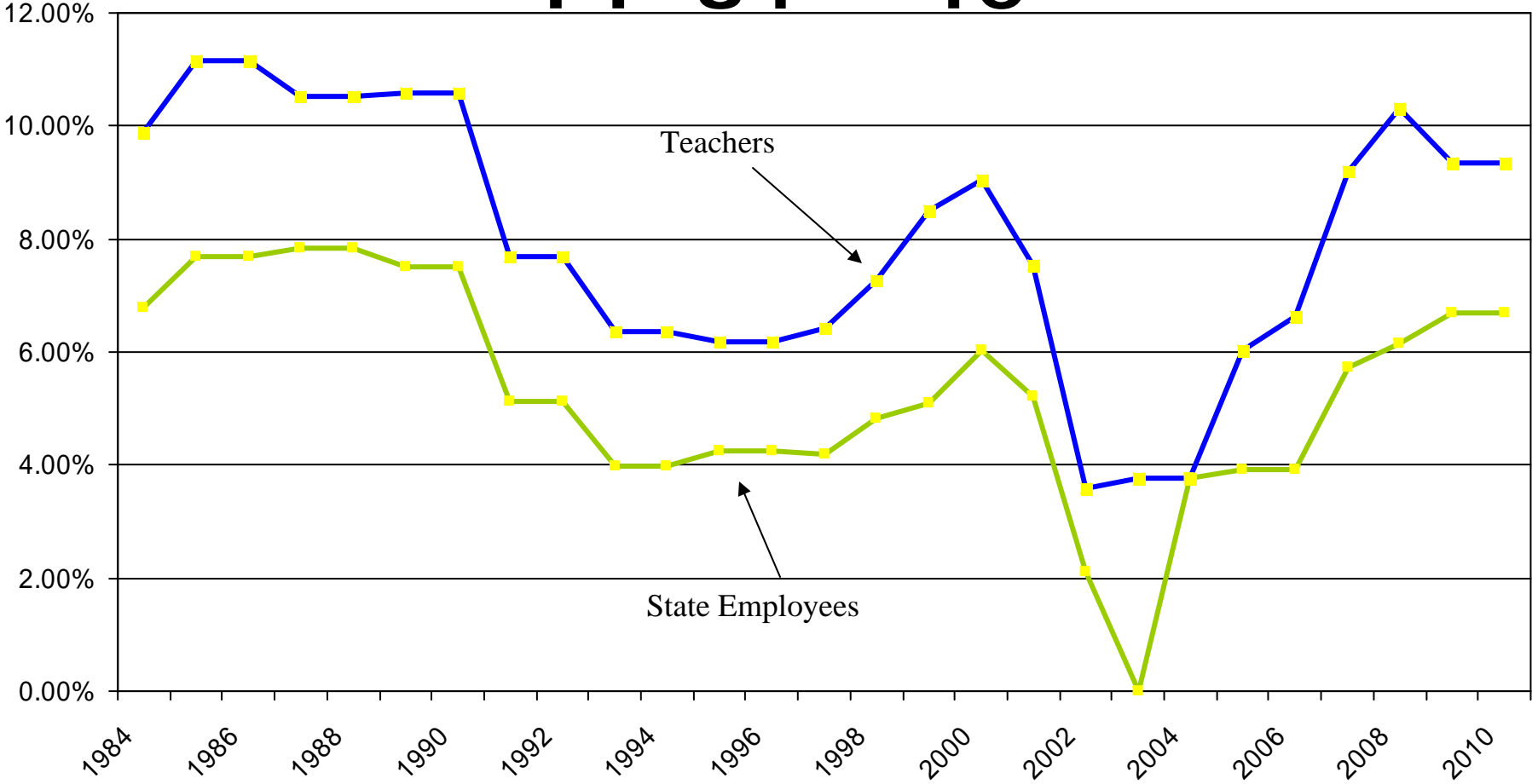
Non-Pension Programs Other Post Employment Benefits (OPEB) Employer Contribution Rates

Board approved rates for non-pension programs that affect pre-funding
as required by GASB 43 & 45

	2008 Funded Rates (Chap. 847)	Governor's Rates 2008-2010	Board Certified Rates 2008-2010
State Health Insurance Credit	1.20%	1.22%	1.22%
Teacher Health Insurance Credit	1.16%*	1.12%	1.12%
Life Insurance	1.00%	0.89%	0.89%
VSDP	2.00%	1.96%	1.96%

*Includes 0.46% for benefit enhancement 7/1/2007.

Teacher, State Contribution Rates FY '84 - '10



Legislative Initiatives

- SB 353 – Long Term Care Plan
 - Authorizes VRS to administer the Long Term Care Insurance Plan currently offered by DHRM to public employees.
 - VRS to administer only if the change provides improved benefits or cost-effective coverage for participants.

Legislative Initiatives

- Other Board approved bills:
 - HB 772 – Extends the exemption from liability to all advisory committees appointed by the Board.
 - HB 773 – Replaces an incorrect citation in a section.
 - HB 774 – Clarifies the time frame within which compulsory retirement must take place for certain hazardous duty positions. The new language states retirement must take place within 60 days of reaching age 70.
 - HB 775 – Deletes current reference and replaces it with the correct reference to the cash match plan.

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Thank You!

