

**VSERS Summary of Recommended Pension Changes - DRAFT**

<b>Current</b>	<b>Proposed</b>	<b>ADEC Impact (Estimated, \$ millions)</b>	<b>Unfunded Liability Impact (Estimated, \$ millions)</b>	<b>Notes</b>
Employee contribution rates are 6.65% for Group F.	Beginning in FY 2023, increase the contribution rates of active Group F employees as follows: <ul style="list-style-type: none"> <li>○ Members with base salaries below the 25<sup>th</sup> percentile see no change.</li> <li>○ Members with base salaries between the 25<sup>th</sup> and up to the 50<sup>th</sup> percentile see 0.5%/year increases for 3 years.</li> <li>○ Members with base salaries above the 50<sup>th</sup> percentile and up to the 75<sup>th</sup> percentile see 0.5%/year increases for 4 years.</li> <li>○ Members with base salaries above the 75<sup>th</sup> percentile see 0.5%/year increases for 5 years.</li> </ul>	-2.5 (FY23)  -13.3 (FY27)	N/A	
Employee contribution rates are 8.53% for Group C.	Beginning in FY2023, Group C employee contribution rates increase by 0.5%/year over a three-year period, with new rates fully phased in by FY2025.	-0.2 (FY23) -0.6 (FY25)	N/A	
Group C:	Group C:	-3.3	-22.0	Actuarial estimate did not include the impact of the

<p>COLA: Net percentage increase in the CPI has a 5% maximum.</p> <p>COLA: A member must receive a retirement benefit for at least 12 months prior to receiving a COLA at the start of a calendar year.</p> <p>Mandatory retirement at age 55.</p> <p>Max Benefit (50% of AFC) is reached upon completion of 20 years of service.</p>	<p><i>For all currently active employees upon retirement, beginning with the CY2023 COLAs:</i></p> <p>COLA: Net percentage increase in the CPI used to calculate the COLA has a 0% minimum and 4% maximum</p> <p>COLA: A member must receive a retirement benefit for at least 24 months prior to receiving a COLA at the start of a calendar year.</p> <p>Mandatory retirement at age 57.</p> <p>Max Benefit increased by 1.5%/year for each year worked beyond reaching the later of age 50 or 20 years of service, applying prospectively to service actually worked after July 1, 2022.</p>			<p>adjustment of the net percentage minimum/maximums, which would be expected to yield additional savings.</p> <p>Savings resulting from the max benefit increase may vary from projections based on actual retirement behavior.</p>
<p>Group F:</p>	<p>Group F: <i>For currently active employees upon retirement, beginning with the CY2023 COLAs, <u>except</u> actives who are eligible for normal (unreduced ) retirement as of July 1, 2022:</i></p>	<p>-5.4</p>	<p>-35.4</p>	<p>Actuarial estimates do not exclude actives who are eligible for normal retirement, and therefore may be slightly overstated.</p>

<p>COLA: Net percentage increase in the CPI used to calculate COLA has a 1% minimum and 5% maximum.</p> <p>COLA: A member must receive a retirement benefit for at least 12 months prior to receiving a COLA at the start of a calendar year.</p>	<p>COLA: Net percentage increase in the CPI used to calculate the COLA has a 0% minimum and 4% maximum.</p> <p>COLA: A member must receive a retirement benefit for at least 24 months prior to receiving a COLA at the start of a calendar year.</p>			
<p>Group D:</p> <p>Employee contributions are 6.65%.</p>	<p>Group D:</p> <p>Beginning in FY 2023, increase the contribution rates of active Group D employees as follows:</p> <ul style="list-style-type: none"> <li>○ Members with base salaries below the 25<sup>th</sup> percentile see no change.</li> <li>○ Members with base salaries between the 25<sup>th</sup> and up to the 50<sup>th</sup> percentile see 0.5%/year increases for 3 years.</li> <li>○ Members with base salaries above the 50<sup>th</sup> percentile and up to the 75<sup>th</sup> percentile see 0.5%/year increases for 4 years.</li> <li>○ Members with base salaries above the 75<sup>th</sup> percentile see 0.5%/year increases for 5 years.</li> </ul>	<p>-0.1</p>	<p>-1.0</p>	<p>JFO estimates pending actuarial analysis. Group D is a very small universe of members, therefore the actuarial impact of the changes is likely small and may fluctuate from estimates due to variations in individual member behavior.</p>

<p>AFC is based on the final salary at retirement.</p> <p>The maximum benefit payable is 100% of final salary.</p> <p>Normal retirement eligibility is age 62.</p> <p>COLA based on 100% of CPI if greater than 1%, with a 5% maximum.</p> <p>Member must receive a retirement benefit for at least 12</p>	<p><i>For all active members except those with 5+ years of service and are either within 5 years of age 62 or over 62 years old, or have 15+ years of service as of 7/1/22:</i></p> <p>For members who retire after 7/1/22, the AFC is based on averaging salary in the final two years of employment.</p> <p>Beginning in FY2023, the maximum benefit payable is 80% of AFC.</p> <p>For any new judge appointed/elected after 7/1/22, the normal retirement age is 65.</p> <p>For any judge appointed/elected after 7/1/22, the COLA applies to the first \$75,000 of benefit paid at 100% of CPI with a 5% maximum. The COLA is calculated at 50% of the net CPI change on benefits paid in excess of \$75,000.</p> <p>Member must receive a retirement benefit for at least 24 months prior</p>			
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months prior to receiving a COLA at the start of a calendar year.	to receiving a COLA at the start of a calendar year.  No changes to the COLA for judges who are appointed or elected on or before 6/30/22.			
	State makes one-time \$75 million payment in FY2022 toward unfunded liability.	-7.3 (FY24)	-75.0	Impact of one-time funds will reduce the ADEC beginning 2 years into the future.
	State makes additional “plus” payment to unfunded liability in future years. Plus payment will begin in FY2024 and grow to \$15M in FY2026 and remain at that level until the fund reaches 90% funded.  State allocates 25% of unrestricted year-end General Fund surplus to the VSERS pension system.	varies	varies	Impact on the ADEC and UAL will depend on the size and timing of additional payments.
<i>All financial impact estimates are preliminary and subject to change with additional actuarial analysis or plan experience.</i>				