

Virginia Government Finance Officers Association

October 22, 2009

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Chief Financial Officer

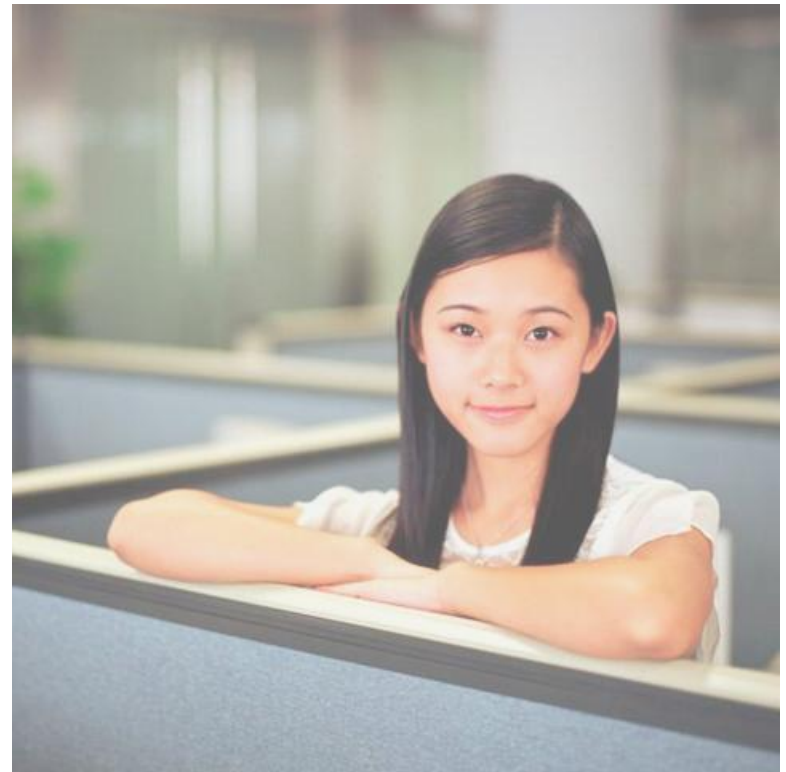


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Agenda

- VRS Overview
- Funded Status and Rate Setting
- What's on the Horizon

VRS Overview

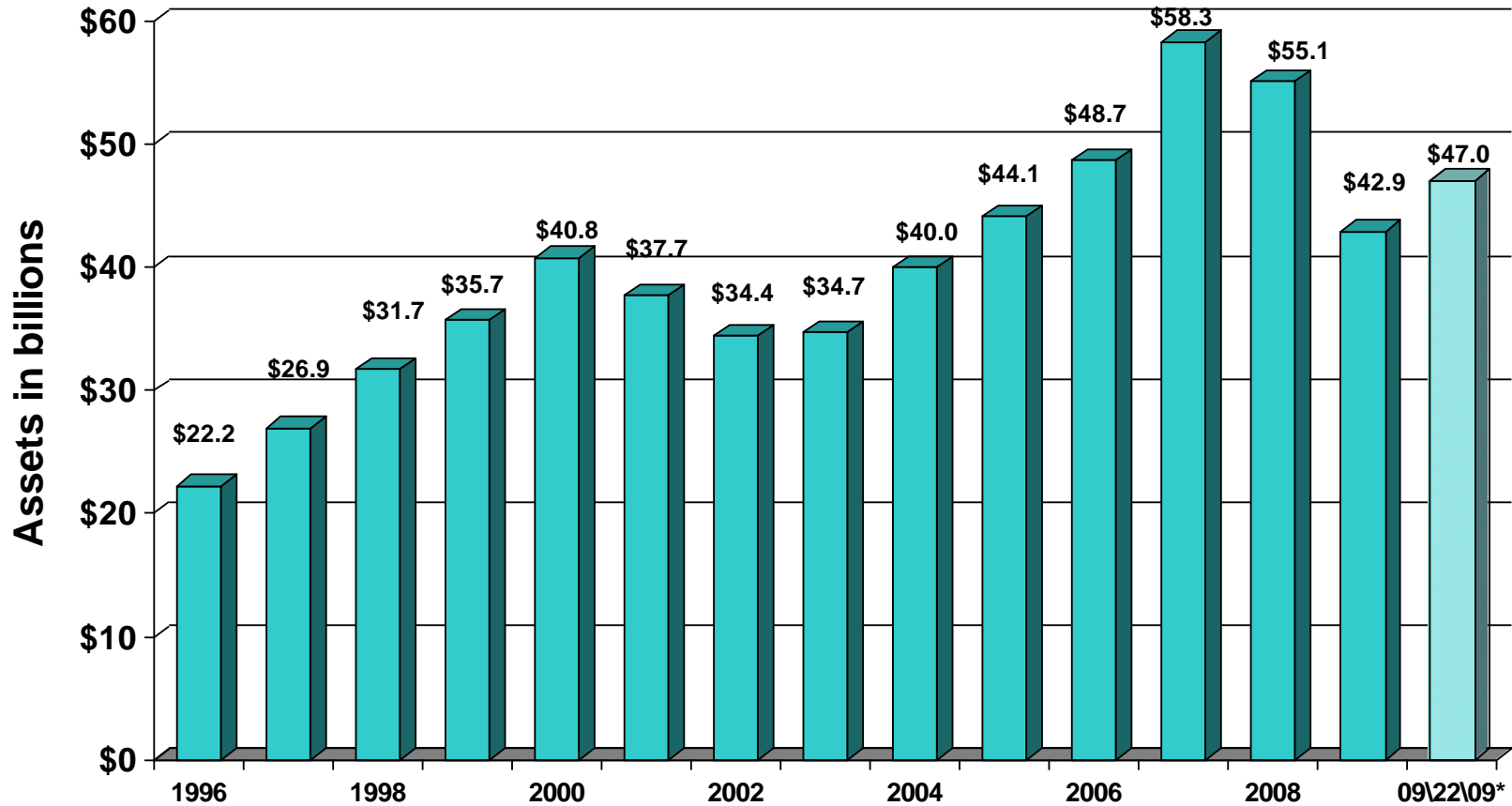


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VRS Total Membership

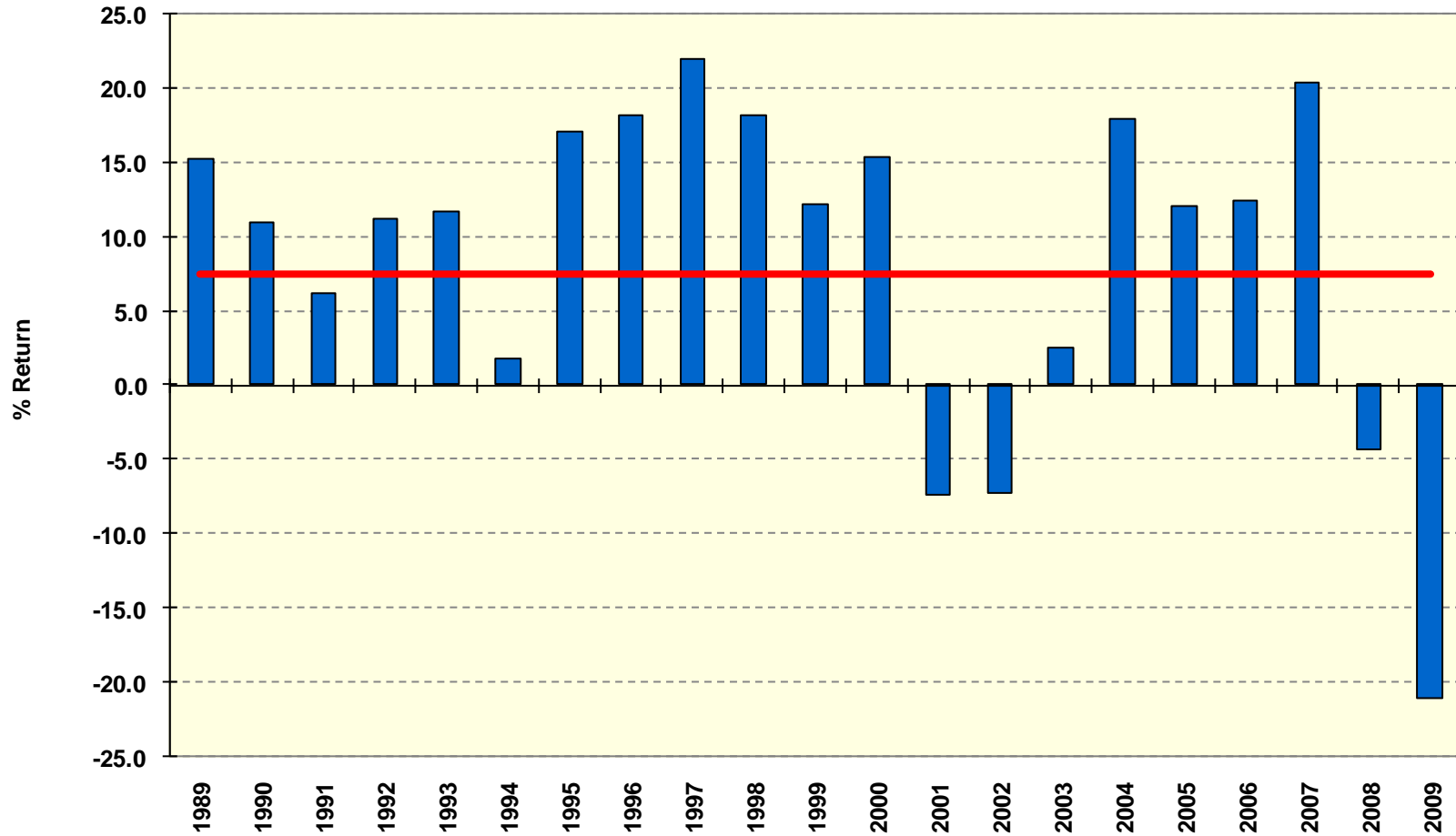
Teachers	148,461
Political Subdivisions	105,404
State Employees	80,808
State Police Officers' Retirement System (SPORS)	1,826
Judicial Retirement System (JRS)	416
Virginia Law Officers' Retirement System (VaLORS)	10,014
Total Active Members	346,929
Retirees/Beneficiaries	141,746
Inactive/Deferred Members	107,551
VRS Overall Impact	596,226

Net Assets Available for Benefits



* Estimate as of 9-21-09

VRS Fiscal Year Returns



Investment Returns

- FY 2009 Return on VRS Trust Fund was negative 21.1%
- Actuarially assumed return was 7.50%
- Returns needed over various periods to “make up” the loss:
 - One year: 46.5%
 - Three years: 19.2%
 - Five years: 14.4%

Rate Setting and Funding Benefits



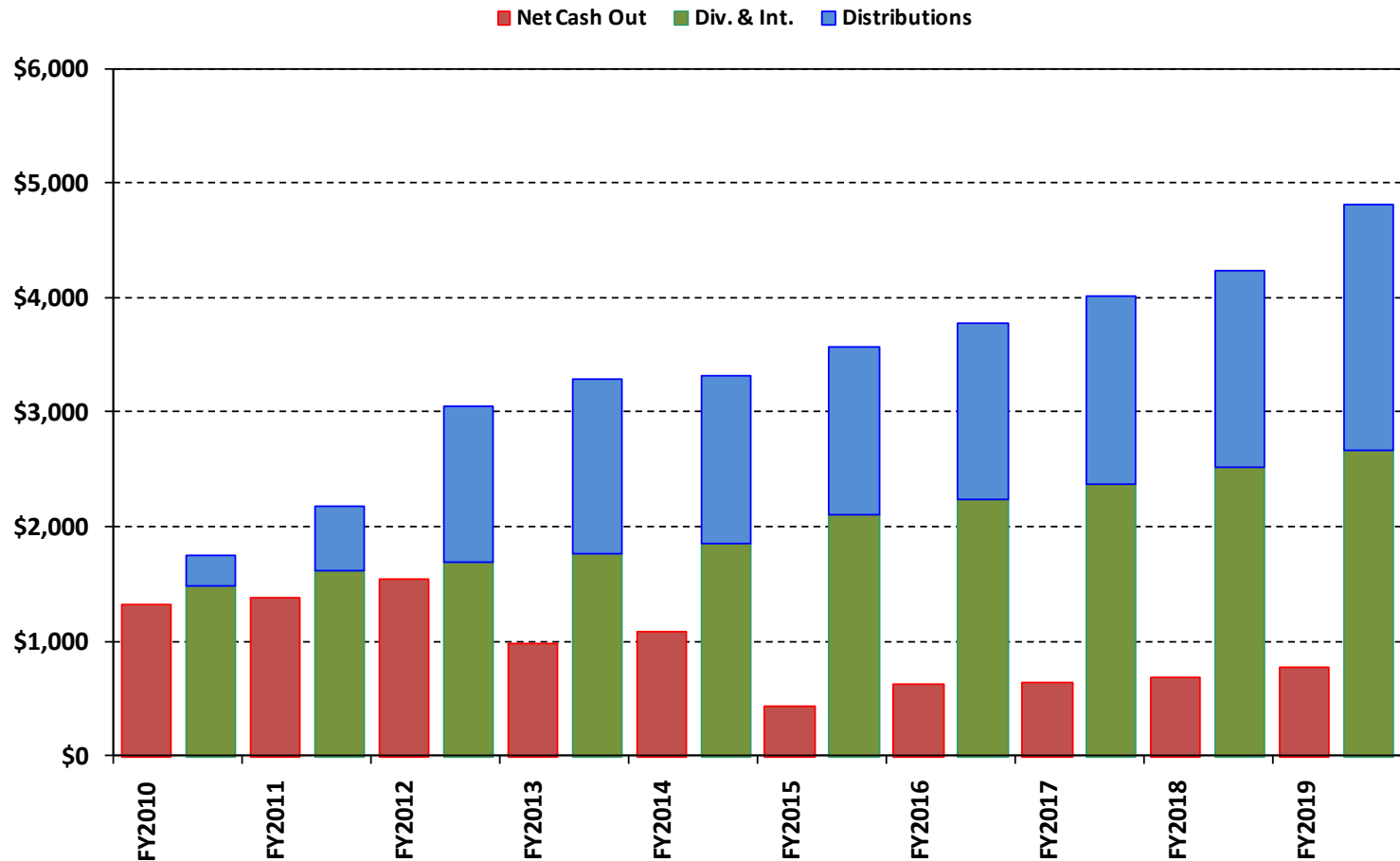
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Funding VRS Benefits

- 68% of benefit costs funded by investment earnings
- 32% of benefit costs funded by employee/employer contributions

Cash Flow Projection – 10 Years

Cash Flow Projection - 10 Years (in millions)



Employer Contribution Rates

	Current Funded Rates* FY 2010	2007 Board Certified Rates**	2009 Board Certified Rates**
State Employee	6.26%	8.02%	8.46%
Teacher	8.81%	11.84%	12.91%

*Current funded rates are based on assumptions applied in the 2009 Appropriations Act (8% rate of return, 3% inflation rate, and a 30-year amortization).

**Board certified rates are based on the following assumptions (7.5% rate of return, 2.5% inflation rate, and a 20 year amortization period).

Note: These employer rates do not include the 5% member contributions that are also paid by employers.

OPEB Contribution Rates

	Current Funded Rates* FY 2010	Board Certified Rates**	2009 Board Certified Rates**
Group Life	0.79%	0.89%	1.11%
HIC - State Employee	1.00%	1.22%	1.06%
HIC - Teacher	1.04%	1.12%	1.08%

*Current funded rates are based on assumptions applied in the 2009 Appropriations Act (8% rate of return, 3% inflation rate, and a 30-year amortization).

**Board certified rates are based on the following assumptions (7.5% rate of return, 2.5% inflation rate, and a 20 year amortization period).

Governor's Budget Reduction Plan

- Reduce state and teacher employer contributions to VRS April – June of 2010.
 - Reduction will not affect benefit provisions or the accumulation of contributions in member accounts
 - The state and other employers will pay the 5% member contributions that are picked up and paid by employers
- Suspend contributions for OPEB programs for April – June of 2010, except for local government health insurance credit.

Policy Alternatives



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Plan Design Changes Identified by PWC & JLARC

Benefit Change	Applicable				Savings/Cost Avoidance	
	Current Members	Non-vested members	New Hires	Current Retirees	Immediate	Long-term
Employee-paid Member Contribution (2%)*	✓	✓	✓		✓	
Increase retirement age 60**		✓	✓			✓
Reduce COLA for new retirees***	✓	✓	✓			✓
Combination Plan			✓			✓
Cash Balance Plan			✓			✓
Defined Contribution Plan			✓			✓

*PWC & JLARC assumed that the contributions would be phased in over a four-year period.

**PWC and JLARC did not apply retirement age design change to SPORS and VALORS.

***JLARC & PWC suggested that the General Assembly could consider exempting active employees within several years of retirement eligibility from this change. Such an exemption could help limit the extent to which employees in this group may have to alter their retirement plans. This exemption could also help avoid a sudden increase in employee retirement—and therefore loss of experienced employees—just prior to the effective date.

Thank you!



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