



FY 2018 Recommended Budget Budget Question

Board Question #: 32

BUDGET QUESTION: How does the Virginia Retirement System (VRS) and its various pools work? What's the difference between the VRS professional rate and VRS non-professional rate for the Schools and what are those current rates? What are the estimated VRS rates for the next several years for the Schools?

RESPONSE:

The Commonwealth has four pension trust funds - the **Virginia Retirement System (VRS)**, the State Police Officers' Retirement System (SPORS), the Virginia Law Officers' Retirement System (VaLORS), and the Judicial Retirement System (JRS).

The **Virginia Retirement System (VRS)** includes three separate plans:

Plan Name	Plan Type	Eligible Employees
VRS State's Plan	Single-employer	Full-time permanent, salaried state employees and faculty of Virginia's public colleges and universities
VRS Teachers' Plan	Multiple-employer cost sharing	Full-time permanent, salaried teachers, principals, assistant principals, nurses, psychologists, social workers, therapists, clerical staff and administrative employees of the state's local public school divisions.
VRS Political Subdivisions' Plan	Agent multiple-employer	Full-time permanent, salaried employees of VRS-participating political subdivisions, such as cities, counties, towns etc. These employees include school maintenance, janitorial and cafeteria workers and school bus drivers/aides if elected by the school division.

Spotsylvania County Government

Spotsylvania County is a member of the VRS Political Subdivisions' Plan. The County has adopted the optional enhanced benefit coverage for its public safety personnel, creating two groups, the General Employee Group and the LEOS/Fire Benefit Group. The County's demographics and financial information are maintained separate from other employers and used to prepare an annual actuarial valuation report. This report provides recommended contribution rates every two years for adoption by the VRS Board of Trustees. The following table provides the approved biennial contribution rates from 2013 through 2018 and projections for the next three years:

Fiscal year	Actual Rates by Fiscal Year			PROJECTED**	
	2013 & 2014	2015 & 2016	2017 & 2018	2019 & 2020	2021
Blended employer adopted rate*	11.32%	10.58%	9.51%	9.54%	9.92%
Breakdown of blended employer rate for <i>informational purposes only:</i>					
General Employee Coverage	10.29%	8.24%	6.83%	6.61%	Not available
LEOS/Fire Benefit Coverage	16.53%	14.56%	13.82%	14.02%	Not available
Plan valuation date	2011	2013	2015	2016	2016

*Rate excludes additional 5.00% required to be contributed by the employee. Not considered an expenditure of the County.

** Rates are preliminary and subject to change.

FY 2018 Recommended Budget

Budget Question

Spotsylvania County Public Schools

The Schools maintains employees under two VRS plans:

- the Political Subdivisions' Plan (same as the County), and
- the Teachers' Plan

These plans are sometimes referred to by their rate group names of “**Non-professional**” and “**Professional**” respectively. The Teachers' Plan or “professional group” includes full-time permanent, salaried teachers, principals, assistant principals, nurses, psychologists, social workers, therapists, clerical staff and administrative employees of the state’s local public school divisions. Any full-time permanent employees not eligible for the Teachers' Plan are included in the Political Subdivisions' Plan or “non-professional group” such as, cafeteria, janitorial and maintenance workers as well as bus drivers and bus aides.

Political Subdivisions' Plan/ **Non-professional**: Similar to the County, the demographics and financial information is separately maintained and valued to provide the Schools' unique employer contribution rate every two years. The following table provides the approved biennial contribution rates from 2013 through 2018 and projections for the next three years:

Fiscal year	Actual Rates by Fiscal Year				PROJECTED***	
	2013	2014	2015 & 2016	2017 & 2018	2019 & 2020	2021
Adopted rate*	8.33%**	10.19%	8.17%	6.62%	5.96%	6.33%
Plan valuation date	2011	2011	2013	2015	2016	2016

*Rate excludes additional 5.00% required to be contributed by the employee. Not considered an expenditure of the Schools** Schools adopted through resolution an alternate VRS rate of 8.33% versus the actuarial rate of 10.19%.

*** Based on the most actuarial valuation report prepared by Cavanaugh Macdonald Consulting, LLC as of June 30, 2016, projections are provided in this response. This actuarial report is not a “rate-setting” actuarial valuation, but it does provide insight into FY19 and beyond. These rates are preliminary and subject to change.

Teachers' Plan/ **Professional**: Unlike the previous plans that are separately valued with their own assets, liabilities and contribution rates; teachers and school administrative staff are covered under a single statewide cost sharing plan. Meaning - all the demographics, assets and liabilities of participating Virginia school divisions are pooled and valued to provide a *single recommended contribution rate to be used by all participating school divisions*. Once approved by the VRS Board of Trustees, the recommended rate is submitted to the General Assembly for adoption. The General Assembly may adopt a rate that is higher or lower than the VRS approved rate. The following table provides the adopted contribution rates from 2013 through 2018 and a projected 2019 / 2020 rate based on the Plan’s latest 2016 valuation:

Fiscal year	Actual Rates by Fiscal Year*					Projected**
	2013 & 2014	2015	2016	2017	2018	2019 & 2020
General Assembly adopted rate	11.66%	14.50%	14.06%	14.66%	16.32%	N/A
Actuarial rate**	16.77%	18.20%	18.20%	16.32%	16.32%	15.86%
Plan valuation date	2011	2013	2013	2015	2015	2016

*Rate excludes additional 5.00% required to be contributed by the employee. Not considered an expenditure of the Schools.

This rate also excludes the retiree health insurance credit (RHIC), which is a required expenditure of the Schools. See the RHIC rates on the next page.

** Based on the most actuarial valuation report prepared by Cavanaugh Macdonald Consulting, LLC as of June 30, 2016, projections are provided in this response. This actuarial report is not a “rate-setting” actuarial valuation, but it does provide insight into FY19. These rates are preliminary and subject to change.

FY 2018 Recommended Budget

Budget Question

Other Non-pension Related VRS Rates

VRS offers other employee and post-employment benefits at additional rates. The table below lists the available plans and participating rates.

	Group Life Insurance	Retiree Health Insurance Credit (Professional Plan - Teacher Group Only)
Spotsylvania County		
2018	1.31%	N/A
2017	1.31%	N/A
2016	1.19%	N/A
2015	1.19%	N/A
Spotsylvania Schools		
2018	1.31%	1.23%
2017	1.31%	1.11%
2016	1.19%	1.06%
2015	1.19%	1.06%
2013 & 2014	1.19%	1.11%