Virginia Retirement System
2012 Fiscal Impact Statement
Revised

1. **Bill Number:** HB 1130

House of Origin	☐	Introduced	☐	Substitute	☐	Engrossed
Second House	☐	In Committee	☐	Substitute	X	Enrolled

2. **Patron:** Patron Prior to Conference -- Howell

3. **Committee:** Conference

4. **Title as Passed:** Virginia Retirement System; hybrid defined contribution and defined benefit retirement program.

5. **Summary as Passed:** Virginia Retirement System; hybrid defined contribution and defined benefit retirement program. Creates a new hybrid retirement program, administered by the Virginia Retirement System, that contains a defined contribution and a defined benefit component. All new general state employees, teachers, general local employees, and judges commencing employment on or after January 1, 2014 would be required to participate in the hybrid plan. Hazardous duty employees eligible for membership in SPORS, VaLORS, or LEOS would not be enrolled in the hybrid plan. Employees in-service on December 31, 2013 would be given the opportunity to make a one-time, irrevocable election to participate in the new hybrid program. The bill also creates a disability program for local employees participating in the hybrid plan that a locality may opt into.

   The bill also makes adjustments to the existing defined benefit plan that, depending on the change, apply to non-vested Plan 2 members, all Plan 2 members (vested and non-vested), or non-vested Plan 1 members as of January 1, 2013, including lowering the retirement benefit multiplier from 1.7 to 1.65 for future service, basing average final compensation on 60 months of service instead of 36, and capping the cost of living adjustment at three percent. The bill also will defer cost-of-living adjustments for any plan member who retires with less than 20 years of service until one year after the age at which they would have reached unreduced retirement eligibility.

   The General Assembly would be required to phase in contribution rates that are at least 100% of the rates certified by the VRS Board of Trustees for all plans by fiscal years beginning on and after July 1, 2018.

   This bill is identical to SB 498ER.

6. **Budget Amendment Necessary**: Yes. While this bill does have significant costs associated with systems development, these cannot be ascertained at this time. The ability to accurately predict costs is complicated because VRS is replacing its current technology systems. As a result, legislative changes will likely need to be made to both the current and the future systems,

depending on the effective date of the legislation. The introduction of significant changes at this time will likely cause a delay in the overall project schedule, resulting in additional payments to the vendor. Further, the cost for implementing a single piece of legislation cannot be calculated precisely due to economies of scale. The actual cost to implement all legislation enacted during a given session will more than likely be less than the sum of the costs attributed to individual bills. Therefore, VRS is not providing specific systems costs for this bill, but will calculate the total for all final VRS bills.

Additional estimated costs to implement this bill that are not related to systems development are approximately $877,795. These estimated costs include revising and reprinting all VRS publications and the web site, legal and compliance costs, additional positions for the customer contact center due to increased call volume, training and design personnel, third party administrator costs, and RFP costs. There would be additional costs for employer representatives to educate and update employers on the new provisions and for an anticipated increase in calls to the customer contact center.

7. Fiscal Impact Estimates:

The proposed provisions set forth in the enrolled bill with regard to defined benefit changes are outlined below. **The following tables do not reflect the impact of applicable defined benefit plan design changes on political subdivisions.**

Table 1 shows the reduction in contribution rates associated with incorporating the defined benefit plan changes effective January 1, 2013 and the mandatory hybrid plan changes effective January 1, 2014.

- With the exception of hazardous duty employees, reduce benefit multiplier to 1.65% for State, Teachers, and applicable Local members for Plan 1 and Plan 2 members who are not vested as of January 1, 2013, for service earned after January 1, 2013. Judges who are not vested as of January 1, 2013 would also have the benefit multiplier reduced to 1.65% for future service.
- With the exception of hazardous duty employees, extend Plan 2's age and service requirements, including the Rule-of-90, to Plan 1 employees who are not vested by January 1, 2013.
- Change average final compensation to highest consecutive 60 months of compensation for Plan 1 members not vested as of January 1, 2013. Average final compensation for non-vested Plan 2 members remains at highest 60 months.
    - However, a Plan 1 employee hired after July 1, 2008 who has purchased enough prior service to reach 60 months is vested and will stay with the original Plan 1 AFC and multiplier. A Plan 2 employee hired after July 1, 2010 who has purchased enough prior service to equal 60 months of total service is vested and will stay with the 1.7 multiplier, and will move to the original Plan 1 AFC of 36 months.
- Cap cost-of-living increases at 3% for new hires, Plan 2 members, and any Plan 1 member not vested as of January 1, 2013.
- Defer cost-of-living increases for any member who retires with less than 20 years of creditable service until one year after attaining unreduced retirement eligibility. Employees

within five years of eligibility for an unreduced benefit as of January 1, 2013 are grandfathered.

- All new hires, except hazardous duty employees, will become members of the hybrid plan effective January 1, 2014. It is also assumed that 5% of current non-vested employees will elect to move to the hybrid plan.
- All tables assume that all employers would opt for the disability program and therefore include the 0.48% of payroll as an employer cost.
- **The following tables do not reflect the impact of applicable defined benefit plan design changes on political subdivisions.**

	TABLE 1									
	Effect when Contributing Minimum Contribution to DC Plan									
Fiscal Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
State	-1.02%	-0.95%	-1.09%	-1.03%	-1.84%	-1.79%	-2.50%	-2.45%	-3.04%	-3.00%
Teachers	-0.64%	-0.55%	-0.68%	-0.61%	-1.04%	-0.98%	-1.35%	-1.29%	-1.55%	-1.50%
SPORS	-0.19%	-0.19%	-0.29%	-0.29%	-0.32%	-0.32%	-0.34%	-0.34%	-0.37%	-0.37%
VaLORS	-0.44%	-0.44%	-0.49%	-0.49%	-0.51%	-0.51%	-0.50%	-0.50%	-0.52%	-0.52%
JRS	-0.63%	-0.38%	-0.75%	-0.54%	-1.59%	-1.44%	-2.22%	-2.10%	-2.63%	-2.52%
	Effect when Contributing Maximum Contribution to DC Plan									
Fiscal Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
State	-0.55%	-0.31%	-0.28%	-0.07%	-0.74%	-0.59%	-1.18%	-1.01%	-1.49%	-1.38%
Teachers	-0.25%	-0.02%	-0.02%	0.19%	-0.14%	0.02%	-0.25%	-0.10%	-0.27%	-0.15%
SPORS	-0.19%	-0.19%	-0.29%	-0.29%	-0.32%	-0.32%	-0.34%	-0.34%	-0.37%	-0.37%
VaLORS	-0.44%	-0.44%	-0.49%	-0.49%	-0.51%	-0.51%	-0.50%	-0.50%	-0.52%	-0.52%
JRS	0.47%	1.12%	1.05%	1.60%	0.66%	1.05%	0.32%	0.67%	0.20%	0.47%

Table 2 shows the projected savings from the Total Fund for the changes described above.

Projected Savings by Biennium - Total Fund											($Millions)
	TABLE 2										
	Assuming Minimum Contribution to DC										20 Year
	FY 15/16	FY 17/18	FY 19/20	FY 21/22	FY 23/24	FY 25/26	FY 27/28	FY 29/30	FY 31/32	FY 33/34	Total
State	$ 67.34	$ 72.49	$ 123.81	$ 168.72	$ 205.85	$ 239.09	$ 261.80	$ 281.90	$ 297.58	$ 309.79	$ 2,028.37
Teachers	$ 81.90	$ 89.23	$ 139.27	$ 181.93	$ 210.21	$ 243.64	$ 260.45	$ 282.63	$ 300.27	$ 318.19	$ 2,107.73
SPORS	$ 0.38	$ 0.58	$ 0.64	$ 0.68	$ 0.73	$ 0.78	$ 0.89	$ 0.99	$ 1.00	$ 1.05	$ 7.71
VaLORS	$ 3.03	$ 3.33	$ 3.49	$ 3.40	$ 3.57	$ 3.63	$ 3.61	$ 3.69	$ 3.64	$ 3.62	$ 35.00
JRS	$ 0.63	$ 0.80	$ 1.88	$ 2.68	$ 3.20	$ 3.63	$ 3.82	$ 4.01	$ 4.14	$ 4.13	$ 28.91
Total	$ 153.28	$ 166.43	$ 269.08	$ 357.40	$ 423.56	$ 490.78	$ 530.56	$ 573.22	$ 606.63	$ 636.77	$ 4,207.71
	Assuming Maximum Contribution to DC										20 Year
	FY 15/16	FY 17/18	FY 19/20	FY 21/22	FY 23/24	FY 25/26	FY 27/28	FY 29/30	FY 31/32	FY 33/34	Total
State	$ 29.02	$ 11.84	$ 45.31	$ 74.63	$ 97.84	$ 121.04	$ 134.38	$ 147.04	$ 156.05	$ 162.03	$ 979.18
Teachers	$ 18.66	$ (11.57)	$ 8.21	$ 24.60	$ 28.77	$ 42.89	$ 39.73	$ 43.40	$ 43.82	$ 44.01	$ 282.51
SPORS	$ 0.38	$ 0.58	$ 0.64	$ 0.68	$ 0.73	$ 0.78	$ 0.89	$ 0.99	$ 1.00	$ 1.05	$ 7.71
VaLORS	$ 3.03	$ 3.33	$ 3.49	$ 3.40	$ 3.57	$ 3.63	$ 3.61	$ 3.69	$ 3.64	$ 3.62	$ 35.00
JRS	$ (0.99)	$ (1.64)	$ (1.06)	$ (0.62)	$ (0.41)	$ (0.12)	$ (0.14)	$ (0.08)	$ (0.04)	$ (0.09)	$ (5.19)
Total	$ 50.10	$ 2.54	$ 56.59	$ 102.69	$ 130.50	$ 168.22	$ 178.48	$ 195.03	$ 204.47	$ 210.61	$ 1,299.21

Table 3 shows the projected savings from the general fund for the changes described above.

Projected Savings by Biennium - General Fund											($Millions)
	TABLE 3										
	Assuming Minimum Contribution to DC										20 Year
	FY 15/16	FY 17/18	FY 19/20	FY 21/22	FY 23/24	FY 25/26	FY 27/28	FY 29/30	FY 31/32	FY 33/34	Total
State	$ 30.49	$ 32.82	$ 56.06	$ 76.39	$ 93.21	$ 108.26	$ 118.54	$ 127.64	$ 134.74	$ 140.27	$ 918.42
Teachers	$ 30.81	$ 33.57	$ 52.39	$ 68.44	$ 79.08	$ 91.66	$ 97.98	$ 106.33	$ 112.96	$ 119.70	$ 792.93
SPORS	$ 0.33	$ 0.50	$ 0.55	$ 0.58	$ 0.63	$ 0.67	$ 0.76	$ 0.85	$ 0.86	$ 0.90	$ 6.61
VaLORS	$ 2.78	$ 3.05	$ 3.20	$ 3.12	$ 3.27	$ 3.33	$ 3.31	$ 3.39	$ 3.34	$ 3.32	$ 32.09
JRS	$ 0.63	$ 0.80	$ 1.88	$ 2.68	$ 3.20	$ 3.63	$ 3.82	$ 4.01	$ 4.14	$ 4.13	$ 28.91
Total	$ 65.03	$ 70.74	$ 114.07	$ 151.21	$ 179.38	$ 207.55	$ 224.41	$ 242.21	$ 256.04	$ 268.32	$ 1,778.96
	Assuming Maximum Contribution to DC										20 Year
	FY 15/16	FY 17/18	FY 19/20	FY 21/22	FY 23/24	FY 25/26	FY 27/28	FY 29/30	FY 31/32	FY 33/34	Total
State	$ 13.14	$ 5.36	$ 20.52	$ 33.79	$ 44.30	$ 54.80	$ 60.85	$ 66.58	$ 70.66	$ 73.36	$ 443.36
Teachers	$ 7.02	$ (4.35)	$ 3.09	$ 9.25	$ 10.82	$ 16.14	$ 14.95	$ 16.33	$ 16.48	$ 16.56	$ 106.28
SPORS	$ 0.33	$ 0.50	$ 0.55	$ 0.58	$ 0.63	$ 0.67	$ 0.76	$ 0.85	$ 0.86	$ 0.90	$ 6.61
VaLORS	$ 2.78	$ 3.05	$ 3.20	$ 3.12	$ 3.27	$ 3.33	$ 3.31	$ 3.39	$ 3.34	$ 3.32	$ 32.09
JRS	$ (0.99)	$ (1.64)	$ (1.06)	$ (0.62)	$ (0.41)	$ (0.12)	$ (0.14)	$ (0.08)	$ (0.04)	$ (0.09)	$ (5.19)
Total	$ 22.27	$ 2.91	$ 26.29	$ 46.12	$ 58.61	$ 74.82	$ 79.73	$ 87.05	$ 91.29	$ 94.05	$ 583.15

Table 4 shows the projected savings from non-general funds for the changes described above.

Projected Savings by Biennium - Non-General Fund											($Millions)
	TABLE 4										
	Assuming Minimum Contribution to DC										20 Year
	FY 15/16	FY 17/18	FY 19/20	FY 21/22	FY 23/24	FY 25/26	FY 27/28	FY 29/30	FY 31/32	FY 33/34	Total
State	$ 36.85	$ 39.67	$ 67.75	$ 92.32	$ 112.64	$ 130.83	$ 143.26	$ 154.26	$ 162.84	$ 169.52	$ 1,109.94
Teachers	$ 51.09	$ 55.66	$ 86.88	$ 113.49	$ 131.13	$ 151.98	$ 162.47	$ 176.31	$ 187.31	$ 198.48	$ 1,314.80
SPORS	$ 0.05	$ 0.08	$ 0.09	$ 0.10	$ 0.10	$ 0.11	$ 0.13	$ 0.14	$ 0.14	$ 0.15	$ 1.10
VaLORS	$ 0.25	$ 0.28	$ 0.29	$ 0.28	$ 0.30	$ 0.30	$ 0.30	$ 0.31	$ 0.30	$ 0.30	$ 2.92
JRS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ 88.25	$ 95.69	$ 155.01	$ 206.19	$ 244.17	$ 283.23	$ 306.16	$ 331.01	$ 350.59	$ 368.46	$ 2,428.76
	Assuming Maximum Contribution to DC										20 Year
	FY 15/16	FY 17/18	FY 19/20	FY 21/22	FY 23/24	FY 25/26	FY 27/28	FY 29/30	FY 31/32	FY 33/34	Total
State	$ 15.88	$ 6.48	$ 24.80	$ 40.84	$ 53.54	$ 66.23	$ 73.54	$ 80.46	$ 85.39	$ 88.66	$ 535.82
Teachers	$ 11.64	$ (7.22)	$ 5.12	$ 15.34	$ 17.95	$ 26.75	$ 24.78	$ 27.07	$ 27.33	$ 27.46	$ 176.23
SPORS	$ 0.05	$ 0.08	$ 0.09	$ 0.10	$ 0.10	$ 0.11	$ 0.13	$ 0.14	$ 0.14	$ 0.15	$ 1.10
VaLORS	$ 0.25	$ 0.28	$ 0.29	$ 0.28	$ 0.30	$ 0.30	$ 0.30	$ 0.31	$ 0.30	$ 0.30	$ 2.92
JRS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ 27.83	$ (0.38)	$ 30.30	$ 56.56	$ 71.89	$ 93.40	$ 98.75	$ 107.98	$ 113.17	$ 116.57	$ 716.06

All charts contain two scenarios: the first assumes the employer match to the DC plan is based on the minimum required amount of 1.0%, while the second scenario assumes the maximum 3.5% employer match is contributed to the DC plan. Payroll growth is assumed to remain flat throughout the projection period.

8. Fiscal Implications:

a. Defined Benefit Plan Changes. Most of the defined benefit plan design changes apply only to non-vested plan participants and new hires as of January 1, 2013. As a result, the reductions in costs associated with these defined benefit plan design changes will be fully realized many years into the future.

b. Mandatory Hybrid. The mandatory hybrid will apply to all non-hazardous duty employees hired on or after January 1, 2014. In addition, qualifying groups of current employees will be given the opportunity to elect the new hybrid design. Savings from the new hybrid plan design along with the other plan provision changes discussed above will grow over time and are expected to be fully recognized in the State workforce in approximately 20-25 years based on today's turnover assumptions. State employees eligible for an optional retirement plan (ORP) will be given a choice between joining the hybrid plan or their ORP.

Employers' contribution rates for the hybrid plan will be set at the same rate as established for the legacy defined benefit plan. As contributions are collected by VRS, payments to satisfy the requirements of individual members' DC accounts will be posted first. Residual contributions will then be posted to the employers' DB accounts. In this way, contributions above and beyond the requirements of the hybrid plan will serve as excess contributions to the legacy DB plans unfunded liabilities. Assuming the concurrence of future General Assemblies, these excess contributions will serve as a constant source of new revenues for the legacy DB program, which will remain the dominant driver of retirement costs for years to come. The reduction in costs associated with this plan design will be realized gradually as new state and local employees join the program. While initial cost savings associated with the plan design will be minimal, they will serve to reduce the ongoing or normal cost of the plans collectively and help to contain employer costs going forward. Because the legacy defined benefit plan is not being closed in order to implement the hybrid plan, the more significant contribution rates that would otherwise result from a complete shift to a defined contribution plan are avoided.

Another provision stipulates that agencies with employees enrolled in the ORP's for higher education, teaching hospitals, U.Va. Medical Center or the Virginia Port Authority may be subject to additional contributions to the DB plan.

The provision requiring a phase-in of the full amount of the Board-certified rates will ultimately have a positive impact on the unfunded liability by fully funding the certified contribution rates going forward. The plan actuary currently assumes full payment of certified rates in future years, and if the full amount is not contributed, the shortfall is added to the unfunded liability for that year's valuation.

9. **Specific Agency or Political Subdivisions Affected:** The defined benefit plan changes would affect VRS, General state employees, and various provisions would apply to JRS, SPORS, VaLORS, Teachers, and Localities as of January 1, 2013; the mandatory hybrid plan would affect VRS, Teachers, JRS and state agencies as of January 1, 2014.

10. **Technical Amendment Necessary:** No.

11. **Other Comments:** The revisions clarify the defined benefit changes that apply to hazardous duty employees and correct the vesting schedule for the employer contributions to the defined contribution component of the hybrid retirement plan.

a. Defined Benefit Plan Changes. The substitute bill modifies the existing VRS defined benefit plan for various groups of state and local employees as follows:

Change	Effective Date	Employee Groups	Comments
3% COLA cap (first 2% of CPI-U plus one-half of the next 2%, for a maximum total of 3%)	1/1/13	General state employees, SPORS, VaLORS, JRS, Teachers, and Localities (including local hazardous duty with enhanced benefits)	Applies to all Plan 2 members, and Plan 1 members who are not vested as of 1/1/13.
No COLA until member who retires with less than 20	1/1/13	General state employees, SPORS, VaLORS, JRS,	Employees within five years of eligibility for an unreduced benefit

years of service has received an allowance for one full calendar year after reaching unreduced retirement age		Teachers, and Localities (including local hazardous duty with enhanced benefits)	as of 1/1/13 are grandfathered
60-month AFC	1/1/13	General state employees, SPORS, VaLORS, JRS, Teachers, and Localities (including local hazardous duty with enhanced benefits)	Applies to Plan 1 and Plan 2 members who are not vested as of 1/1/13.
1.65% multiplier for service after 1/1/13	1/1/13	General state employees, Teachers, Localities, and Judges (Does not apply to SPORS, VaLORS or local hazardous with enhanced benefits.)	Applies to Plan 1 and Plan 2 members who are not vested as of 1/1/13. However, vested Plan 2 members would revert to a 36 month AFC.
Plan 2 age and service provisions (Rule of 90)	1/1/13	General state employees, Teachers, and Localities (Does not apply to SPORS, VaLORS or local hazardous duty with enhanced benefits.)	Applies to Plan 1 members who are not vested as of 1/1/13. These provisions already apply to Plan 2 employees.

Non-vested Plan 1 general employees, teachers and local employees (except local hazardous duty if enhanced benefits have been elected) will become Plan 2 for purposes of age and service—i.e., Rule of 90—as of January 1, 2013.

For Plan 1 employees with less than 60 months of service as of January 1, 2013, the bill changes the early retirement rules from an age-driven structure to a "Rule of 90" combination of age and service credit. Under the Rule of 90, a member can retire when the combination of his age and years of creditable service equal 90. For example, a member who is age 60, with 30 years of service would be able to retire with an unreduced benefit. The Rule of 90 change does not apply to SPORS, VaLORS or JRS. The Rule of 90 provisions already apply to all Plan 2 members except SPORS, VaLORS and local hazardous duty with enhanced benefits.

The AFC and multiplier changes only apply to a member who does not have 60 months of service on January 1, 2013. These provisions apply to any non-vested member as of January 1, 2013. A Plan 1 employee hired after July 1, 2008 who has purchased enough prior service to reach 60 months will stay with the original Plan 1 AFC and multiplier. A Plan 2 employee hired after July 1, 2010 who has purchased enough prior service to equal 60 months of total service will stay with the 1.7 multiplier, and will move to the original Plan 1 AFC.

The legislation does not affect current retirees.

With respect to the legal aspects of any proposed changes to public pension plans, it is important to note that as a general rule, prospective changes that grandfather benefits earned prior to the date of the change should be acceptable by courts if challenged. Little legal guidance exists to provide clear answers on what would be acceptable changes to retirement benefits based on service and compensation prior the effective date of the change. In short, even changes that are considered low-risk can be challenged, and there is very little Virginia precedent on these issues. Decisions from other states cannot be relied on as predictors of the outcome of a case in Virginia due to differences in statutory and constitutional provisions and the case law in that particular state. The General Assembly may wish to seek a legal opinion from the Attorney General's Office.

b. Mandatory Hybrid Plan. A number of other states have adopted hybrid retirement plans in various forms. States that administer some form of hybrid plans as a mandatory or optional primary retirement benefit for broad classes of employees include Georgia, Indiana, Ohio, Michigan, Oregon, Utah, and Washington.[1]

Participation in the hybrid plan is mandatory for all new state and local employees and teachers commencing employment on or after January 1, 2014, with the exception of those groups identified in item 5 above. Employees in service as of December 31, 2013 that have been identified as eligible in item 5 above will have until April 30, 2014 to make an irrevocable election to participate in the hybrid plan.

Proposed Hybrid Defined Benefit and Defined Contribution Schedule

Employer Contribution	**Employee Contribution**
To DB: determined actuarially	To DB: 4% (mandatory)
To DC: 1.0% (mandatory)	To DC: 1% (mandatory)
To DC: employer match 1%	To DC: 1% (optional)
To DC: employer match ½%	To DC: 1% (optional)
To DC: employer match ½%	To DC: 1% (optional)
To DC: employer match ½%	To DC: 1% (optional)
Total possible employer DC contribution: 3.5%	Total possible employee DC contribution: 5%
Total possible employer contribution: 3.5% plus actuarially determined DB contribution	Total possible employee contributions: 9%

[1] NASRA ISSUE BRIEF: State Hybrid Retirement Plans, November 22, 2011, http://www.nasra.org/resources/HybridBrief.pdf

Based on employee surveys conducted by JLARC and using data collected by other employee benefit firms, it is expected that approximately 80% of hybrid plan members will opt for the minimum contribution initially.

Table 5 below shows the expected savings from the General Fund over the next 20 years assuming that 80% of hybrid plan members contribute the minimum DC amount and receive the mandatory 1.0% matching contribution while 20% of hybrid plan members contribute the maximum amount and receive 3.5% match from employer each year.

TABLE 5

Assuming 80% Contribute Minimum and 20% Contribute Maximum Contribution to DC

Projected Savings by Biennium - Total Fund											20 Year
	FY 15/16	FY 17/18	FY 19/20	FY 21/22	FY 23/24	FY 25/26	FY 27/28	FY 29/30	FY 31/32	FY 33/34	Total
State	$ 59.67	$ 60.36	$ 108.11	$ 149.90	$ 184.25	$ 215.48	$ 236.32	$ 254.93	$ 269.27	$ 280.24	$ 1,818.53
Teachers	$ 69.26	$ 69.07	$ 113.06	$ 150.46	$ 173.92	$ 203.49	$ 216.31	$ 234.79	$ 248.98	$ 263.35	$ 1,742.68
SPORS	$ 0.38	$ 0.58	$ 0.64	$ 0.68	$ 0.73	$ 0.78	$ 0.89	$ 0.99	$ 1.00	$ 1.05	$ 7.71
VaLORS	$ 3.03	$ 3.33	$ 3.49	$ 3.40	$ 3.57	$ 3.63	$ 3.61	$ 3.69	$ 3.64	$ 3.62	$ 35.00
JRS	$ 0.30	$ 0.31	$ 1.29	$ 2.02	$ 2.48	$ 2.88	$ 3.03	$ 3.19	$ 3.30	$ 3.29	$ 22.09
Total	$ 132.64	$ 133.65	$ 226.58	$ 306.46	$ 364.95	$ 426.27	$ 460.15	$ 497.58	$ 526.20	$ 551.54	$ 3,626.01
Projected Savings by Biennium - General Fund											20 Year
	FY 15/16	FY 17/18	FY 19/20	FY 21/22	FY 23/24	FY 25/26	FY 27/28	FY 29/30	FY 31/32	FY 33/34	Total
State	$ 27.02	$ 27.33	$ 48.95	$ 67.87	$ 83.42	$ 97.57	$ 107.00	$ 115.43	$ 121.92	$ 126.89	$ 823.41
Teachers	$ 26.05	$ 25.98	$ 42.53	$ 56.60	$ 65.43	$ 76.55	$ 81.37	$ 88.33	$ 93.67	$ 99.07	$ 655.60
SPORS	$ 0.33	$ 0.50	$ 0.55	$ 0.58	$ 0.63	$ 0.67	$ 0.76	$ 0.85	$ 0.86	$ 0.90	$ 6.61
VaLORS	$ 2.78	$ 3.05	$ 3.20	$ 3.12	$ 3.27	$ 3.33	$ 3.31	$ 3.39	$ 3.34	$ 3.32	$ 32.09
JRS	$ 0.30	$ 0.31	$ 1.29	$ 2.02	$ 2.48	$ 2.88	$ 3.03	$ 3.19	$ 3.30	$ 3.29	$ 22.09
Total	$ 56.48	$ 57.18	$ 96.52	$ 130.19	$ 155.23	$ 181.00	$ 195.47	$ 211.18	$ 223.09	$ 233.46	$ 1,539.80
Projected Savings by Biennium - Non-General Fund											20 Year
	FY 15/16	FY 17/18	FY 19/20	FY 21/22	FY 23/24	FY 25/26	FY 27/28	FY 29/30	FY 31/32	FY 33/34	Total
State	$ 32.65	$ 33.03	$ 59.16	$ 82.03	$ 100.82	$ 117.91	$ 129.32	$ 139.50	$ 147.35	$ 153.35	$ 995.12
Teachers	$ 43.20	$ 43.09	$ 70.53	$ 93.86	$ 108.49	$ 126.94	$ 134.93	$ 146.46	$ 155.31	$ 164.28	$ 1,087.09
SPORS	$ 0.05	$ 0.08	$ 0.09	$ 0.10	$ 0.10	$ 0.11	$ 0.13	$ 0.14	$ 0.14	$ 0.15	$ 1.10
VaLORS	$ 0.25	$ 0.28	$ 0.29	$ 0.28	$ 0.30	$ 0.30	$ 0.30	$ 0.31	$ 0.30	$ 0.30	$ 2.92
JRS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ 76.16	$ 76.47	$ 130.07	$ 176.26	$ 209.72	$ 245.26	$ 264.67	$ 286.41	$ 303.11	$ 318.08	$ 2,086.22

Vesting of the employer contributions to the defined contribution component would begin at 50% after the second year of continuous participation in the program, increasing by an additional 25% per year until full vesting at the end of the fourth year of continuous participation. If an employee terminates employment with an employer prior to achieving 100% vesting, contributions made by an employer on behalf of the employee that are not vested will be forfeited. No loans or hardship withdrawals may be made from the employer or employee contributions to the defined contribution component.

The bill also contains an auto-escalation provision which would serve to automatically increase employee contributions by one-half of one percent of a member's creditable compensation every three years until members reach their maximum contribution to the DC plan of 5%. Employee contributions increased in this manner would also be subject to the requisite matching employer contributions. Employees would be allowed to opt out of any automatic increase in their DC contributions.

The defined benefit component has a 1.0 multiplier. Members transferring to the new hybrid plan will have their creditable service as of the date of the transfer applied to the multiplier in effect prior to the transfer in calculating the DB benefit; the 1.0 multiplier will apply to all future service earned subsequent to the transfer to the hybrid plan.

The traditional disability program associated with the legacy DB plan would not be available to members of the new hybrid plan. Instead, a new disability program for political subdivision and school board employees would become available for employees participating in the hybrid plan if their local employer elects to participate in the program. This program would be modeled after the Virginia Sickness and Disability Program (VSDP) for state employees. Local employers would be given a one-time irrevocable election to enroll their hybrid members in the new disability program. The average cost to local governments of the local disability program provided in the substitute bill is initially estimated to be about .48% of covered payroll for the long-term disability and the long-term care components of the program. The costs of the short-term disability component of the program would be separately borne by participating employers. The cost estimates in tables 1 through 5 above assume that all employers would opt for the disability program and therefore include the 0.48% of payroll as an employer cost.

Participants in the hybrid plan would also be eligible for group life and the health insurance credit program pursuant to the existing eligibility requirements of those programs.

Under a new provision added in the substitute bill, the General Assembly would be required to phase in contribution rates that are at least 100% of the certified rates for all plans by fiscal years beginning on and after July 1, 2018.

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