



# VRS Overview

**Presented to the Compensation and Retirement  
Subcommittee of House Appropriations**

Patricia S. Bishop, VRS Director  
January 12, 2017

## Today's Agenda

VRS Overview

Funded Status and Contribution Rates

Hybrid Retirement Plan

Commission on Employee Retirement Security and Pension Reform

Hybrid Retirement Plan Modifications

Optional Defined Contribution Plan

Modernization Program

Line of Duty Act

Appendix



# VRS Overview

# VRS Total Membership

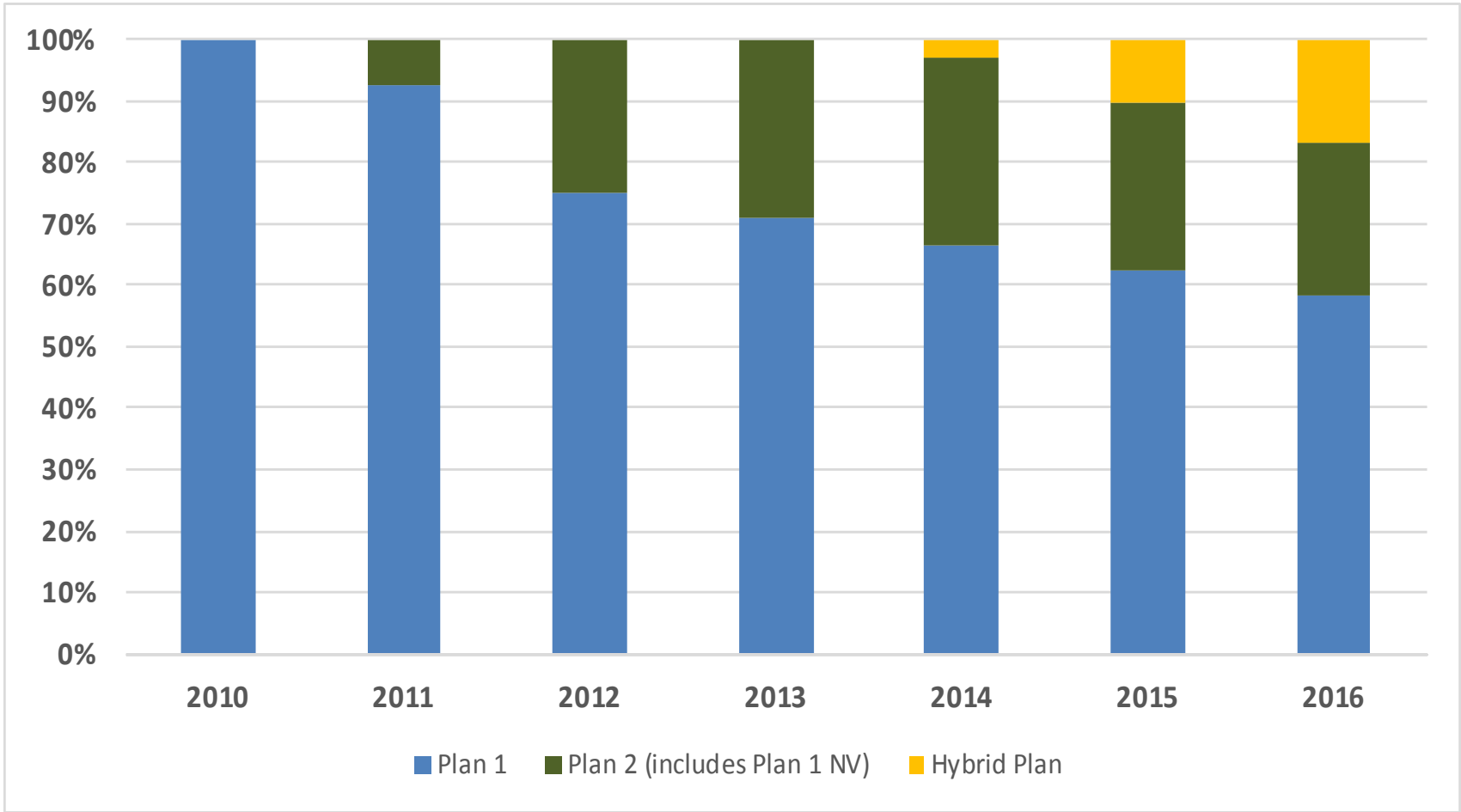


	Plan 1	Plan 2	Hybrid	Total
Teachers	88,904	37,057	20,893	146,854
Political Subdivisions	57,197	32,402	16,055	105,654
State Employees	46,201	19,032	12,418	77,651
State Police Officers' Retirement System (SPORS)	1,400	547	–	1,947
Virginia Law Officers' Retirement System (VaLORS)	4,502	4,645	–	9,147
Judicial Retirement System (JRS)	267	69	82	418
<b>Total Active Members</b>	<b>198,471</b>	<b>93,752</b>	<b>49,448</b>	<b>341,671</b>

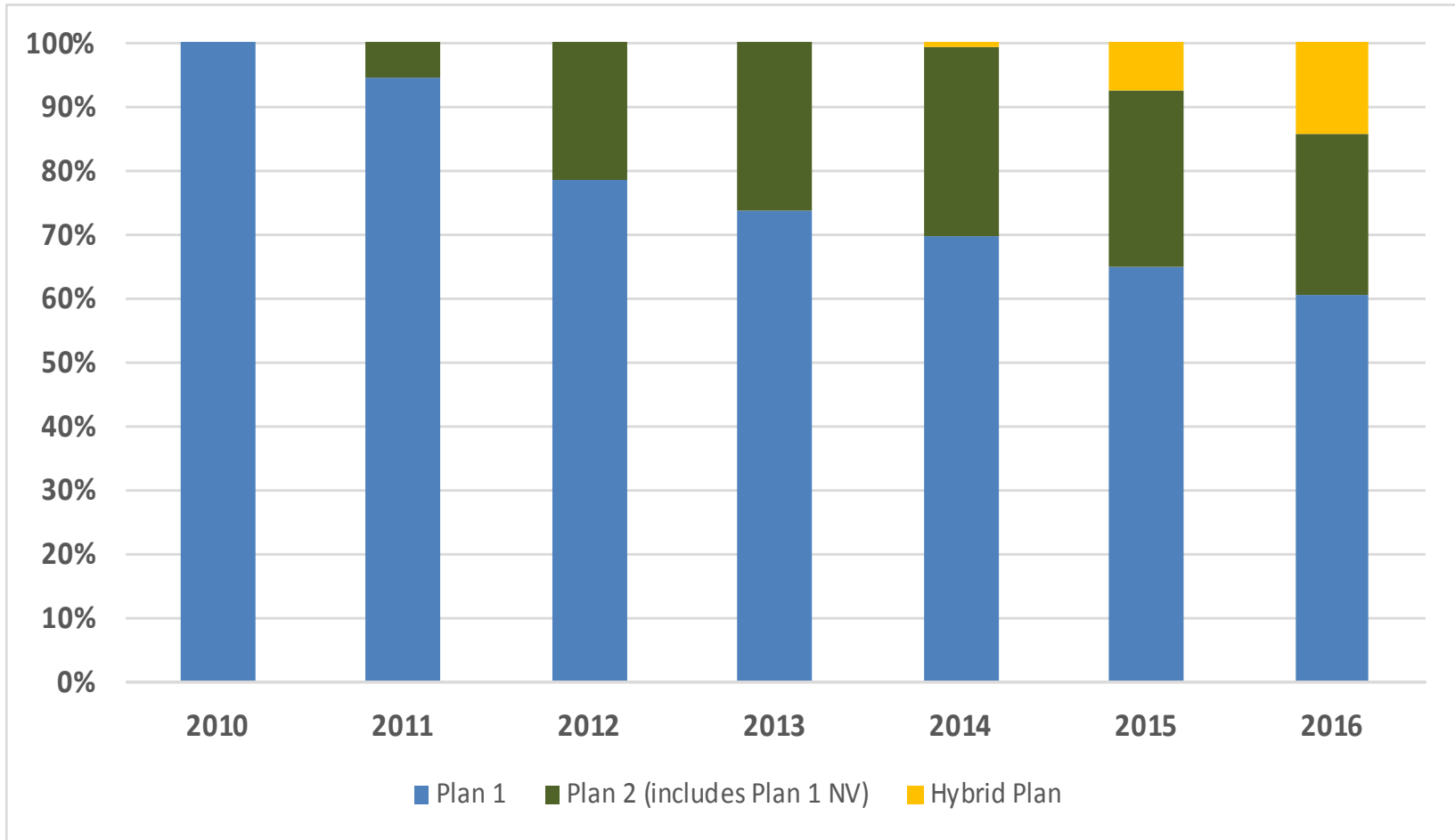
Total Active Members	Retirees/ Beneficiaries	Inactive/ Deferred Members	VRS Total Population
<b>341,671</b>	<b>192,065</b>	<b>144,181</b>	<b>677,917</b>

As of June 30, 2016

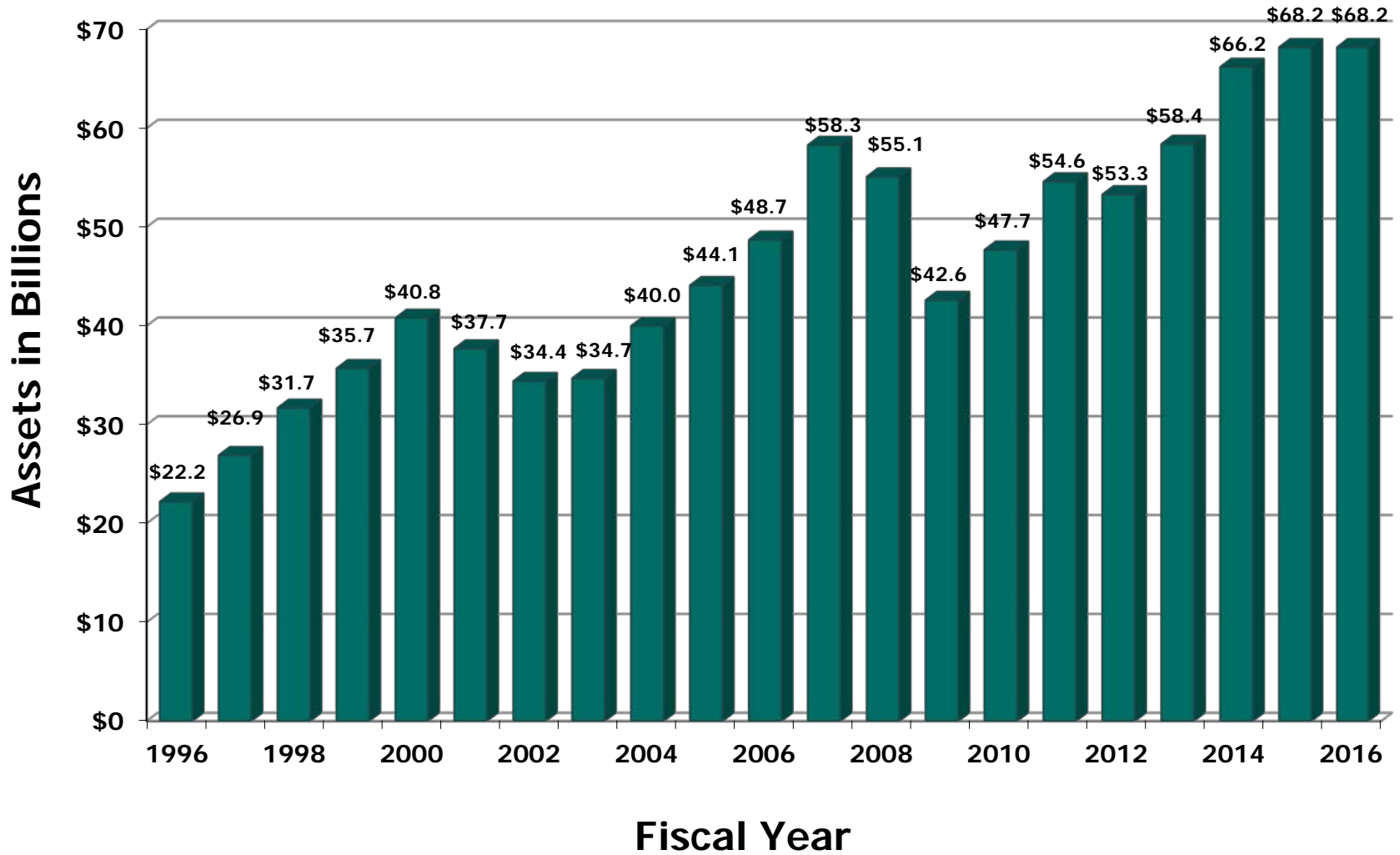
# State Active Member Breakdown



# Teacher Active Member Breakdown



# VRS Net Position







# Funded Status and Contribution Rates

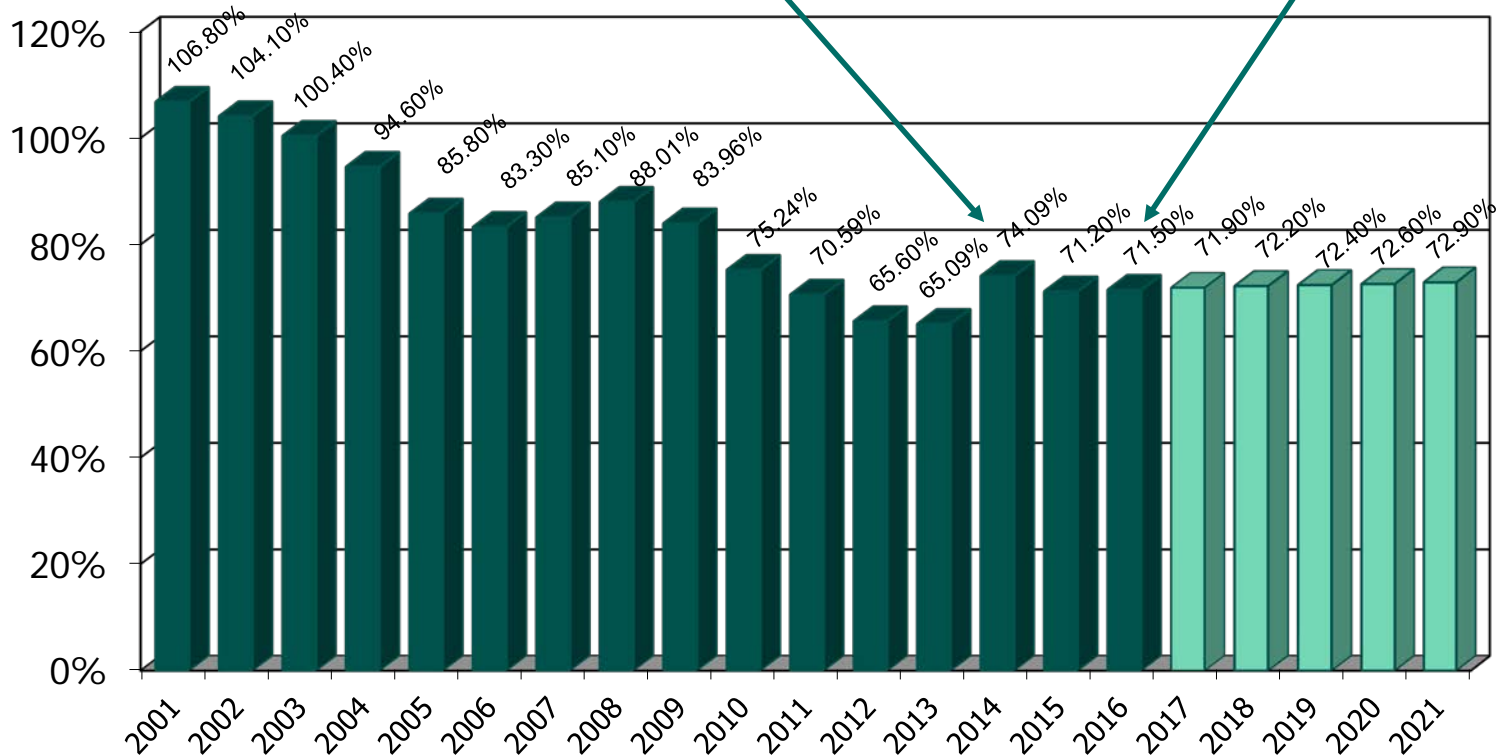


# Funded Status: State Employees



New GASB accounting rules reflect funded status on the market value basis beginning in 2014

The funded status for FY 2016 based on the actuarial value of assets was 72.9%



State Plan  
Unfunded Liability  
as of 6/30/16

\$6.2 Billion using  
Actuarial Assets

\$6.5 Billion using  
Market Assets

■ Historical Funded Status - Actuarial Value of Assets up to 2013 & Market Value of Assets 2014 Forward
 ■ Projected Funded Status using Market Value of Assets (New GASB Standard)

- Notes:
- Projected years' investment returns assume 7.0% with 2.5% inflation rate.
  - New GASB Accounting Rules will reflect funded status using Market Value of Assets effective 6/30/14 for Plan Reporting and 6/30/15 for Employer Reporting.

# State Employer Contribution Rates Reflecting Deferred Contributions Repayment



	FISCAL YEAR				
	2015	2016	2017	2018	Estimated 2019 & 2020
Phase-In of VRS Certified Rates Agreed Upon in 2012 Legislative Session	78.02%	78.02% (Modified to 90% Effective August 2015)	89.01%	89.01%	100%
Expected Employer Rates Based on Phase-In Schedule	12.33%	14.22%	12.87%	12.87%	13.85%
Employer Rates Based on Enrolled Budget	12.33%	14.22%	14.46%	14.46%	TBD
Employer Rates Based on Enrolled Budget & Deferred Contribution Repayment	12.33%	14.22%	13.49%	13.49%	TBD

Notes:

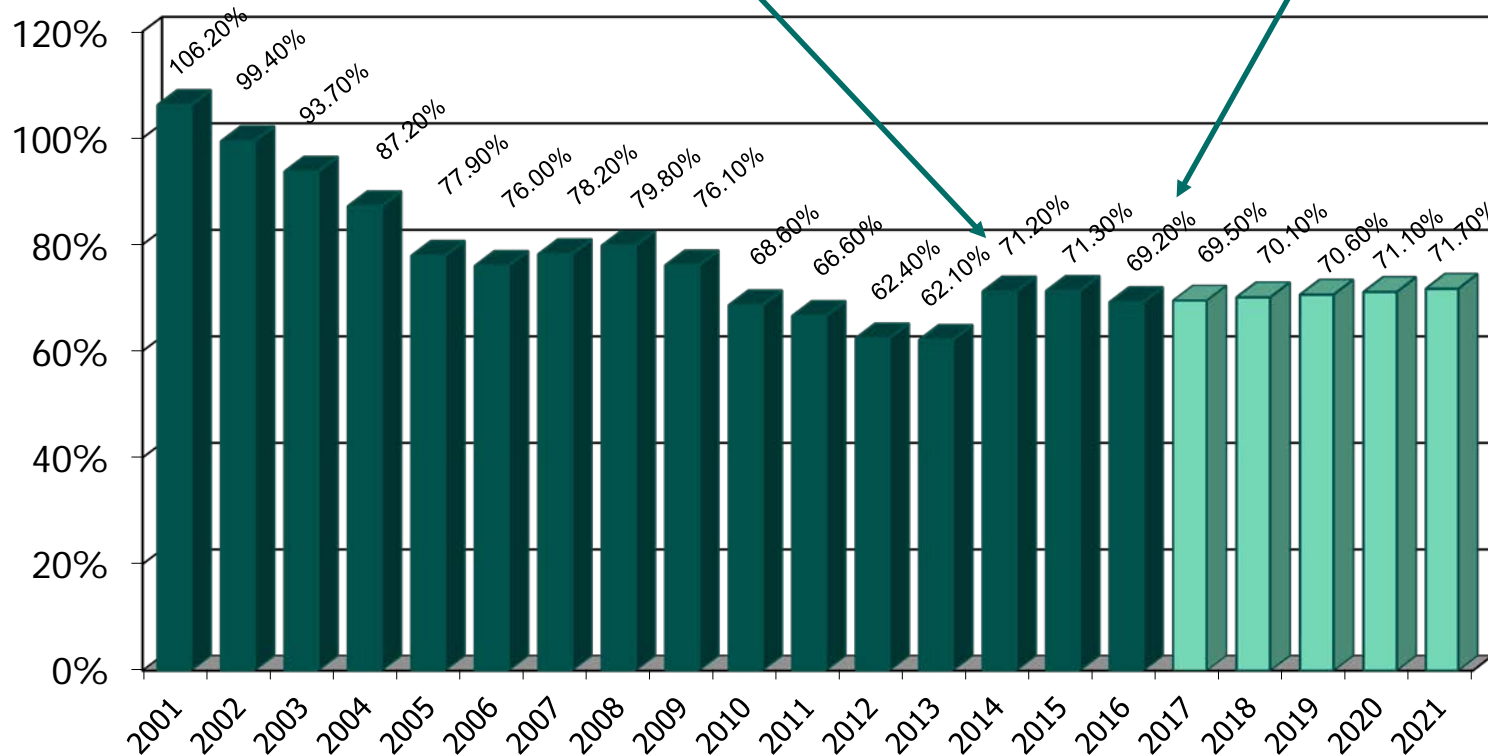
- Above contribution rates are net of employee contributions.
- State rate for FY 2016 was increased to 90% of Board certified rate effective August 10, 2015 after favorable State revenues for FY 2015 allowed additional funds to go towards contributions.

# Funded Status: Teachers



New GASB accounting rules reflect funded status on the market value basis beginning in 2014

The funded status for FY 2016 based on the actuarial value of assets was 70.6%



Teacher Plan Unfunded Liability as of 6/30/16

\$12.8 Billion using Actuarial Assets

\$13.4 Billion using Market Assets

Historical Funded Status - Actuarial Value of Assets up to 2013 & Market Value of Assets 2014 Forward
  Projected Funded Status using Market Value of Assets (New GASB Standard)

- Notes:
- Projected years' investment returns assume 7.0% with 2.5% inflation rate.
  - New GASB Accounting Rules will reflect funded status using Market Value of Assets effective 6/30/14 for Plan Reporting and 6/30/15 for Employer Reporting.

# Teacher Employer Contribution Rates



	FISCAL YEAR				
	2015	2016	2017	2018	Estimated 2019 & 2020
Phase-In of VRS Board Certified Rates Agreed Upon in 2012 Legislative Session	79.69%	79.69%	89.84%	89.84%	100%
Expected Employer Rates Based on Phase-In Schedule	14.50%	14.06%	14.66%	14.66%	15.79%
Employer Rates Based on Enrolled Budget	14.50%	14.06%	14.66%	16.32%*	TBD

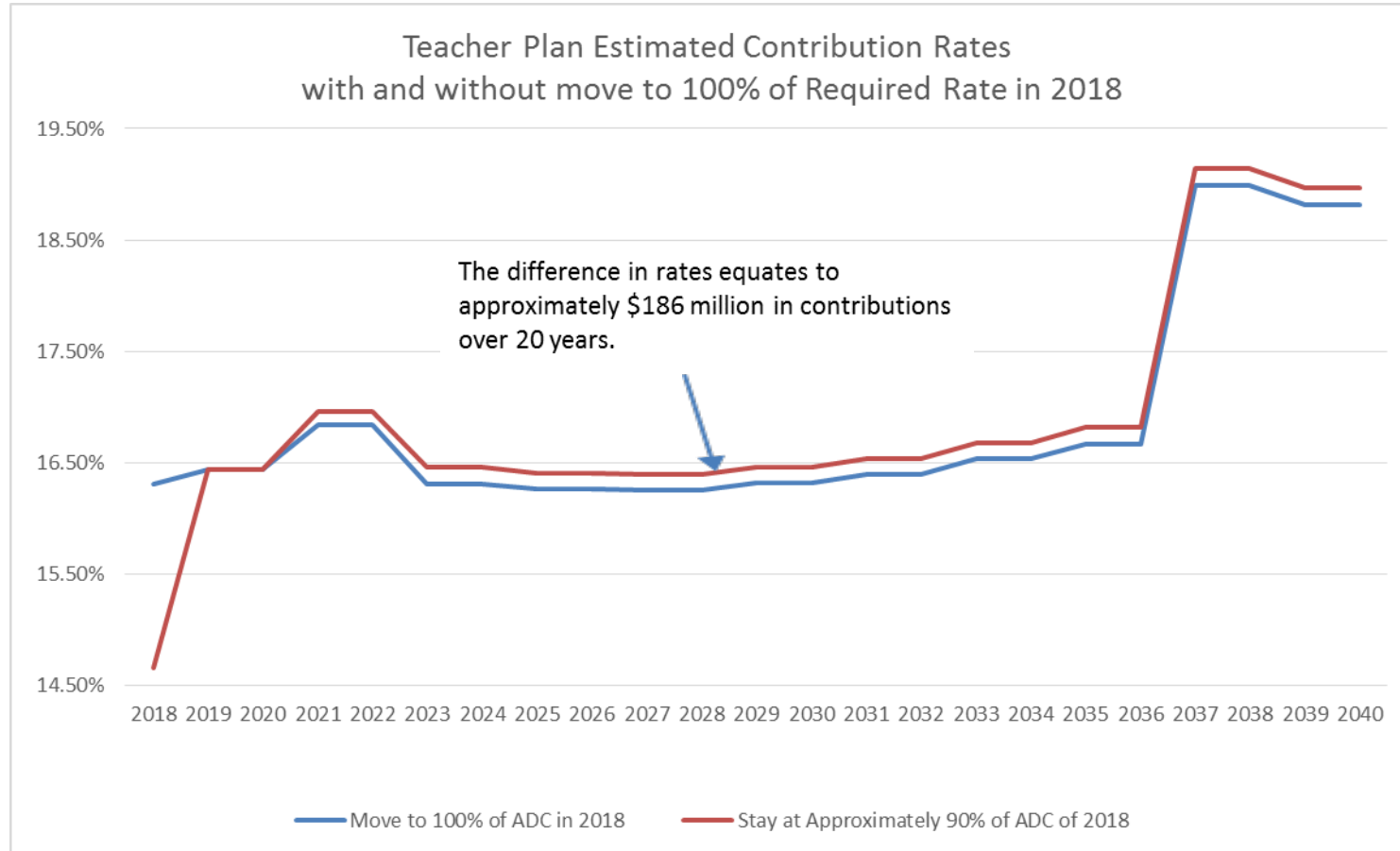
\* Teacher contribution rate is increased to 100% of Board-certified rate in second year of biennium.

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. The subsequent rates for FY 2017-20 were also lowered to reflect the accelerated repayment.

## Teacher Contribution Rates

- The Teacher plan contribution rates increase from 14.66% to 16.32% requires an estimated additional \$127 million.
- The Commonwealth would fund 40% of the increase --- or \$51 million --- while the political subdivisions would fund the remaining \$76 million.
- Moving to 100% of the required contribution is expected to **save approximately \$186 million over the next 20 years**, which is approximately \$74 million for the Commonwealth and \$112 million for political subdivisions.



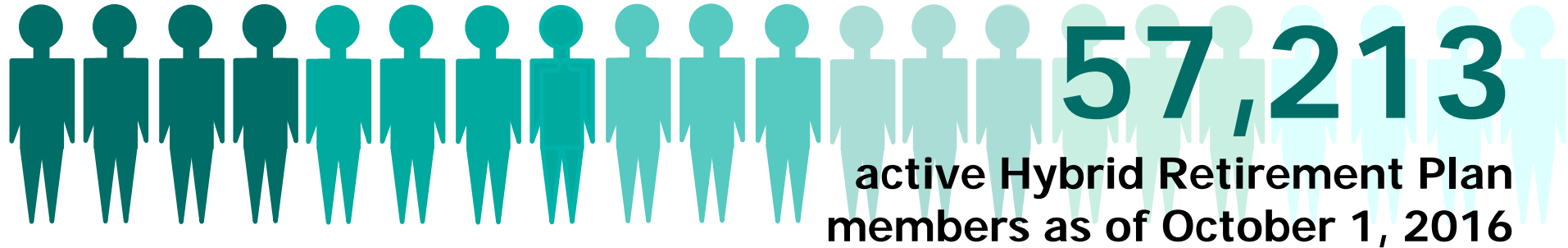
- Moving to 100% of the required contributions in 2018 would save \$186 million over the next 20 years.



# Hybrid Retirement Plan

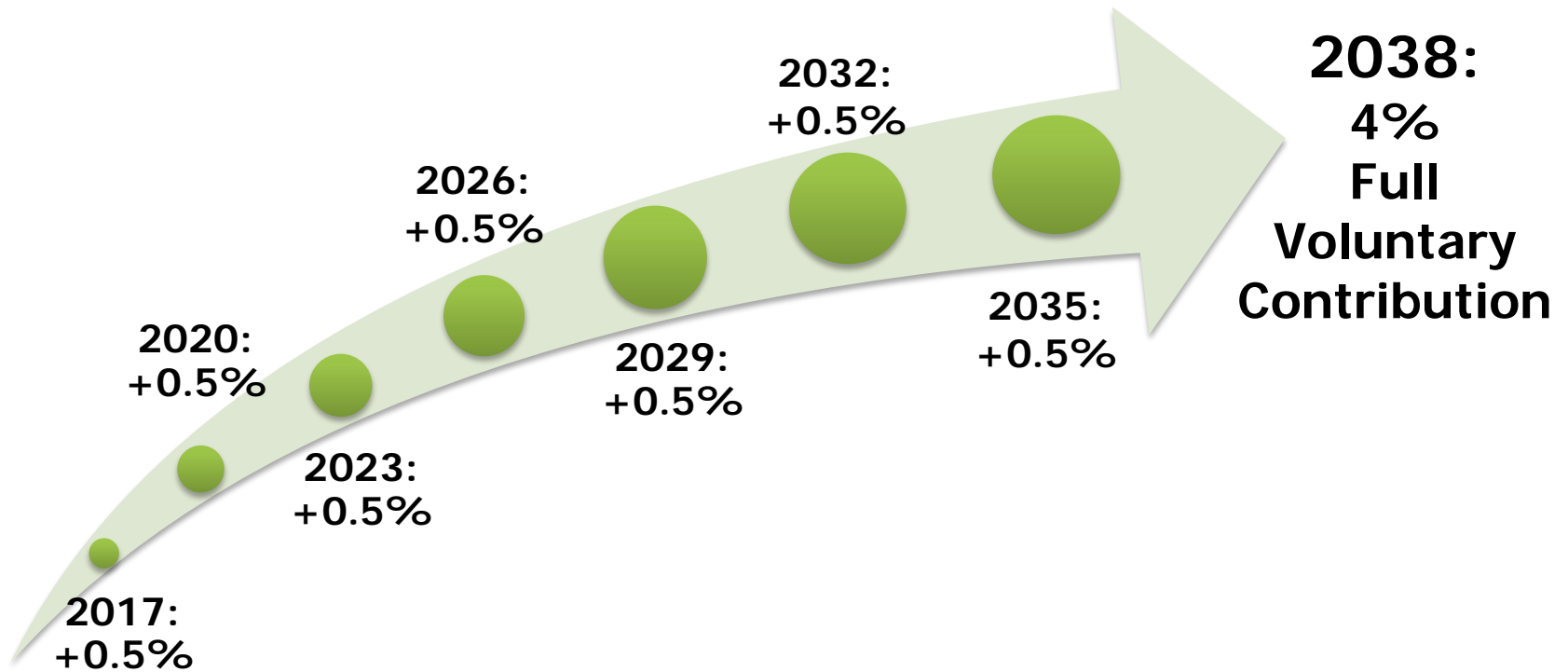


# Hybrid Retirement Plan



- Total combined balance in the Hybrid 401(a) Cash Match Plan and the Hybrid 457 Deferred Compensation Plan is \$81.2 million as of October 1, 2016.
- Approximately 8,697, or 15.2%, of hybrid plan members are making voluntary contributions.
- Auto-escalation began January 1, 2017.

# Auto-Escalation for Hybrid Members

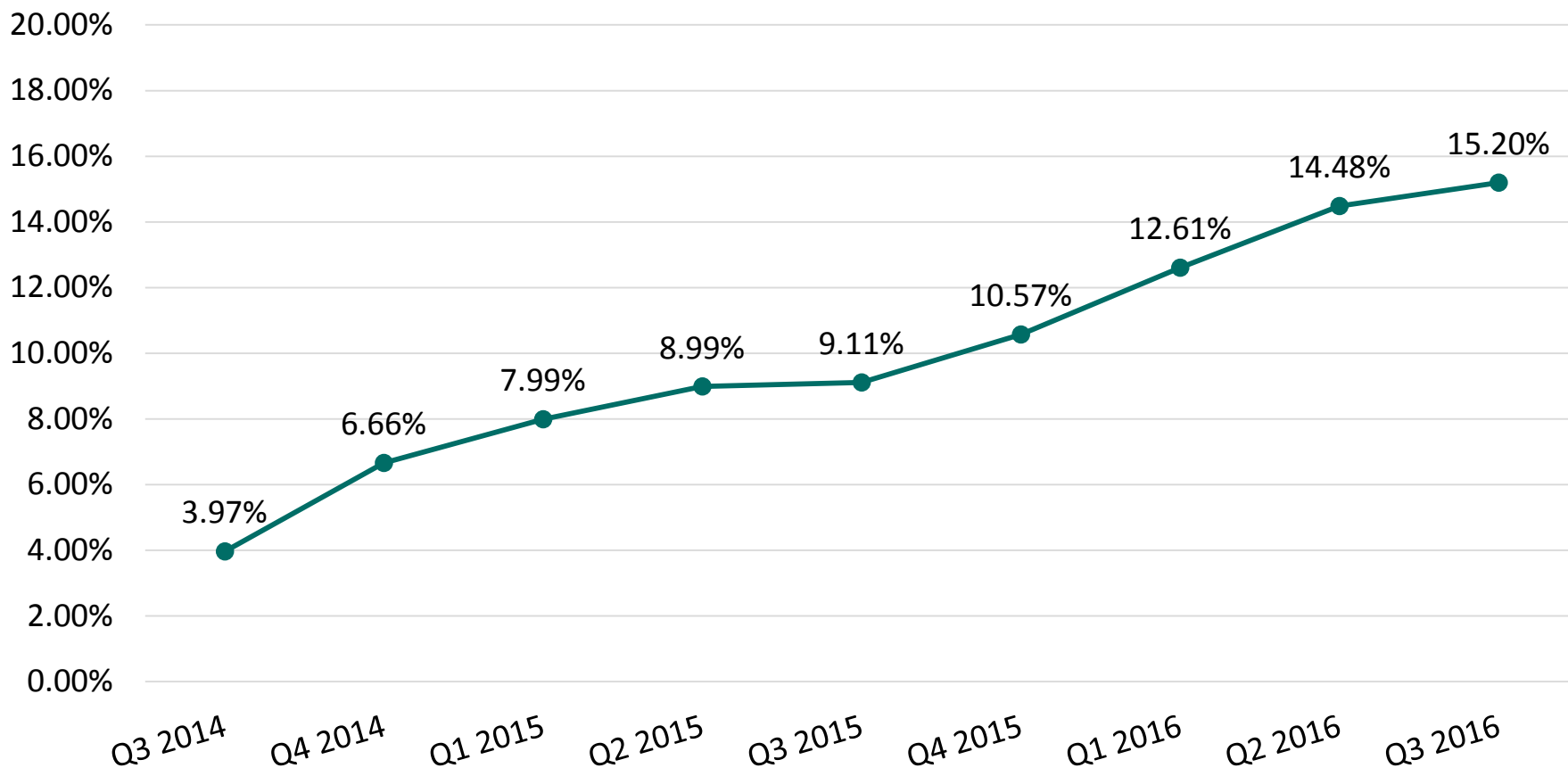


An employee hired prior to September 1, 2016, starting with 0% voluntary contributions, would reach the full voluntary contribution of 4% by 2038, if voluntary contributions only increased every three years as part of auto-escalation.

# Hybrid 457 Plan – Voluntary Participation Rate



As of 10/1/16, 15.20% of Hybrid members (8,697 out of 57,213) have elected a voluntary contribution percentage with ICMA-RC.

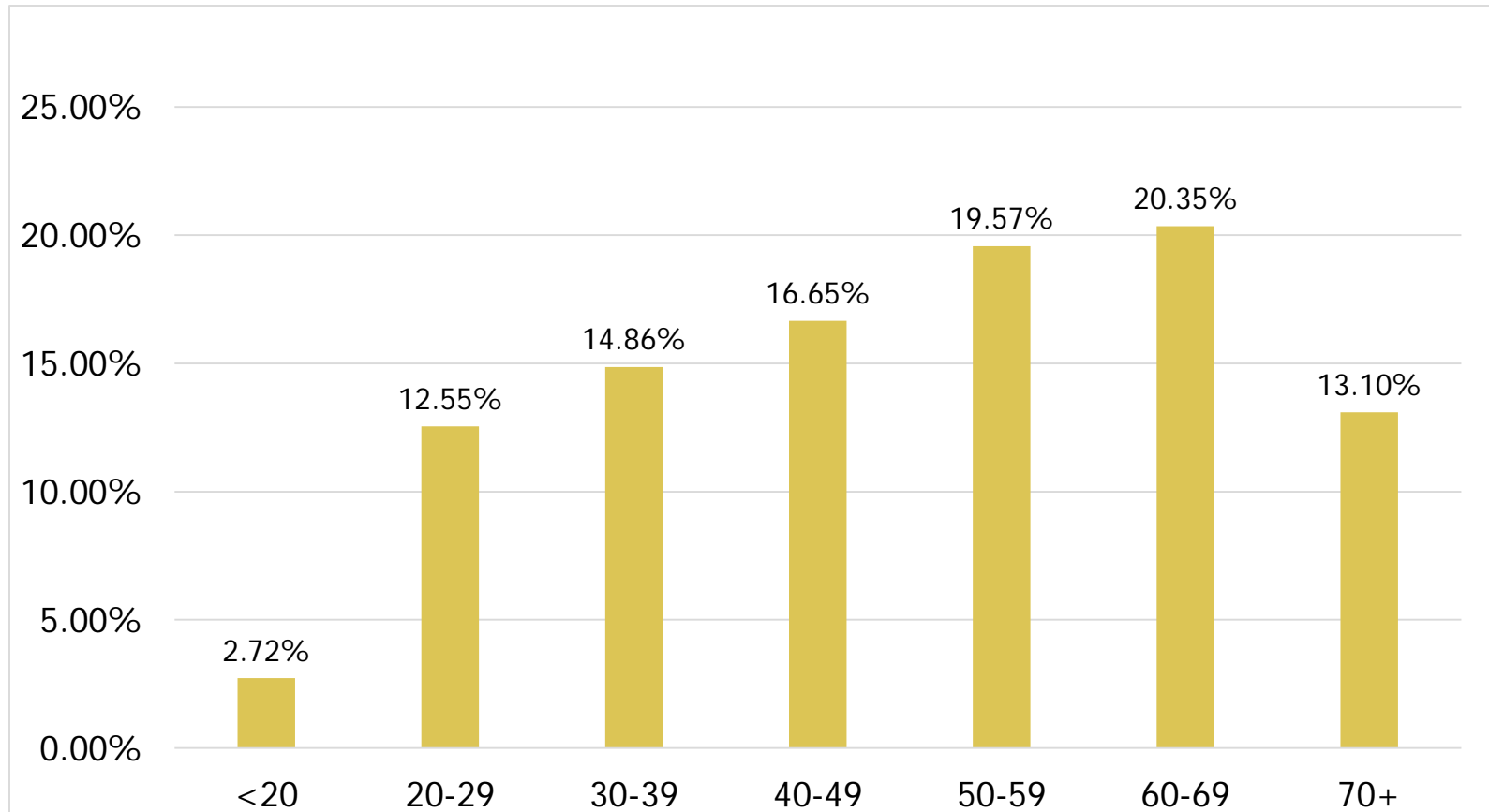


Note: The voluntary participation rates for prior quarters have been excluded because they were calculated using a different report and parameters.

# Hybrid Retirement Plan



Percent of Hybrid Retirement Plan Members in Each Age Group Making Voluntary Contributions

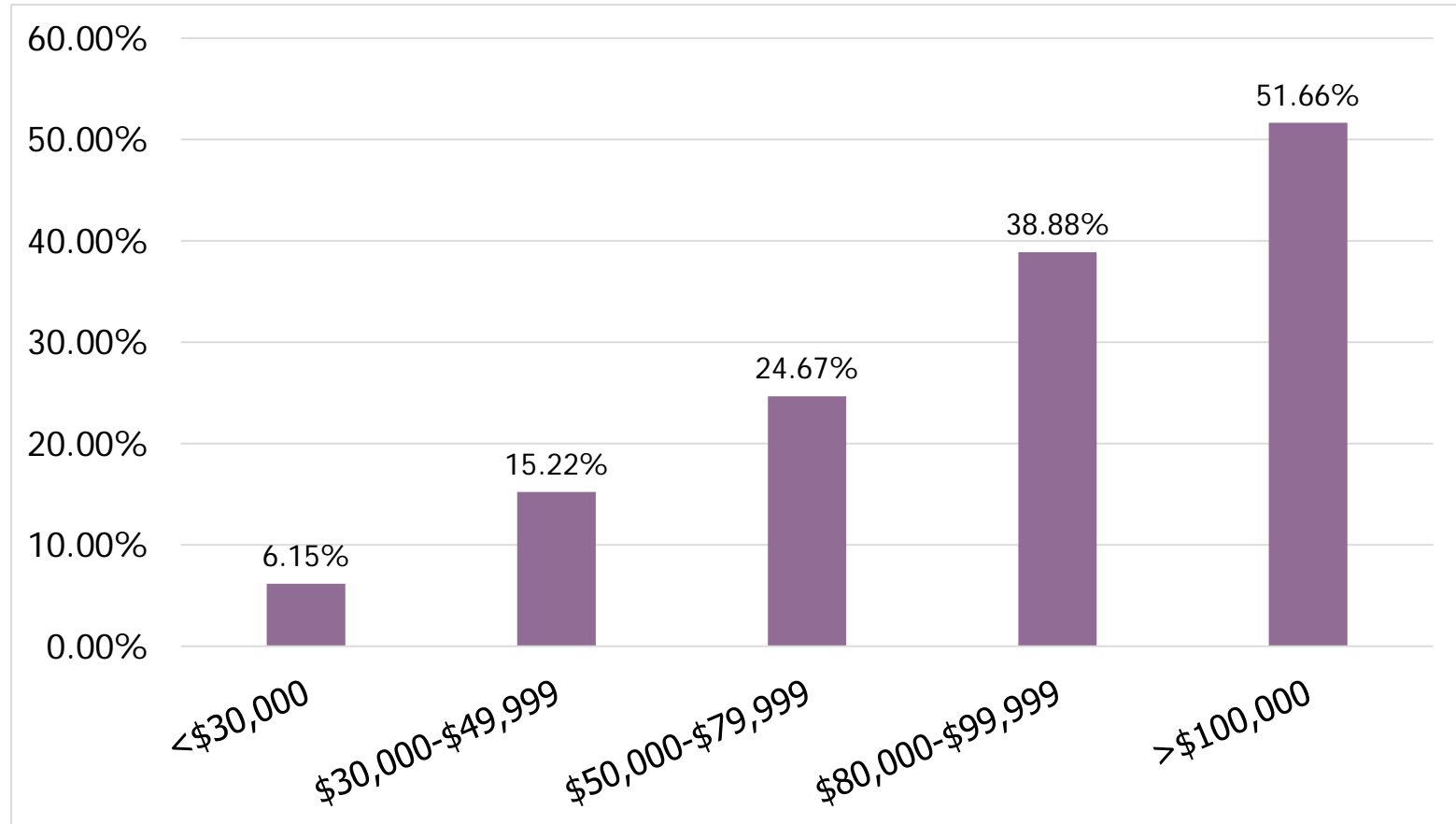


As of October 1, 2016

# Hybrid Retirement Plan



Percent of Hybrid Retirement Plan Members in Each Salary Group Making Voluntary Contributions



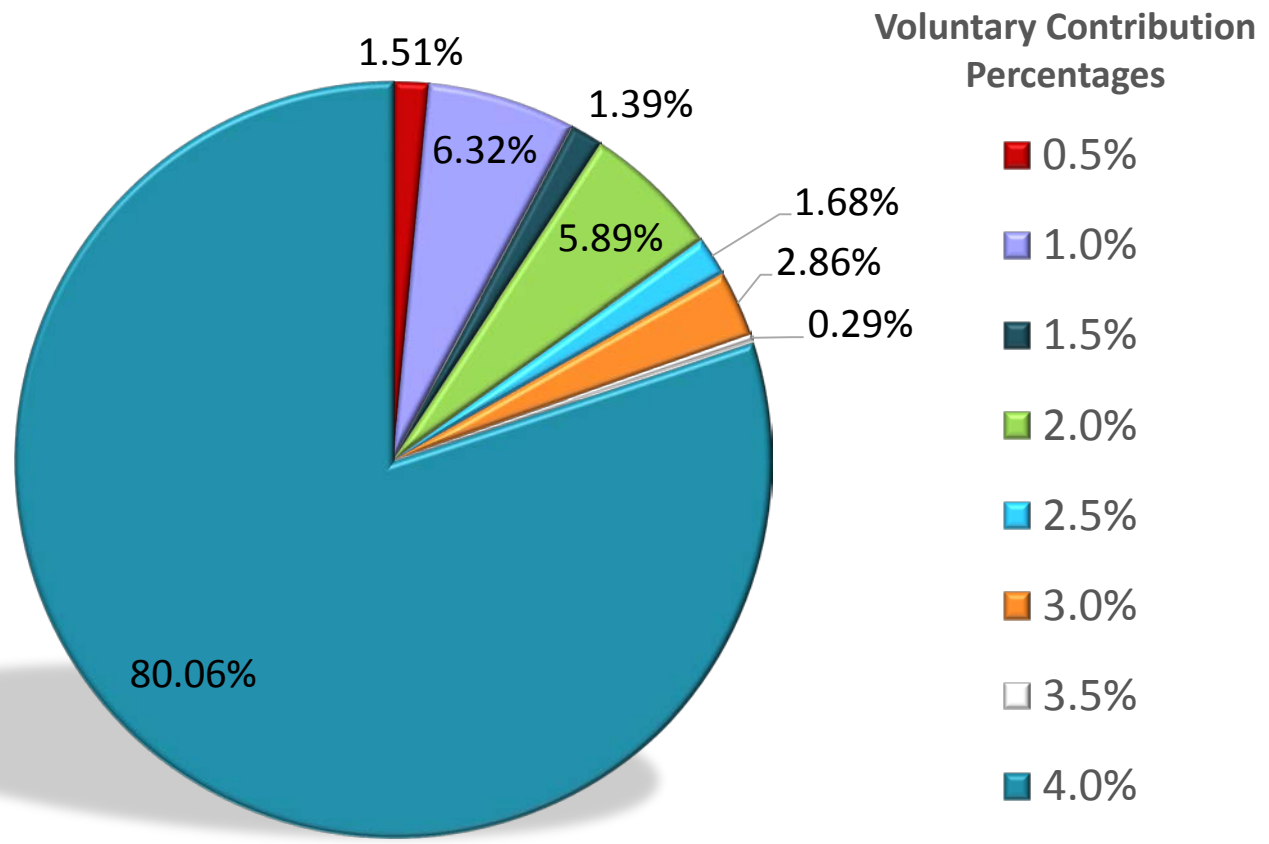
As of October 1, 2016



# Hybrid 457 Plan - Voluntary Contribution Elections

80% of the 8,697 members electing voluntary contributions chose to maximize their VC% at 4%.

There are 3,532 teachers making voluntary contributions as of October 1, 2016.





# Commission on Employee Retirement Security and Pension Reform



# Commission on Employee Retirement Security and Pension Reform



Recommendation	Status
Formalize the current VRS “stress testing” approach	Incorporated into VRS Experience Study HB 1768 introduced
Modify the Hybrid Retirement Plan to improve retirement savings	HB 1967 introduced
Consider creating a new Optional Defined Contribution Plan for new hires	HB 2251 introduced
Formalize VRS’ current approach of posting the investment policy and 20- and 25-year returns on its website	Formalize commitment to continue providing the investment policy statement and returns online* (HB 1768 introduced)
Adopt a VRS policy to report carried investment fees from private equity/alternative investment managers	Formalize commitment to regularly report aggregate performance and carried interest fees for private equity and other alternative investments* (HB 1768 introduced)

\* Administration and Personnel Committee has recommended approval to VRS Board.



# Hybrid Plan Modifications HB 1967

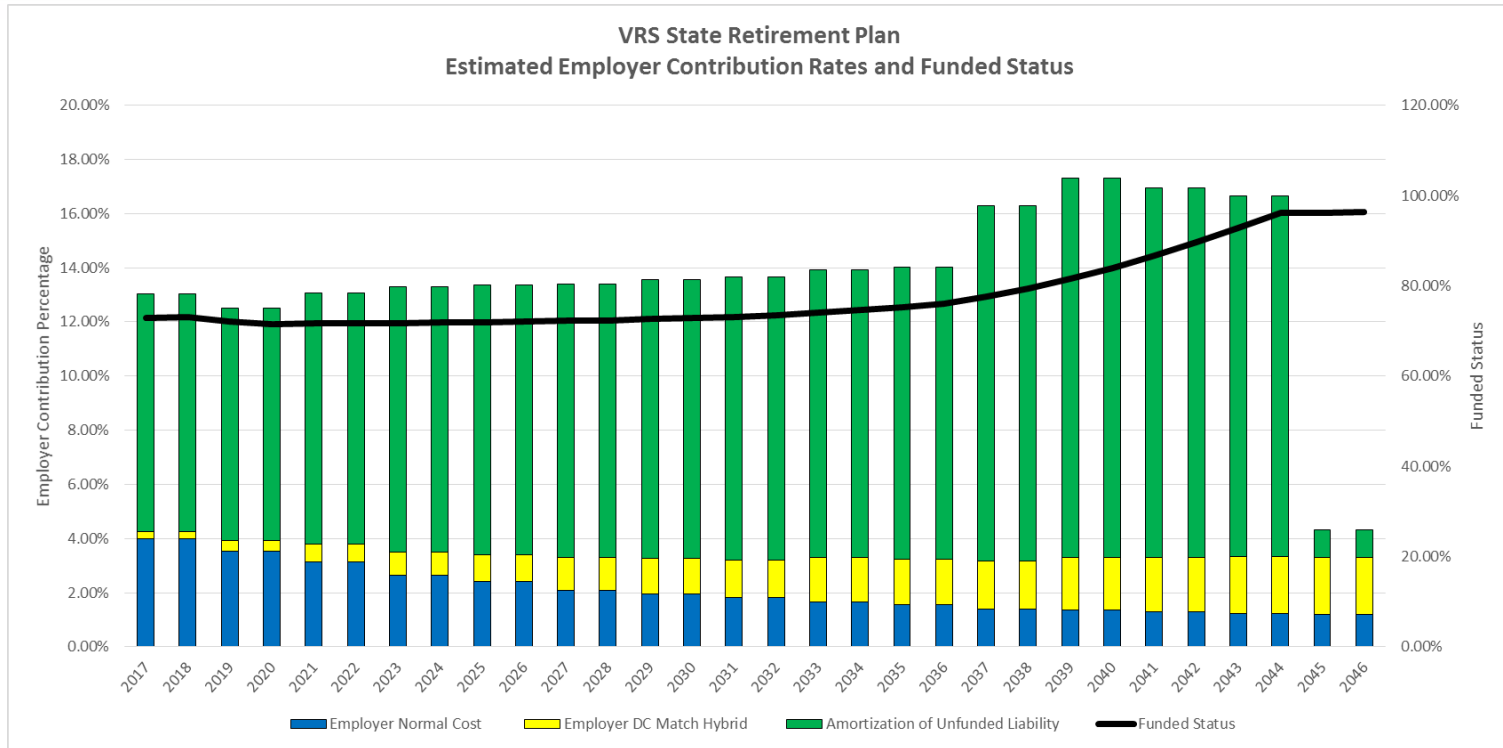
# HB 1967 Hybrid Proposed Modifications



- Change allocation of member contribution from 4% DB/ 1% DC to 3% DB / 2% DC
- Set default member voluntary contribution to 0.5% at date of hire, with ability to opt-out
  - Currently, there is no default voluntary contribution
- Accelerate auto-escalation to 0.5% increase in voluntary contributions every 2 years for members not at the maximum voluntary level
  - Currently, auto-escalation is 0.5% every three years

# State Retirement Plan

## Estimated Employer Costs under Current Plan Design



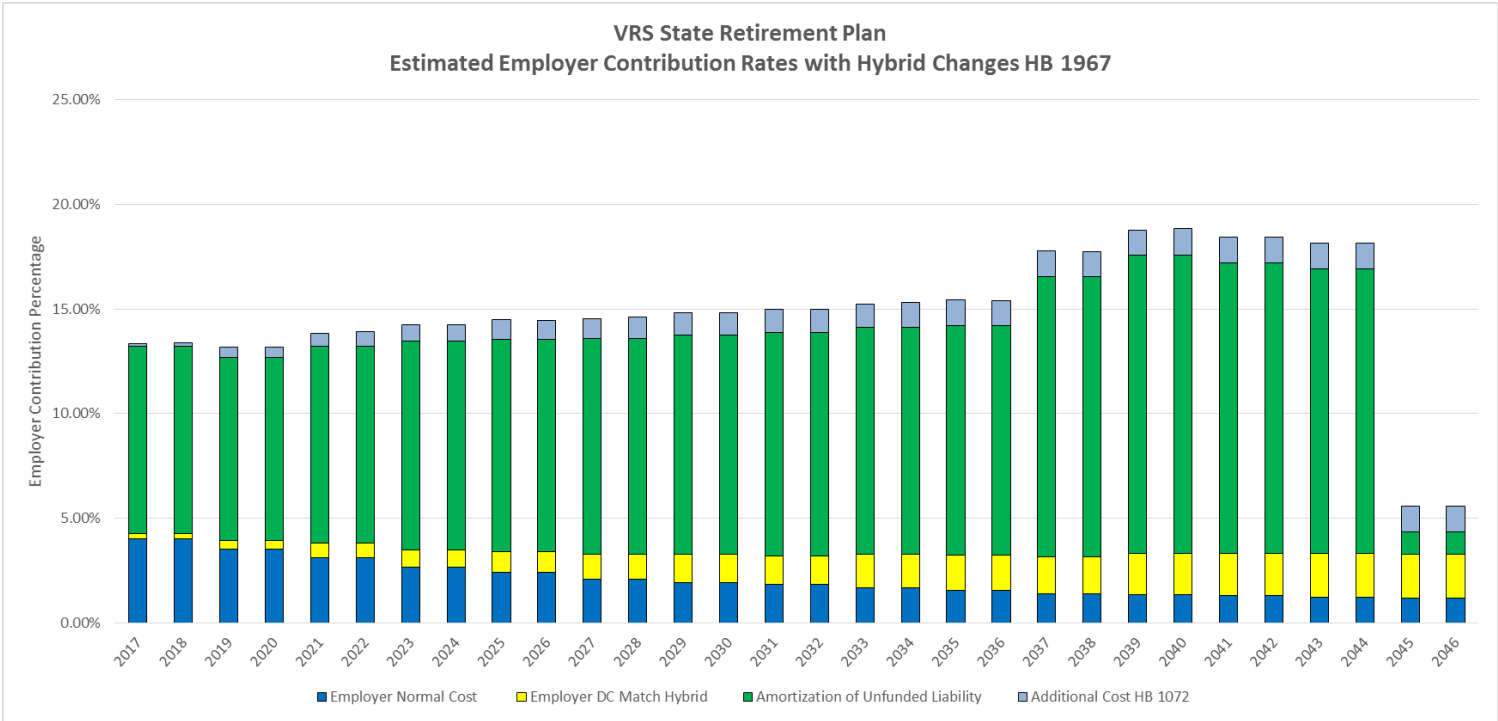
Employer Cost	2017	2027	2037	2045
Normal Cost	4.45%	2.35%	1.67%	1.47%
DC Component	0.10%	1.21%	1.76%	2.09%
UAAL	8.94%	10.32%	13.38%	1.04%
<b>Total Employer Cost</b>	<b>13.49%</b>	<b>13.88%</b>	<b>16.81%</b>	<b>4.60%</b>

- Largest component of employer rate is amortization of legacy unfunded liability. Legacy unfunded is being amortized over a 30-year closed period which is set to expire in 2044.
- Defined benefit normal cost decreases over time as hybrid plan membership grows.



# State Retirement Plan

## Estimated Employer Costs with Changes to the Hybrid (HB 1967)



Employer Cost	2017	2027	2037	2045
Normal Cost	4.45%	2.35%	1.67%	1.47%
DC Component	0.10%	2.22%	2.88%	3.33%
UAAL	8.94%	10.32%	13.38%	1.04%
<b>Total Employer Cost</b>	<b>13.49%</b>	<b>14.88%</b>	<b>17.93%</b>	<b>5.84%</b>

- Due to blending in hybrid participants, initial impact is estimated at 0.19% of state payroll and is expected to approach 1.65% of payroll over the next 30 years.
- Estimated costs assume 50% of the eligible members retain auto-escalation and auto-enrollment.



## Optional Defined Contribution Plan

# VRS Contribution Rate Development



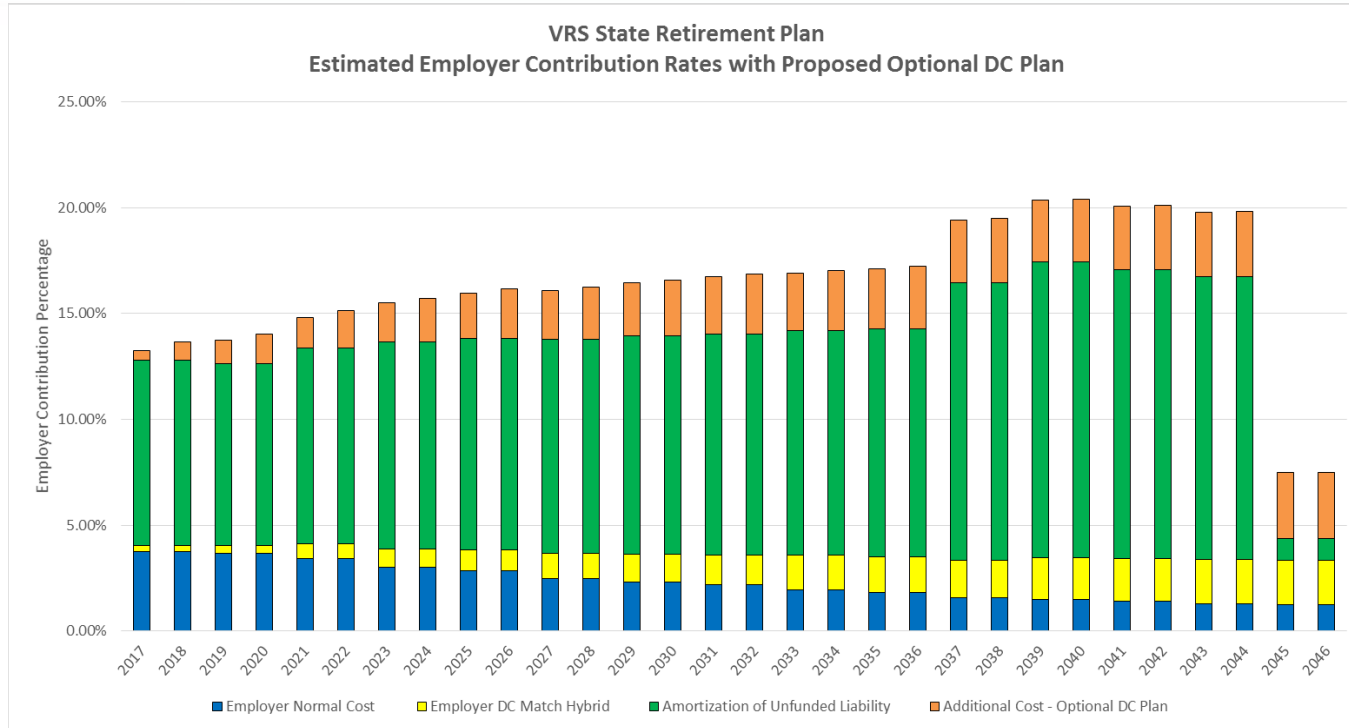
- New plan designs introduced by previous pension reforms have remained as new tiers under the current VRS structure.
- VRS has provided a single blended rate to each employer based on the demographics of the plan.
- The tiered approach prevents stranding legacy liability under a closed plan which would require accelerated payback of the unfunded liability, increasing employer's cost.
  - Even under a new funding policy, excluding new hires from participating in paying down the legacy unfunded would force a change in amortization from level percentage of pay to level dollar, which would increase costs to employers.
  - VRS assumes that an introduction of an optional DC plan would follow previous reforms and be structured as an additional tier of benefits.
  - Costs of optional DC plan designs would, therefore, need to include an additional charge to pay down legacy unfunded liability.



# State Retirement Plan



## Estimated Employer Costs with an Optional DC Plan HB 2251 – 70% Election

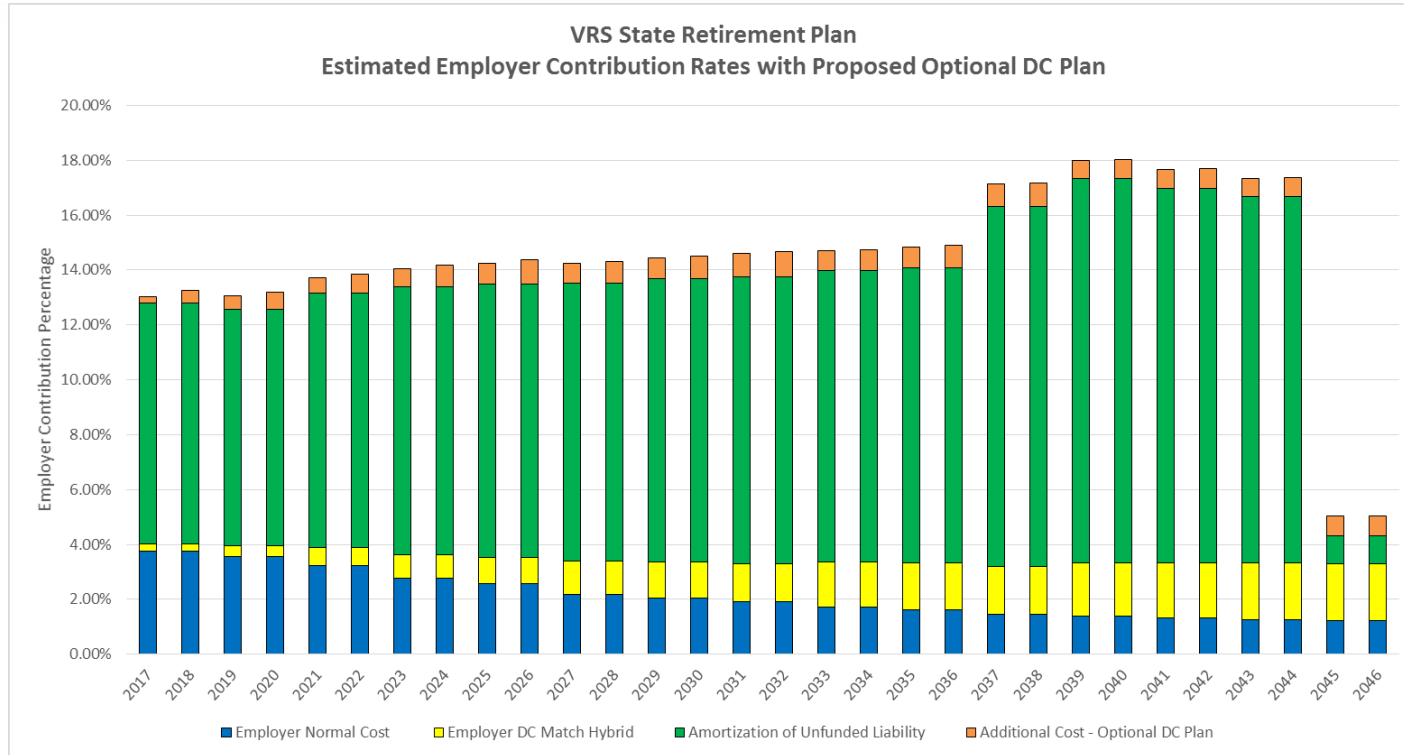


Employer Cost	2017	2027	2037	2045
Normal Cost	4.45%	2.35%	1.67%	1.47%
DC Component	0.10%	3.51%	4.73%	5.21%
UAAL	8.94%	10.32%	13.38%	1.04%
<b>Total Employer Cost</b>	<b>13.49%</b>	<b>16.17%</b>	<b>19.78%</b>	<b>7.72%</b>

- Due to blending in new Optional DC participants, initial impact is estimated at 0.47% of state payroll and is expected to approach 3.21% of payroll over the next 30 years assuming 70% of new hires would elect the optional DC plan.
- Largest component of employer rate is still amortization of legacy unfunded liability, which will be paid off through 2044.
- Assumes 70% of new hires would elect Optional DC plan each year.

# State Retirement Plan

## Estimated Employer Costs with an Optional DC Plan HB 2251 – 25% Election

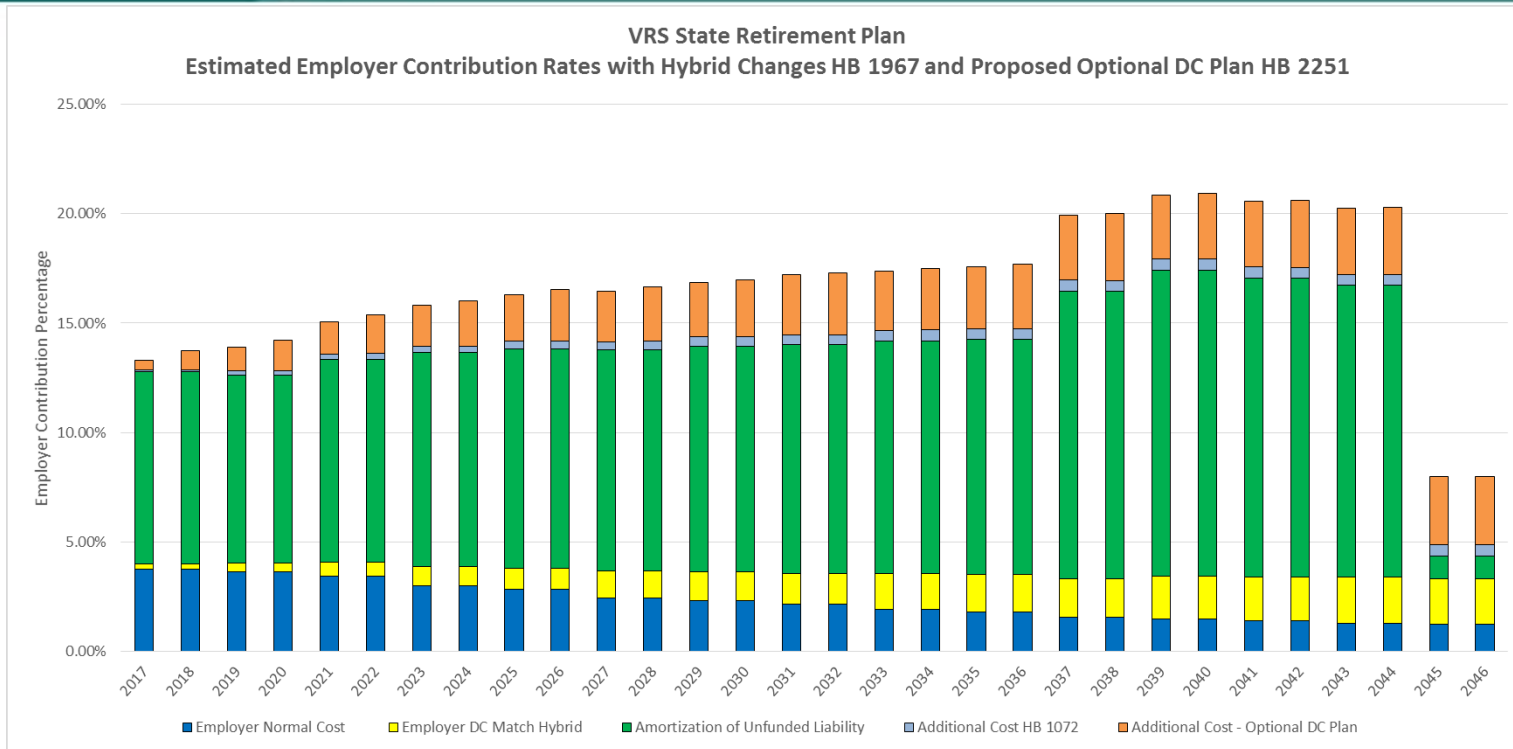


Employer Cost	2017	2027	2037	2045
Normal Cost	4.45%	2.35%	1.67%	1.47%
DC Component	0.10%	1.93%	2.56%	2.80%
UAAL	8.94%	10.32%	13.38%	1.04%
<b>Total Employer Cost</b>	<b>13.49%</b>	<b>14.59%</b>	<b>17.60%</b>	<b>5.31%</b>

- Due to blending in new Optional DC participants, initial impact is estimated at 0.24% of state payroll and is expected to approach 0.71% of payroll over the next 30 years assuming 25% of new hires would elect the optional DC plan.
- Largest component of employer rate is still amortization of legacy unfunded liability, which will be paid off through 2044.
- Assumes 25% of new hires would elect Optional DC plan each year.

# State Retirement Plan

## Estimated Employer Costs with HB 1967 and Optional DC Plan HB 2251

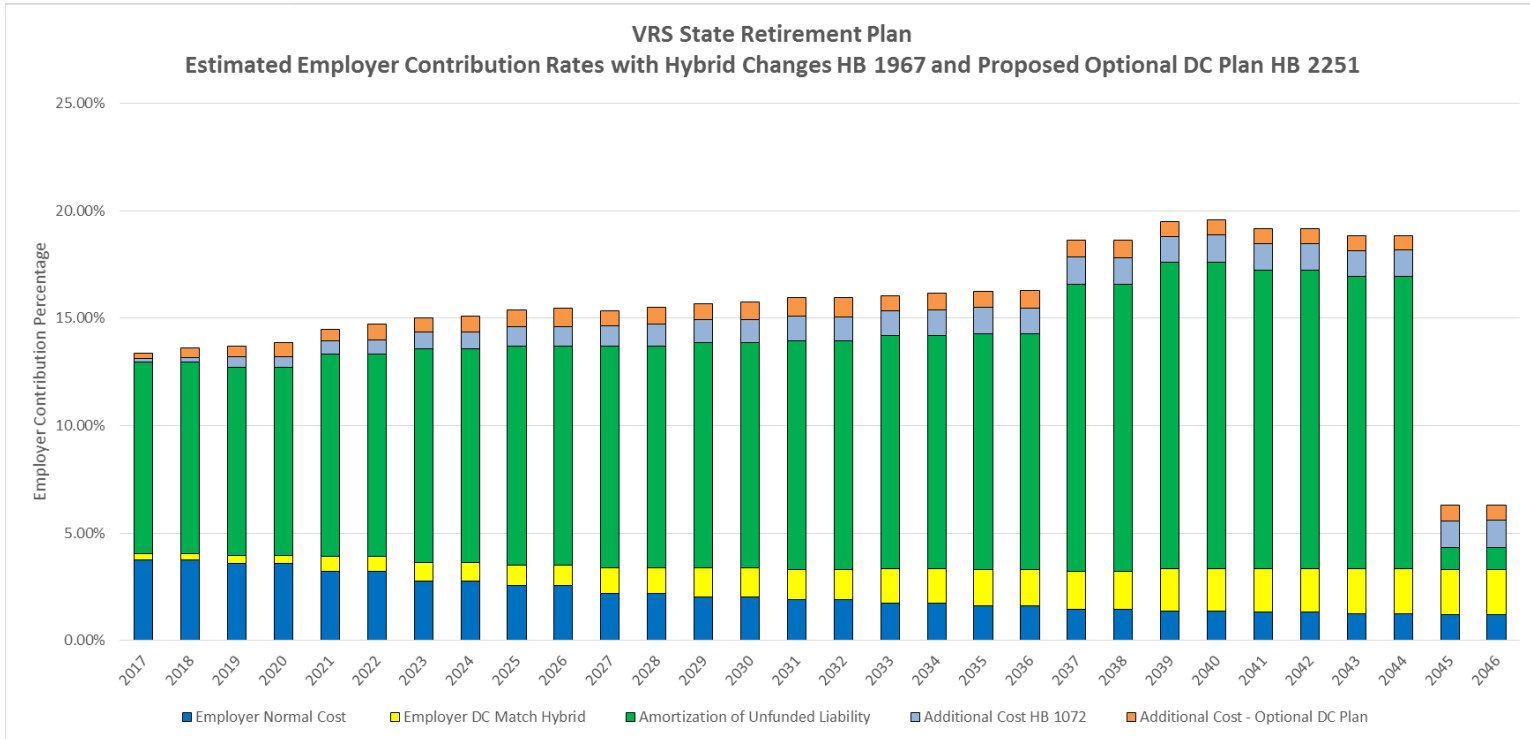


Employer Cost	2017	2027	2037	2045
Normal Cost	4.45%	2.35%	1.67%	1.47%
DC Component	0.10%	3.88%	5.24%	5.73%
UAAL	8.94%	10.32%	13.38%	1.04%
<b>Total Employer Cost</b>	<b>13.49%</b>	<b>16.54%</b>	<b>20.29%</b>	<b>8.24%</b>

- Largest component of employer rate is still amortization of legacy unfunded liability, which will be paid off through 2044.
- Assumes 70% of new hires would elect Optional DC plan each year.

# State Retirement Plan

## Estimated Employer Costs with HB 1967 and Optional DC Plan HB 2251



Employer Cost	2017	2027	2037	2045
Normal Cost	4.45%	2.35%	1.67%	1.47%
DC Component	0.10%	2.85%	3.82%	4.04%
UAAL	8.94%	10.32%	13.38%	1.04%
<b>Total Employer Cost</b>	<b>13.49%</b>	<b>15.52%</b>	<b>18.87%</b>	<b>6.55%</b>

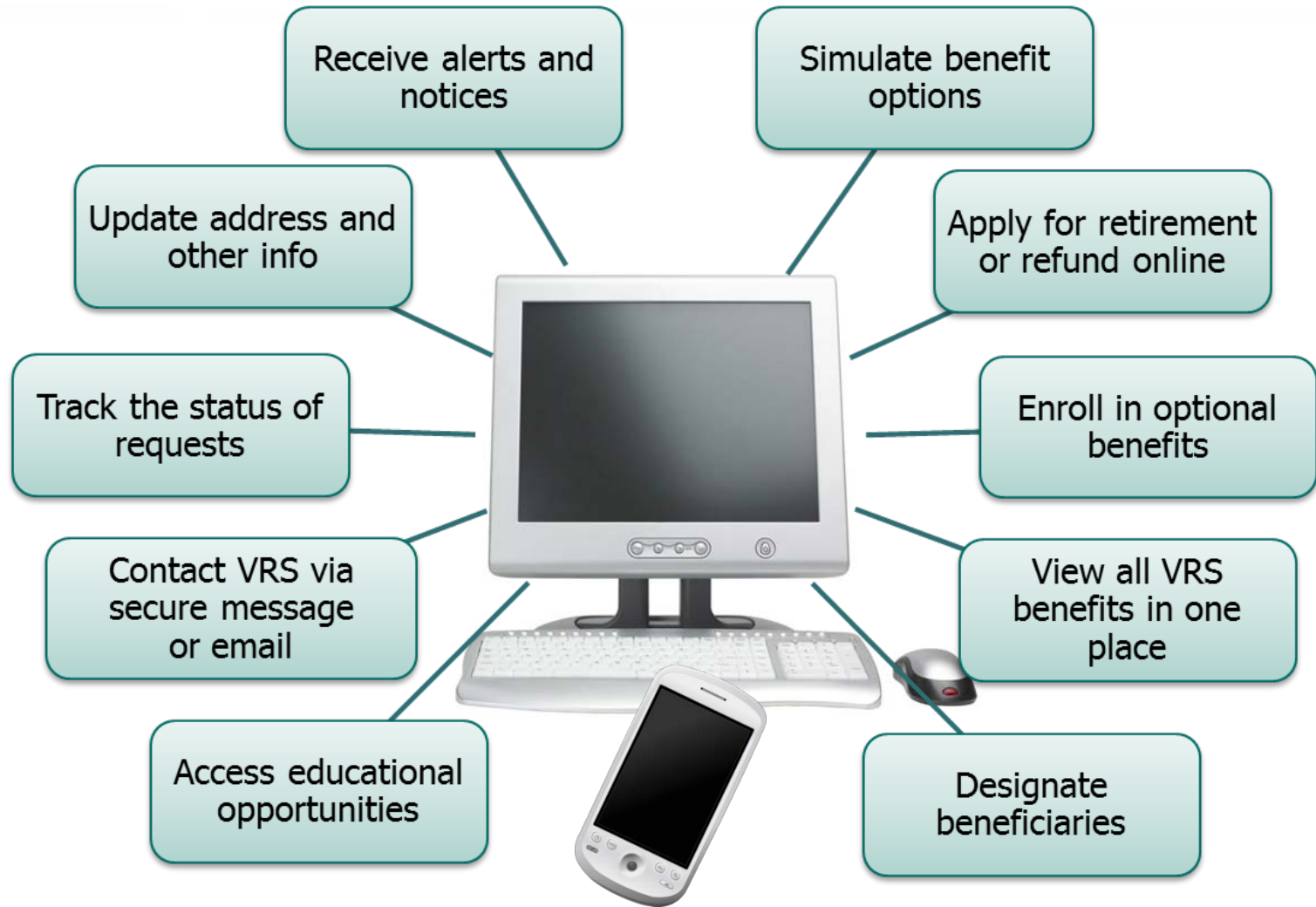
- Largest component of employer rate is still amortization of legacy unfunded liability, which will be paid off through 2044.
- Assumes 25% of new hires would elect Optional DC plan each year.



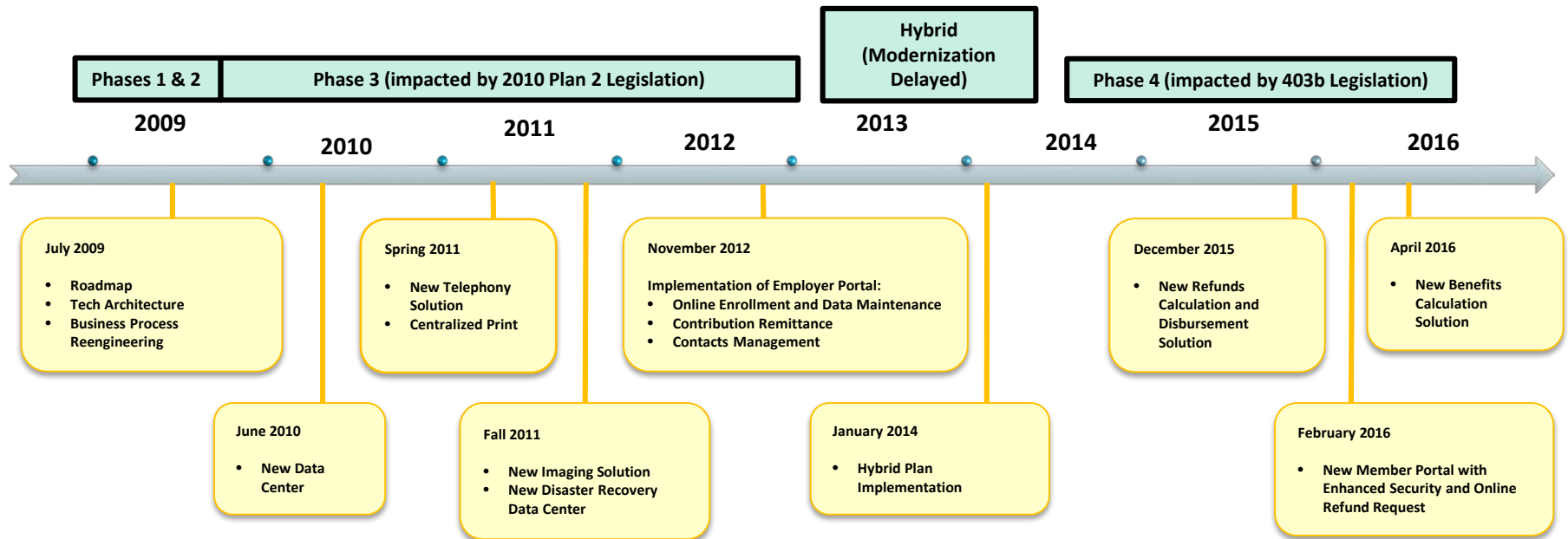
# Modernization Program



# In the Future for Members

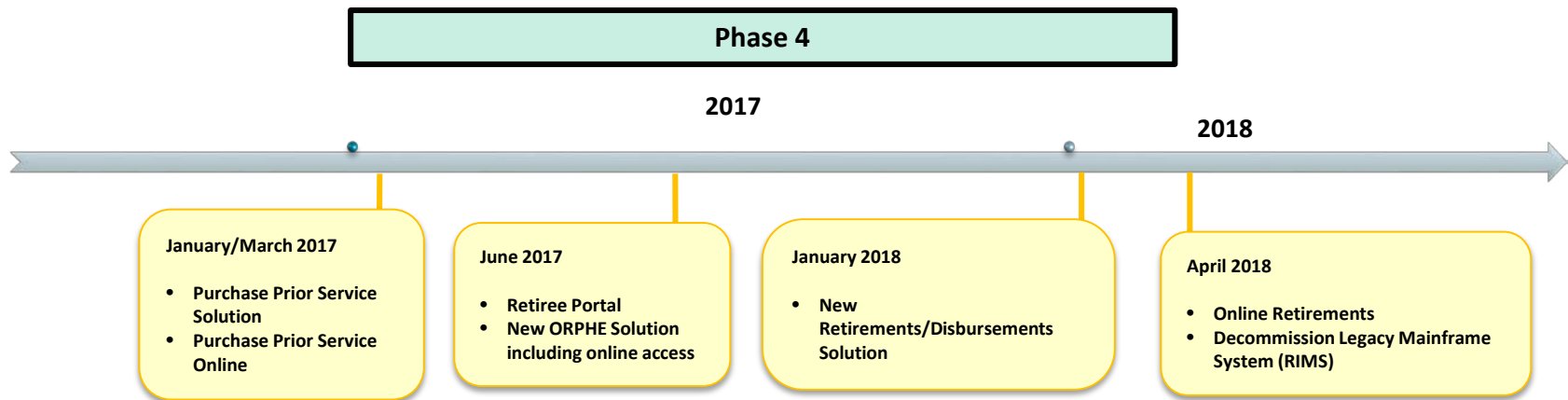


# Completed Modernization Initiatives





# Remaining Modernization Initiatives



# Benefits of Completing Modernization



- VRS staff will learn and rely on one system instead of performing a portion of their work in each system
- Eliminates the need to support the legacy mainframe system
  - Eliminates VITA hosted mainframe expense (savings needed to support new system)
  - Eliminates the need for obsolete technology skillsets
- The new system provides additional security, functionality and ease of use for members and retirees
- Eliminates the risk and complexity of keeping two systems in sync
- Provides a more robust business continuity capability
- Provides a more flexible platform for future business changes



## Line of Duty Act

# LODA-Related Bills



Bill	Patron	Bill Summary
<b>HB 1416</b>	Helsel	Increases the LODA death benefit payment to \$125,000
<b>HB 1722</b>	Anderson	Adds colorectal cancer and removes rectal cancer to compensability for certain disease (impacts LODA presumptions)
<b>HB 1803</b>	Bell, J.	Adds correctional officers to list of public safety officers entitled to a presumption that hypertension/heart disease/certain infectious diseases are occupational diseases under Workers' Compensation (impacts LODA presumptions)
<b>HB 2243</b>	Jones	LODA technical changes and clarifies provisions
<b>SB 939</b>	Lucas	Adds Dept. of Military Affairs employees not currently eligible for LODA benefits whose death (and disability) is the direct or proximate result of the performance of official duties when related to a major disaster or emergency
<b>SB 1118</b>	McPike	Includes a person with a recognized membership status with a fire company/department enrolled in a Fire Service Training course offered by the Dept. of Fire Programs or required to become a certified firefighter under LODA
<b>SB 1119</b>	McPike	Substitutes colorectal cancer for rectal cancer on the list of cancers presumed to be an occupational disease covered by Workers' Compensation Act when certain employees develop the cancer after contact with a known or suspected carcinogen that causes, or is suspected to cause, the specific type of cancer

## **Established a cross-agency leadership team to coordinate implementation.**

- Team includes the Department of Human Resource Management (DHRM), the Department of Accounts (DOA), Virginia State Police and the Virginia Retirement System (VRS)
- Regularly scheduled coordination meetings

## **Team established a project plan that is on schedule.**

- Modified the existing VRS Medical Board contract to accommodate LODA claims
- VRS completed an analysis of administrative processes under existing LODA provisions
- VRS nearing completion of administrative processes for the new LODA provisions
- Education, training and procedures development to support administrative processes are underway

## **Developed outreach and communications strategies to occur throughout the implementation.**

- Communications to employers and LODA beneficiaries in January 2017
- LODA transition website is available, [www.valoda.org](http://www.valoda.org)
- A dedicated website for LODA is scheduled to go live in May 2017
- LODA training materials for employers in spring of 2017

# Questions?

# Appendix



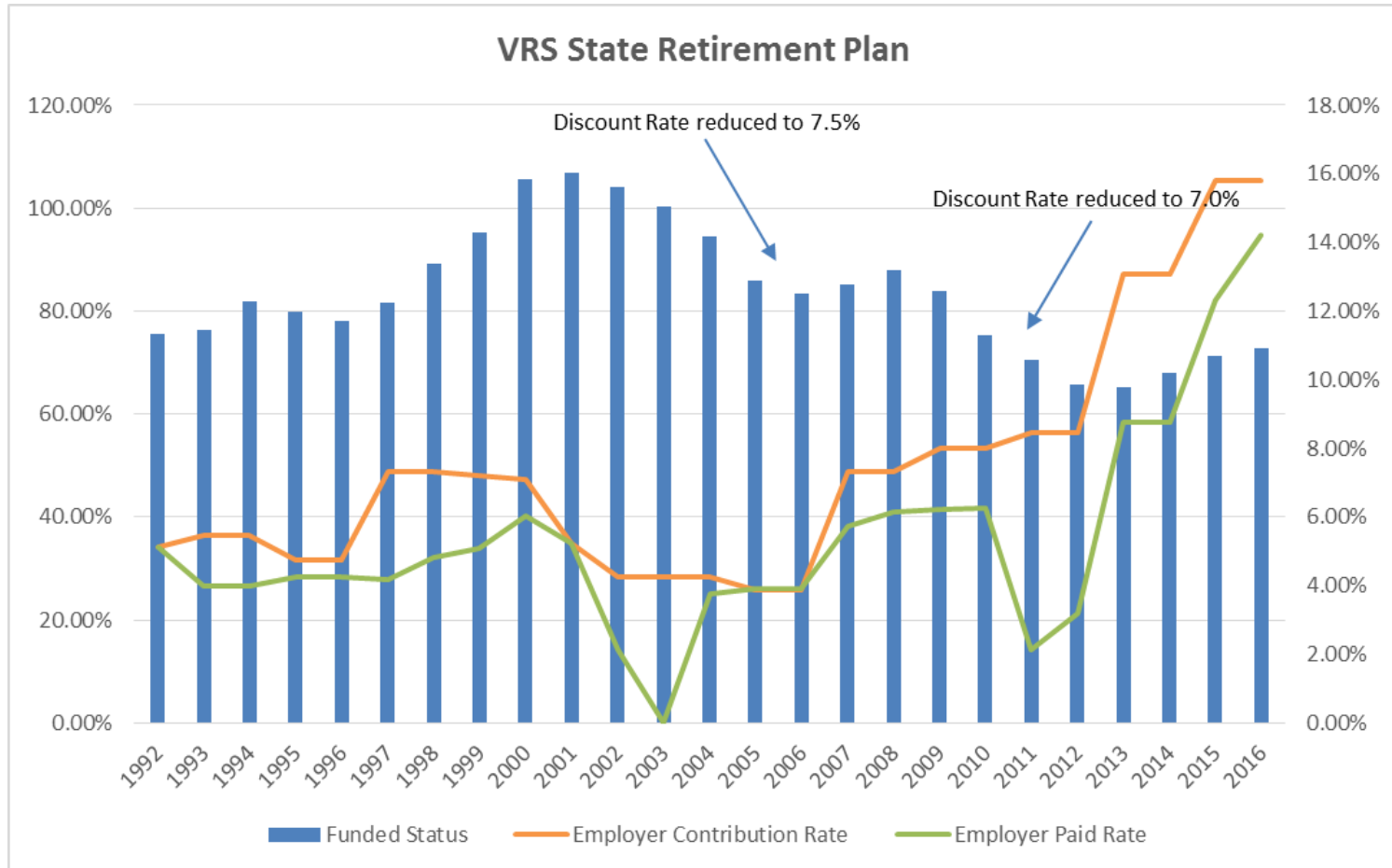
# Estimated Additional Funding Required with 1% increase in Employer Rates



Plan	Payroll 6/30/2016	Estimated Additional Contributions for 1% Increase in Employer Rates	General Fund	Non-General Fund
<b>State</b>	\$ 4,002,000,000	\$ 40,020,000	\$ 17,367,000	\$ 22,653,000
<b>SPORS</b>	\$ 115,000,000	\$ 1,150,000	\$ 980,000	\$ 170,000
<b>ValORS</b>	\$ 353,000,000	\$ 3,530,000	\$ 3,219,000	\$ 311,000
<b>JRS</b>	\$ 66,000,000	\$ 660,000	\$ 660,000	\$ -
<b>Total State Sponsored</b>	\$ 4,536,000,000	\$ 45,360,000	\$ 22,226,000	\$ 23,134,000
<b>Teachers</b>	\$ 7,667,000,000	\$ 76,670,000	\$ 30,668,000	\$ 46,002,000
<b>Total State-Wide</b>	\$ 12,203,000,000	\$ 122,030,000	\$ 52,894,000	\$ 69,136,000

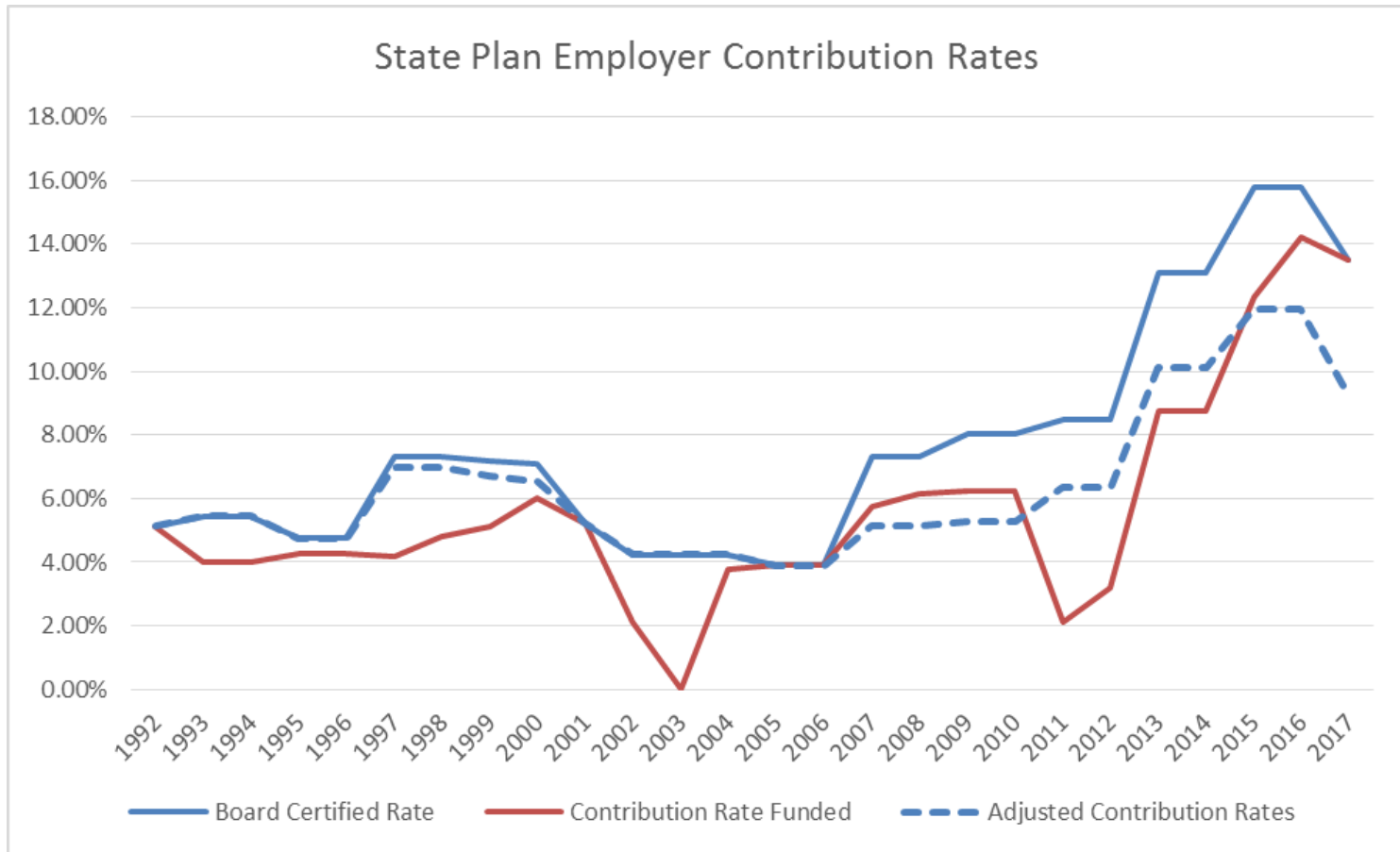
General Fund allocations based on information provided by DPB and DOE during 2016 legislative session

# Impact of Underfunding – State Plan



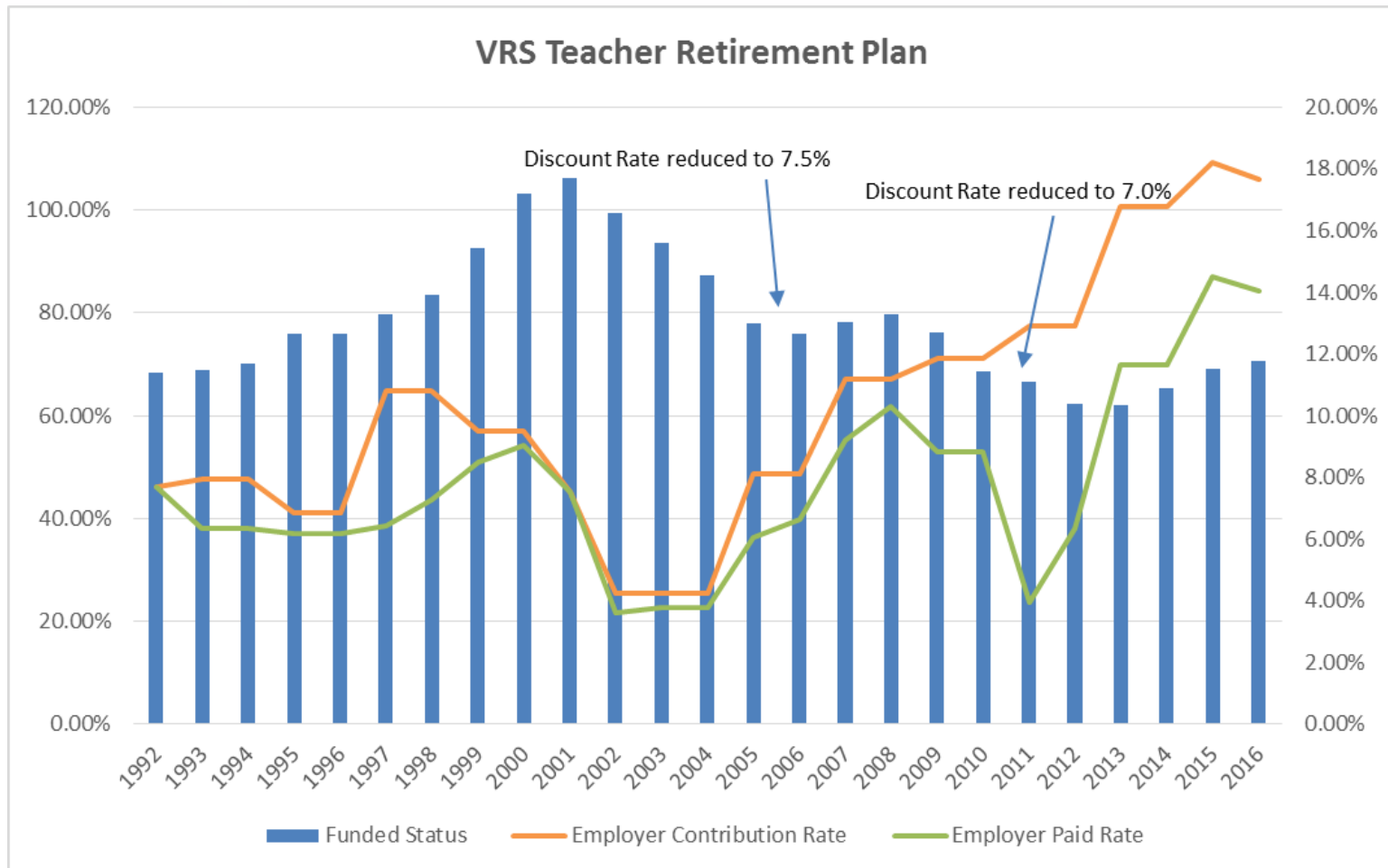
- Since 1993 the state plan has been underfunded by \$1.66 billion in contributions.
- Those contributions, with actual interest earned by the fund would be worth approximately \$3.5 billion today.

# Impact of Underfunding – State Plan



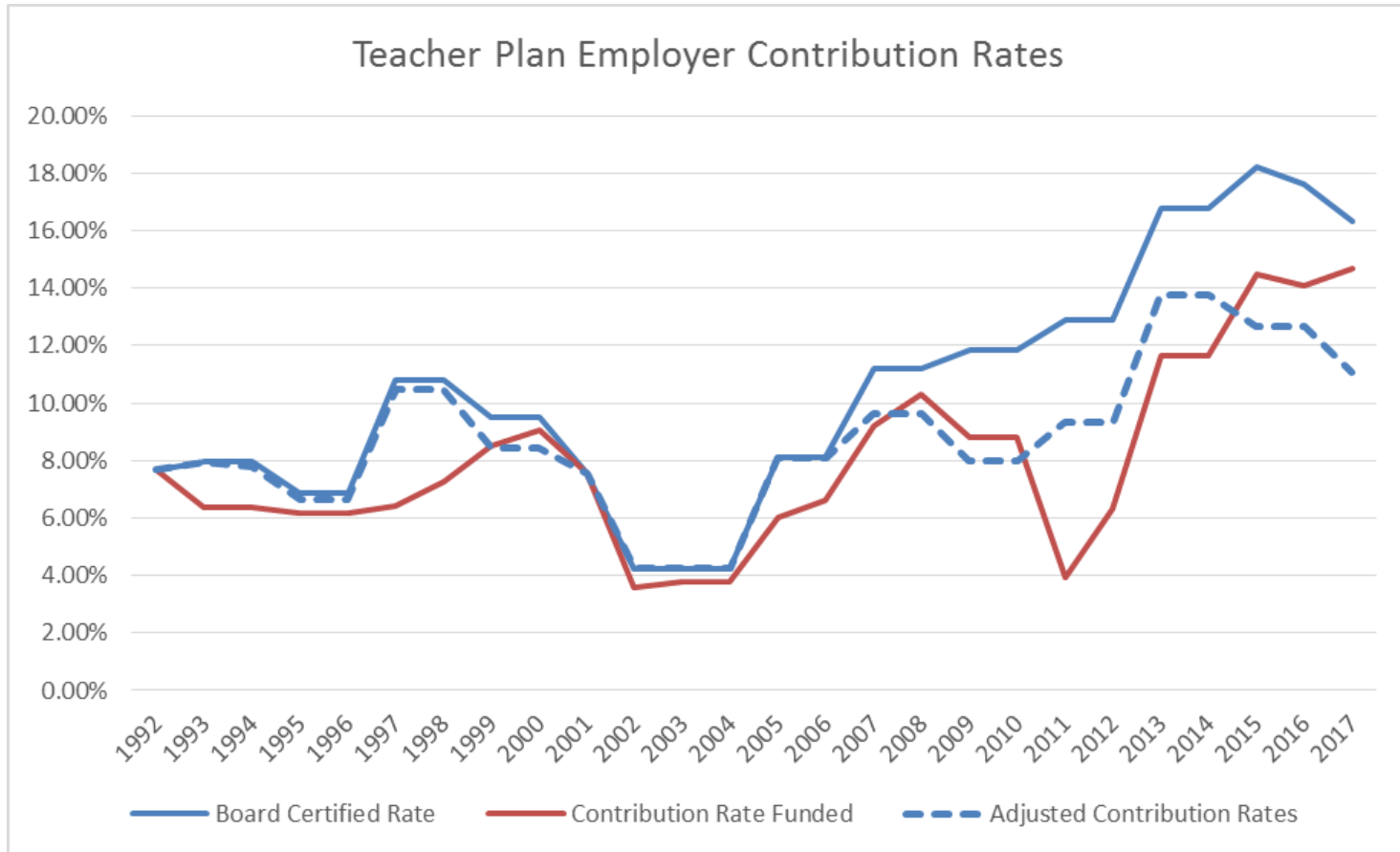
- If the State plan had received 100% of the required contribution since 1993, the employer rates today would be approximately 9.21% versus the actual 13.49%.
- The funded status as of June 30, 2016 was 72.90%. With full funding of employer rates the funded status would be approximately 87.9%.

# Impact of Underfunding – Teacher Plan



- Since 1993, the teacher plan has been underfunded by \$3.8 billion in contributions.
- Those contributions, with actual interest earned by the fund, could have been worth approximately \$7.0 billion today.

# Impact of Underfunding – Teacher Plan



- If the Teacher plan had received 100% of the required contributions since 1993, the employer rates today would be approximately 11.90% versus the actual 16.32%.
- The funded status as of June 30, 2016 was 70.6%. With full funding of rates the funded status would be approximately 86.1%.

# Discount Rate Sensitivity

Slides 52 – 61 provide analysis on impact of reducing the funding discount rate.

- Slide 52 shows the increase in contribution rates and funding for the State plan for reducing the discount rate 25 basis points and 50 basis points.
- Slides 53– 55 show the Hybrid plan design cost compared to the proposed HB 1967 Hybrid costs and the Optional defined contribution plan proposed in HB 2251 at different time intervals assuming a discount rate of 7.0%.
- Slides 56 – 61 show the same information as slides 53-55 but assuming a 6.75% discount rate and a 6.50% discount rate.

# Comparison of Costs – State Plan

## Discount Rate Sensitivity



	Discount Rate		
	7.00%	6.75%	6.50%
Total Normal Cost Rate	9.10%	9.58%	10.10%
Member Contribution Rate	4.92%	4.92%	4.92%
Employer Normal Cost Rate	4.18%	4.66%	5.18%
Administrative Expense Load	0.27%	0.27%	0.27%
Total Employer Normal Cost Rate	4.45%	4.93%	5.45%
Amortization Rates for Unfunded Liabilities			
Legacy Unfunded	10.91%	10.61%	10.33%
2014 Gain	-0.79%	-0.77%	-0.76%
2015 Gain	-1.18%	-1.15%	-1.13%
Change in Discount Rate	N/A	1.12%	2.25%
Total Amortization Rate	8.94%	9.81%	10.69%
Total Employer Rate			
	13.39%	14.74%	16.14%
Increase in Rate			
Estimated Increase in Annual Funding		1.35%	2.75%
General Fund		\$53.7 Million	\$109.4 Million
Non-General Fund		\$22.9 Million	\$46.7 Million
		\$30.8 Million	\$62.7 Million
Unfunded Liability			
	\$6.41 Billion	\$7.03 Billion	\$7.68 Billion
Funded Status			
	71.2%	69.3%	67.4%

Excludes matching contribution to DC component of Hybrid plan.





# Comparison of Plan Costs Initial Implementation

(Discount Rate – 7.0%)

Cost Component	Hybrid Plan	HB 1967 Provisions	Optional DC Plan HB 2251
Total Benefit Normal Cost	5.17%	5.17%	
Member Contribution Rate	4.00%	3.00%	5.00%
Employer Normal Cost Rate	1.17%	2.17%	
Employer Match to DC Plan	1.21%	2.21%	8.50%
Administrative Expense	0.27%	0.27%	0.27%
Total Employer Rate without Unfunded Amortization Cost	2.65%	4.65%	8.77%
Amount to Amortize Unfunded Liability	8.94%	8.94%	8.94%
<b>Total Employer Rate</b>	<b>11.59%</b>	<b>13.59%</b>	<b>17.71%</b>

- Optional DC plan designs have a higher “normal cost” rate than the current VRS plans.
- Due to the higher normal cost rate, until the legacy unfunded is paid off the optional DC plan designs will increase employer costs.



# Comparison of Plan Costs 15 Years after Implementation

(Discount Rate 7.0%)

Cost Component	Hybrid Plan	HB 1967 Provisions	Optional DC Plan HB 2251
Total Benefit Normal Cost	5.17%	5.17%	
Member Contribution Rate	4.00%	3.00%	5.00%
Employer Normal Cost Rate	1.17%	2.17%	
Employer Match to DC Plan	1.82%	2.90%	8.50%
Administrative Expense	0.27%	0.27%	0.27%
Total Employer Rate without Unfunded Amortization Cost	3.26%	5.34%	8.77%
Amount to Amortize Unfunded Liability	10.51%	10.51%	10.51%
<b>Total Employer Rate</b>	<b>13.77%</b>	<b>15.85%</b>	<b>19.28%</b>

- Optional DC plan designs have a higher “normal cost” rate than the current VRS plans.
- Due to the higher normal cost rate, until the legacy unfunded is paid off the optional DC plan designs will increase employer costs.



# Comparison of Plan Costs 30 Years after Implementation

(Discount Rate 7.0%)

Cost Component	Hybrid Plan	HB 1967 Provisions	Optional DC Plan HB 2251
<b>Total Benefit Normal Cost</b>	5.17%	5.17%	
<b>Member Contribution Rate</b>	4.00%	3.00%	5.00%
<b>Employer Normal Cost Rate</b>	1.17%	2.17%	
<b>Employer Match to DC Plan</b>	2.16%	3.28%	8.50%
<b>Administrative Expense</b>	0.27%	0.27%	0.27%
<b>Total Employer Rate without Unfunded Amortization Cost</b>	3.60%	5.72%	8.77%
<b>Amount to Amortize Unfunded Liability</b>	1.04%	1.04%	1.04%
<b>Total Employer Rate</b>	<b>4.64%</b>	<b>6.76%</b>	<b>9.81%</b>

- Optional DC plan designs have a higher “normal cost” rate than the current VRS plans.
- Due to the higher normal cost rate, until the legacy unfunded is paid off the optional DC plan designs will increase employer costs.



# Comparison of Plan Costs Initial Implementation

(Discount Rate – 6.75%)

Cost Component	Hybrid Plan	HB 1967 Provisions	Optional DC Plan HB 2251
<b>Total Benefit Normal Cost</b>	5.44%	5.44%	
<b>Member Contribution Rate</b>	4.00%	3.00%	5.00%
<b>Employer Normal Cost Rate</b>	1.44%	2.44%	
<b>Employer Match to DC Plan</b>	1.21%	2.21%	8.50%
<b>Administrative Expense</b>	0.27%	0.27%	0.27%
<b>Total Employer Rate without Unfunded Amortization Cost</b>	2.92%	4.92%	8.77%
<b>Amount to Amortize Unfunded Liability</b>	9.81%	9.81%	9.81%
<b>Total Employer Rate</b>	<b>12.73%</b>	<b>14.73%</b>	<b>18.58%</b>

- Optional DC plan designs have a higher “normal cost” rate than the current VRS plans.
- Due to the higher normal cost rate, until the legacy unfunded is paid off the optional DC plan designs will increase employer costs.



# Comparison of Plan Costs 15 Years after Implementation

(Discount Rate 6.75%)

Cost Component	Hybrid Plan	HB 1967 Provisions	Optional DC Plan HB 2251
<b>Total Benefit Normal Cost</b>	5.44%	5.44%	
<b>Member Contribution Rate</b>	4.00%	3.00%	5.00%
<b>Employer Normal Cost Rate</b>	1.44%	2.44%	
<b>Employer Match to DC Plan</b>	1.82%	2.90%	8.50%
<b>Administrative Expense</b>	0.27%	0.27%	0.27%
<b>Total Employer Rate without Unfunded Amortization Cost</b>	3.53%	5.61%	8.77%
<b>Amount to Amortize Unfunded Liability</b>	11.53%	11.53%	11.53%
<b>Total Employer Rate</b>	<b>15.06%</b>	<b>17.14%</b>	<b>20.30%</b>

- Optional DC plan designs have a higher “normal cost” rate than the current VRS plans.
- Due to the higher normal cost rate, until the legacy unfunded is paid off the optional DC plan designs will increase employer costs.



# Comparison of Plan Costs 30 Years after Implementation

(Discount Rate 6.75%)

Cost Component	Hybrid Plan	HB 1967 Provisions	Optional DC Plan HB 2251
Total Benefit Normal Cost	5.44%	5.44%	
Member Contribution Rate	4.00%	3.00%	5.00%
Employer Normal Cost Rate	1.44%	2.44%	
Employer Match to DC Plan	2.16%	3.28%	8.50%
Administrative Expense	0.27%	0.27%	0.27%
Total Employer Rate without Unfunded Amortization Cost	3.87%	5.99%	8.77%
Amount to Amortize Unfunded Liability	1.08%	1.08%	1.08%
<b>Total Employer Rate</b>	<b>4.95%</b>	<b>7.07%</b>	<b>9.85%</b>

- Optional DC plan designs have a higher “normal cost” rate than the current VRS plans.
- Due to the higher normal cost rate, until the legacy unfunded is paid off the optional DC plan designs will increase employer costs.



# Comparison of Plan Costs Initial Implementation

(Discount Rate – 6.50%)

Cost Component	Hybrid Plan	HB 1967 Provisions	Optional DC Plan HB 2251
Total Benefit Normal Cost	5.74%	5.74%	
Member Contribution Rate	4.00%	3.00%	5.00%
Employer Normal Cost Rate	1.74%	2.74%	
Employer Match to DC Plan	1.21%	2.21%	8.50%
Administrative Expense	0.27%	0.27%	0.27%
Total Employer Rate without Unfunded Amortization Cost	3.22%	5.22%	8.77%
Amount to Amortize Unfunded Liability	10.69%	10.69%	10.69%
<b>Total Employer Rate</b>	<b>13.91%</b>	<b>15.91%</b>	<b>19.46%</b>

- Optional DC plan designs have a higher “normal cost” rate than the current VRS plans.
- Due to the higher normal cost rate, until the legacy unfunded is paid off the optional DC plan designs will increase employer costs.



# Comparison of Plan Costs 15 Years after Implementation

(Discount Rate 6.50%)

Cost Component	Hybrid Plan	HB 1967 Provisions	Optional DC Plan HB 2251
<b>Total Benefit Normal Cost</b>	5.74%	5.74%	
<b>Member Contribution Rate</b>	4.00%	3.00%	5.00%
<b>Employer Normal Cost Rate</b>	1.74%	2.74%	
<b>Employer Match to DC Plan</b>	1.82%	2.90%	8.50%
<b>Administrative Expense</b>	0.27%	0.27%	0.27%
<b>Total Employer Rate without Unfunded Amortization Cost</b>	3.83%	5.91%	8.77%
<b>Amount to Amortize Unfunded Liability</b>	12.57%	12.57%	12.57%
<b>Total Employer Rate</b>	<b>16.39%</b>	<b>18.47%</b>	<b>21.34%</b>

- Optional DC plan designs have a higher “normal cost” rate than the current VRS plans.
- Due to the higher normal cost rate, until the legacy unfunded is paid off the optional DC plan designs will increase employer costs.





# Comparison of Plan Costs 30 Years after Implementation

(Discount Rate 6.50%)

Cost Component	Hybrid Plan	HB 1967 Provisions	Optional DC Plan HB 2251
<b>Total Benefit Normal Cost</b>	5.74%	5.74%	
<b>Member Contribution Rate</b>	4.00%	3.00%	5.00%
<b>Employer Normal Cost Rate</b>	1.74%	2.74%	
<b>Employer Match to DC Plan</b>	2.16%	3.28%	8.50%
<b>Administrative Expense</b>	0.27%	0.27%	0.27%
<b>Total Employer Rate without Unfunded Amortization Cost</b>	4.17%	6.29%	8.77%
<b>Amount to Amortize Unfunded Liability</b>	1.12%	1.12%	1.12%
<b>Total Employer Rate</b>	<b>5.29%</b>	<b>7.41%</b>	<b>9.89%</b>

- Optional DC plan designs have a higher “normal cost” rate than the current VRS plans.
- Due to the higher normal cost rate, until the legacy unfunded is paid off the optional DC plan designs will increase employer costs.