



Retirement System Review: Virginia Code Requirements

Board of Supervisors Personnel Committee Meeting

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Agenda

- History of Virginia Retirement System Plan Design Changes
- Requirements under Virginia Code
 - Two-Thirds Requirement
 - Participation in VRS
 - Optional DC Plan
- Discussion

Virginia Retirement System

History of Plan Design Changes

Virginia Retirement System Plan 1

Employees hired prior to July 1, 2010

| | Non-Uniformed | Uniformed Public Safety |
|--------------------------------------|---|---|
| Employee Contribution | 5% | 5% |
| Normal (Unreduced) Retirement | Age 50 with 30 years or Age 65 with 5 years | Age 50 with 25 years or Age 60 with 5 years |
| Average Final Compensation | 3 years | 3 years |
| Defined Benefit Multiplier | 1.70% | 1.70% or 1.85% |
| Defined Contribution | n/a | n/a |

Virginia Retirement System Plan 2

Employees hired between July 1, 2010 and December 31, 2013

| | Non-Uniformed | Uniformed Public Safety |
|-------------------------------|---|---|
| Employee Contribution | 5% | 5% |
| Normal (Unreduced) Retirement | Rule of 90 or Normal Social Security Retirement Age with 5 years | Age 50 with 25 years or Age 60 with 5 years |
| Average Final Compensation | 5 years | 5 years |
| Defined Benefit Multiplier | 1.65% | 1.70% or 1.85% |
| Defined Contribution | n/a | n/a |

Virginia Retirement System Hybrid Plan

Employees hired after January 1, 2014

| | Non-Uniformed | Uniformed Public Safety ¹ |
|--|--|--------------------------------------|
| Mandatory Employee Contribution | 5% (4% DB / 1% DC) | - |
| Voluntary Employee Contribution to DC Plan | Up to 4% | - |
| Employer Match to DC Plan | Between 1 and 3.5% | - |
| Normal (Unreduced) Retirement | Rule of 90 or Normal Social Security Retirement Age with 5 years | - |
| Average Final Compensation | 5 years | - |
| Defined Benefit Multiplier | 1% | - |

¹ Uniformed public safety employees hired after January 1, 2014, are members of VRS Plan 2.

Requirements under Virginia Code

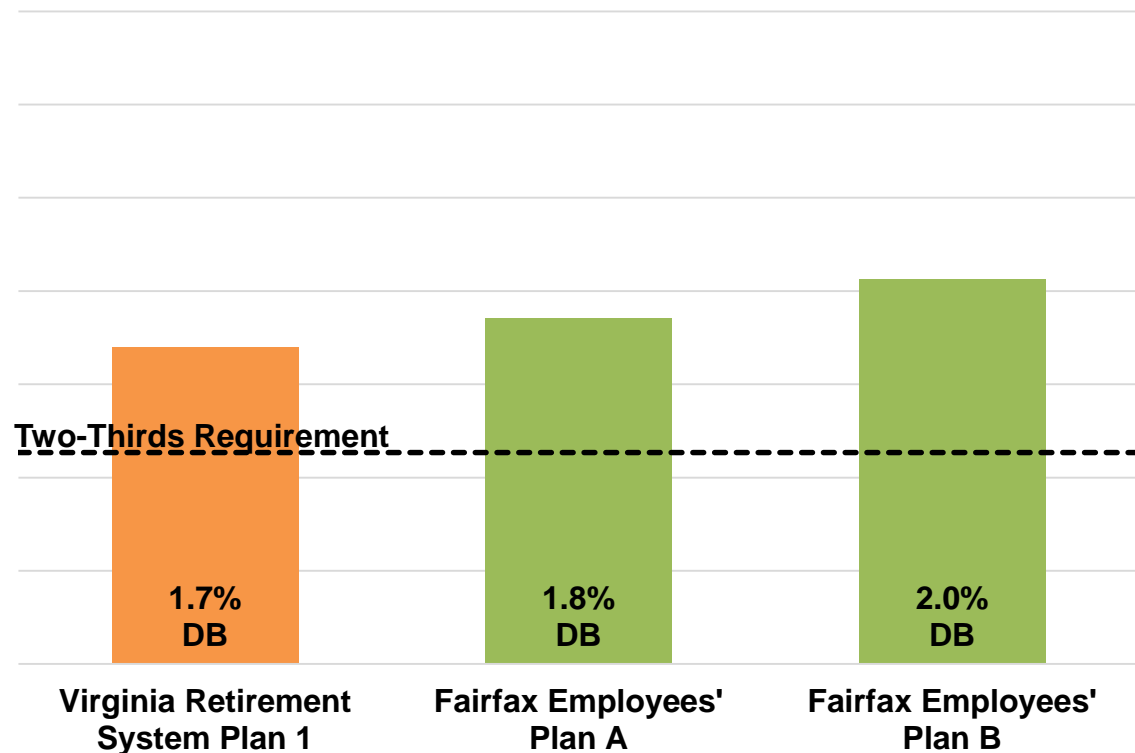
Virginia Code § 51.1-800

Two-Thirds Requirement

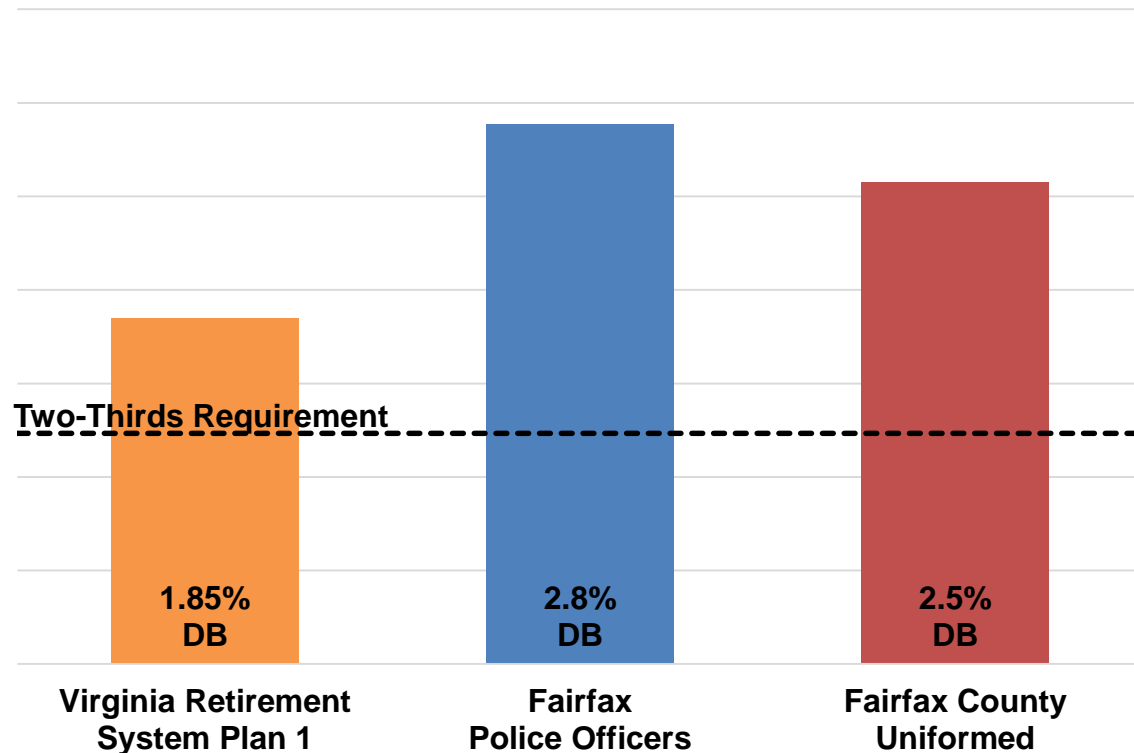
- Virginia Code § 51.1-800(A)
 - *Every county and city, and every town having a population of 5,000 or more, shall provide a retirement system for those officers and employees listed in subsection B either*
 - i. by establishing and maintaining a local retirement system which provides a service retirement allowance to **each employee who retires at age sixty-five or older** which **equals or exceeds two-thirds of the service retirement allowance** to which the employee would have been entitled had the allowance been computed under the provisions of the Virginia Retirement System or*
 - ii. by participating directly in the Virginia Retirement System.*

Two-Thirds Requirement Prior to July 2010

Non-Uniformed Employees

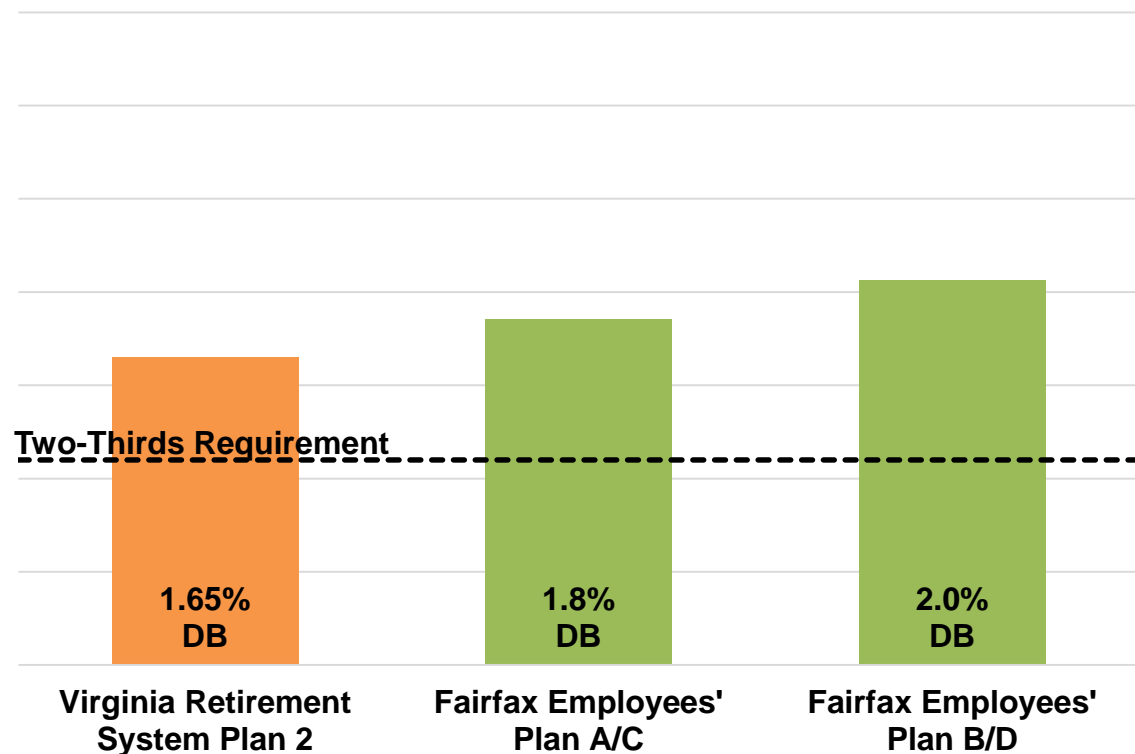


Uniformed Public Safety Employees

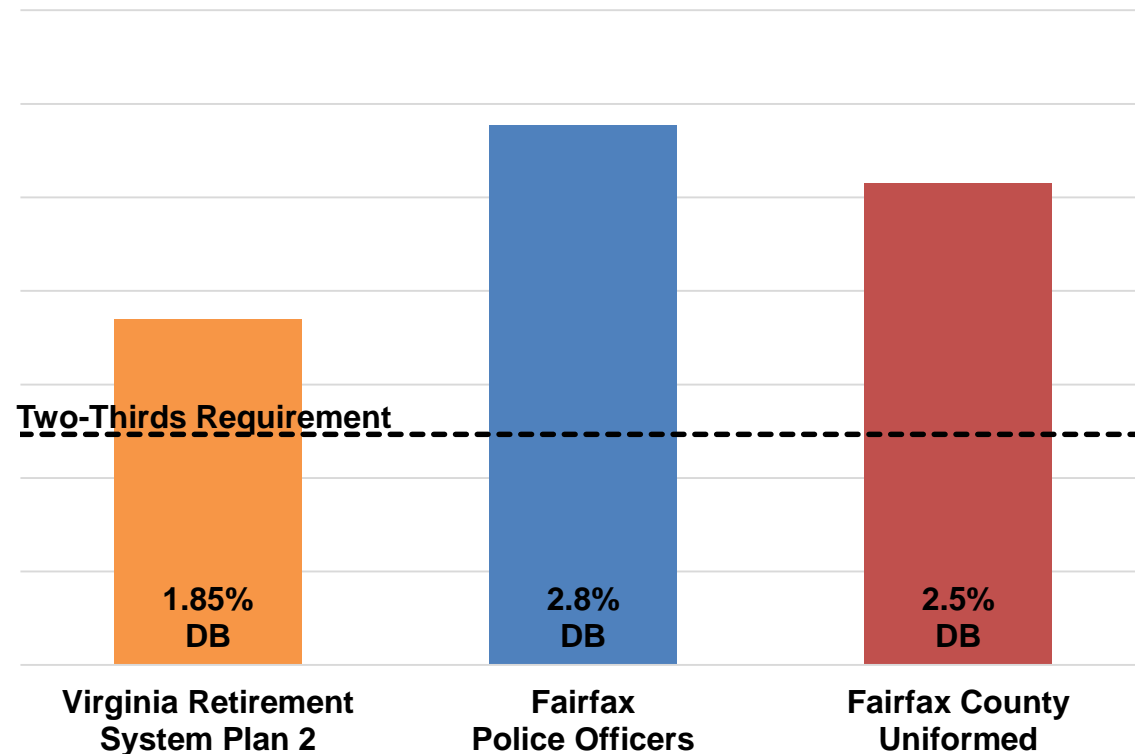


Two-Thirds Requirement July 2010 – Dec 2013

Non-Uniformed Employees

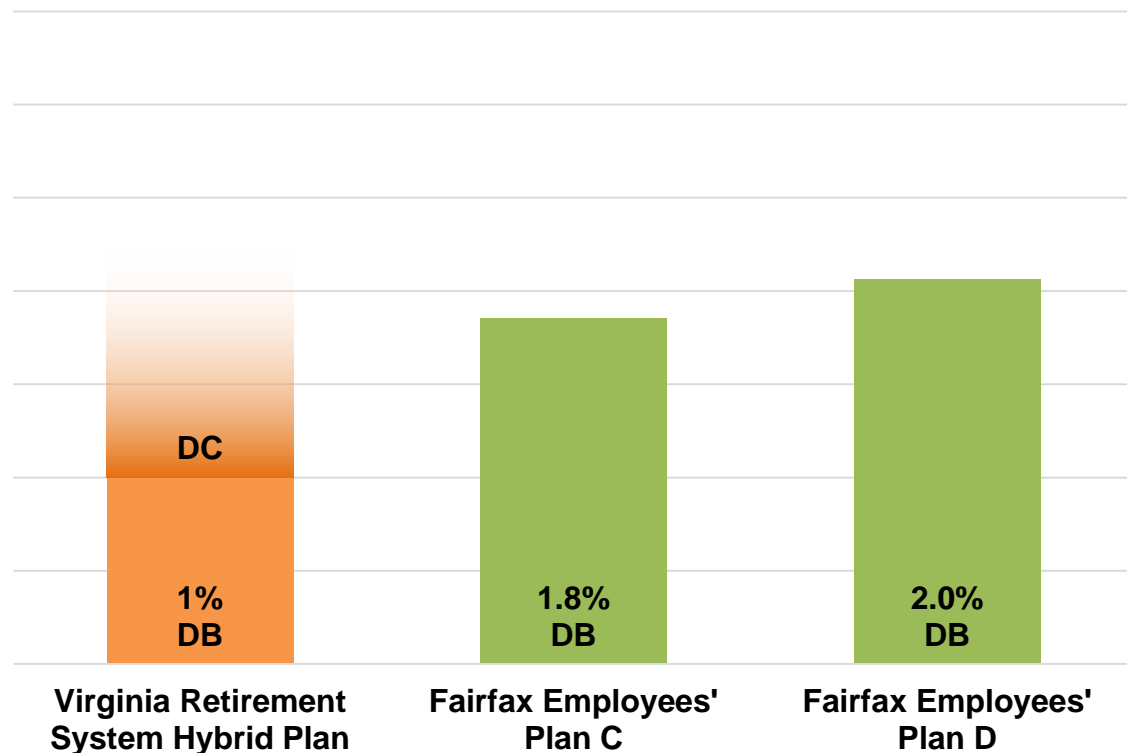


Uniformed Public Safety Employees

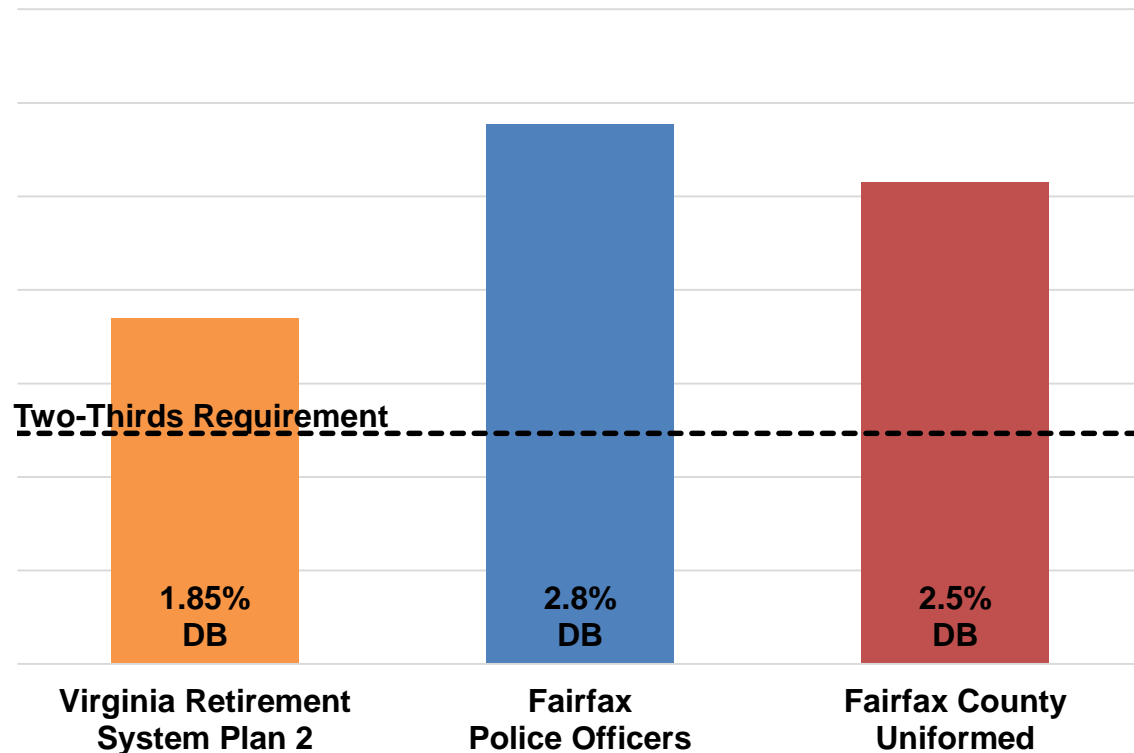


Two-Thirds Requirement After January 2014

Non-Uniformed Employees



Uniformed Public Safety Employees



Two-Thirds Requirement

- Virginia Code does not provide guidance on how to use the VRS Hybrid Plan as the benchmark for the two-thirds requirement.
 - Does the requirement apply to both the DB and DC components?
 - For the DC component, what assumptions should be used for:
 - Elective contributions?
 - Investment earnings?
 - Mortality?
- Virginia Code also does not provide guidance on how to measure a County defined contribution or hybrid plan against the two-thirds requirement.

Two-Thirds Requirement

- The County Attorney recommends that VRS Plan 2 continue to be used as the baseline for the two-thirds requirement.
- Legislative action is necessary to provide guidance on:
 - The use of the VRS Hybrid Plan as the baseline
 - The evaluation of local defined contribution and hybrid plans relative to the two-thirds requirement

Participation in VRS

- The County could join VRS as an alternative to meeting the two-thirds requirement for new employees.
 - Non-uniformed employees would be covered under the VRS Hybrid Plan.
 - Portability between jurisdictions that participate in VRS
 - Portability of DC portion of the benefit
 - Uniformed public safety employees would be covered under VRS Plan 2.
 - Portability between jurisdictions that participate in VRS
 - The County would lose control over decisions involving funding and benefit levels, which can impact the County's bond ratings.
- Similar to FCPS and the City of Alexandria, a secondary plan could be established if the Board desires to provide benefits in addition to those provided by the VRS Hybrid Plan.

Optional DC Plan

- Virginia Code § 51.1-800(D)
 - *A county, city, or town shall not be required to provide retirement benefits to an employee who enters into an agreement with the local government for inclusion in a deferred compensation plan when the agreement specifically prohibits inclusion in any other retirement system established by the county, city, or town.*

Optional DC Plan

- The County could require that employees elect either:
 - Membership in a retirement system that satisfies the two-thirds requirement or
 - Participation in a deferred compensation plan.
- Although not required by code, an employer match would be necessary as an incentive for employees to choose the DC plan over the existing retirement systems.
- Significant enrollment in the DC plan could impact the funding requirements of the existing retirement systems.

Summary

- Virginia Code - Two-Thirds Requirement
 - Legislative action to provide guidance on benchmarking hybrid and defined contribution plans
 - Participation in VRS, potentially offering supplemental plan
 - Offer DC plan as an option