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4/27/2011

# 2011 General Assembly Summary



Virginia  
Retirement  
System

# 2011 Legislation

## VRS - Requested Legislation

Bill Number	Patron	Description
HB 1794	Tata	Authorizes VRS collect overpayment of retirement benefits from the retiree's employer under certain conditions.
HB 1795	Tata	Amends certain provisions of the Workforce Transition Act and retirement plans administered by VRS to recognize the difference in benefits accorded a person who becomes a VRS member before July 1, 2010 and on or after July 1, 2010. <b>Note: Governor amended to include a DC plan. Amendment failed. Governor intends to sign the bill as it originally passed in the regular session.</b>
HB 1796	Tata	Makes certain technical changes to the administration of a various VRS plans, including (i) permitting multiple deductions for purchase of prior service and for the purchase of partial months; (ii) clarifying the extent of coverage for the voluntary LTC insurance programs previously administered by DHRM; (iii) clarifying the retirement options of persons receiving disability benefits under VSDP; (iv) clarifying the eligibility for the HIC as it relates to participants in the defined contribution plan for certain employees of public school divisions and the defined contribution plan for certain political appointees.
HB 1797	Tata	Clarifies that only employees participating in the VSDP are to benefit from LTC insurance paid by the Commonwealth for state employees.

# 2011 Legislation

## Other Legislation

Bill Number	Patron	Description
HB 2095	Jones, S. C.	Provides that a member could forfeit his retirement benefits if convicted of a felony that arose out of misconduct in any position covered under the VRS.
HB 2096	Jones, S. C.	Permits any constitutional officer who has 20 or more years of creditable service, and whose office is abolished, to retire with unreduced benefits (i) at the age of 60 if the officer is first elected to office after July 1, 2010, and (ii) at the age of 50 for all others.
SR 22	McEachin	Study the investment portfolio managed by the VRS. In conducting its study, the committee shall examine how the Virginia Retirement System selects firms to manage its investment portfolio and determine if more minority-owned firms should be used to help the VRS manage its investment portfolio.

# 2011 Budget

## Employer Contributions

### Governor's Amendments at Reconvened Session

### Legislative Action

### Comment

Accelerate the timing of state agency payments to VRS from a quarterly basis to monthly to enable VRS to invest state funds sooner and potentially yield higher investment gains on state agency contributions.

Passed

VRS estimates that accelerated payments would yield about \$1.7 million in additional investment gains (assuming 7% annual return).

Designate that any FY 2011 year-end budget surplus not otherwise designated for other purposes be used to make additional payments to VRS.

Failed in Senate

The Senate argued that the General Assembly should not cede this much appropriations authority to the executive branch.

Increase employer contribution rates to VRS (general state employees only), SPORS, VaLORS and JRS, effective the fourth quarter of FY 2012. This increases VRS payments from the state's general fund by \$27.8 million.

Passed

	FY2012 Increase in Contributions (in millions)	
	Governor's Proposal	Final Action
State Employees	\$153.8	\$50.0
Teachers	<u>157.4</u>	<u>92.1</u>
Total	\$311.2	\$142.1

Revise language that requires Plan 1 state employees to pay a 5 percent member contribution on July 1, 2011 along with an offsetting salary increase of 5 percent. This is a technical amendment and represents no substantive change to the General Assembly's intent.

Passed

This was only a technical fix to the language previously adopted at the regular session.

# 2011 Budget – Contribution Rates

## 2012 Budget

Plan 1 Employees	Board Certified 2011 & 2012	Actual 2011	6/25/2011 – 3/24/2012	3/25-6/24/2012
State	8.46%	2.13%	2.08%	6.58%
Teachers	12.91%	3.93%	6.33%	6.33%
SPORS	25.56%	7.76%	7.73%	21.16%
VaLORS	15.93%	5.12%	5.07%	13.09%
Judges	46.79%	28.81%	28.65%	42.58%

Notes: Rates above do not include the 5% member contribution. For state agencies, the rates for all of FY 2012 and the period June 25, 2011 through March 24, 2012 represent the normal cost from June 30, 2009 actuarial valuation, using the actuarial assumptions of 8.00% investment return, 3.00% inflation and 30-year funding for the UAAL. Rates were reduced for each fiscal year by the expected savings associated with new Plan 2 employees. Rates for March 25, 2012 through June 24, 2012 represent the revised amounts from the Governor's Amendment #55. The teacher rates were developed using the normal cost from June 30, 2009 actuarial valuation and the actuarial assumptions of 8.00% investment return, 3.00% inflation and 30-year funding of the UAAL. Rates were reduced in FY 2011 for the expected savings associated with Plan 2 employees. For FY 2012 the rate also includes an additional 2.40% added by the General Assembly.



# 2011 Budget

## Local Employee Contributions

### Governor's Amendments at Reconvened Session

Give local government employers, including school boards, the flexibility to require Plan 1 employees to pay up to 5 percent in member contributions. Such local employers would not be required to provide offsetting salary increases. Local employers could require contributions from Plan 1 employees independently of any requirements for their Plan 2 employees.

### Legislative Action

Failed in House

### Comment

Employee associations representing teachers and public safety groups opposed this amendment.

# 2011 Budget

## Investment Study

### Governor's Amendments at Reconvened Session

Request that VRS study whether it also could invest pools of capital managed by other state and local entities.

### Legislative Action

Failed in Senate

### Comment

Sen. Stosch mentioned concerns expressed to him about the study and suggested that the matter be referred to JLARC.

# 2011 Budget

## Defined Contribution Plan

### Governor's Amendments at Reconvened Session

### Legislative Action

### Comment

Establish a new, optional defined contribution plan for state employees hired on or after January 1, 2012. The budget amendment parallels the provisions of HB 2410 as it was passed by the House.

Failed in Senate

Senators would prefer that JLARC undertake another study on pension reform and present its findings to the 2012 session of the General Assembly.

Establish, through an amendment to HB 1795, an optional defined contribution plan for state employees, local government employees and teachers. This amendment also parallels the provisions of HB2410 as passed by the House.

Failed in Senate

Same as above.

# 2011 Budget

## Line of Duty Act Fund

### Governor's Amendments at Reconvened Session

### Legislative Action

### Comment

Authorize the State Comptroller to advance Line of Duty Act (LODA) death benefits to pay funeral expenses when a death is likely to be covered under the program. In the event that a subsequent investigation determines that the death was not covered, VRS would deduct the previously paid funeral expenses from any other benefits owed to the beneficiaries of the deceased.

Passed

Results from concerns about the length of time it takes to complete all investigations required by the LODA before benefits can be paid to grieving families.

Extend the deadline for localities to opt out of the Line of Duty Act Fund, administered by VRS, to July 1, 2012

Adopted in  
Regular Session

Thank you!



Virginia  
Retirement  
System