



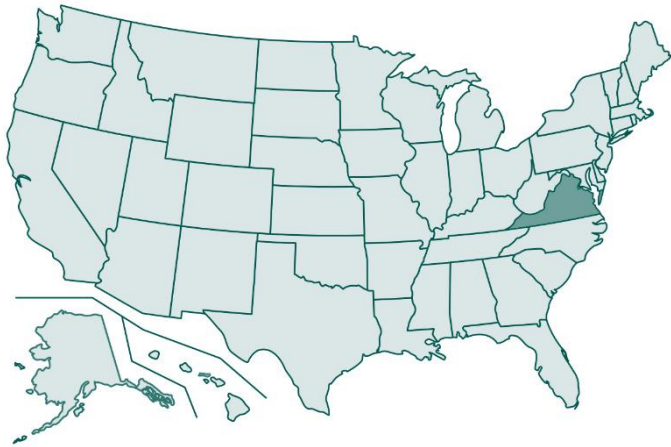
VRS Overview

Presented to: 2018 Finance Forum

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Barry C. Faison, VRS Chief Financial Officer
January 3, 2018



VRS Overview



VRS is the

20th largest

public or private pension system in the U.S.

and the **44th largest**

public or private pension system in the world



with **more than 687,000**
members, retirees and beneficiaries

As of June 30, 2017

VRS Total Membership



	Plan 1	Plan 2	Hybrid	Total
Teachers	82,403	34,375	29,312	146,090
Political Subdivisions	52,938	31,830	21,756	106,524
State Employees	43,075	17,706	16,836	77,617
State Police Officers' Retirement System (SPORS)	1,286	591	–	1,877
Virginia Law Officers' Retirement System (VaLORS)	4,045	4,628	–	8,673
Judicial Retirement System (JRS)	266	48	105	419
Total Active Members	184,013	89,178	68,009	341,200
Total Active Members	Retirees/ Beneficiaries	Inactive/ Deferred Members	VRS Total Population	
341,200	199,064	147,230	687,494	

As of June 30, 2017

Benefit Comparison



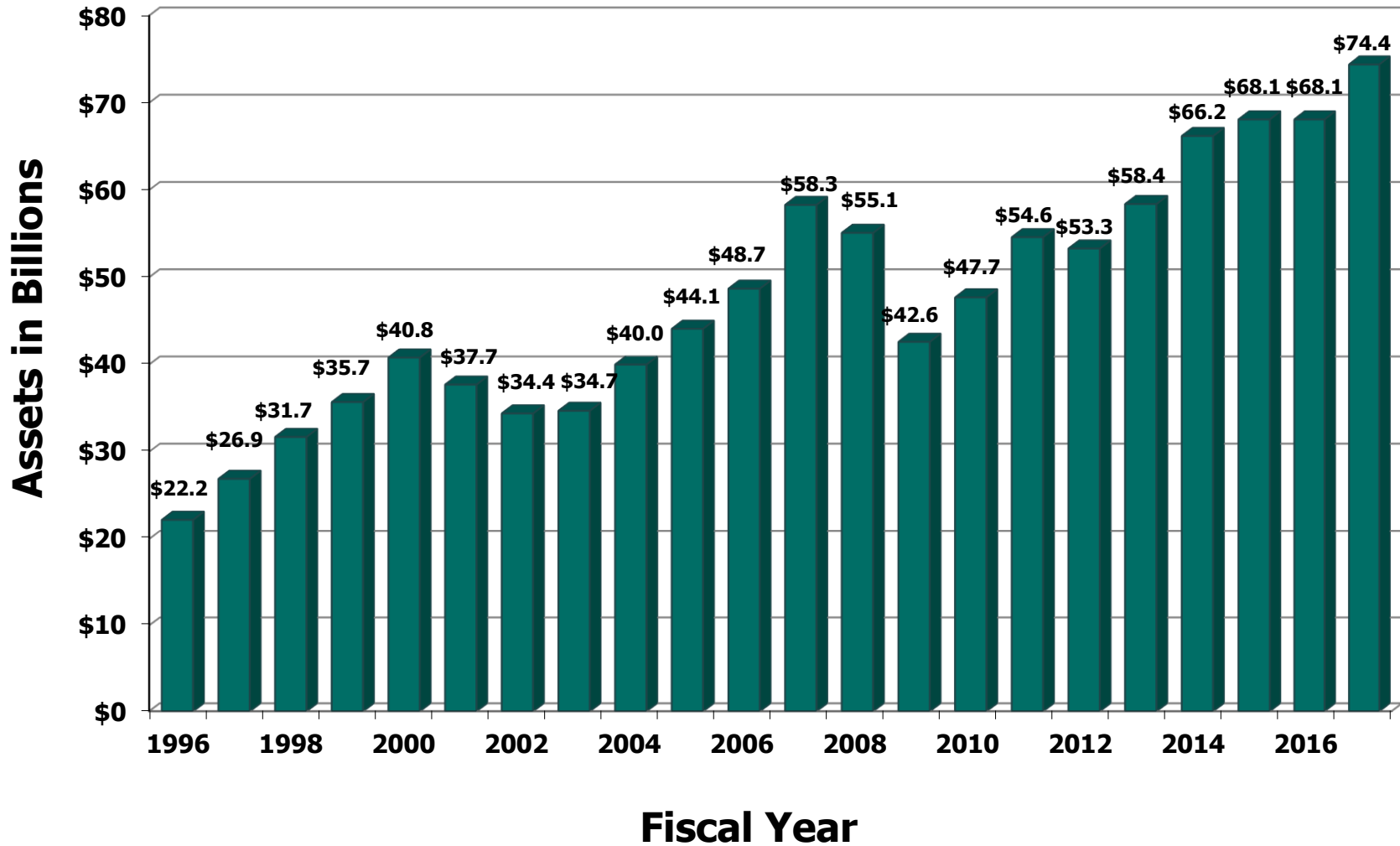
	State	Teachers	Local
Actives:			
Average Age	48.1	45.1	46.1
Average Service	12.3	11.9	11.0
Average Salary	\$53,967	\$52,650	\$44,806
Retirees:			
Avg. Age @ Retirement	63.9	62.5	62.4
Avg. Service @ Retirement	22.3	22.5	20.4
Avg. Benefit @ Retirement	37.9%	38.3%	34.7%
Avg. Annual Benefit	\$21,643	\$22,555	\$16,785
Avg. Social Security Benefit at Age 62	\$20,316	\$19,236	\$16,248

Information obtained from the June 30, 2017, actuarial valuations.

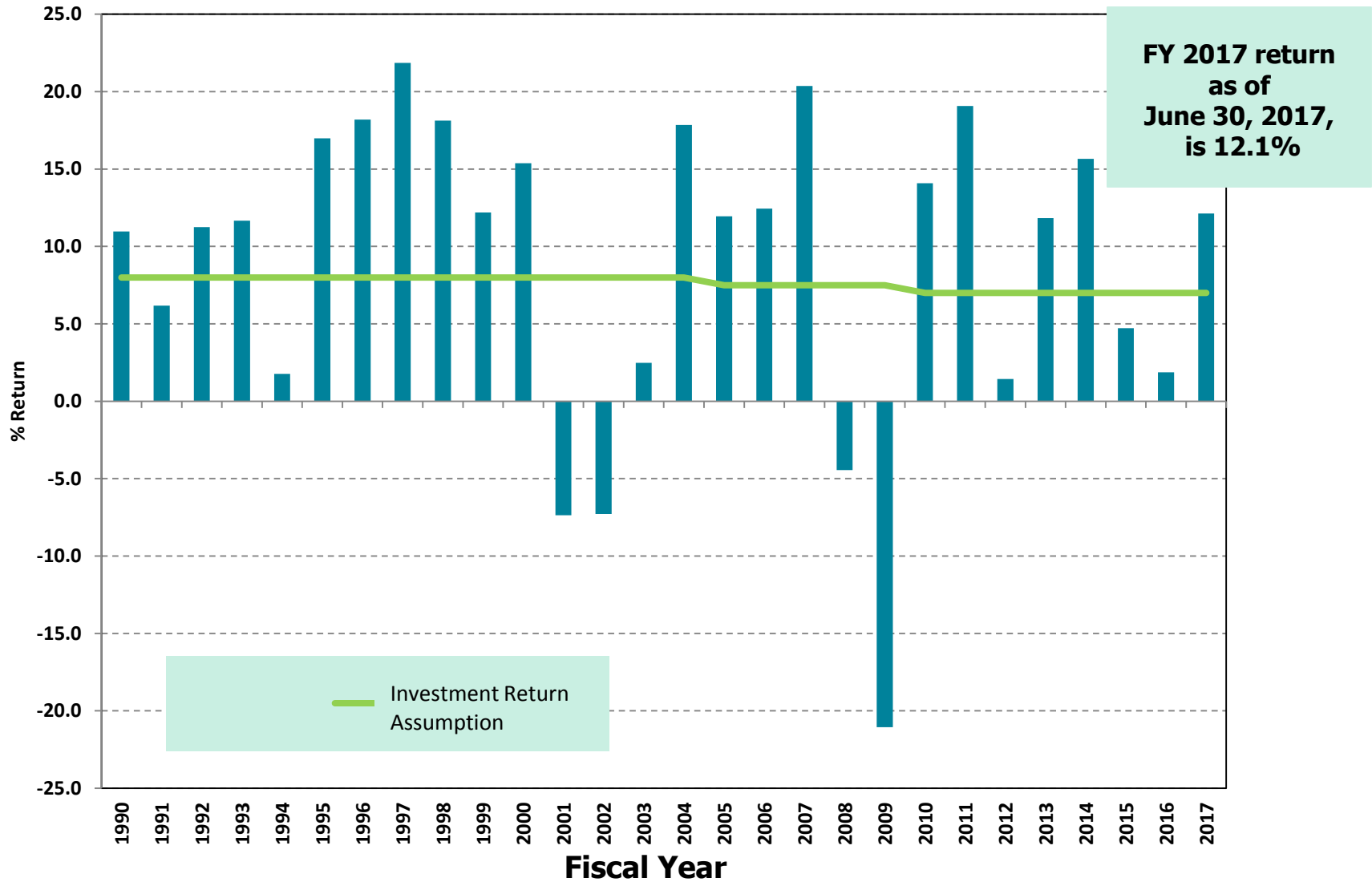


VRS Investments Overview

VRS Net Position



VRS Fiscal Year Returns

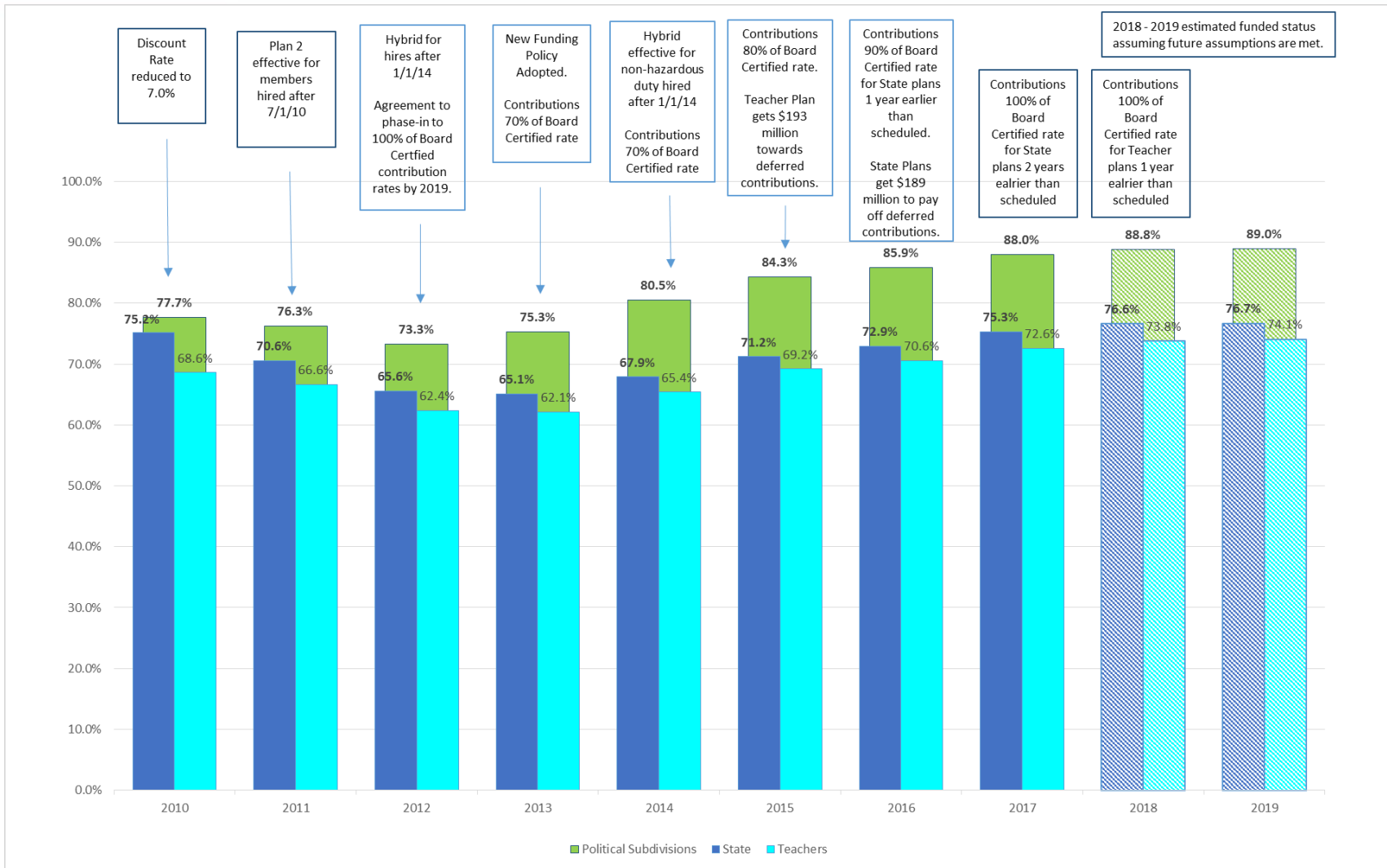




Retirement Plans and OPEB Overview

- Primary drivers of the June 30, 2017 valuation results:
 - Assumption and method changes from recent experience study (June 30, 2012 – June 30, 2016)
 - Updates to mortality tables
 - Changes in normal cost
 - Market returns of 12.10% were higher than the assumed return of 7.00%
 - COLAs were lower than expected

Funded Status and Pension Reforms



- Since 2012, State and Teacher plans have experienced a 10% improvement in funded status and Political Subdivisions in aggregate have seen a 15% improvement.

Unfunded Pension Liabilities (in thousands)

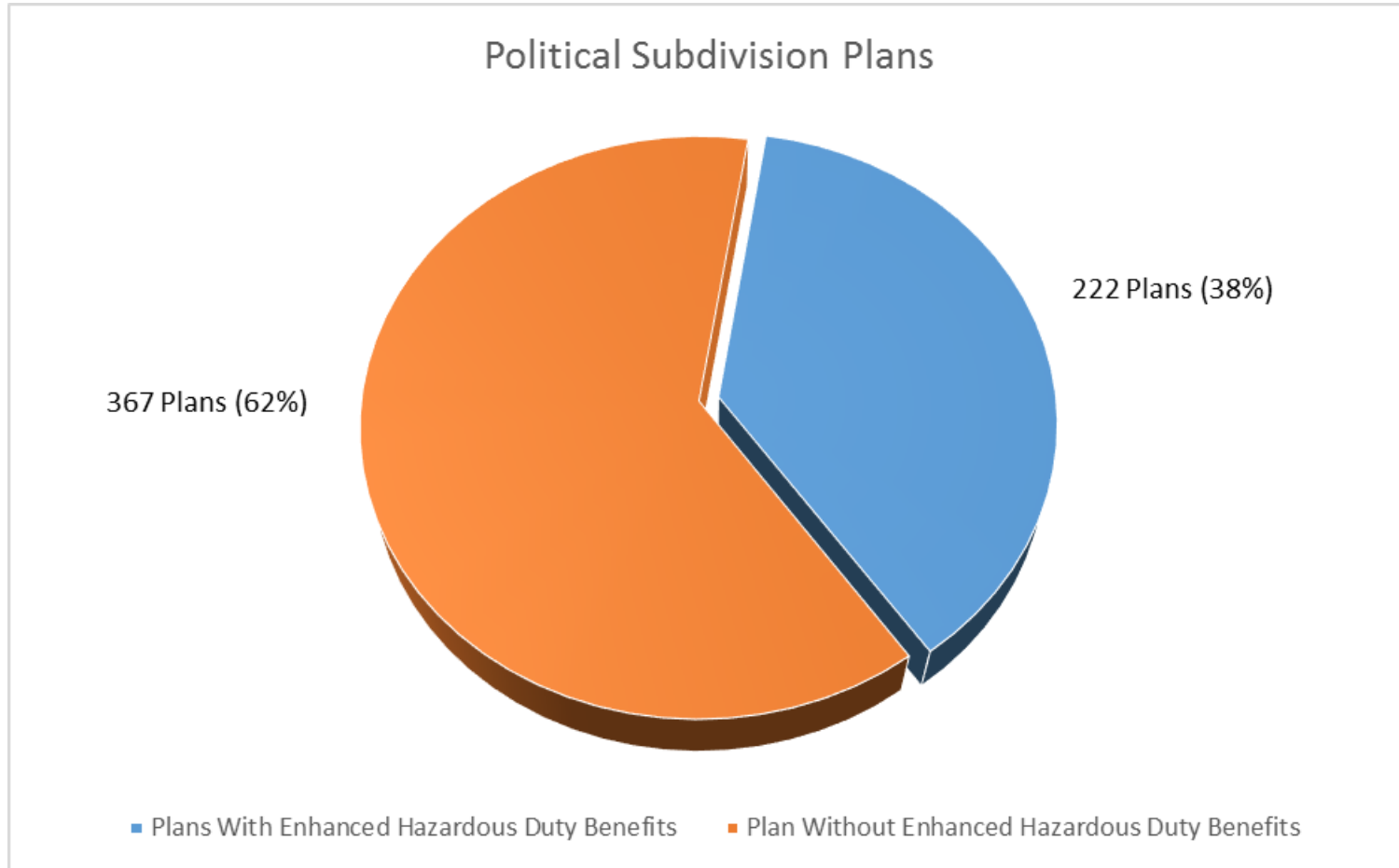


System	Unfunded Liability using Actuarial Value of Assets	
	FYE 2016	FYE 2017
State	\$ 6,205,467	\$ 5,763,770
Teachers	\$ 12,813,352	\$ 12,321,149
SPORS	\$ 337,324	\$ 254,951
VaLORS	\$ 748,767	\$ 649,603
Judicial	\$ 131,477	\$ 125,688
Total State-Wide Systems	\$ 20,236,387	\$ 19,115,161
Locals Aggregate	\$ 2,920,627	\$ 2,578,189
Total Fund	\$ 23,157,014	\$ 21,693,350

System	Unfunded Liability using Market Value of Assets	
	FYE 2016	FYE 2017
State	\$ 6,510,401	\$ 5,521,646
Teachers	\$ 13,413,418	\$ 11,886,472
SPORS	\$ 351,292	\$ 244,555
VaLORS	\$ 772,811	\$ 631,894
Judicial	\$ 140,409	\$ 118,773
Total State-Wide Systems	\$ 21,188,331	\$ 18,403,340
Locals Aggregate	\$ 3,264,551	\$ 2,310,073
Total Fund	\$ 24,452,882	\$ 20,713,413

- For a majority of local plans, funded status **increased** and contribution rates **decreased** as compared to the 2016 valuation results
- Of the 589 employers, funded status for 510 employers **increased** on an actuarial value of assets basis
- Employer contribution rates **decreased** for 306 employers
 - A majority of the rate decreases were associated with plans without enhanced hazardous duty benefits

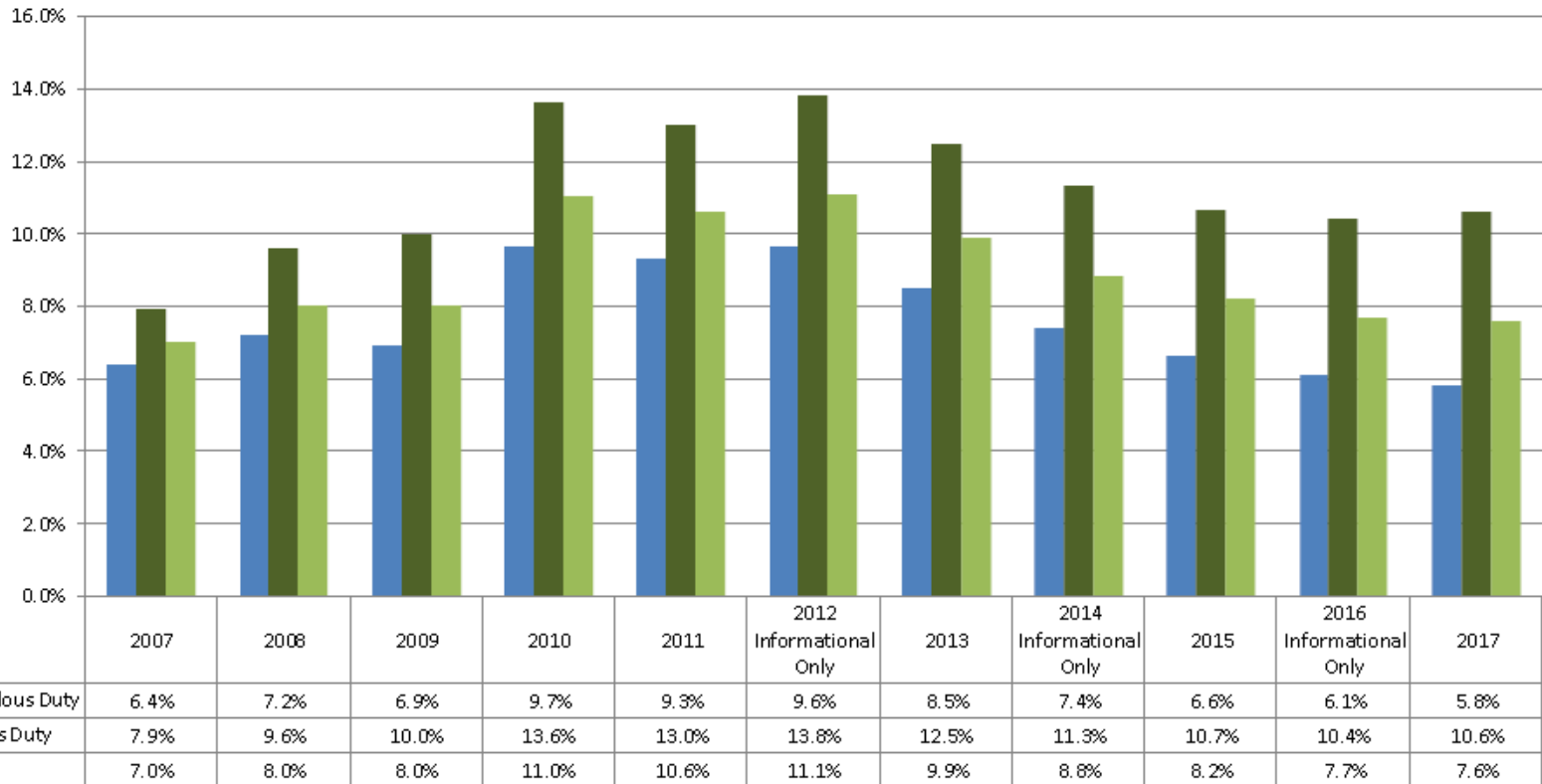
Number of Political Subdivisions



Includes only plans with active members.

Average Employer Contribution Rates

Hazardous Duty and Non-Hazardous Duty



Rates net of member contribution rate.

Rates beginning 2014 include employer contribution rate for Hybrid defined contribution component.

Teacher Employer Contribution Rates



	FISCAL YEAR					
	2015	2016	2017	2018	2019	2020
Statutory Phase-In of VRS Board Certified Rates Agreed Upon in 2012 Legislative Session	79.69%	79.69%	89.84%	89.84%	100%	100%
Employer Rates Based on Appropriation Act	14.50%	14.06%	14.66%	16.32% *	15.68%**	15.68%**

* Teacher contribution rate is increased to 100% of Board-certified rate in second year of 2016-2018 biennium.

** Assumed rate based on 100% of the VRS Board certified rate provided to Governor and General Assembly for 2018-2020 biennium

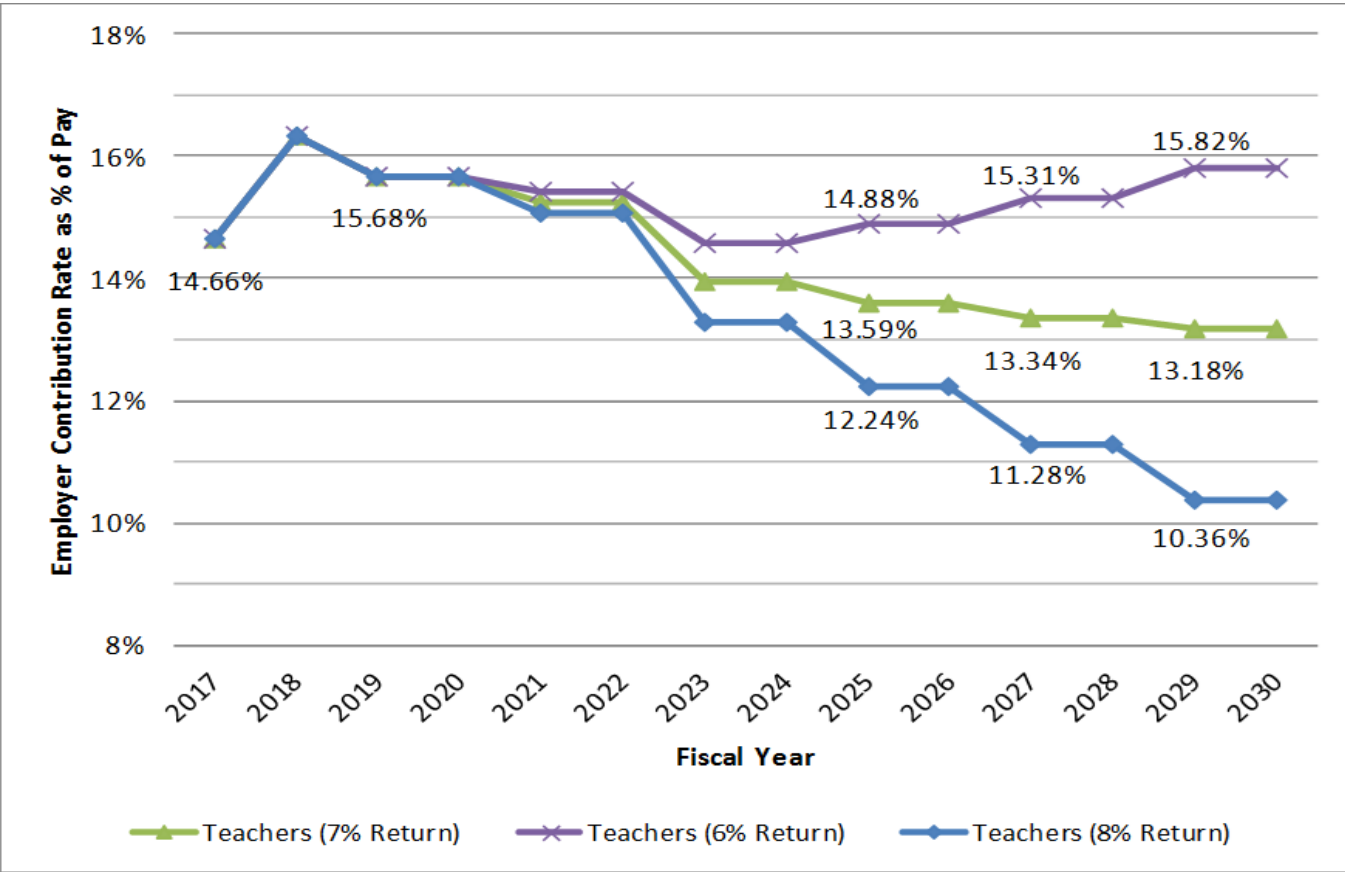
Additional Notes:

- 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.

Teacher Plan Projected Employer Contribution Rates Including Estimated Defined Contribution Hybrid Match



Investment Return Sensitivity



- Assumes employer match to defined contribution portion of the hybrid plan of 1.76% for members in the hybrid plan.
- Rates above are for alternative investment return scenarios only.
- Liabilities are calculated at 7% under all scenarios.

OPEB Contribution Rates – Political Subdivisions



System	Fiscal Years 2017/2018		Fiscal Years 2019/2020
	Board Certified	General Assembly Approved	Board Certified
HIC Teachers	1.23%	1.11%/1.23%	1.20%
HIC - Participating Locals (Average)	0.28%	N/A	0.26%
VLDP - Teachers	0.31%	N/A	0.41%
VLDP - Political Subdivisions	0.60%	N/A	0.72%
Group Life	1.31%	1.31%	1.31%

- VLDP contribution rates are for participating public school and political subdivisions with hybrid plan members.
- Some employers may require employees to contribute a portion of Group Life rate.



GASB Update



In June 2015, GASB released two statements aimed at improving financial reporting by state and local governments of other post-employment benefits (OPEB), such as group life and retiree health insurance.

- Statement No. 74 (applies to Plan), *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- Statement No. 75 (applies to Employer), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

VRS OPEB Liabilities by Employer

June 30, 2017 Net OPEB Liability (NOL)



(\$Thousands)

Plan	Plan Type	State	Teacher	Political Subdivisions	NOL as of 6/30/17
Group Life Insurance	Multi-Employer Cost Sharing	\$456,366	\$646,246	\$402,228	\$1,504,840
Health Insurance Credit	State -Single Employer	\$949,489	\$1,268,611	\$16,968	\$2,235,068
	Teachers - Multi-Employer Cost-Sharing				
	Pol. Subs. - Multi-Employer Agent				
Virginia Sickness and Disability Program	State - Single Employer	(\$205,321)	\$0	\$0	(\$205,321)
Virginia Local Disability Program	Teachers - Multi-Employer Cost-Sharing	\$0	\$594	\$563	\$1,157
	Pol. Subs. - Multi-Employer Cost-Sharing				
Line of Duty Act (LODA)	Multi-Employer Cost Sharing	\$159,605	\$0	\$103,186	\$262,791
Total OPEB NOL		\$1,360,139	\$1,915,451	\$522,945	\$3,798,535

Notes:

- State includes state employees regardless of pension plan.
- State HIC also contains state-funded local positions which is considered "special funding situation" for GASB.

- Centralize GASB 74/75 data process
- Engage VRS actuary to create plan-wide data under GASB 74
 - Prepare comprehensive reports including GASB 75 data for all covered employers
 - Compute proportionate share for cost-sharing plans
 - Prepare separate GASB 75 reports for each political subdivision, where appropriate
- Expand VRS webpage for new information
- Prepare implementation guidance, sample journal entries, and sample note disclosures with RSI

- Supplement existing GASB 67 and GASB 68 resources
- GASB 74 and GASB 75 Statements
- GASB 74 and GASB 75 Implementation Guide when issued
- Complete GASB 74 report from VRS Actuary for the VRS plans
- Complete GASB 75 report from VRS Actuary for all covered employer groups
- Selected presentations on GASB 74 and GASB 75

View the Financial Reporting Section



[Home](#) > [Employers](#) > Financial Reporting

Financial Reporting

Welcome to VRS employers' financial center. Here you will find resources and links to assist with financial reporting related to VRS-administered benefit plans.

- [Governmental Accounting Standards Board \(GASB\) Resources](#)
- [GASB Audit Opinions and Disclosure Guidance](#)
- [VRS Guidelines and Resources](#)
- [Current Contribution Rates](#)
- [VRS Valuation Reports](#)
- [VRS Stress Test and Sensitivity Analysis](#) 📄 2250kb

VRS Employer Contribution Rates by Fiscal Year*

Retirement Program	2017	2018	Fiscal Years 2019 & 2020 Board-Certified Employer Contribution Rates †
State Employees	13.49%	13.49%	13.52%
Teachers	14.66%	16.32%	15.68%
State Police Officers' Retirement System	28.54%	28.54%	24.88%
Virginia Law Officers' Retirement System	21.05%	21.05%	21.61%
Judicial Retirement System	41.97%	41.97%	34.39%
Non-Professional School Board and Political Subdivision Employees	Varies by Employer	Varies by Employer	Varies by Employer

Other Post-Employment Benefits Contribution Rates by Fiscal Year

		2017	2018	Fiscal Years 2019 & 2020 Board-Certified Employer Contribution Rates*
Group Life Insurance	Employee	0.79%	0.79%	0.79%
	Employer	0.52%	0.52%	0.52%
	Total	1.31%	1.31%	1.31%
Health Insurance Credit	State Employees	1.18%	1.18%	1.17%
	Teachers	1.11%	1.23%	1.20%
	Non-Professional School Board Members and Political Subdivision Employees	Varies by Employer	Varies by Employer	Varies by Employer
Virginia Sickness and Disability Program (VSDP)	Covered Payroll	0.66%	0.66%	0.62%
Virginia Local Disability Program (VLDP)	Teachers	0.31%	0.31%	0.41%
	Political Subdivision Employees	0.60%	0.60%	0.72%

* Rates are net of member contributions.

† Employer contribution rates are full actuarially determined rates.

* Full actuarially determined rates



Employer Resources

Sign Up for Employer Update



- Monthly e-newsletter
- Provides updates on policy, procedures, GASB, legislation, upcoming events
- Go to the Employer menu, select Employer Update and sign up



View the Financial Reporting Section



View the Financial Reporting section under Employer tab:

The screenshot displays the Virginia Retirement System (VRS) website interface. At the top, the VRS logo and the tagline "Helping Members Plan for Tomorrow, Today" are visible. Below this is a navigation bar with tabs for "myVRS", "Employers", "Members", "Retirees", and "Defined Contribution Plans". The "Employers" tab is selected, and a dropdown menu is open, listing various resources. The "Financial Reporting" link is circled in orange. Other links in the menu include "Purchase of Prior Service (PPS)", "Modernization Updates", "Employer Resources", "Employer Manual", "Checklists & Job Aids", "Retirees Returning to Work", "MBP Resources", "Hybrid Retirement Plan Resource Center", and "Defined Contribution Plans Resource Center".

myVRS Virginia Retirement System

Helping Members Plan for Tomorrow, Today

myVRS - Employers (show menu) Members Retirees Defined Contribution Plans

Employer Home: For human resource and payroll officers of VRS' participating employers.

- Member Retirement Plans**
 - Plan 1
 - Plan 2
 - Hybrid Retirement Plan
- Defined Contribution Plans**
 - ORP for Political Appointees
 - ORP for School Superintendents
 - ORP for Higher Education
 - COV 457 Deferred Compensation Plan
- Member Benefits & Programs**
 - Life Insurance Benefits
 - Disability Retirement & Programs
 - Death-in-Service Benefits
 - Long-Term Care Programs
 - Severance Benefits
 - Military Leave Benefits
- Purchase of Prior Service (PPS)**
 - PPS for Employers
 - PPS for Members
- Modernization Updates**
- Employer Resources**
 - myVRS Navigator Log-In
 - Your VRS Teams
 - Employer Training
 - Employer Update
 - Employer Manual
 - Financial Reporting**
 - Checklists & Job Aids
- Retirees Returning to Work**
 - MBP Resources
 - Hybrid Retirement Plan Resource Center
 - Defined Contribution Plans Resource Center

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Monday-Friday
1-888-827-3847
[Map & Directions](#)
[Contact Us](#)

Administrative Offices
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Richmond, VA 23219

Connect with VRS
[f](#) [in](#)

What's New | **Top Forms** | **Top Publications**

- September Employer Update Available
- Recorded Webinar Now Available for Benefit Payout Options
- August Employer Update Available
- Line of Duty Act Administration Transitions to VRS, DHRM
- Check Out the Latest Updates to myVRS
- Find Us on Facebook!
- Expand Your Network by Following VRS on LinkedIn

Learn How myVRS Is Evolving!
HELPING YOU PLAN FOR TOMORROW, TODAY

Are You a New HR or Finance Professional? Introduce Yourself to VRS!

Find us on Facebook

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Thank You