



Virginia Retirement System Overview

Compensation and Retirement Subcommittee

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- Pension Reform
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- Line of Duty Act



VRS Overview

VRS Total Membership



Teachers	146,295
Political Subdivisions	105,096
State Employees	78,477
State Police Officers' Retirement System (SPORS)	2,013
Judicial Retirement System (JRS)	405
Virginia Law Officers' Retirement System (VaLORS)	9,520
Total Active Members	341,806
Retirees/Beneficiaries	174,953
Inactive/Deferred Members	123,955
VRS Overall Impact	640,714

As of December 31, 2013

Benefit Comparison



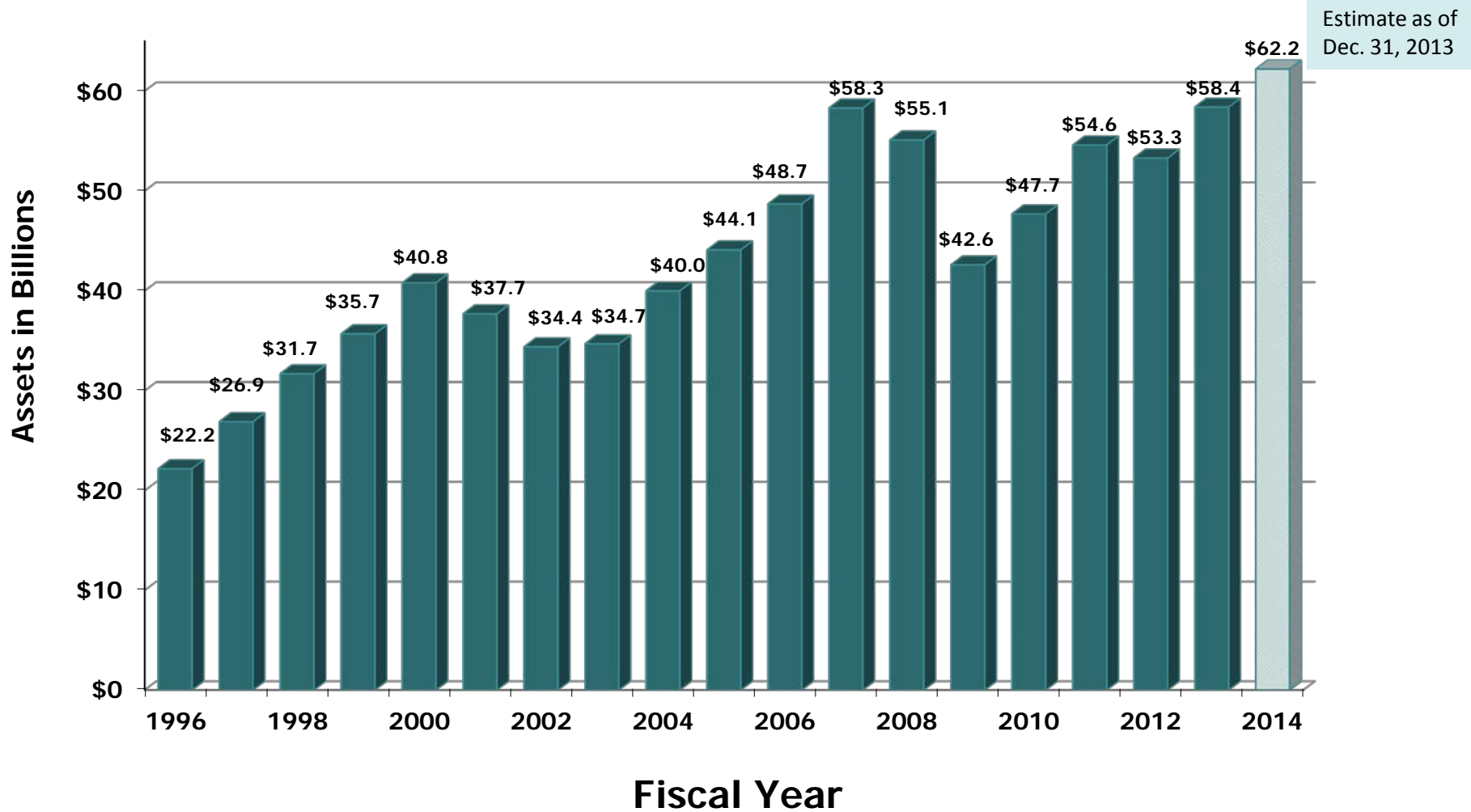
	State	Teachers	Local
Actives:			
Average Age	48.3	45.2	46.3
Average Service	12.8	11.9	11.1
Average Salary	\$48,972	\$48,994	\$41,287
Retirees: (in FY 2013)			
Avg. Age @ Retirement	63.0	61.8	62.1
Avg. Service @ Retirement	22.6	23.3	19.9
Avg. Benefit @ Retirement	38.4%	39.6%	34.7%
Avg. Annual Benefit	\$20,441	\$23,116	\$15,367
Avg. Social Security Benefit at Age 62	\$18,252	\$17,640	\$14,640

Information above obtained from the June 30, 2013, Actuarial Valuation.

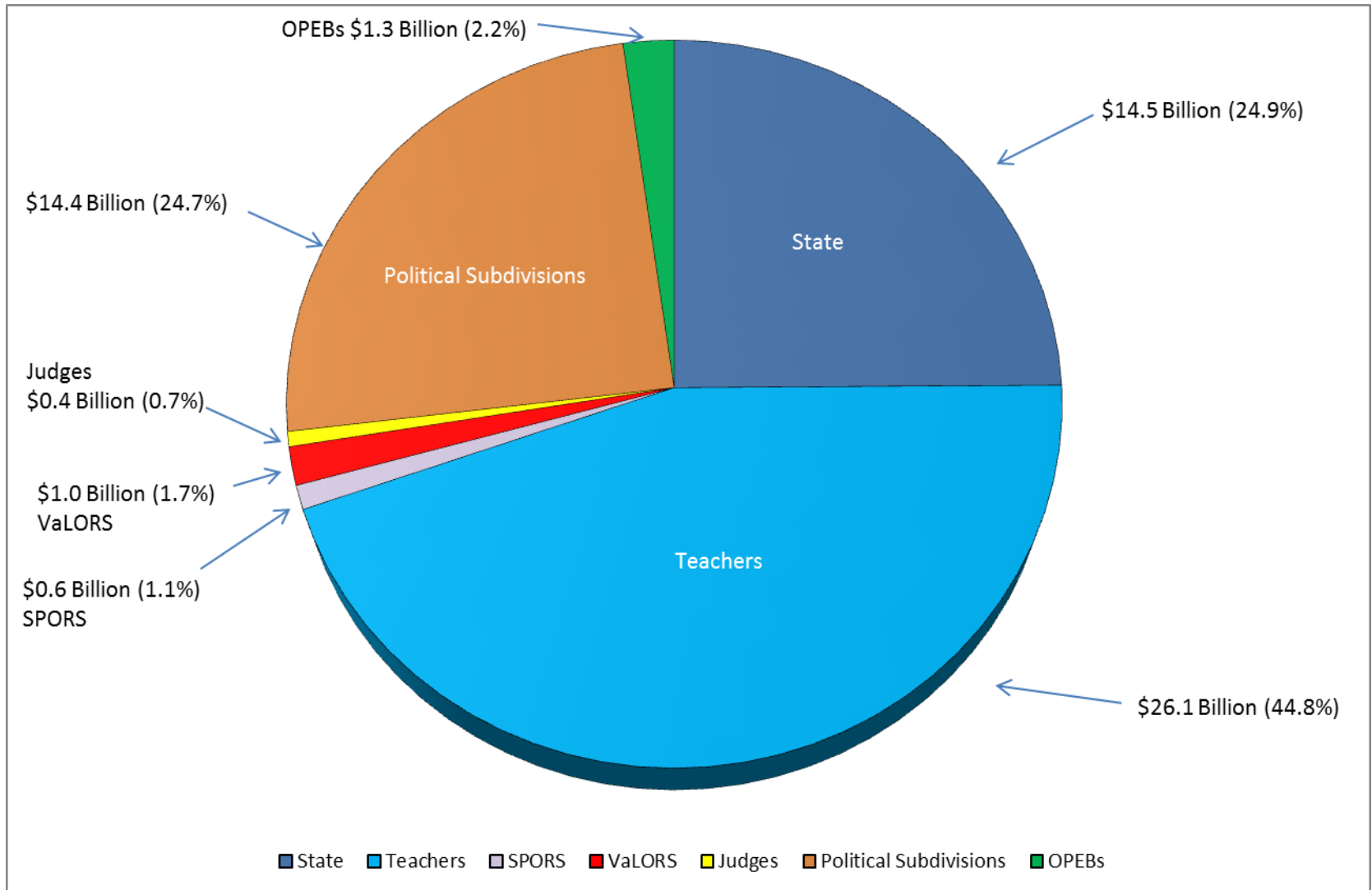


VRS Investments Overview

Net Assets Available for Benefits

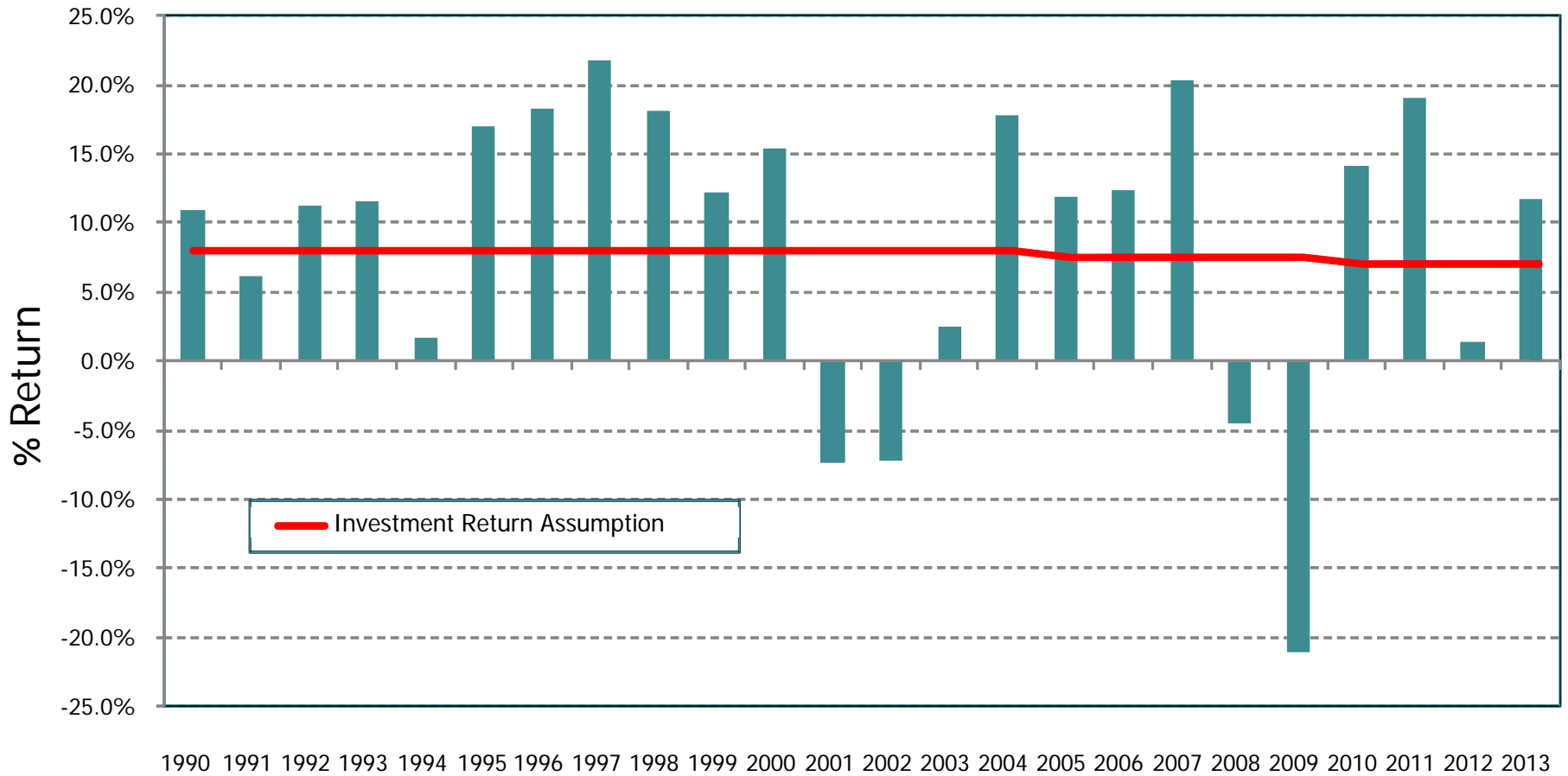


VRS Market Assets by Plan (June 30, 2013)



Total Market Value as of 6/30/2013 was \$58.4 Billion.

VRS Fiscal Year Returns

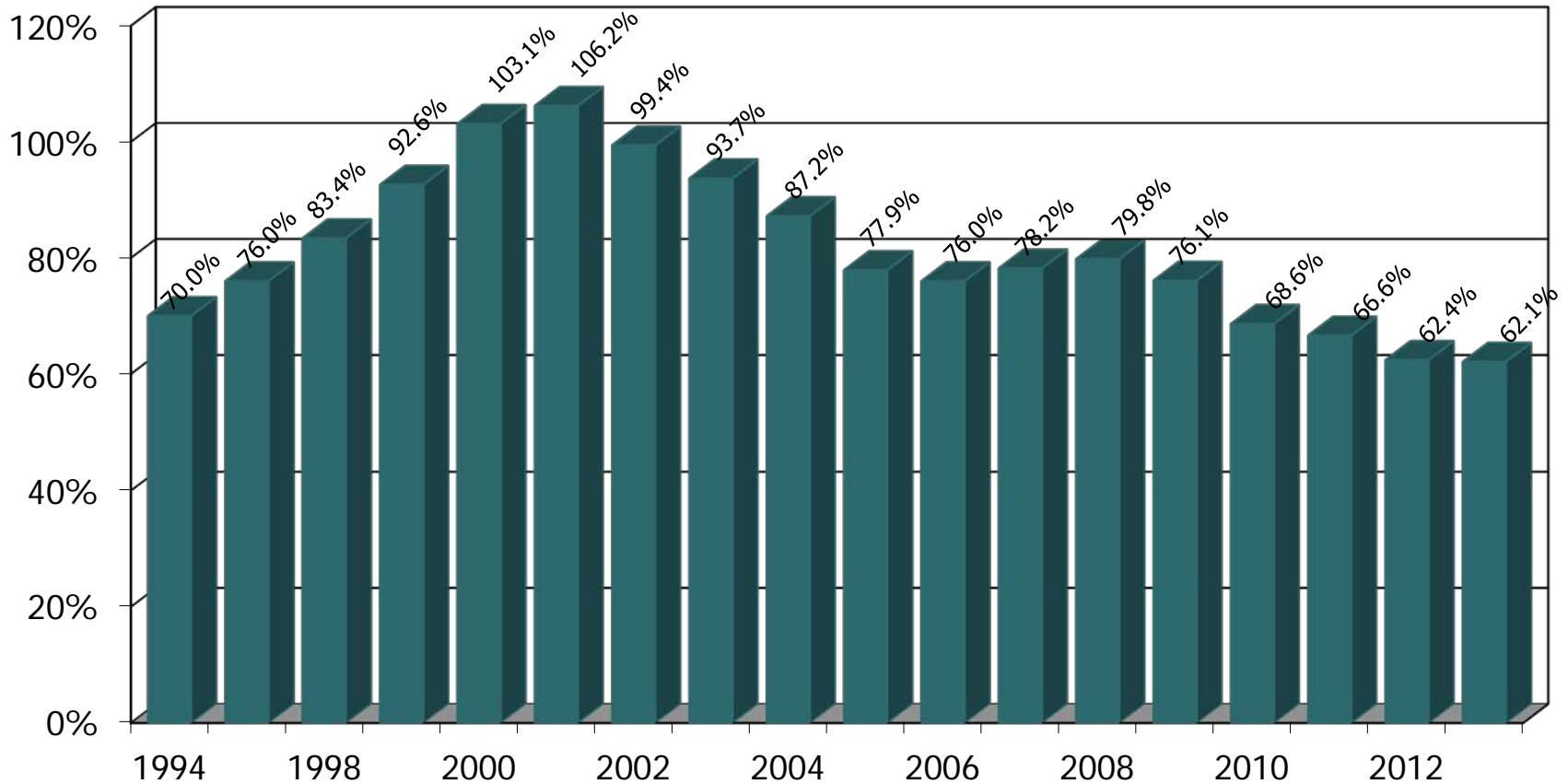


	VRS Return (As of December 31, 2013)
1-year	13.87%
3-year	8.93%
5-year	11.49%
10-year	7.10%
15-year	6.22%
20-year	8.36%

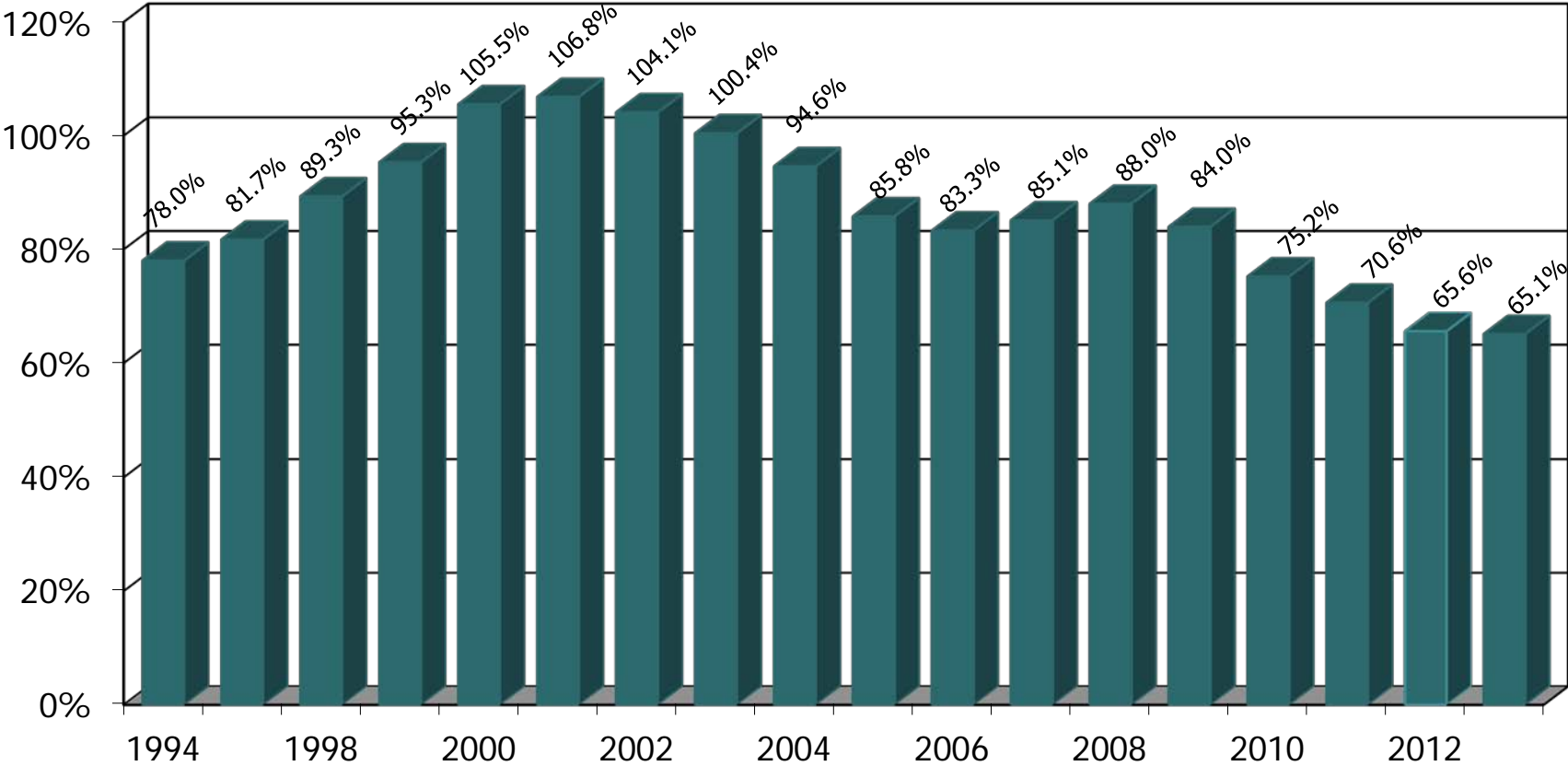


Funded Status and Contribution Rates

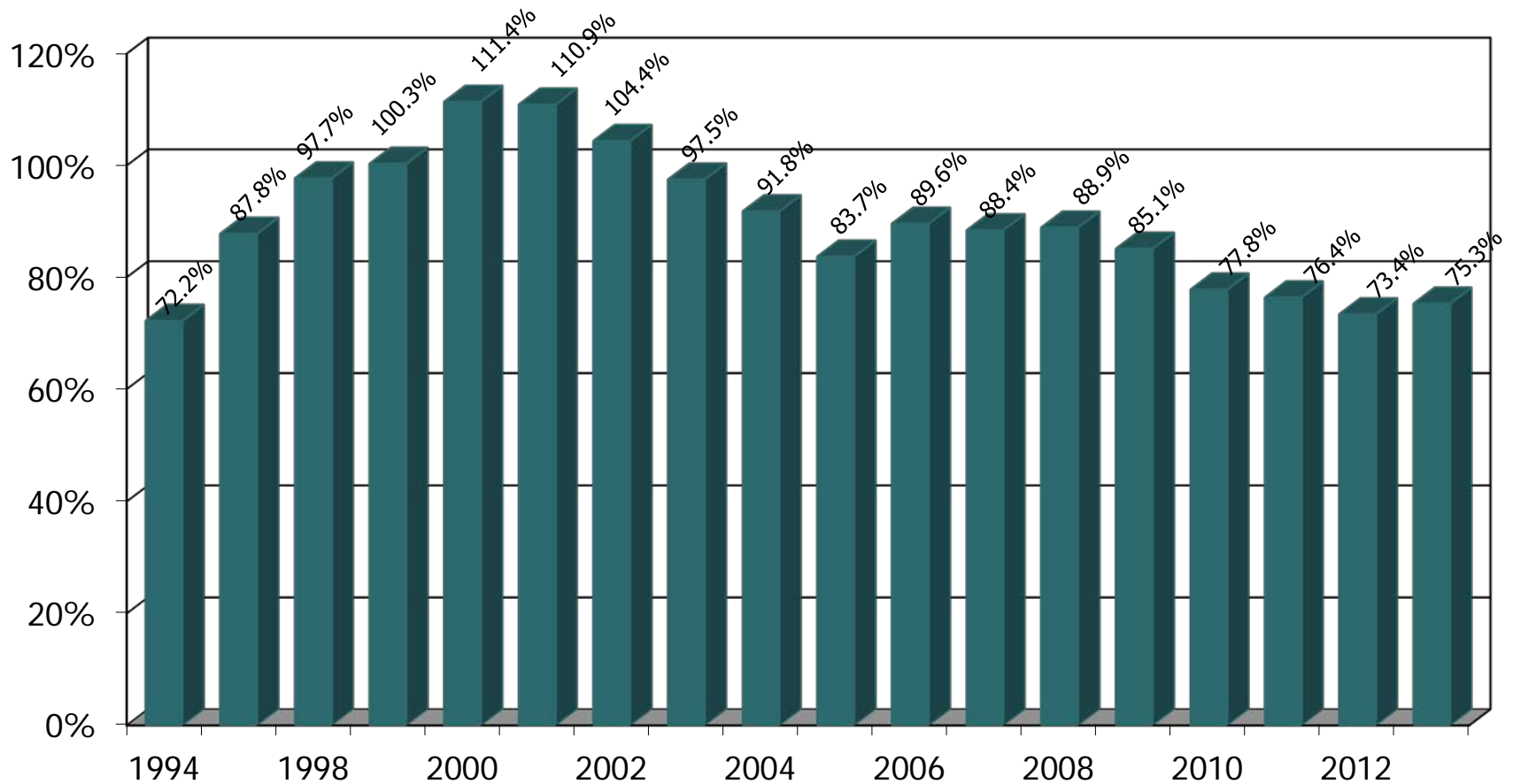
Funded Status: Teachers



Funded Status: State Employees



Funded Status: Local Governments



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.

Estimated VRS Employer Contribution Rates



	General Assembly committed to phase-in contribution rates for the teacher and state plans to the VRS board-certified rates as follows:			
	July 1, 2012	July 1, 2014	July 1, 2016	July 1, 2018
State	67.02%	78.02%	89.01%	100%
Teachers	69.53%	79.69%	89.84%	100%

	Estimated Contribution Rates by Fiscal Year			
	2013-14	2015 & 2016	2017 & 2018	2019 & 2020
State	8.76%	12.33%	13.16%	14.39%
Teachers	11.66%	14.50%	15.56%	17.09%

Added cost to achieve the 2015/2016 contribution rate increases is approximately \$315 million for the biennium in General Funds.

Above contribution rates are net of employee contributions.

- Pension reform plan requires increased employer contribution rates over the next six years.
- VRS funded status will improve if the General Assembly follows the funding plan.
- Long-range prognosis for the health of VRS is positive if the General Assembly adheres to the funding plan.

Pension Reform Update



Pension Reform implementation for new employees hired on or after January 1, 2014:

- Hybrid Retirement Plan
 - Defined Benefit (DB) – Provides a scaled down DB plan with lower multiplier; creates benefit foundation
 - Defined Contribution (DC) –Mandatory and voluntary contributions invested by members
- Virginia Local Disability Program (VLDP)
 - Provides disability program for teachers and political subdivision employees who participate in the Hybrid Retirement Plan
 - VLDP modeled after the state VSDP, created in 1999

Hybrid Retirement Plan Implementation Status:

- Competitively procured a statewide record keeper for the DC component
- ICMA-RC began account conversion 1/1/2014 and completed 1/10/2014
- VRS systems modified and tested
- Both VRS and ICMA-RC systems are available to 1,000 payroll departments
- New Hybrid Plan Calculator available online
- Plan 1 and Plan 2 members have until 4/30/2014 to opt into the new hybrid plan

VLDP Overview:

- VLDP provides income protection if an employee can't work because of a non-work related or work-related illness or injury.
- VLDP focuses on assisting employees with their recovery and helping them make a safe return to their full work duties, if possible.
- Political subdivision and school divisions are covered by VLDP as part of the Hybrid Retirement Plan, unless the employer elects to opt out and provide an employer-paid, comparable benefit.

VLDP Overview:

- Short-term Disability
 - One-year waiting period for non-work related disability
 - Work-related disability provided from date of employment
 - During first five years of VLDP participation with current employer, member provided 60 percent of pre-disability income if on non-work related or work-related disability
- Long-term Disability
 - Provides 60 percent of pre-disability income
- Long-term Care
 - Provides help with everyday life tasks because of a prolonged health problem or following a major illness or injury
 - Provides maximum daily benefit amount of \$96

VLDP Participation



	Localities
Participating in VLDP	201
Opted Out of VLDP	394
Total	595



VRS is seeking technical corrections to the Hybrid Retirement Plan legislation:

- Add references to non-vested Plan 1 employees to the Code in several places
- Make changes in the Code to accommodate Plan 1 and Plan 2 employees who transfer to the Hybrid Retirement Plan
- Provide various technical changes to allow consistency in plan administration as the Hybrid Retirement Plan is implemented



Budget Overview

Caboose Bill	
	FY 2014 Non-General Fund (in millions)
Base Appropriation	\$65.5
Pension Reform*	3.4
Building Improvements - HVAC System	0.6
Information Technology Software Upgrades	0.4
Expansion of Investments Office Space	1.1

* Includes 11 positions

VRS Budget Highlights



FY 2014-2016 Biennium – New Initiatives			
	Positions	2015 Non-General Fund (in millions)	2016 Non-General Fund (in millions)
Pension Reform	11	\$1.4	\$1.4
New Internal Auditor	1	0.1	0.1
Additional Investment Office Space		0.4	0.4
Investment Risk Management System		0.4	0.4
Expand Investment Staff	9	3.1	3.1
Total New Initiatives	21	\$5.4	\$5.4

Internal Asset Management Track Record as of June 30, 2013

		Three Years	Five Years
Equity Mandates	Portfolio	18.0%	7.3%
	Benchmark	15.5%	5.9%
	Excess	2.5%	1.4%
Fixed Income Mandates	Portfolio	3.8%	6.5%
	Benchmark	3.5%	6.0%
	Excess	0.3%	0.5%

Advantages to Managing Funds Internally

Value Added	Value added to the total fund from these excess returns over the last five years is approximately \$511.5 million.
Savings	Managing these strategies internally saves approximately \$11.4 million annually.

- Pension reform added complexity to the plan administration of benefits for VRS and its state, local and school division employers; a period of stable plan provisions is now needed
- Plan design changes will produce significant cost reductions in the next 8 – 10 years
- Future General Assemblies will need to follow the plan to increase contribution rates to actuarially required levels



Line of Duty Act

Line of Duty Act (LODA)



Non-participating Political Subdivision Employers	230
Participating Political Subdivision Employers	127
State Agencies	70
Total Participating	197

Other LODA Information:

- Total LODA Unfunded Liability:
\$193,999,508 as of June 6/30/2013
- Status of Loan from the VRS Group Life Insurance Plan:
\$8,013,918 as of 12/31/2013
- Cost per Member:
\$521.97 for FY 2014
\$518.84 for FY 2014-16



Questions?