

VSTRS Summary of Recommended Pension Changes - DRAFT

Current	Proposed	ADEC Impact (Estimated, \$ millions)	Unfunded Liability Impact (Estimated, \$ millions)	Notes																								
<p>Employee contribution rates are 5.0%, or 6.0% for members with less than 5 years of service as of 6/30/14.</p>	<p>Beginning in FY2023, employee contribution rates are structured in a marginal fashion and phased in over 3 years:</p> <table border="1" data-bbox="499 597 1293 976"> <thead> <tr> <th>Base Salary Level</th> <th>Year 1 Rate</th> <th>Year 2 Rate</th> <th>Year 3 Rate</th> </tr> </thead> <tbody> <tr> <td>\$0-\$40,000</td> <td>6.00%</td> <td>6.25%</td> <td>6.25%</td> </tr> <tr> <td>\$40,000.01-\$60,000</td> <td>6.50%</td> <td>6.75%</td> <td>6.75%</td> </tr> <tr> <td>\$60,000.01-\$80,000</td> <td>6.75%</td> <td>7.00%</td> <td>7.50%</td> </tr> <tr> <td>\$80,000.01-\$100,000</td> <td>7.00%</td> <td>7.50%</td> <td>8.25%</td> </tr> <tr> <td>\$100,000.01 +</td> <td>7.25%</td> <td>8.00%</td> <td>9.00%</td> </tr> </tbody> </table> <p>Effective rates would be calculated annually on July 1 based on a member's base salary, then assessed on the full amount of compensation earned.</p>	Base Salary Level	Year 1 Rate	Year 2 Rate	Year 3 Rate	\$0-\$40,000	6.00%	6.25%	6.25%	\$40,000.01-\$60,000	6.50%	6.75%	6.75%	\$60,000.01-\$80,000	6.75%	7.00%	7.50%	\$80,000.01-\$100,000	7.00%	7.50%	8.25%	\$100,000.01 +	7.25%	8.00%	9.00%	<p>-6.2 (FY23)</p> <p>-10.3 (FY25)</p>	<p>N/A</p>	<p>ADEC impact estimated by JFO based on active payroll estimates. Employee contribution rates offset normal cost, therefore minimal impact to unfunded liability.</p>
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<p>COLA: Net percentage increase in the CPI used to calculate COLA has a 1% minimum and 5% maximum.</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>-2.8</p>	<p>-20.1</p>	<p>Actuarial estimates reflect the individual impact of the first two</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: The COLA is calculated at 50% of the net percentage change in the CPI.</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>COLA: Once the VSTRS system reaches 80% funded, the COLA formula shall increase by 7.5% of the net percentage change in CPI per year, provided that doing so does not cause the fund to drop below the 80% funded status. If the increase would result in a drop below 80% funded, the formula is paused at the levels in place at the time.</p>	-2.0	-14.8	options. The combined impact has not been modeled and may reflect minor fluctuations.
	State makes one-time \$125 million payment in FY2022 toward unfunded liability.	-12.2 (FY24)	-125.0	Impact of one-time funds will reduce the ADEC beginning 2 years into the future.
	<p>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.</p> <p>State allocates 25% of unrestricted year-end General Fund surplus to the VSTRS pension system.</p>	varies	varies	Impact on the ADEC and UAL will depend on the size and timing of additional payments.
<p><i>All financial impact estimates are preliminary and subject to change with additional actuarial analysis or plan experience.</i></p>				