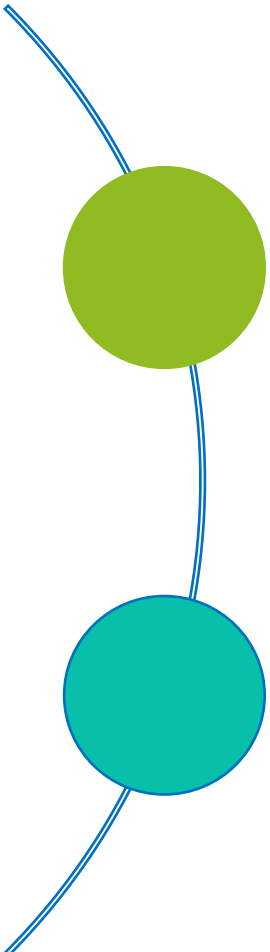


Simplifying Hybrid Plan Administration





VRS is considering a potential legislative proposal that would streamline the administration of each component of the Hybrid Retirement Plan by separating the defined benefit (DB) and defined contribution (DC) rates

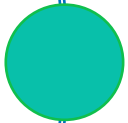
The proposed legislation would separate the DC component of the Hybrid Plan from the total employer rate, which is currently a blend of DB and DC rates

Purpose of the Legislation

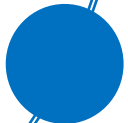
The proposal is intended to:



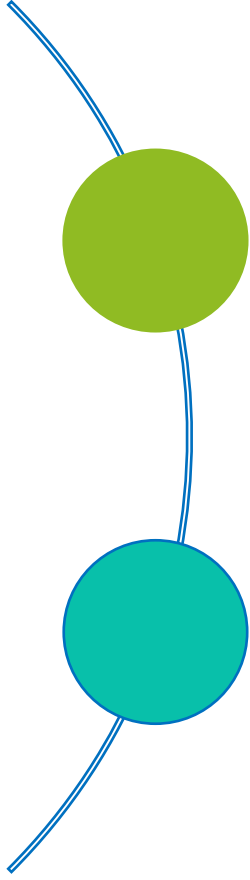
Reduce the administrative burden of reconciliation efforts as the Hybrid plan becomes the dominant plan.



Potentially allow members the flexibility to change their voluntary contributions more often (currently limited to quarterly).



Allow member contributions to be invested more quickly.



Proposed legislation would be introduced in the 2022 session, with a delayed implementation date of July 1, 2024, to allow time for communications and implementation for both VRS and our 800+ participating employers.

Preliminary information-gathering discussions with representative employers are taking place now.

VRS Total Membership as of March 31, 2021



	Plan 1	Plan 2	Hybrid	Total
Teachers	66,581	30,399	59,239	156,219
Political Subdivision Employees	38,952	31,145	38,701	108,798
State Employees	29,765	13,948	30,347	74,060
State Police Officers' Retirement System (SPORS)	1,025	859	—	1,884
Virginia Law Officers' Retirement System (VaLORS)	2,580	5,490	—	8,070
Judicial Retirement System (JRS)	183	47	207	437
Total Active Members	139,086	81,888	128,494	349,468

**Total
Active Members
349,468**

**Retirees/
Beneficiaries
227,025**

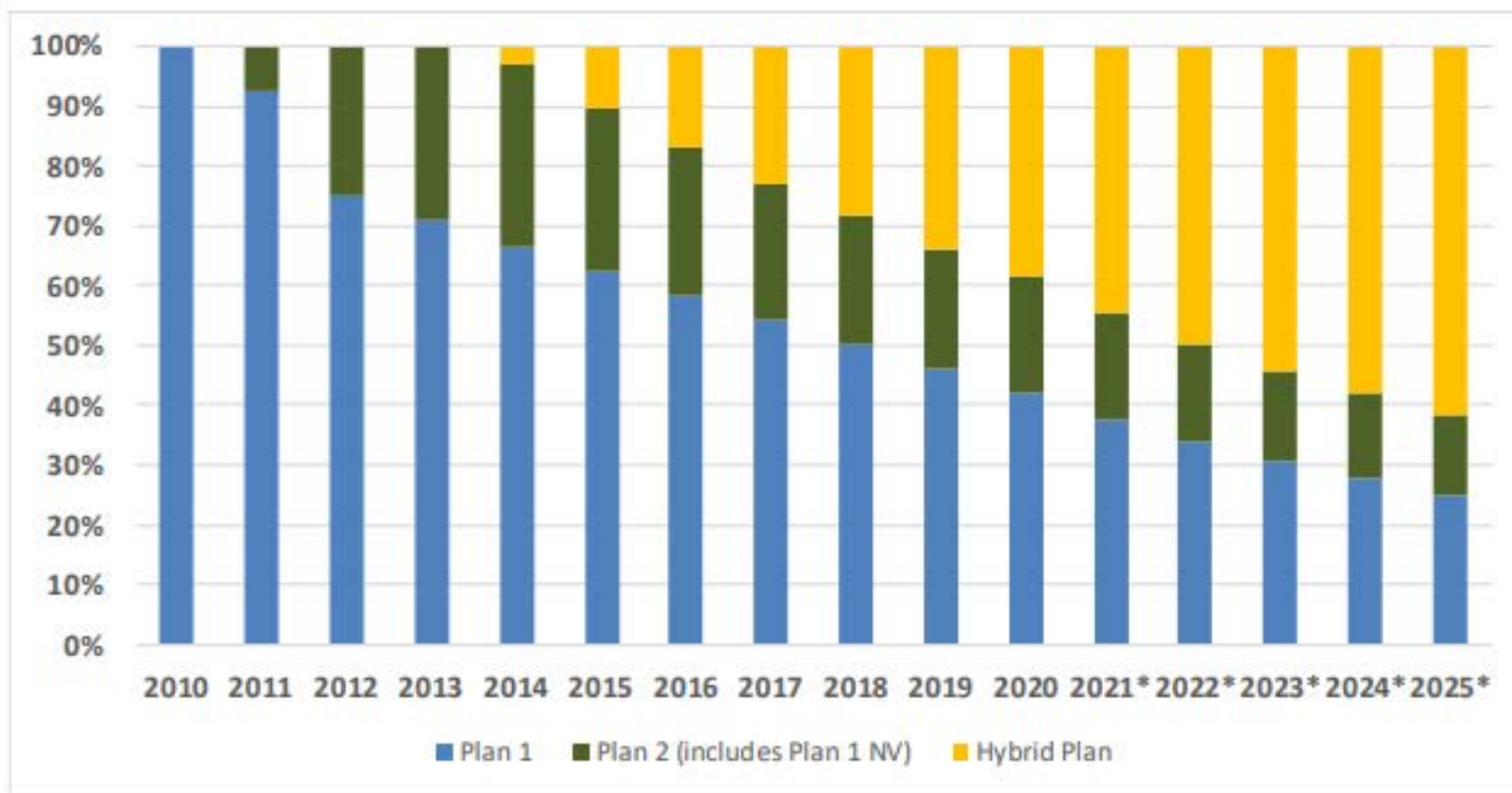
**Inactive/Deferred
Members
195,511**

**VRS Total
Population
772,004**

Projected Trends in Plan Membership

State

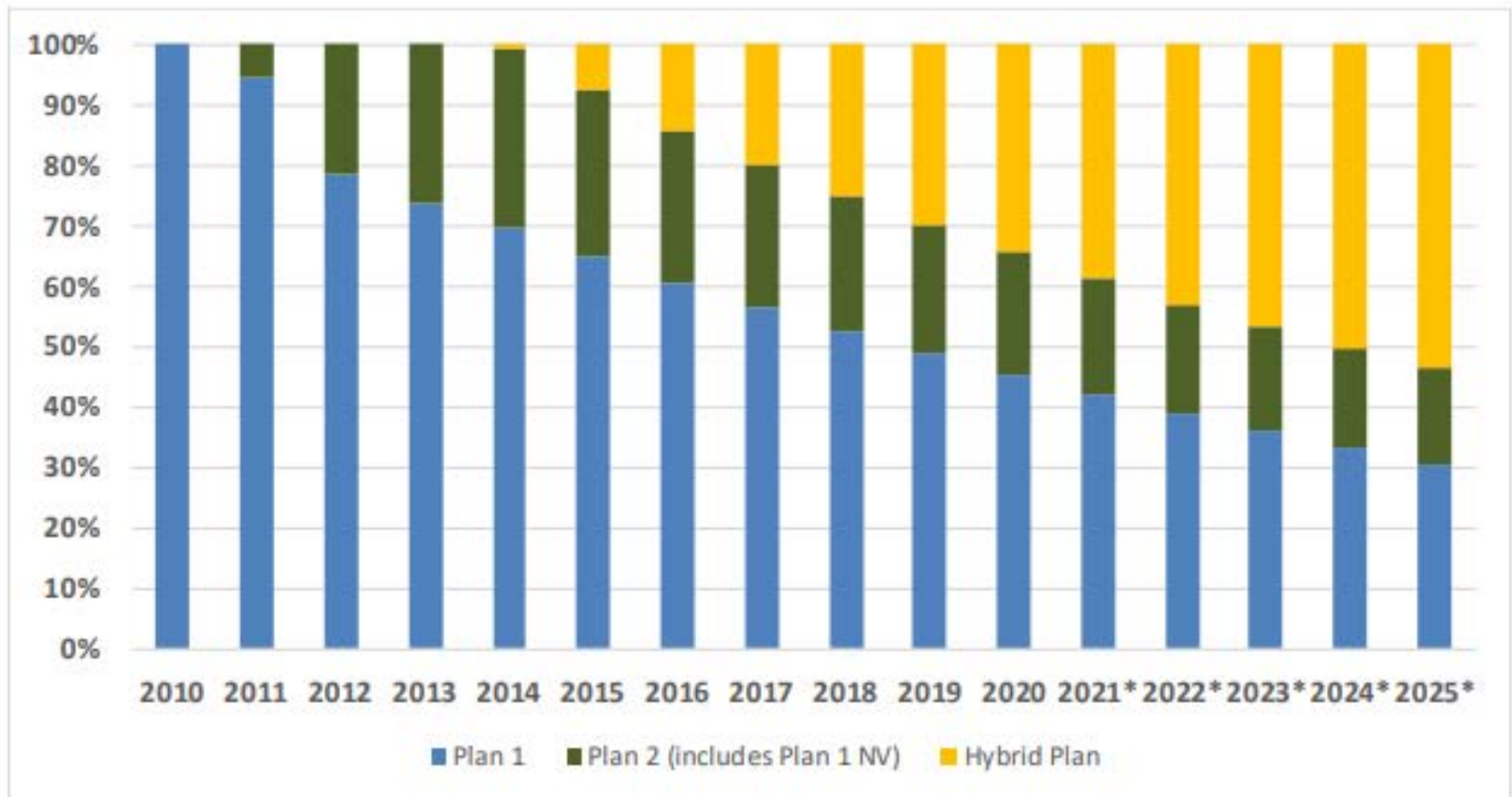
Active Member Breakdown



Projected Trends in Plan Membership

Teacher

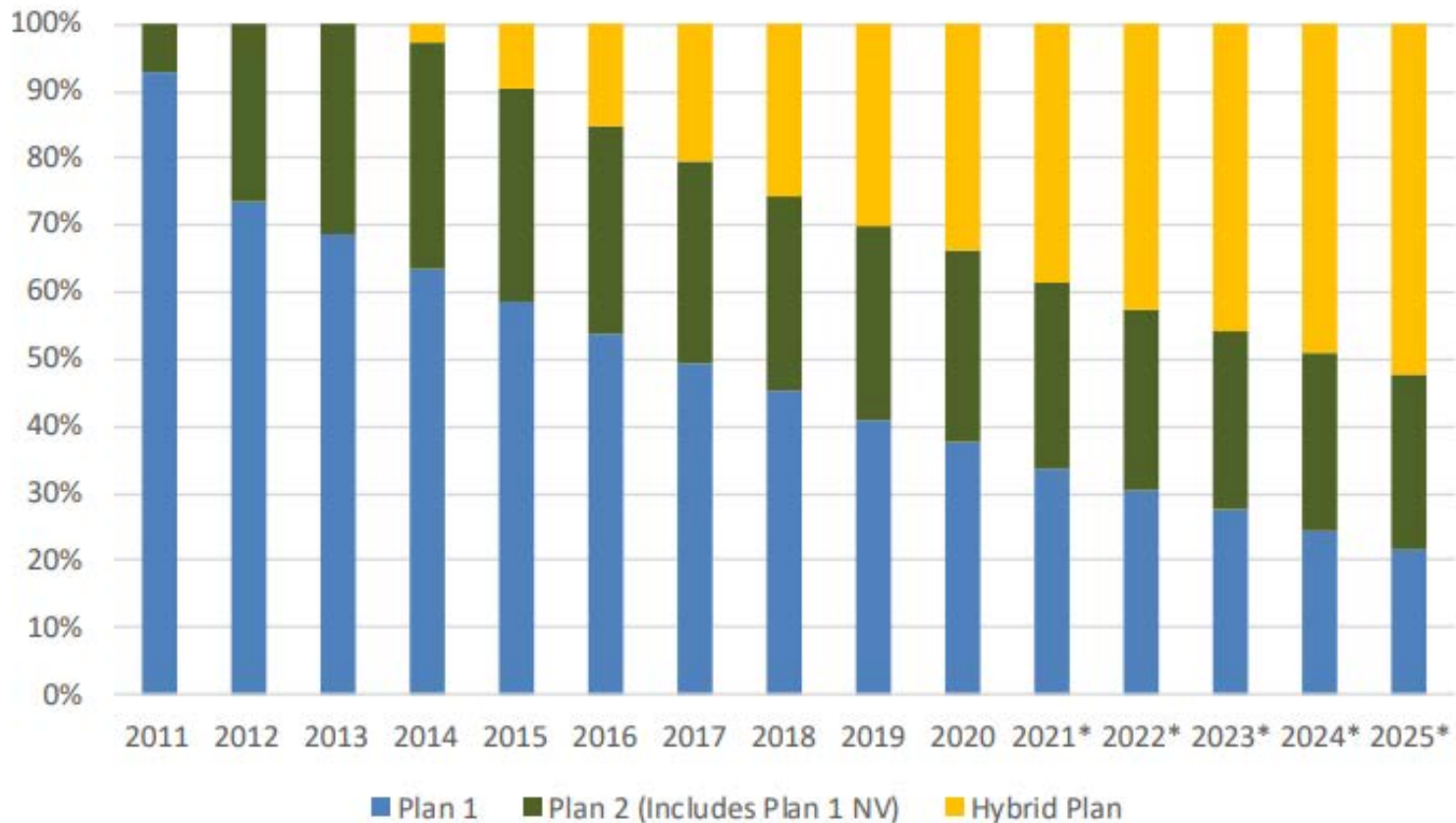
Active Member Breakdown



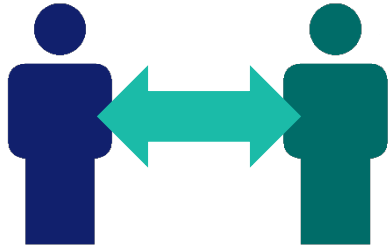
Projected Trends in Plan Membership

Political Subdivisions

Active Member Breakdowns



Hybrid Retirement Plan Impact



Shares risk between
employer/employee



Increases portability



Reduces employer
investment risk

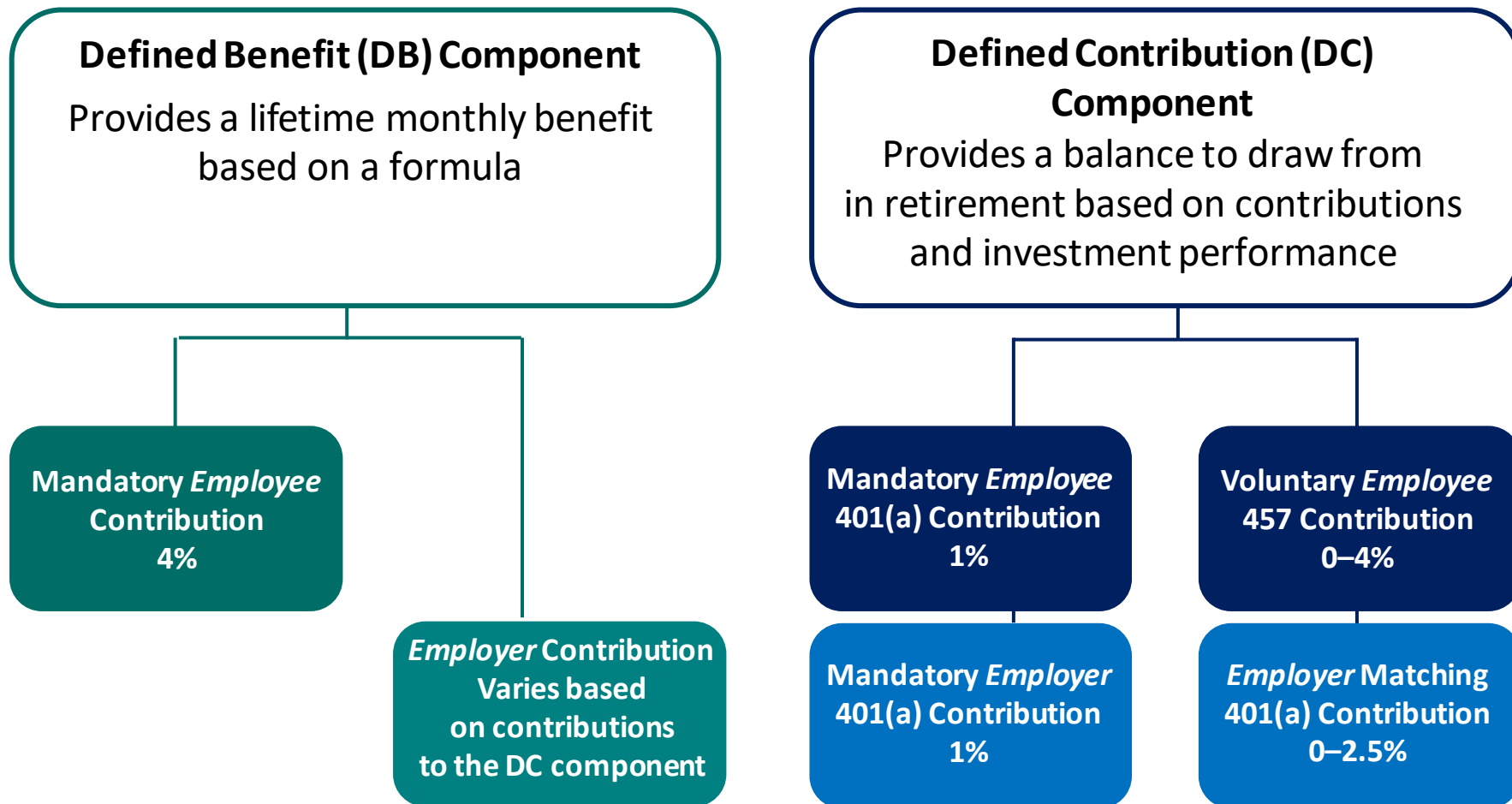


Reduces employer
longevity risk



Lowers future costs
of the plan

Hybrid Retirement Plan



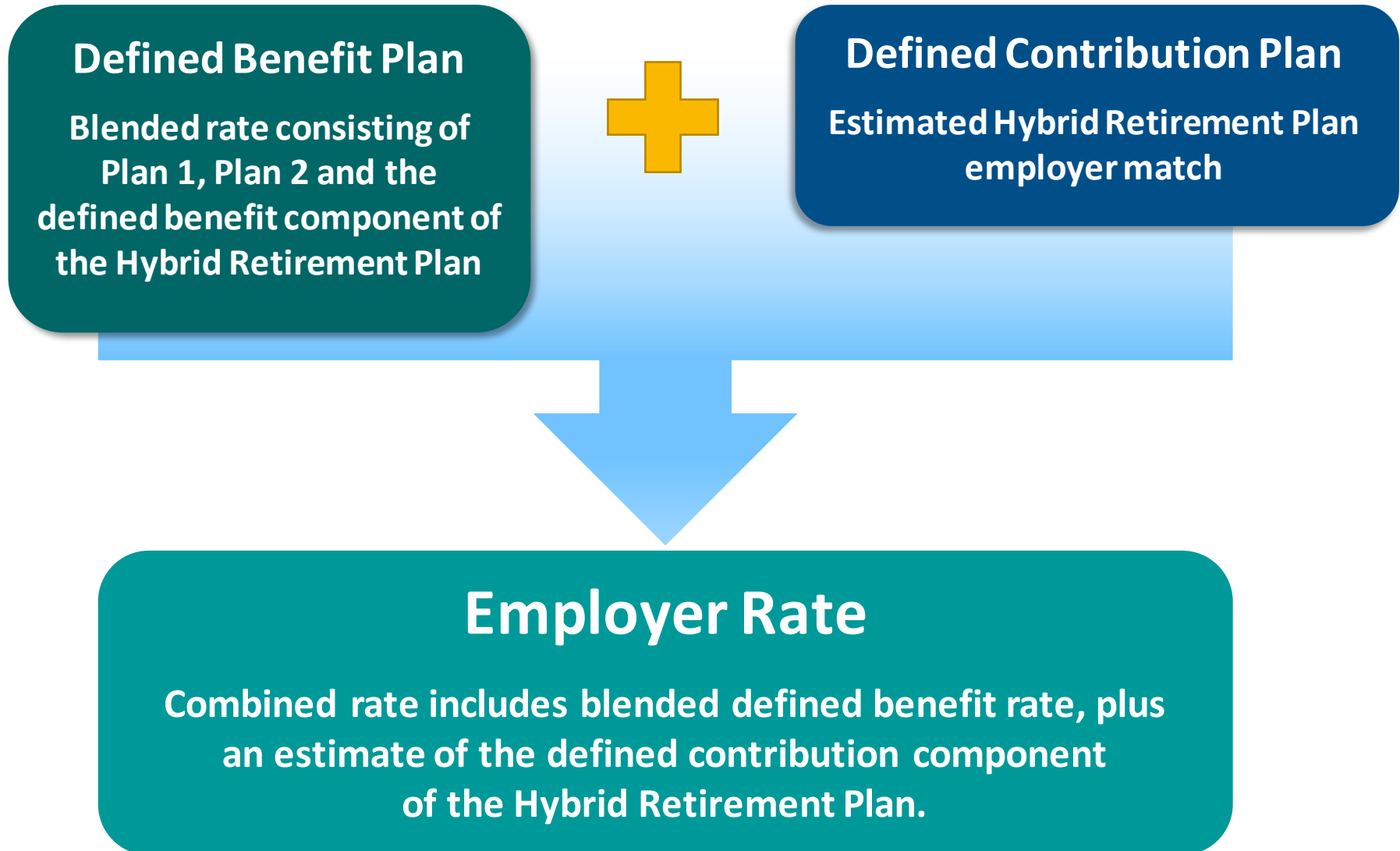
Administering the Hybrid Plan **TODAY**



§ 51.1-145. Employer contributions.

N. Notwithstanding the foregoing, the total employer contribution for each employer authorized to participate in the hybrid retirement program described in § 51.1-169 for any period, expressed as a percentage of the employer's payroll for such period, shall be established as the contribution rate payable by such employer with respect to its employees enrolled in the defined benefit plan established under this chapter. **The employer's contribution shall be first applied to the defined contribution component of the hybrid retirement program described in § 51.1-169, and the remainder shall be deposited in the employer's retirement allowance account.**

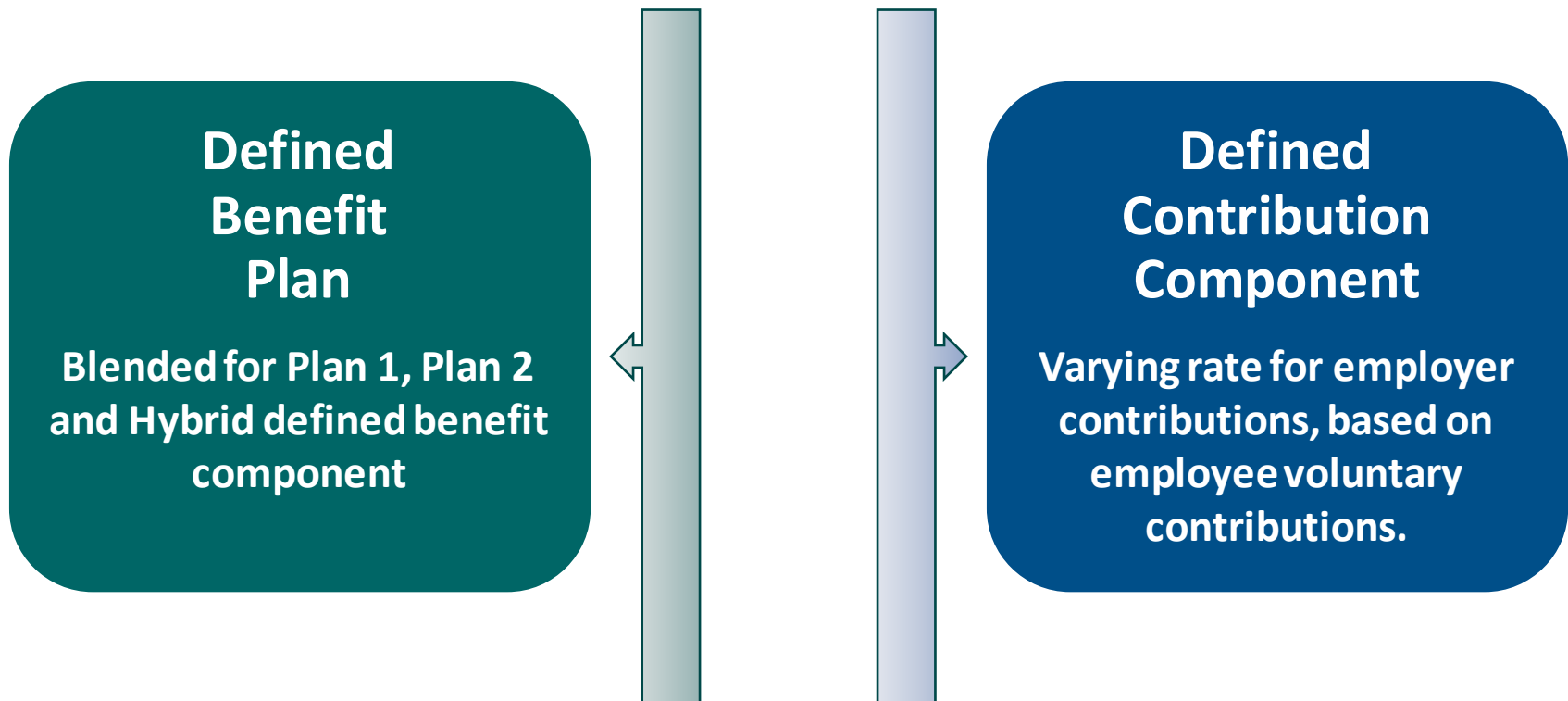
Current Structure of Employer Rates



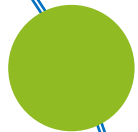
Administering the Hybrid Plan in the FUTURE



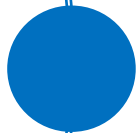
Proposal: Separate Employer Rates



Benefits of Separating the Rates



Streamlines the reconciliation process to help facilitate accurate reporting of member information.



Provides clarity and transparency related to the cost and funding of the defined benefit plan.

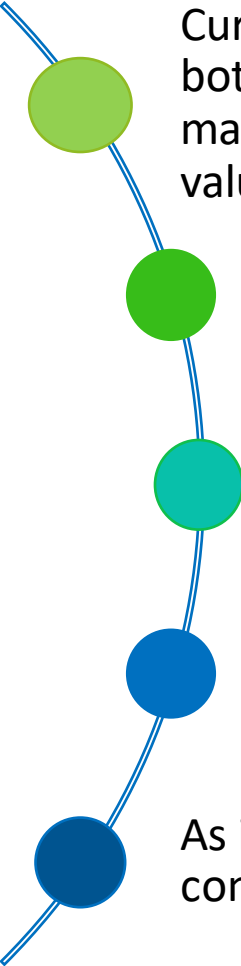


Allows employers to administer the defined contribution component in similar way they administer other supplemental plans.

Appropriation Process



Appropriation Process



Currently VRS provides a combined employer contribution rate that includes both a blended defined benefit rate and an estimate of the employer DC matching contributions for the hybrid plan based on elections as of the valuation date.

Under the proposal, the VRS Board of Trustees will certify only the DB employer contribution rate.

VRS will continue to provide the DC employer match rate for the hybrid based on employee elections as of the valuation date, but it will not be combined with the DB certified rate.

Appropriations for state employers and the state portion of the teacher contributions will essentially be the same amount under the new proposal but will be appropriated separately.

As is the case now, adjustments may need to be made if the actual DC contributions differ from the estimates.

Appropriation Process

Using the FY 2021/2022 rates as an example, below are rates under the current process versus rates under the proposed process.

Plan	Current Process
	DB & DC Rates Combined and Form Board Certified Rate
	FY 2021/2022
State	14.46%
Teachers	16.62%
SPORS	26.33%
VaLORS	21.90%
JRS	29.84%

Proposed Process		
DB Board Certified Rate	Estimated DC Employer Match for Hybrid	Total Appropriation
FY 2021/2022		
13.67%	0.79%	14.46%
16.06%	0.56%	16.62%
26.33%	0.00%	26.33%
21.90%	0.00%	21.90%
28.49%	1.35%	29.84%



Thank You