



# VRS Overview

General Government Subcommittee  
Senate Finance and Appropriations Committee

Presented by Patricia S. Bishop, VRS Director

January 14, 2025

# Agenda

- VRS Overview
- Investments
- Funded Status and Contribution Rates
- Hybrid Retirement Plan
- Voya Transition
- Judicial Retirement System (JRS) Study
- Summary
- 2025 Legislation



# VRS Overview







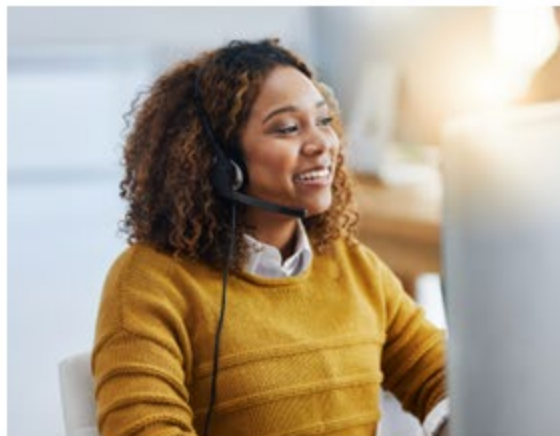
Serving those  
who serve others

Our mission is to deliver retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service



Helping members plan  
for tomorrow, today

VRS is the **14<sup>th</sup> largest** public pension system in the **U.S.**



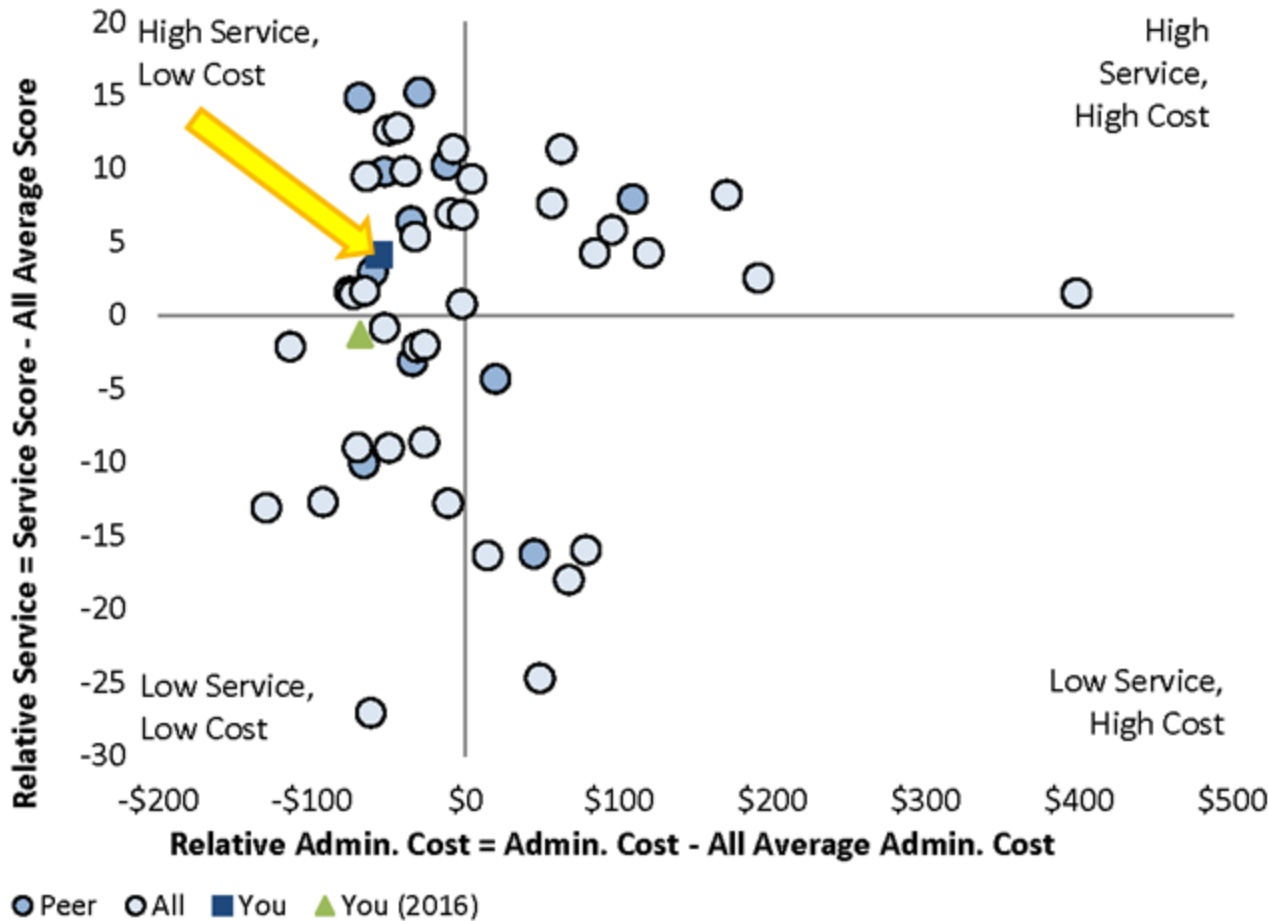
VRS serves **more than 829,000** members, retirees and beneficiaries

VRS is the **36<sup>th</sup> largest** public pension system in the **world**



# Service-Cost Relationship

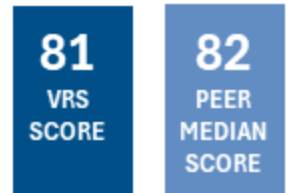
Relationship between VRS service and pension administration cost



## Pension Administration Cost



## Total Service Score



# VRS Total Membership as of June 30, 2024\*

	Plan 1	Plan 2	Hybrid	Total
Teachers	51,741	25,926	78,488	<b>156,155</b>
Political Subdivision Employees	29,218	31,941	57,481	<b>118,640</b>
State Employees	22,876	12,253	43,904	<b>79,033</b>
State Police Officers' Retirement System (SPORS)	868	1,012	—	<b>1,880</b>
Virginia Law Officers' Retirement System (VaLORS)	1,610	5,773	—	<b>7,383</b>
Judicial Retirement System (JRS)	120	38	294	<b>452</b>
<b>Total Active Members</b>	<b>106,433</b>	<b>76,943</b>	<b>180,167</b>	<b>363,543</b>

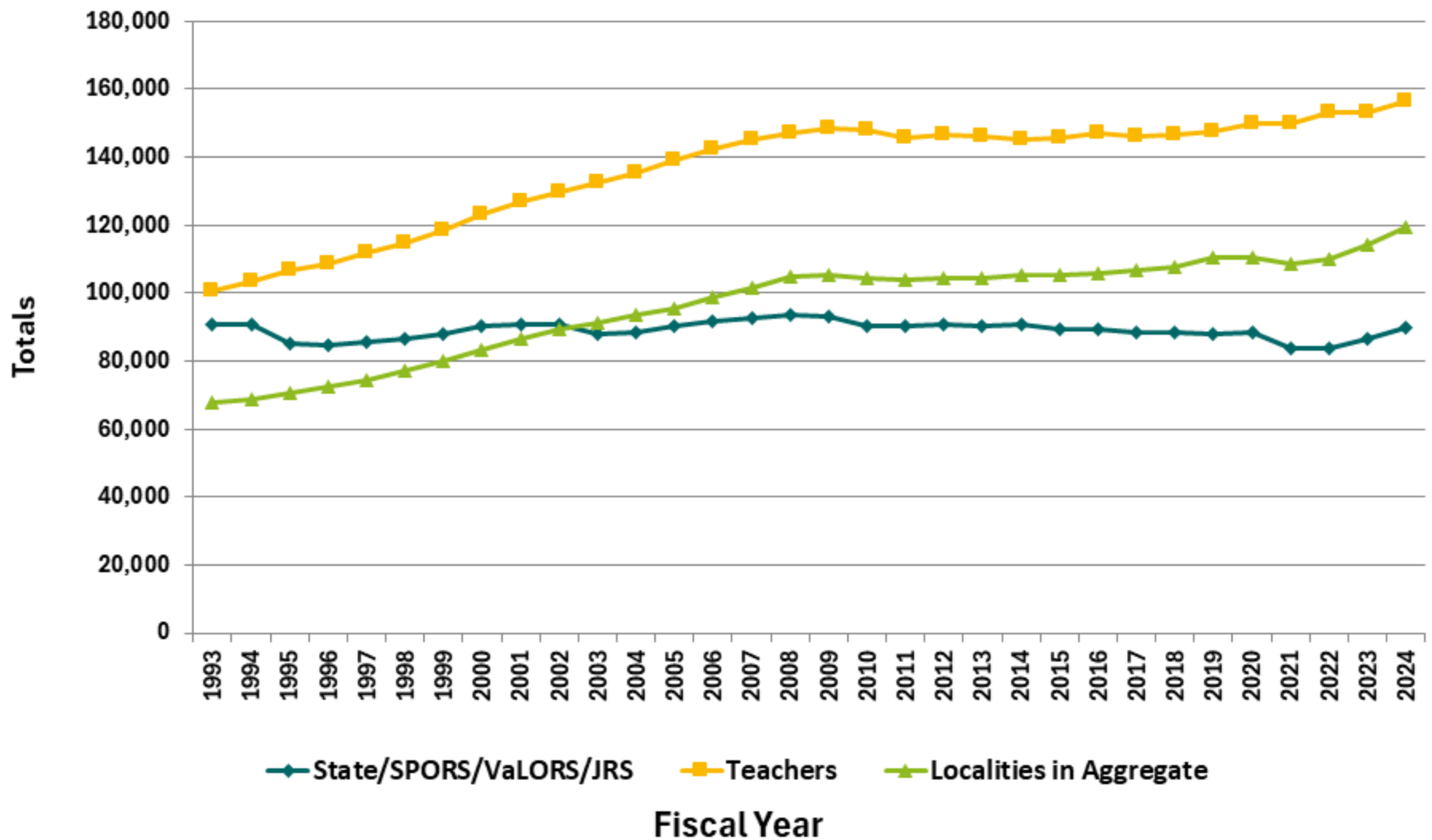
**Total  
Active Members  
363,543**

**Retirees/  
Beneficiaries  
244,539**

**Inactive/Deferred  
Members  
221,804**

**VRS Total  
Population  
829,886**

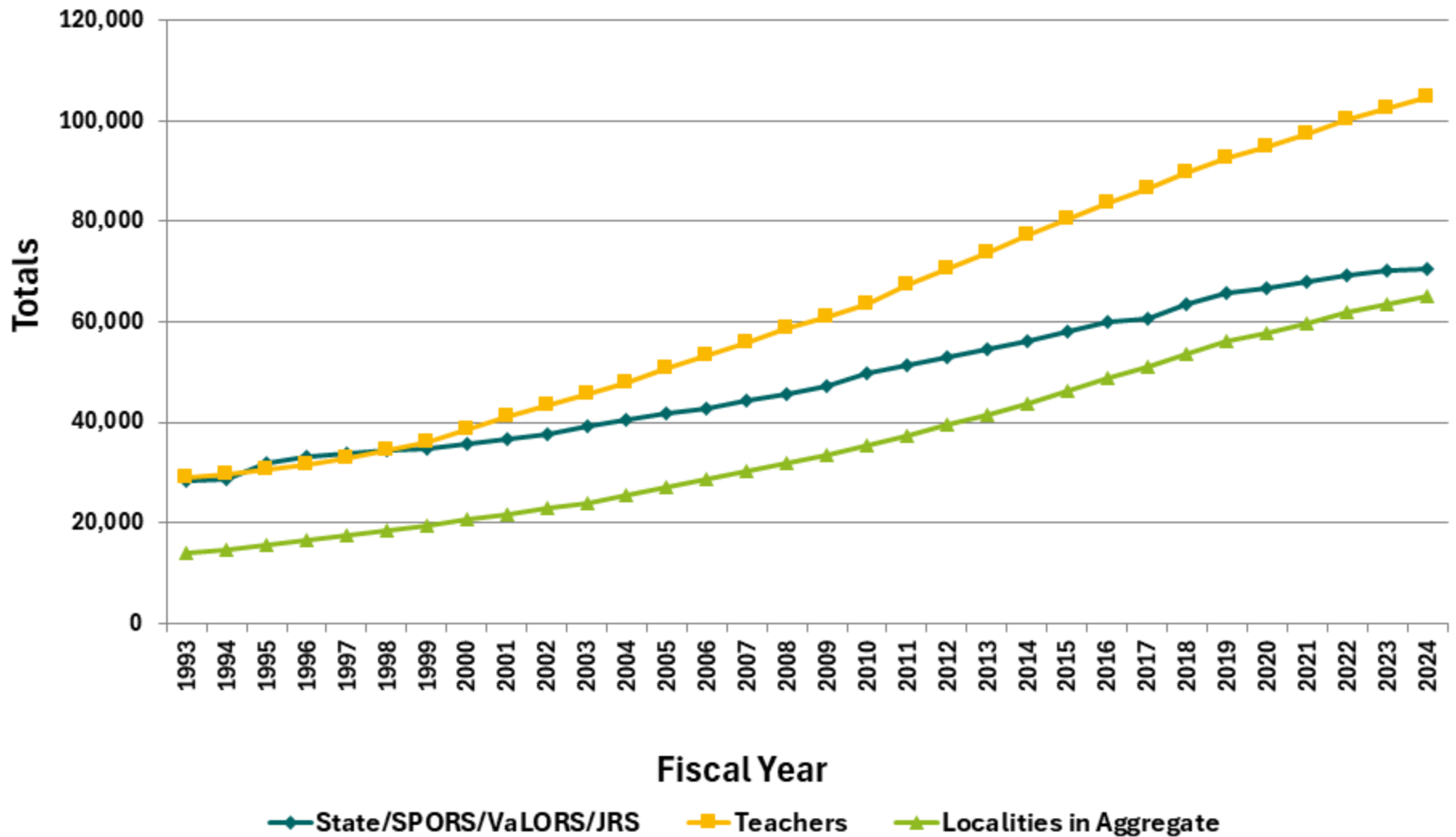
# Active Members – Enrolled in VRS Retirement Plan



Some State employees are also enrolled in an Optional Retirement Plan and are not included in counts above.



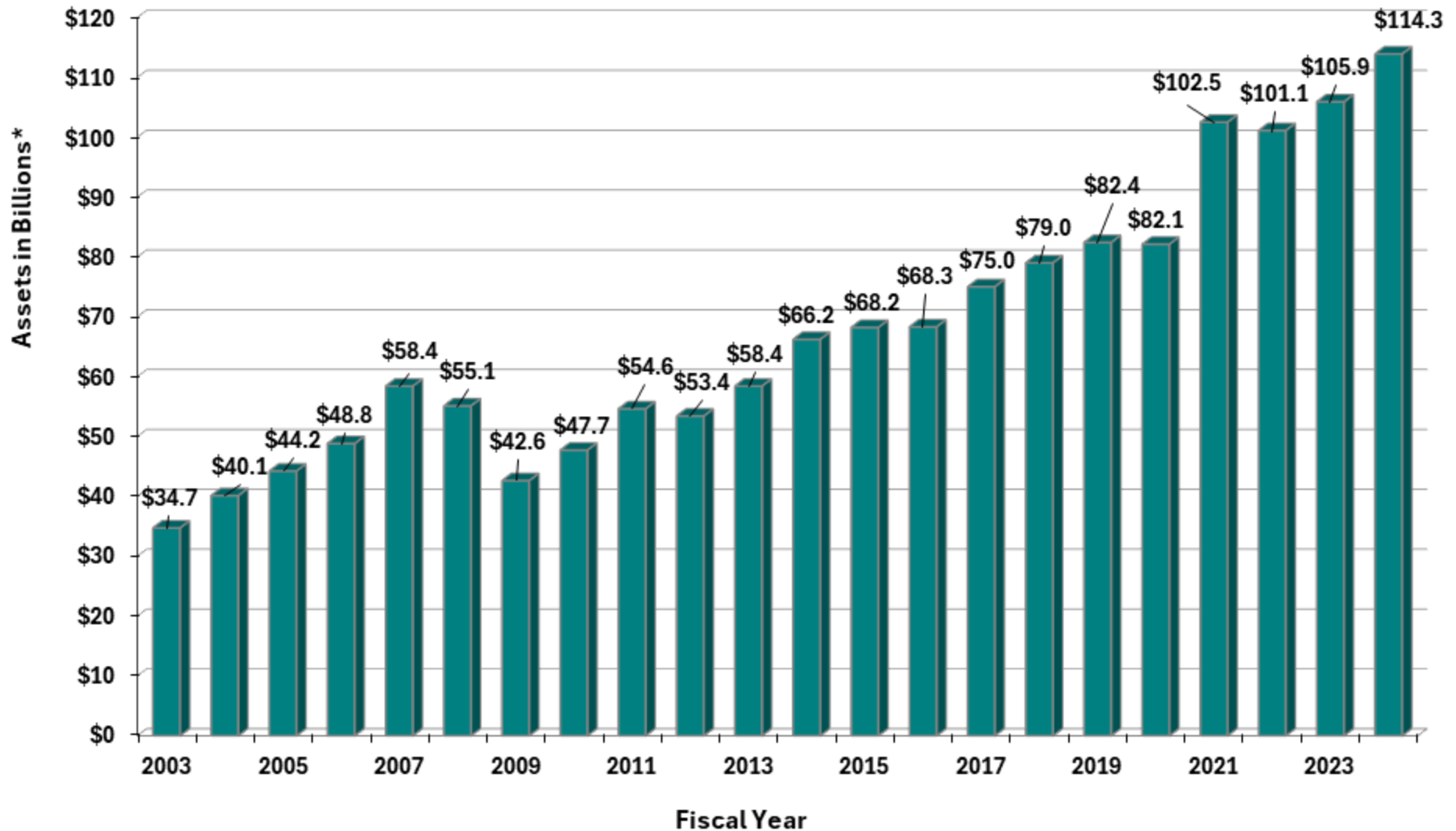
# Retirees – VRS Retirement Plans



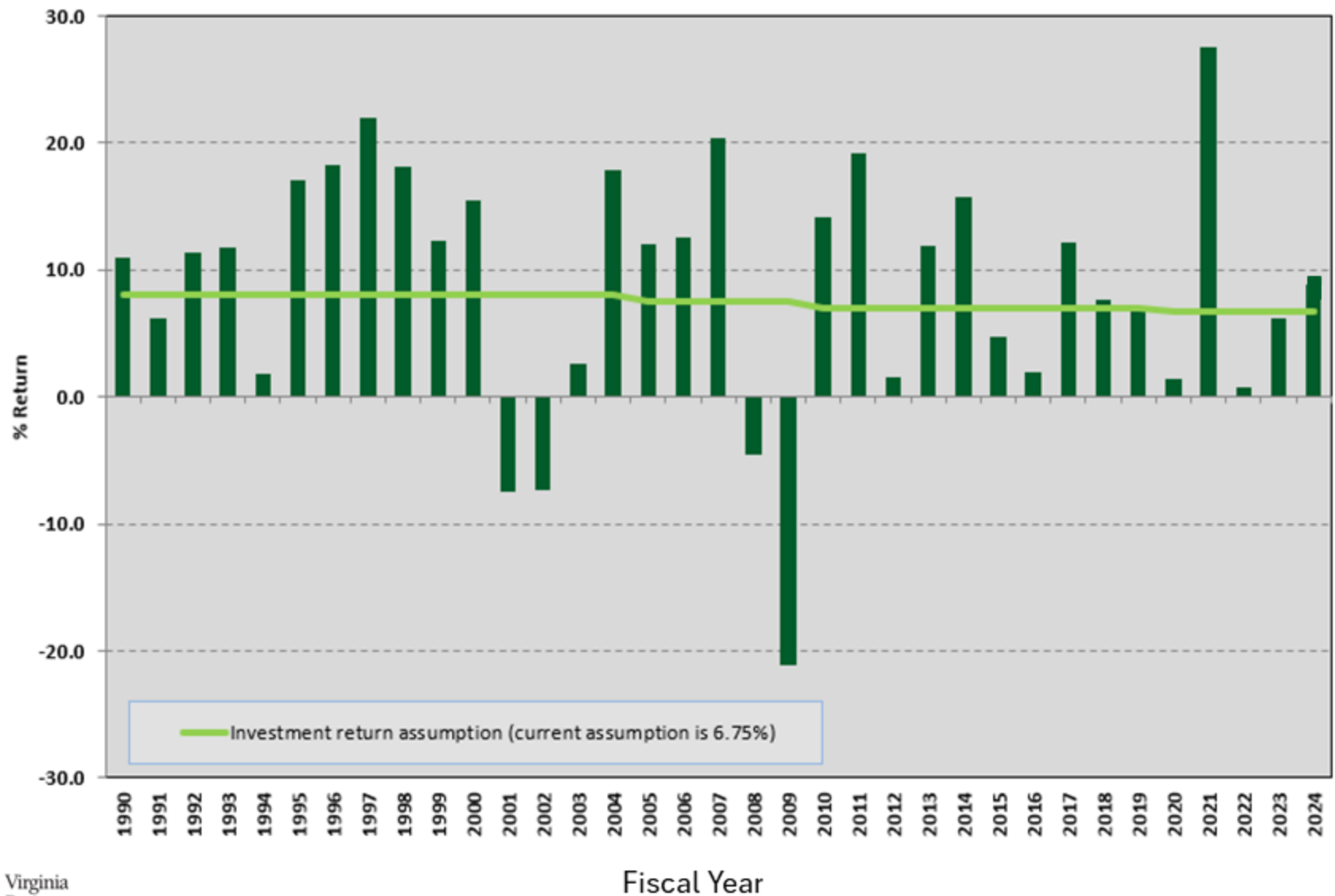


# Investments

# VRS Fund Value



# VRS Fiscal Year Returns

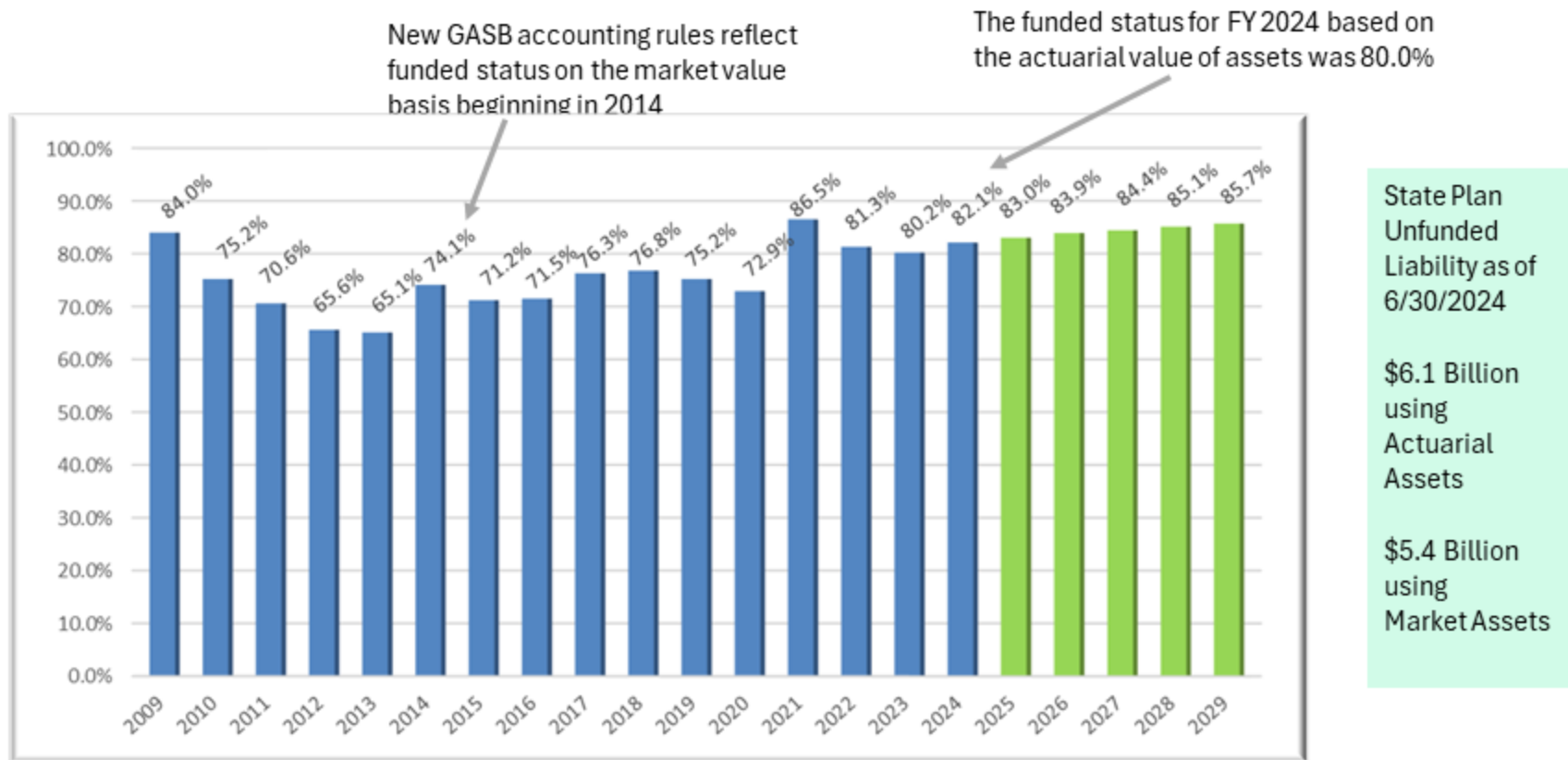




# Funded Status and Contribution Rates



# Funded Status: State



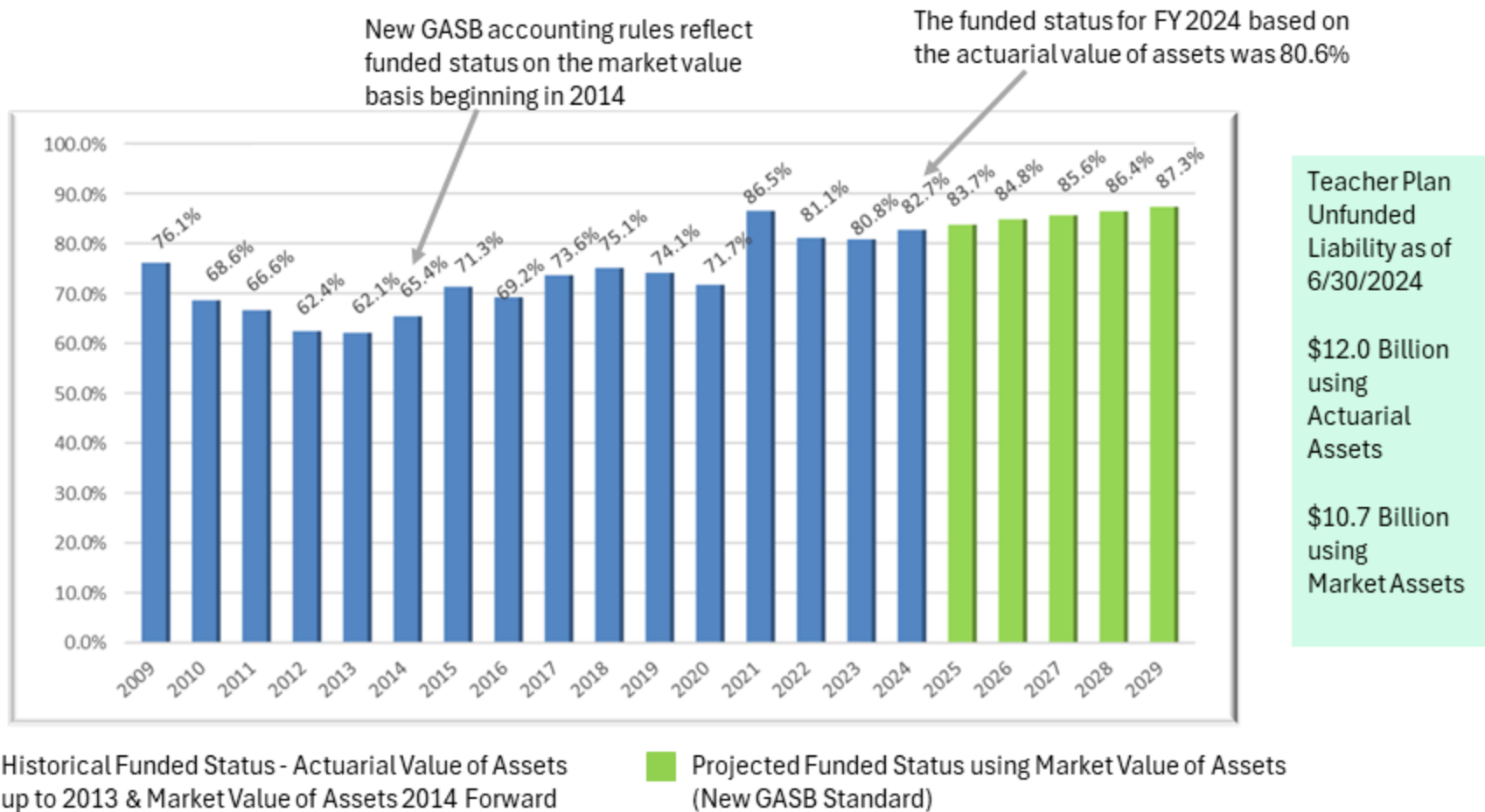
■ Historical Funded Status - Actuarial Value of Assets up to 2013 & Market Value of Assets 2014 Forward

■ Projected Funded Status using Market Value of Assets (New GASB Standard)

## Notes:

- Projected funded status based on assumed investment returns of 6.75% and inflation of 2.5%.
- GASB Accounting rules reflect funded status using Market Value of Assets effective 6/30/14 for Plan Reporting and 6/30/15 for Employer Reporting.

# Funded Status: Teachers

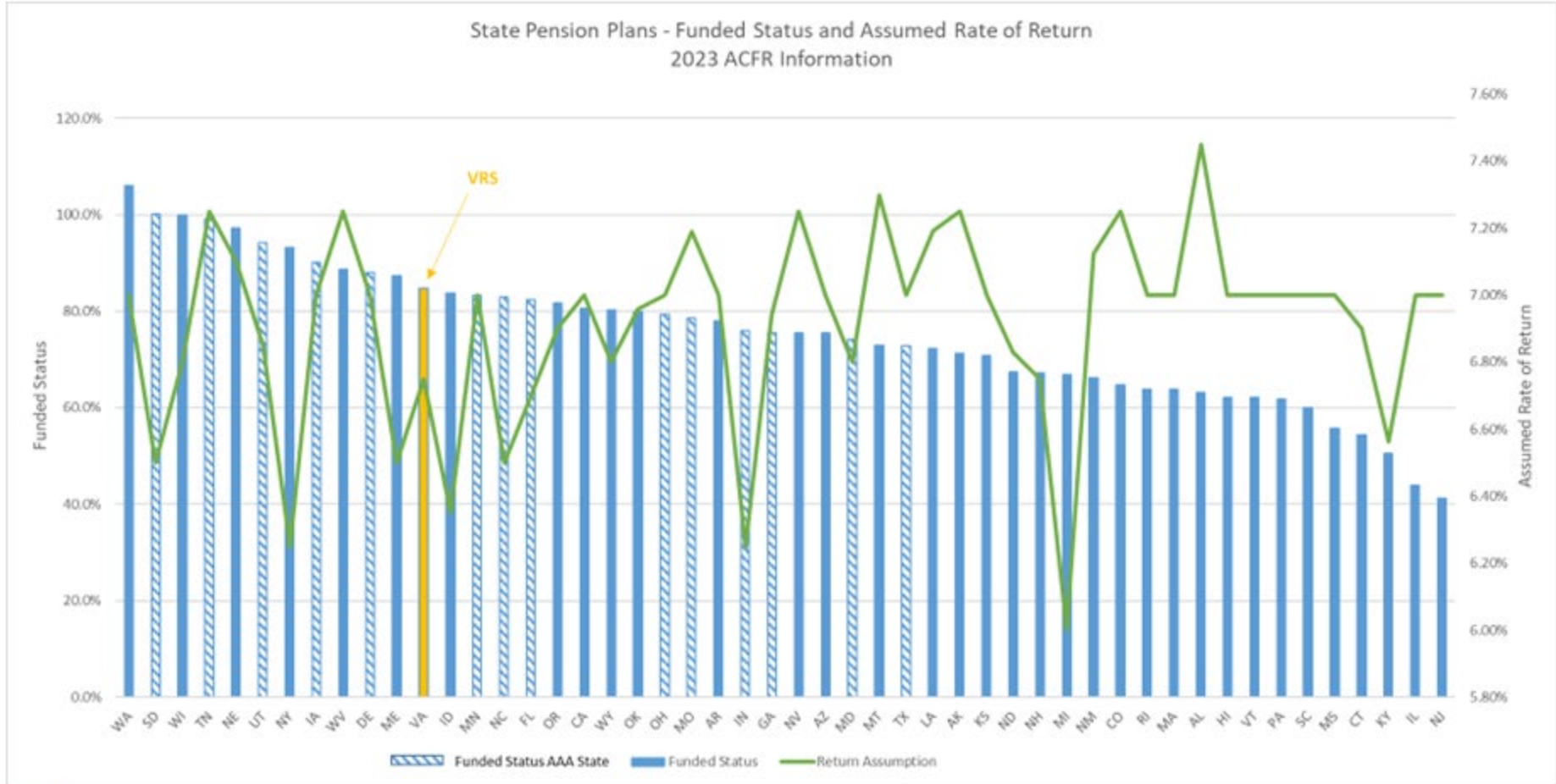


## Notes:

- Projected funded status based on assumed investment returns of 6.75% and inflation of 2.5%.
- GASB Accounting rules reflect funded status using Market Value of Assets effective 6/30/14 for Plan Reporting and 6/30/15 for Employer Reporting.

# State Pension Plans: Funded Status and Assumed Rate of Return

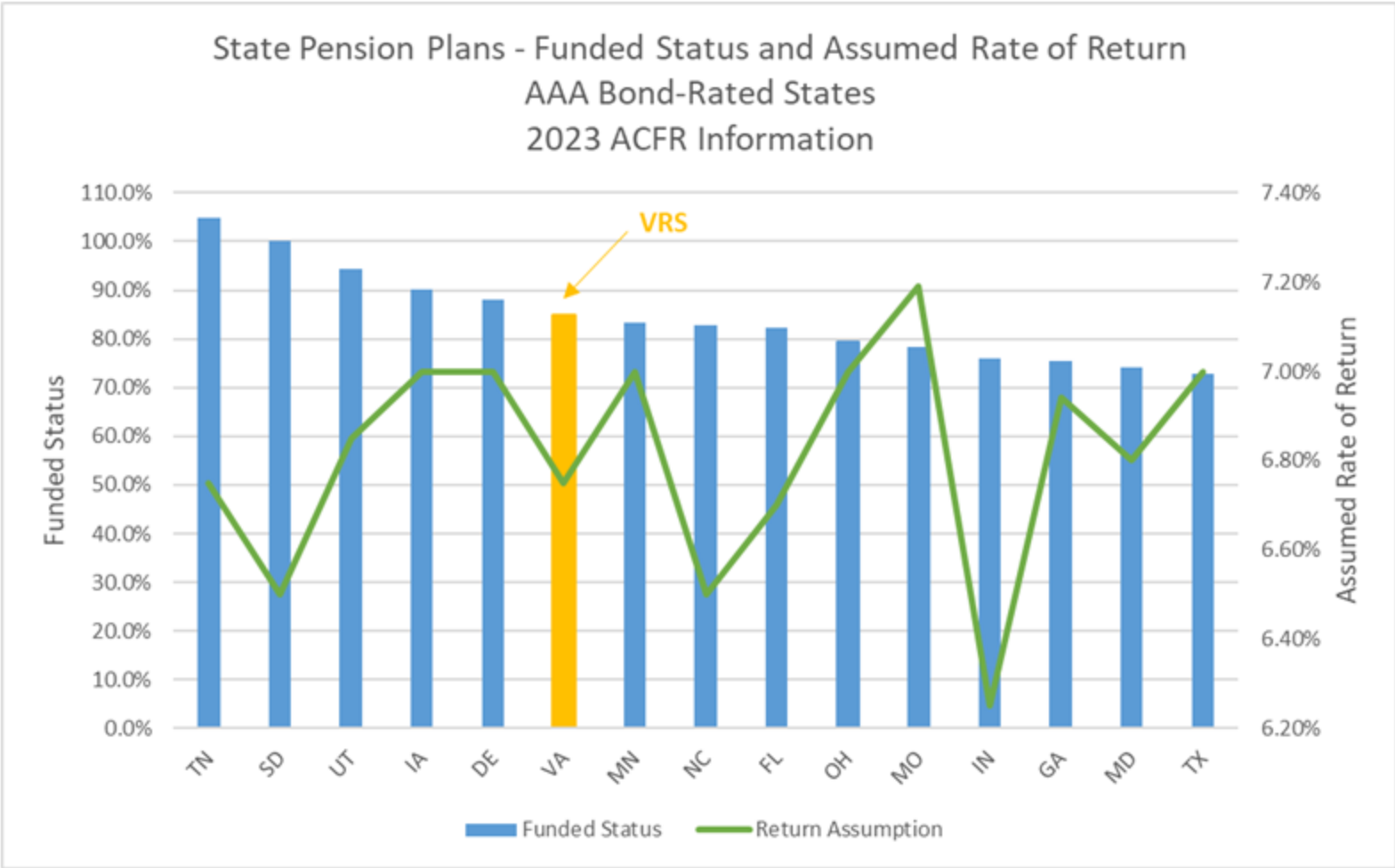
VRS is in the top quartile compared to other states.





# AAA Bond-Rated States:

## State Pension Plans – Funded Status and Assumed Rate of Return



# Pension Plans Funded Status and Unfunded Liabilities : Market Value of Assets (MVA)

System	2023		2024	
	UAAL based on MVA (Dollars in Thousands)	Funded Status	UAAL based on MVA (Dollars in Thousands)	Funded Status
State	\$ 5,774,483	80.2%	\$ 5,404,292	82.1%
Teachers	\$ 11,293,666	80.8%	\$ 10,729,982	82.7%
SPORS	\$ 434,126	71.3%	\$ 429,446	73.0%
VaLORS	\$ 742,651	72.2%	\$ 716,554	74.3%
Judicial	\$ 114,836	85.5%	\$ 94,899	88.3%
Total State-wide systems	\$ 18,359,762	80.2%	\$ 17,375,173	82.2%
Political Subdivisions	\$ 3,315,184	89.2%	\$ 2,840,327	91.2%
Total Fund	\$ 21,674,946	82.4%	\$ 20,215,500	84.4%

# OPEB Funded Status and Unfunded Liabilities: Market Value of Assets (MVA)

System	2023		2024	
	UAAL based on MVA (Dollars in Thousands)	Funded Status	UAAL based on MVA (Dollars in Thousands)	Funded Status
Group Life	\$ 1,309,524	67.4%	\$ 1,166,536	72.5%
HIC State	\$ 799,546	26.0%	\$ 689,141	35.8%
HIC Teachers	\$ 1,196,910	18.1%	\$ 1,141,564	22.0%
VSDP	\$ (325,183)	205.0%	\$ (364,449)	211.0%
<b>HIC Locals in Aggregate</b>				
HIC Locals in Aggregate	\$ 33,857	54.2%	\$ 29,409	61.6%
HIC Constitutional Officers	\$ 29,956	24.6%	\$ 25,888	35.4%
HIC Social Services	\$ 10,017	33.9%	\$ 8,264	44.1%
HIC Registrars	\$ 306	45.5%	\$ 226	59.1%
VLDP Teachers	\$ 795	92.6%	\$ 471	96.7%
VLDP Political Subdivisions	\$ (1,486)	115.4%	\$ (3,717)	130.7%
<b>Total OPEBS</b>	<b>\$ 3,054,242</b>	<b>56.5%</b>	<b>\$ 2,693,334</b>	<b>63.0%</b>

# VRS Employer Contribution Rates by Fiscal Year

Retirement Program	FY 2025-2026 Defined Benefit Rate
State Employees	12.52%*
Teachers	14.21%*
State Police Officers' Retirement System	31.32%
Virginia Law Officers' Retirement System	24.60%
Judicial Retirement System	30.67%*
Non-Professional School Board and Political Subdivision Employees	Varies by Employer**

\* Additional contributions of 1.0% – 3.5% of the hybrid payroll is required for Hybrid Retirement Plan members.

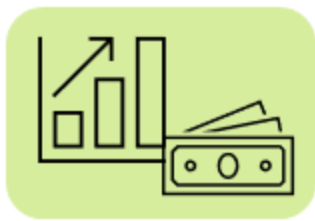
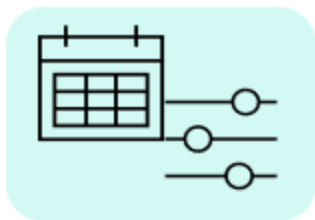
\*\* Political subdivision and non-professional school board employers can download actuarial valuation reports and rate letters directly from myVRS Navigator.



# Other Post-Employment Benefits (OPEBs) Contribution Rates by Fiscal Year

OPEB		FY 2025-2026
<b>Group Life Insurance</b>	Employee	0.71%
	Employer	0.47%
	Total	1.18%
<b>Health Insurance Credit</b>	State Employees	1.12%
	Teachers	1.21%
	Non-Professional School Board Members and Political Subdivision Employees	Varies by Employer*
<b>Virginia Sickness and Disability Program (VSDP)</b>	Covered Payroll	0.50%
<b>Virginia Local Disability Program (VLDP)</b>	Teachers	0.45%
	Participating Non-Professional School Board Members and Political Subdivision Employees	0.74%

# Contribution Rates



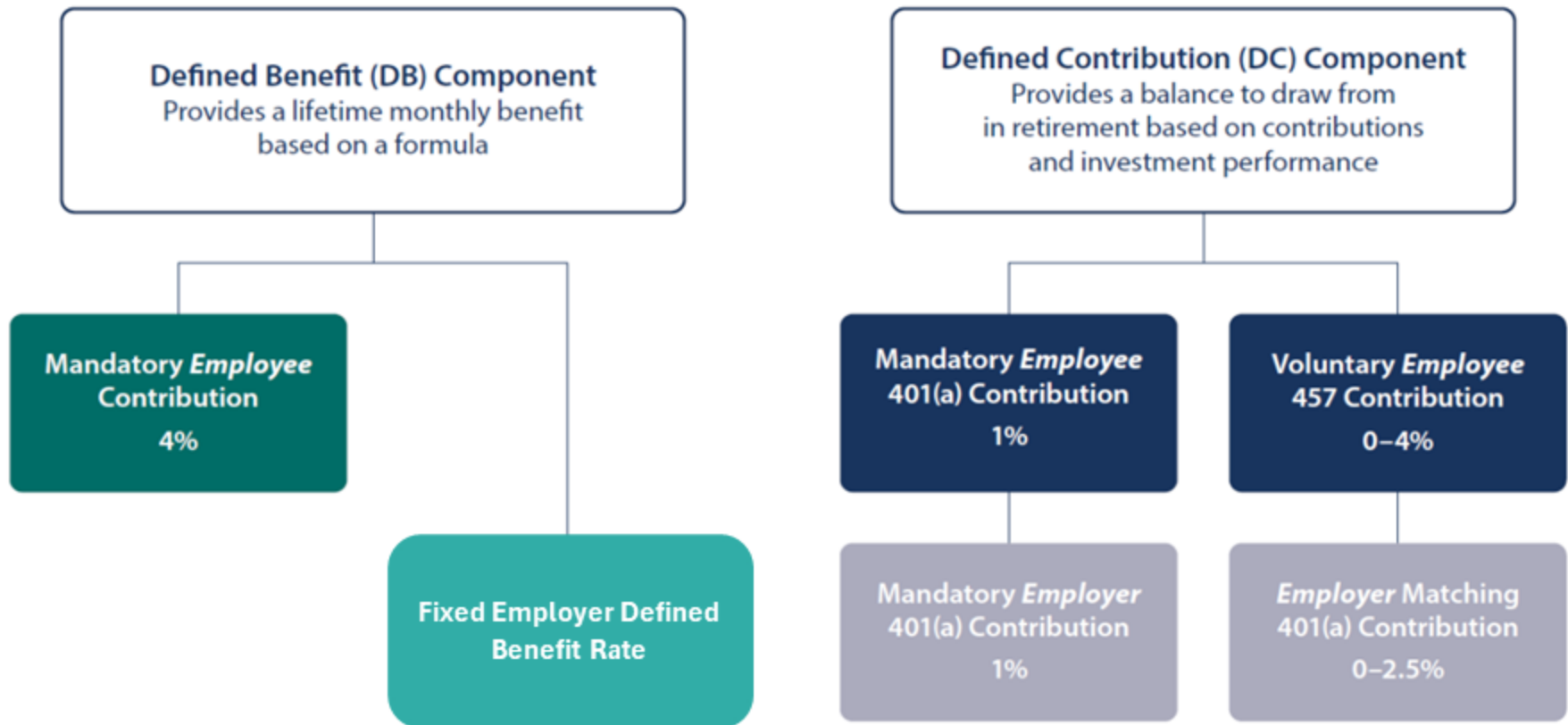
- Contribution rates continue to remain generally stable.
- Recent infusions and maintaining higher contribution rates have improved plan health and generated long-term savings.
- Meaningful positive steps taken, but unfunded liabilities remain.
- Hybrid Retirement Plan:
  - Deploys a shared-risk model
  - Serves to lower future employer benefit costs
  - Increases portability for employees, but
  - Many participants are not making voluntary contributions



# Hybrid Retirement Plan

# Hybrid Retirement Plan

## Hybrid Retirement Plan





# Hybrid Retirement Plan

## Hybrid Retirement Plan Member Profile as of October 1, 2024



**189,411**

**Active Hybrid Retirement  
Plan members**

Largest Member Group

**Teachers**

84,809 members  
(45%)

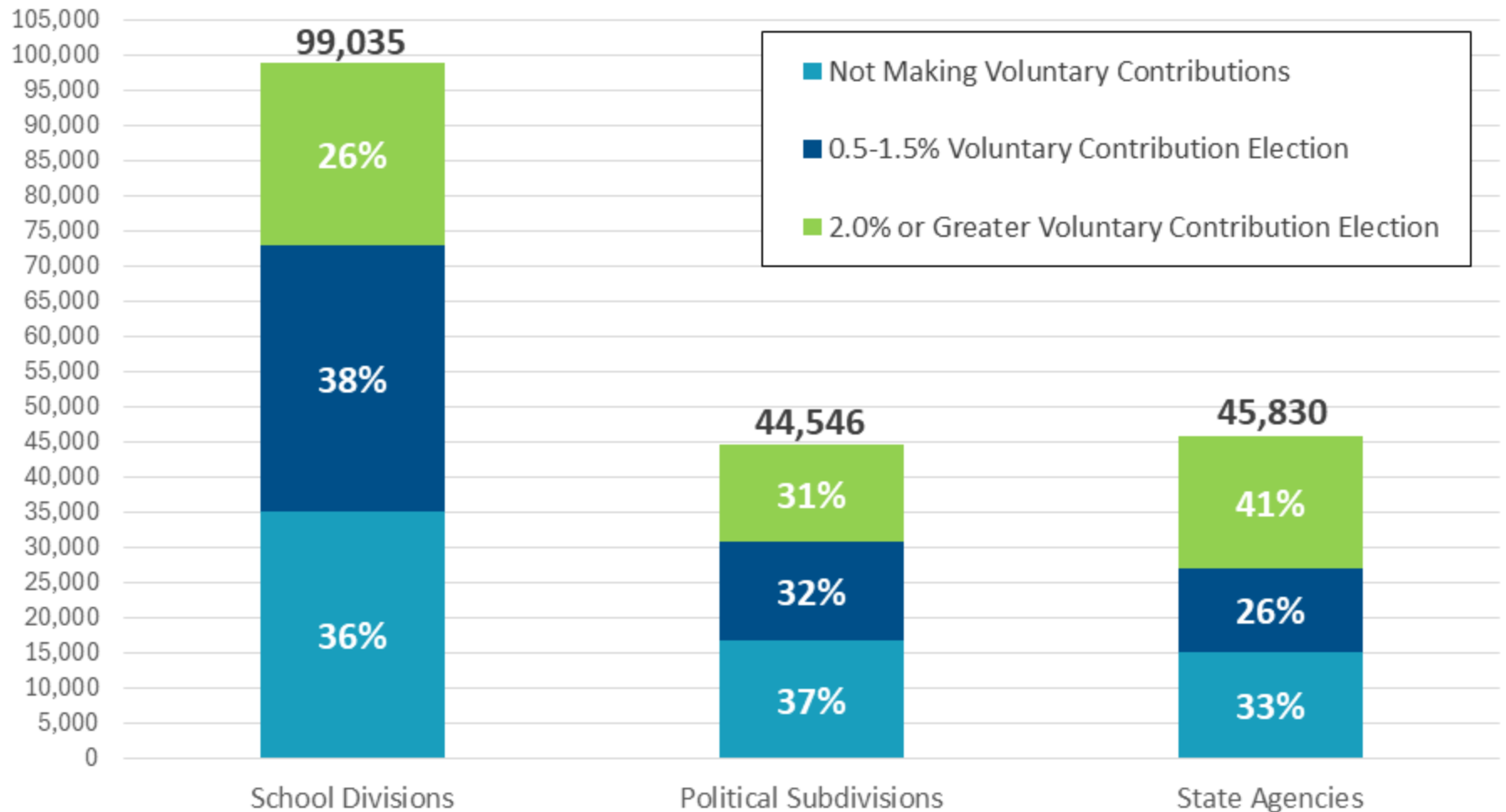


Median Salary  
**\$55,317**

Median Age  
**39 years old**

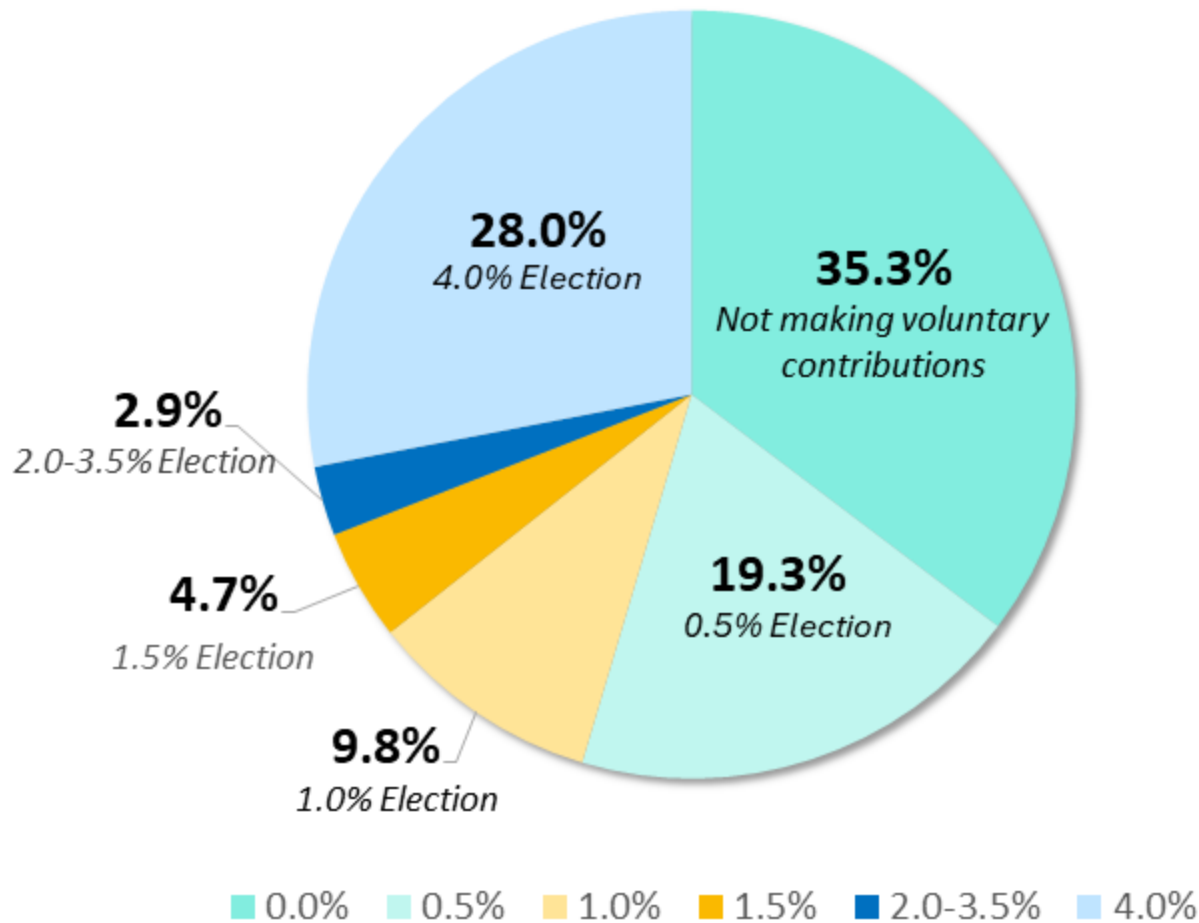
Average Years in the Plan  
**3.12**

# Hybrid Retirement Plan Members by Employer Type



# Hybrid 457 Plan – Voluntary Participation

Voluntary contribution percentages for *all* current hybrid plan members effective October 1, 2024



0.0% 0.5% 1.0% 1.5% 2.0-3.5% 4.0%

Voluntary Contribution Percentages

# Previous Hybrid Plan Modification Proposals



- **Accelerate auto-escalation with an opt-out**



- **Auto-enroll in voluntary contributions with an opt-out**



- **Change allocation of member contribution:**
  - from 4% DB/1% DC
  - to 3% DB/2% DC



VRS changed record keepers for its defined contribution plans, effective January 1, 2025.

**Voya Financial** succeeded MissionSquare Retirement, record keeper since 2014.

# Which Plans Are Record Kept by Voya?



- Commonwealth of Virginia 457 Deferred Compensation Plan
- Virginia Cash Match Plan 401(a)
- Hybrid Retirement Plan (defined contribution component)
- VRS-sponsored optional retirement plans for:
  - Political appointees (ORPPA)
  - School superintendents (ORPSS)
  - Higher education faculty (ORPHE)  
(one of the two provider choices)

As of Jan. 1, 2025:



**643k**  
participant  
accounts  
across DC plans



**350K+**  
unique  
participants



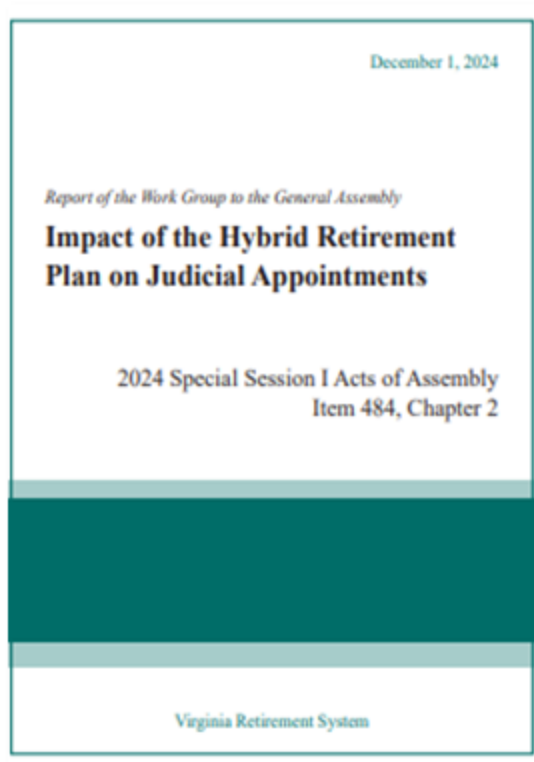
**~\$8.6B**  
in  
assets



# Judicial Retirement System (JRS) Study



# JRS Study – 2024 Appropriation Act



- Examine the impact of the hybrid retirement system on judicial appointments.
- Analyze other states' retirement benefits for judges.
- Develop options for modifying the current benefit structure for judges, including cost and impact on the unfunded liability.

Presented: December 1, 2024

Required by 2024 Spec. Sess. I Acts Chap. 2, Item 484(1)

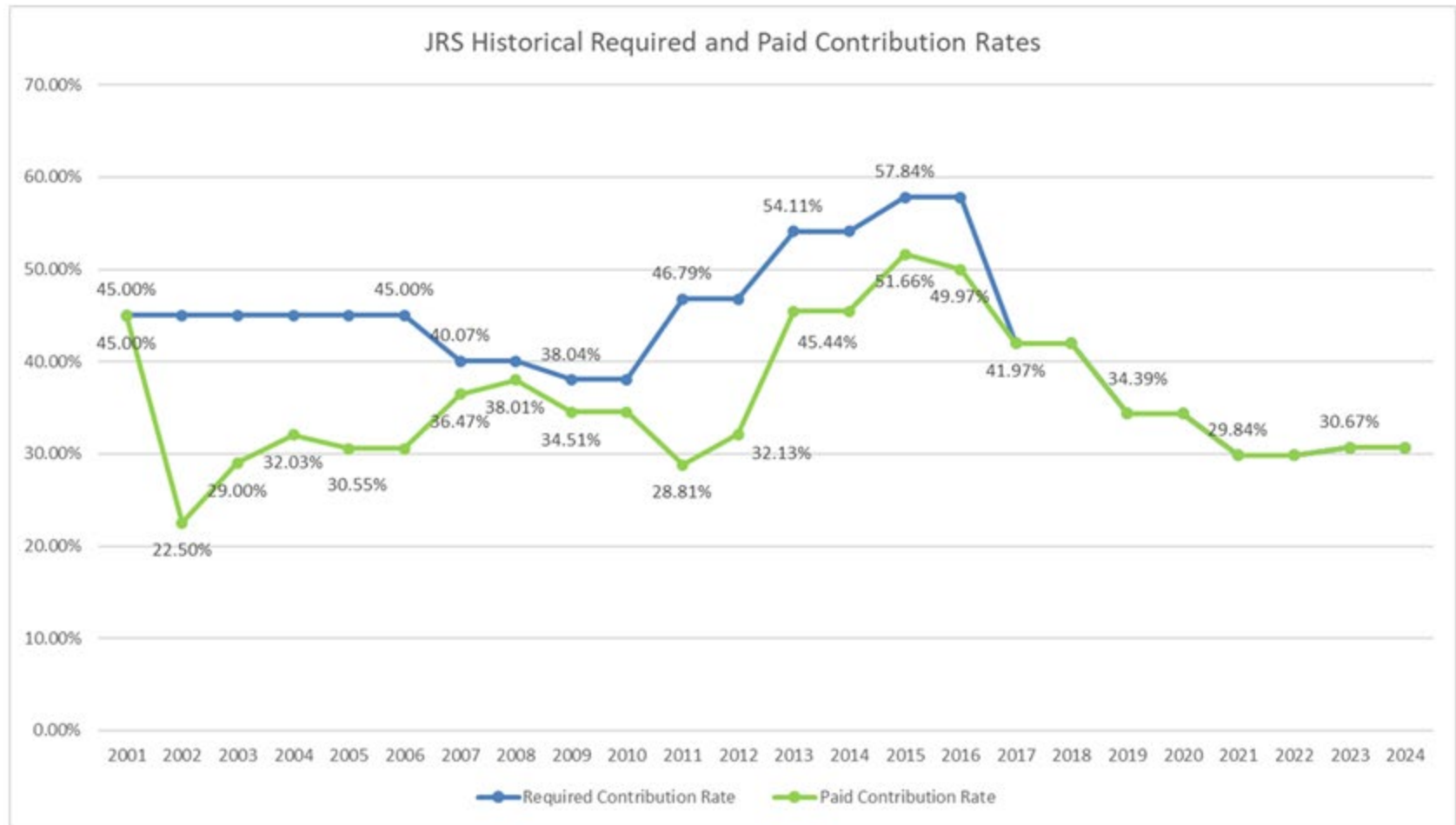
See full report: [HD13 – Impact of the Hybrid Retirement Plan on Judicial Appointments](#).

# Major Plan Design Changes

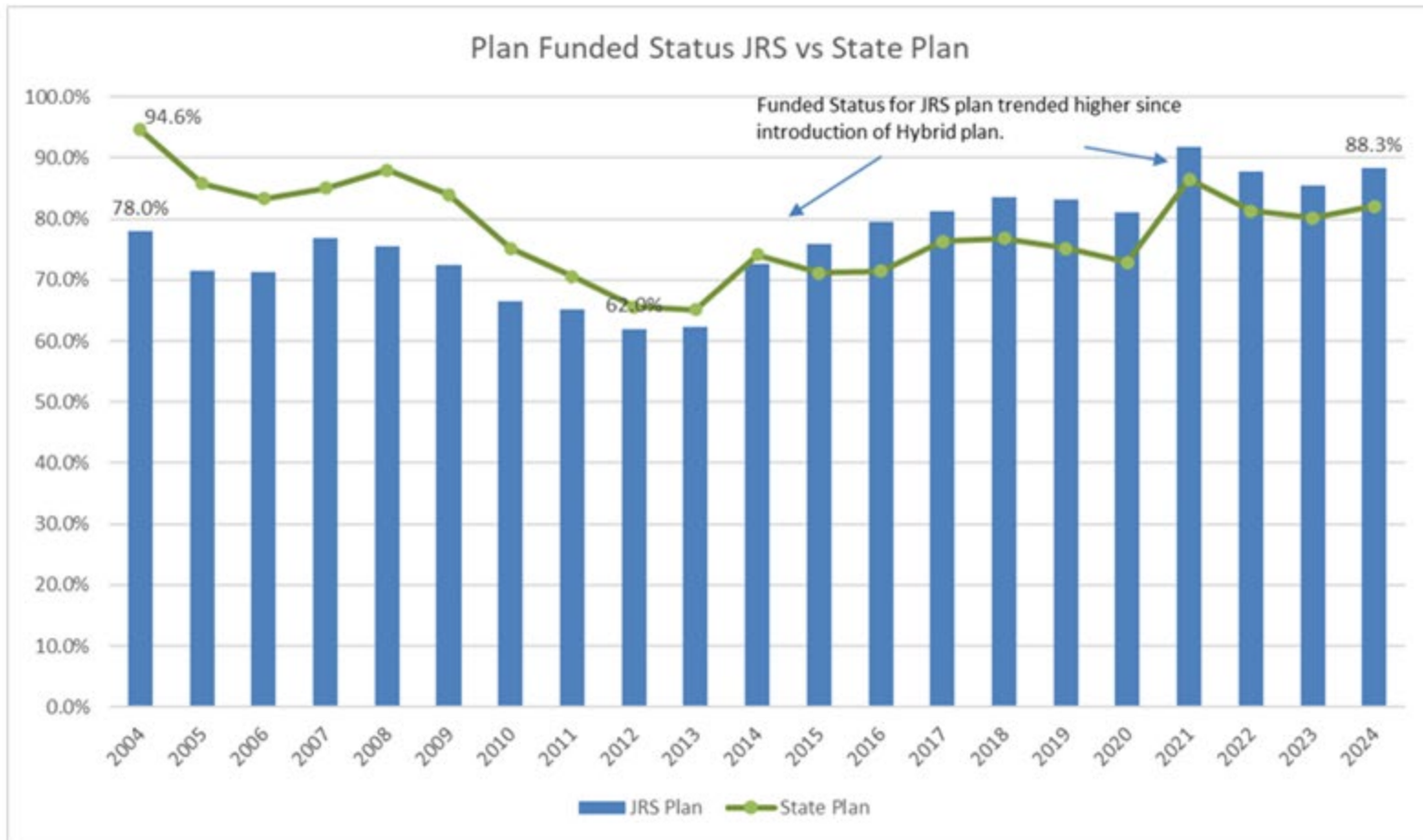


- Plan design changes:
  - **Effective July 1, 2010** – Plan 2 implemented for all VRS members, including judges.
  - **Effective January 1, 2014** – Hybrid Retirement Plan implemented for most VRS members, including judges.
  
- The Hybrid Retirement Plan was designed to:
  - Reduce employer cost
  - Create a shared-risk model
  - Enhance employee portability
  - Improve overall plan health

# JRS Historical Plan Cost



# JRS Funded Status



# JRS Weighted Service

**The service credit weighting factor for a judge is based on two components:**

The date of original appointment or election to the bench

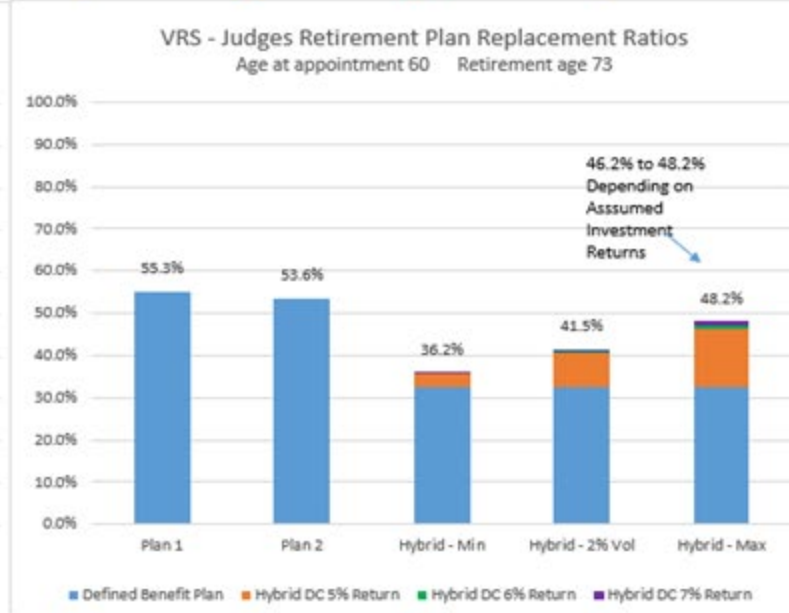
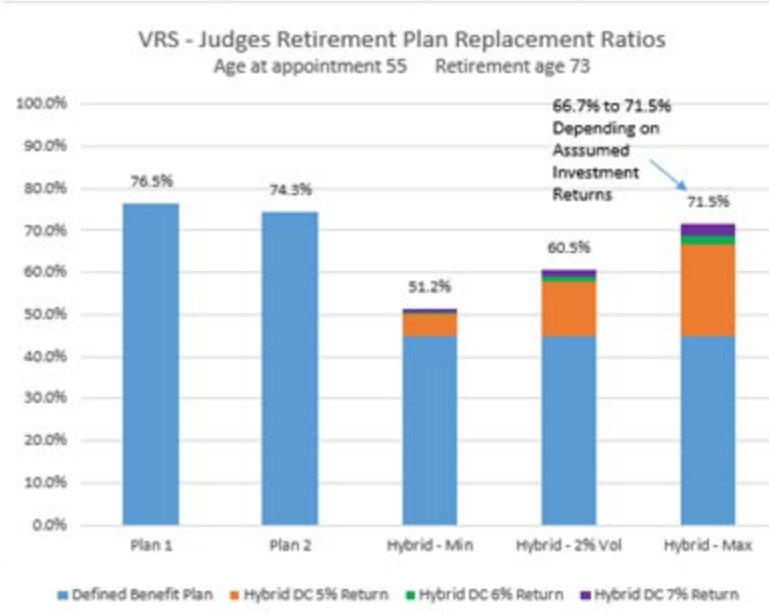
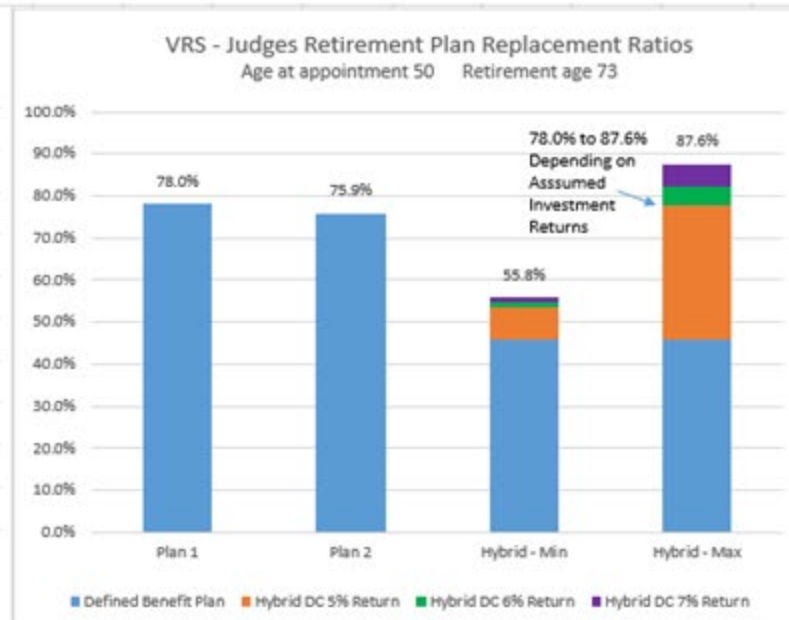
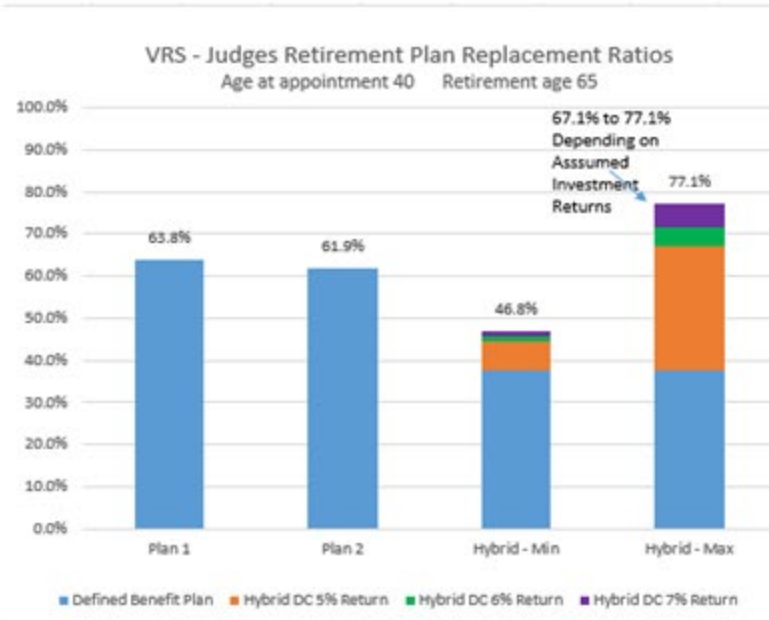
and

The judge's age at the time of the original appointment or election, if that original appointment or election occurs on or after 7/1/10.

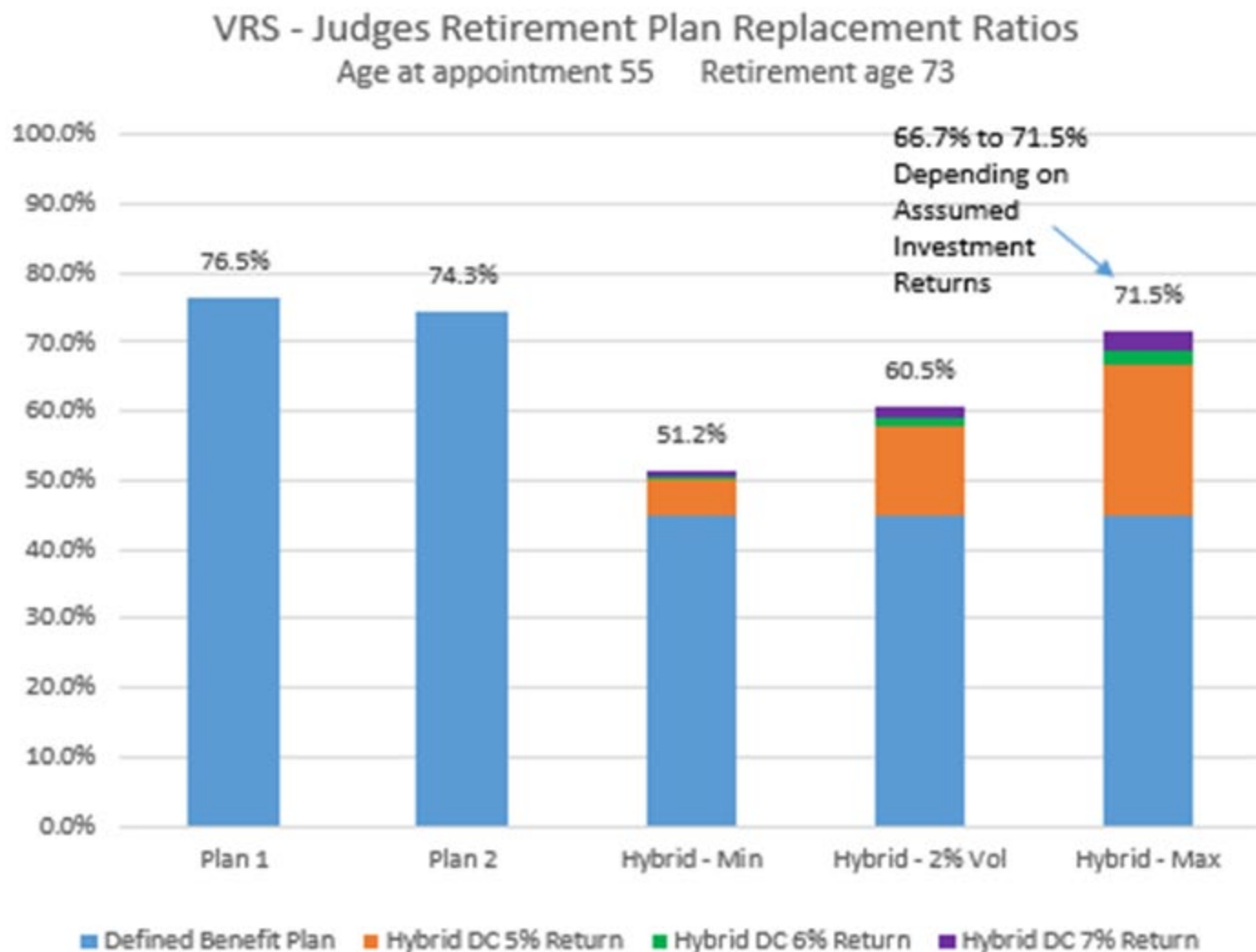
Elected/Appointed Date	Weighting Factor
Between 7/1/1970 and before 1/1/1995	3.5
1/1/1995 through 6/30/2010	2.5
On or after 7/1/2010	Based on age: <ul style="list-style-type: none"><li>• 2.5 if appointed or elected at age 55 or older;</li><li>• 2.0 if appointed or elected between ages 45 and 54</li><li>• 1.5 if appointed or elected before age 45</li></ul>



# JRS Replacement Ratios



# JRS Replacement Ratio



# JRS Options



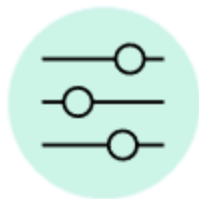
- The report presents four options:
  - **Increase the defined contribution plan employer match** for JRS hybrid plan members to 100% of the employee voluntary contributions (up to 4% rather than up to 2.5%);
  - **Increase the defined benefit plan multiplier** to 1.1% prospectively for judges who are at least age 55 at the time of initial appointment or election (age at appointment mirrors prior legislation);
  - **Increase the defined benefit plan service weighting** prospectively to 2.75 for judges who are at least age 55 at the time of initial appointment or election (age at appointment mirrors prior legislation); and
  - **Move judges** prospectively from the Hybrid Retirement Plan to Plan 2.
- **From a cost, investment risk and administrative feasibility standpoint, modifying the employer matching contribution results in the fewest impacts to the fund.**

# JRS Benefit Increase Options

Approximate equivalent of a defined benefit retirement benefit, comparable to a Plan 2 member

	Increase employer match for the DC Plan to 100% of employee contributions (up to 4%)	Increase the DC multiplier to 1.1% prospectively for judges who are at least 55 at the time of election or appointment	Increase the DB plan service weighting to 2.75 prospectively for judges who are at least 55 at the time of election or appointment	Move judges prospectively from the Hybrid Plan to Plan 2
<b>Unfunded Liability</b>	Zero impact since this is prospective only and related to the DC component	Zero impact since this is prospective only	Zero impact since this is prospective only	Will impact unfunded liability since it reverses some actions from pension reform
<b>Employer Contribution Rates</b>	Estimated employer contribution increase of approximately an additional \$1.2 million annually	Estimated increase starting at an additional \$750,000 annually growing to approximately an additional \$1.4 million over the next 10 years	Estimated increase starting at an additional \$750,000 annually growing to approximately an additional \$1.4 million over the next 10 years	Rate increase starting at 4.21% growing to 10.43% of covered payroll; Estimate to start at an additional \$4 million annually growing to approximately an additional \$18 million
<b>Implementation Costs</b>	Approximately \$10,000 in FY25	Approximately \$201,000 in FY26	Approximately \$152,000 in FY26	Approximately \$310,000 in FY26

# Summary



- Contribution rates remain generally stable.



- Recent infusions and maintaining higher contribution rates have improved plan health.



- Meaningful positive steps taken, but unfunded liabilities remain.



- Hybrid Retirement Plan deploys a shared risk model and serves to lower future employer benefit costs. Opportunity exists to improve outcomes with plan design changes.



- Voya Financial succeeded MissionSquare Retirement as the record keeper for the VRS defined contribution plans.

Helping members  
plan for tomorrow,  
today



Virginia  
Retirement  
System®







# Appendix: 2025 Legislation

# 2025 VRS-Related Bills

## VRS

Bill Number	Patron	Description
HB 1705 (VLDP)	Bulova	Requires that, beginning July 1, 2026, emergency dispatchers who are not members of the hybrid retirement program become participants in the disability program for hybrid retirement plan members. The employers of such dispatchers shall provide the costs required for funding participation in such program.
HB 1986 (RTW)	Lovejoy	Allows a retired law-enforcement officer to return to work full time as a law-enforcement officer and continue to receive his pension under the Virginia Retirement System. Such person shall be required to have a break in service of at least six calendar months before reemployment. The bill has a delayed effective date of January 1, 2026.

# 2025 VRS-Related Bills

## VRS

Bill Number	Patron	Description
HB 1830 (PPS)	Simonds	Requires each school board to adopt a policy that requires the school board to approve unpaid educational leave for school board employees who are state employee association officers and for at least two school board employees who are local employee association officers for a maximum of four years per officer. The bill clarifies that employee association officers approved for such leave are permitted to purchase service credit with VRS for such period of leave.
HB 2070 (weighted service)	Garrett	Provides that a member of VRS shall be eligible for additional years of service credit for service earned as a teacher in the field of career and technical education (CTE). For service earned as a member who is more than 45 years old but less than 55 years old at the time of such service, such service shall be multiplied by a weighting factor of 2.0. For service earned as a member who is more than 55 years old at the time of such service, such service shall be multiplied by a weighting factor of 2.5.

# 2025 VRS-Related Bills

## LODA

Bill Number	Patron	Description
HB 1815	Campbell & Zehr	Provides employees of contributing nonprofit private institutions of higher education, defined in the bill, and contributing private police departments, defined in the bill, with the benefits granted to employees of participating employers under the LODA.
SB 1142	Obenshain	Provides employees of contributing nonprofit private institutions of higher education, defined in the bill, with the benefits granted to employees of participating employers under the Line of Duty Act. The bill requires each contributing nonprofit private institution of higher education to pay its pro rata share of the initial costs to implement the bill, as determined by the Virginia Retirement System.

# 2025 VRS-Related Bills

## LODA

Bill Number	Patron	Description
HB 2204 SB 1195	McQuinn Deeds	Provides that if a deceased person, as that term is defined in the LODA, died as a result of certain cancers within 10 years from his date of retirement, his beneficiary shall be entitled to the payment of certain benefits. Under current law, such beneficiary shall be entitled to such payment if the deceased person's death (i) arose out of and in the course of his employment or (ii) was within five years from his date of retirement.
HB 2363	Wilt	Allows DOC to designate additional employees to have the same power as a sheriff or law-enforcement officer. Accordingly, makes amendments to LODA and other statutes.

# 2025 VRS-Related Bills

## LODA & VaLORS

Bill Number	Patron	Description
HB 2447	O'Quinn	Adds the State Fire Marshal and personnel of the Virginia Department of Fire Programs who, as a regular component of their official duties, are exposed to hazards or threats to their life and health to the lists of those eligible for benefits under the LODA and for membership in VaLORS.
HB 1563	Cherry	Extends membership in VaLORS to emergency dispatchers who are employed by the Department of State Police, Capitol Police, and agencies whose law-enforcement officers are eligible for membership in VaLORS. The bill has a delayed effective date of July 1, 2026, and provides that such membership would apply only to service earned on or after July 1, 2026.
HB 1825 SB 1201	Orrock Deeds	Extends membership in VaLORS to conservation officers of the Department of Conservation and Recreation. The bill provides that such membership would apply only to service earned on or after July 1, 2025. (reenactment of HB 1312 from 2024)



# 2025 VRS-Related Bills

## VaLORS & SPORS

Bill Number	Patron	Description
HB 2507 SB 797	Runion Head	Permits the Board of Visitors of the Virginia School for the Deaf and the Blind to establish a campus police department, in compliance with the provisions of law relating to campus police departments established by institutions of higher education, and to employ campus police officers therein.
HB 2315	Davis	Changes the age through which a retired law-enforcement officer covered under VaLORS is entitled to receive an additional retirement allowance to align with the Social Security normal retirement age currently provided for under the SPORS.
HB 1592 SB 928 SB 1224	Kent Stuart Deeds	Provides membership in SPORS to conservation police officers in the Department of Wildlife Resources for service earned on or after July 1, 2026, instead of VaLORS. Directs VRS to assess the impacts and provide recommendations no later than November 1, 2025.

# 2025 VRS-Related Bills

## VRS Enhanced Benefits for Local Employees

Bill Number	Patron	Description
HB 1564	Cherry	Allows local governments to provide enhanced retirement benefits for hazardous duty service to the designated employees for service earned in that position on or after July 1, 2026. Additionally, allows an employer to elect to provide such enhanced retirement benefits for service earned in that position before July 1, 2026. The bills have a delayed effective date of July 1, 2026.
HB 1619		
SB 1083	Clark	
SB 1088	Perry	
SB 1156	Jordan	
for 911	Obenshain	
dispatchers		
HB 2194	McQuinn	
for juvenile		
detention		
specialists		
HB 1812	Campbell	Allows local governments to provide enhanced retirement benefits for hazardous duty service to full-time animal control officers for service earned as a full-time animal control officers on or after July 1, 2026. The bill has a delayed effective date of July 1, 2026.

# 2025 VRS-Related Bills

## JRS

Bill Number	Patron	Description
SB 950	McDougle	Provides that a judge appointed or elected to an original term commencing on or after July 1, 2025, who was at least 55 years old at the time he was appointed or elected to such original term, shall have his service retirement allowance determined under the provisions of the Virginia Retirement System that apply to a judge appointed or elected to an original term prior to January 1, 2013, and who was vested on or before January 1, 2013. Under current law, the service retirement allowance for judges appointed or elected to an original term commencing on or after January 1, 2014, are determined under the provisions of the hybrid retirement program.

# 2025 VOLSAP Bill

## Virginia Firefighters' and Rescue Squad Workers' Service Award Program (VOLSAP)

Bill Number	Patron	Description
SB 934	Craig	Provides that any funds or other property held or payable to a member of the Volunteer Firefighters' and Rescue Squad Workers' Service Award Fund that have remained unclaimed for more than five years after such member's forfeiture of his membership or the dissolution of a volunteer emergency medical services agency or volunteer fire department shall be presumed abandoned for the purposes of the Virginia Disposition of Unclaimed Property Act.