POSSIBLE OPTIONS
08.31.21 Version

GENERAL

Amortization:

- Implement layered amortization for future unfunded liability
- In FY28 cap ADEC growth for existing unfunded liability to a % or fixed dollar amount and separately amortize any losses above that amount.

Risk sharing (employee and employer share risks of higher costs or lower returns):

- Tie to COLAs
- Tie to employee contribution rates

New Plans for New Hires:

- Offer revised DB plans with different terms than existing plans
- Offer hybrid DB/DC plans
- New hires only, or also provide incentives for current actives to switch plans?

Education Fund:

- Should the EF pay for some or all of the teacher OPEB costs?
- Should the EF pay for any growth in the VSTRS unfunded liability above current levels?
- Should pension and OPEB costs be reflected in local school budgets?

No changes to current retirees

Minimal changes to current employees within a certain number of years of retirement eligibility.

INCREASE ASSETS

One-Time infusion of funds above ADEC amount.
Note: Actuarial modeling is currently underway

Ongoing/recurring infusion of funds above ADEC amount.
Note: Actuarial modeling is currently underway

Employee contributions:

- Fixed amount regardless of health of funds (status quo) *Note: Some scenarios were previously modeled for Treasurer's January 15th report.*
- Tiered contribution rates based on income. *Note: Some scenarios were previously modeled for Treasurer's January 15th report.*
    - *NOTE: In all revenue scenarios, recommendations should be made as to how to split the funds among the four buckets.*
- **Risk Sharing**:
    - Tie employee contributions to keep pace with normal costs.
    - Supplemental employee charge triggered by health of fund (funded ratio) or investment performance.

- Different employee contribution rates for more generous benefits.
- Gradual/phased increases in employee contribution rates with increase in salary.

Redirect some portion of school surplus funds to pensions or OPEB.

Redirect some portion of future state budget surpluses (GF and/or Ed Fund) to pension unfunded liability.

Property/asset sales – deposit proceeds into pension funds

Solicit ideas from employees on how to save money and redirect any resulting savings to pension funds.

Charge more for service credit purchases.

REDUCE LIABILITIES

COLA:

- Remove all automatic COLAs. *Note: Some scenarios were previously modeled.*
- COLA thresholds – COLA only on first $x of base retirement benefits. *Note: Some scenarios were previously modeled.*
- COLAs are progressive – full COLA on first $x of base retirement benefit, then reduced COLA on benefits above that level.
- Cap COLAs at 2% annual maximum.
- **Risk Sharing:**
  - No COLA if funds are below x% funded.
  - No COLA if investment performance falls below assumptions.
  - Limits on COLA are relaxed when funds reach a benchmark of pension health (shared gain).
  - Restricted COLA if the CPI exceeds actuarial assumptions.
- COLA only once retired for a minimum number of years.
- COLA only once retired at a minimum age. Note: Some scenarios were previously modeled.
- COLA only until reaching age 67 (Social Security)
- Offer COLA as an elective option – member accepts reduced base benefit in exchange for a guaranteed minimum/maximum COLA.
- COLAs are simple rather than compounded.

Restrict early retirement incentives:

- End the practice
- Account for their costs and ensure that schools make VSTRS whole.
- Impose financial penalty for offering retirement before member is Medicare eligible (OPEB).

Create incentives for employees to work longer:

- Could be carrot, stick, or combination – increase age, years of service, tiered multiplier.
- 1% Max Benefit increase for each year worked beyond current "maximums." *Note: Some analysis was already performed for the Treasurer's January 15th report. Additional*

analysis would be required to assess impact in conjunction with any other proposed changes.

- Suspend or reduce employee contributions for years worked beyond current maximums.
- Form a subcommittee to further explore incentive ideas that result in actuarial gains.

Modify normal retirement eligibility:

- Change or eliminate Rule of 87/90 ability to retire prior to reaching a minimum age.
- Change minimum normal retirement age.
- No normal retirement benefits until reaching Social Security retirement age.
  Note: Some analysis was already performed on all three of these options.
- Increase normal retirement age when life expectancy increases.

Modify early retirement eligibility:

- Increase minimum eligibility age.
- Impose actuarial reductions for all groups.

Average Final Compensation:

- Increase the number of years and apply the number of additional years to all groups (e.g add 2 years to all groups). *Note: Preliminary actuarial analysis already performed.*
- Increase number of years and apply the same range to all groups (e.g. highest 5 years for all groups). *Note: Preliminary actuarial analysis already performed.*
- Tighten guardrails around number of hours worked in the final years that are considered for AFC calculation purposes.
- Cap AFC at a certain income level and offer a DC with match to employees earning above that level (stacked DB/DC hybrid).

Modify service credit multiplier formula.