

Report on the Response of the Virginia Retirement System to the Impact of the Aging of Virginia's Population

November 14, 2014

Pursuant to Code of Virginia §§ 2.2-5510 and 51.5-136, the Virginia Retirement System submits this report of its progress in addressing the impact of the aging of Virginia's population.



Robert P. Schultze, VRS Director

Agency official responsible for reviewing policy and programs and accommodating the interests of older adults and adults with disabilities under Code of Virginia § 2.2-604.1:

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EXECUTIVE SUMMARY

It is important to note that the Virginia Retirement System's (VRS) interactions with older Virginians are limited to older Virginians who are also VRS members. A fraction of the Commonwealth's population maintains VRS membership and, therefore, VRS does not have the opportunity to interact with the entire population of older Virginians. Furthermore, the observations of VRS should not necessarily be taken as representative of the entire population of older Virginians.

In general, VRS has recognized the aging of its membership and enacted measures to better serve its retirees and older active members. As VRS modernizes its systems and maintains pace with newer technologies, VRS remains aware that some older Virginians do not have access to a computer or the internet or do not feel comfortable using newer technology. Therefore, any VRS efforts to update its processes are counterbalanced by measures that continue to serve those without access to these enhancements.

VRS does not propose any recommendations at this time. The responses contained in this report are, again, a reflection of VRS' observations regarding its older members, retirees and beneficiaries. The observations and responses do not take into account the many older Virginians who do not participate in any VRS retirement plan.

AGENCY DESCRIPTION

VRS Mission Statement

The Virginia Retirement System's mission is to provide superior customer service in the delivery of retirement-related benefits on behalf of participating Virginia public employers and their employees and to serve as stewards of the funds in our care.

VRS Vision Statement

To be the trusted leader in the delivery of benefits and services to those we serve.

VRS Overview

VRS administers benefits and services for approximately 630,000 members, retirees and beneficiaries covered under the following systems:

- Virginia Retirement System (VRS) for teachers, state employees, and employees of participating political subdivisions, including full-time local law enforcement officers, firefighters, emergency medical technicians and jail officers
- State Police Officers' Retirement System (SPORS)
- Virginia Law Officers' Retirement System (VaLORS)
- Judicial Retirement System (JRS)

Benefits administered by VRS include:

- Plan 1 and Plan 2 defined benefit plans for members of VRS, SPORS, VaLORS and JRS
- Plan 1 and Plan 2 optional retirement defined contribution plans for political appointees, school superintendents and faculty members at Virginia's public colleges and universities, as elected by the participant
- Hybrid plan for most newer members of VRS and JRS, consisting of both a defined contribution and defined benefit component
- Commonwealth of Virginia 457 Deferred Compensation and Cash Match Plans
- Group Life Insurance Program, including Optional Group Life Insurance
- Retiree Health Insurance Credit Program
- Virginia Sickness and Disability Program (VSDP) and VSDP Long-Term Care Plan
- Virginia Local Disability Program
- Commonwealth of Virginia (COV) Voluntary Group Long-Term Care Insurance Program

More than 800 employers participate in VRS on behalf of their employees. They include state agencies, public colleges and universities, school boards, political subdivisions and special authorities.

INFORMATION REQUESTED

1. If your agency has undertaken any actions to respond to the current and future impact of an aging population, such as needs assessments, strategic planning, or use of best practices, please briefly describe those actions. Please indicate what assistance from DARS could help your agency as it prepares to serve an aging Virginia population.

VRS has undertaken numerous actions to specifically assist older VRS members (i.e., mostly retirees and those nearing retirement). One such action is Retiree News, a biannual publication intended to keep retirees abreast of current issues related to their retirement. VRS began publishing Retiree News in the 1970s and has received positive feedback from members regarding the publication. The newsletter is mailed to retirees and is also available online in PDF format. In addition, VRS provides a dedicated section of its website for retirees that presents benefit information pertinent to the retiree population. A special publication, the Roadmap to Retirement, is produced especially for retirees to serve as a guide to their benefits throughout retirement and is available in print form and on the VRS website. Publications directed to retirees are produced in a larger font size and increased leading, which increases readability.

VRS has also focused on modernizing its systems and incorporating technology into its processes, many of which have been automated online. The modernization project is ongoing, and is scheduled to be completed in approximately 2017. However, VRS is cognizant of the fact that some older VRS members, retirees and beneficiaries may not have access to or be comfortable with computers or the internet. Therefore, VRS continues to send forms and publications via mail upon request. The VRS Customer Contact Center will mail the requested documents at no cost to the member and interact by phone to questions that retirees have or for members contemplating retirement. VRS also provides one-on-one consultations and assistance at its Richmond office. The office is located on the ground floor, and VRS provides one hour of free parking in an adjacent handicap-accessible lot.

In 2013, VRS partnered with the Southeastern Institute of Research (SIR) to better understand the generational differences and dynamics among its membership. Specifically related to the aging population of VRS members, SIR provided VRS with critical information related to how the aging population processes information and may require service in a different form from other generations. Likewise, SIR provided population forecasts for Virginia, indicating that elderly Virginians will represent 19% of the Commonwealth's population by 2030, up from 13% in 2010. Using this and other information provided by SIR, VRS is better able to serve and understand the needs of its aging members.

2. Briefly describe your agency's services that are used primarily by older Virginians and the funding streams (types and amounts) that support those services. If these particular services or funding streams are provided in conjunction with other state or local agencies or other for profit or non-profit organizations, please list them.

Many of the benefits administered by VRS are distributed to older Virginians who are VRS retirees or beneficiaries. The largest of VRS' responsibilities is the distribution of retirement benefits to retirees, the majority of whom are over the age of 60. The funding of

retirement benefits is a product of three funding sources: member contributions, employer contributions, and investment earnings. While a VRS member is actively employed in covered service, he or she contributes funds for the duration of his or her VRS-covered service. Likewise, the employers that participate in VRS contribute funds on behalf of their employees. The amount of contributions varies depending on the retirement plan the member is covered by, which in turn is dependent on length of service, salary, and the member's age, among other factors. Members of the Hybrid Retirement Plan may choose to make voluntary contributions, which affect the amounts contributed by the employers as there is a matching component. Both the member contributions and employer contributions are invested in various asset classes so as to fund future retirement and ancillary benefits, such as group life insurance.

3. Identify current agency programs specifically designed to serve older Virginians that fall into any of the following eight categories:

- **Health Care/Wellness**
 - Retiree Health Insurance Credit
- **Education**
 - n/a
- **Public Safety (including Adult Abuse Prevention)**
 - n/a
- **Recreation**
 - n/a
- **Housing**
 - n/a
- **Accessibility (including Livable Communities <http://www.vadrs.org/vblc/>)**
 - n/a
- **Financial Security**
 - Group Life Insurance Program
 - Optional Group Life Insurance Program
 - Retirement programs (VRS, SPORS, VaLORS, JRS)
 - Retirement education and planning
<http://www.varetire.org/members/getting-ready-to-retire/index.asp>
 - Financial Literacy information –Money Matters for Virginians,
<http://www.varetire.org/money-matters.asp>
- **Transportation**
 - n/a

4. Is your agency able to meet all of the service demands of older Virginians for the services listed above? If there are any instances where the demand for services exceeds your agency's ability to meet the demand, please indicate the service and the extent of the unmet demand. Also, if your agency maintains waiting lists for services, please provide this information, including the waiting list numbers for each service.

VRS is able to meet the demands of older VRS members, retirees and beneficiaries. As the number of older VRS participants increases, VRS continues to evaluate how to better serve the aging membership.

5. Provide the number of persons, by gender if available, who received services from the agency in each of the past five state fiscal years (FY 2010 through FY2014) who fell into the following age ranges: 60-64; 65-74; 75-84; and 85 and older. If your agency lacks specific information about the numbers of older Virginians it serves but has other evidence indicating that it is serving more or fewer older Virginians than it has in the past, please describe the basis for that estimation.

Exhibit 1 below provides the retirees by gender, and age ranges, as requested above. Over the last five years, we have seen covered retirees increasing at a rate of 4-5% per year. Statistics also show that fewer members are retiring before age 60, while the largest increase in covered retirees has been for those between the ages of 65-74.

Virginia Retirement System Retirees

	Age Group	2014	2013	2012	2011	2010
Females	<60	11,048	11,415	11,827	12,454	12,494
	60-64	19,883	19,653	19,711	20,064	18,473
	65-74	51,117	47,199	43,228	38,980	36,276
	75-84	23,519	22,333	21,266	20,291	19,522
	85+	9,534	9,071	8,722	8,434	8,111
	Total	115,101	109,671	104,754	100,223	94,876
Males	<60	8,195	8,505	8,777	8,998	9,105
	60-64	10,706	10,887	11,100	11,499	10,696
	65-74	27,657	25,804	23,972	22,000	20,940
	75-84	12,800	12,249	11,744	11,229	10,714
	85+	3,460	3,257	3,049	2,870	2,771
	Total	62,818	60,702	58,642	56,596	54,226
Total	<60	19,243	19,920	20,604	21,452	21,599
	60-64	30,589	30,540	30,811	31,563	29,169
	65-74	78,774	73,003	67,200	60,980	57,216
	75-84	36,319	34,582	33,010	31,520	30,236
	85+	12,994	12,328	11,771	11,304	10,882
	Total	177,919	170,373	163,396	156,819	149,102

An aging population is characterized by a growing proportion of retired to active working population. Ten years ago VRS had approximately 2.7 active members for every retired member. Today, that statistic stands at 1.8 active members per retired member. While the active VRS membership has had a modest 5% increase since 2005, retirees have increased by nearly 60% over that same time period.

6. Referring to the services or funding you described in item two, describe any services or funding provided to older Virginians for which the accessibility or availability varies considerably in different parts of the Commonwealth.

As discussed in item two, VRS offers retirement education to members who are at different stages of retirement “Are You on Track?” for new and current members, “Are You Ready to Retire?” for members within five years of retirement, and “Your Next Steps” for members who are fewer than 12 months away from retirement. VRS also offers a Retirement Education Seminar covering psychological adjustment and planning for retirement, mid- and long-range financial planning, estate planning, and legal readiness. These classes are free and offered online or on-site at an employer’s request. Additionally, VRS offers a variety of financial literacy classes online. Although the on-site classes are available to any employer, they must be requested. Individual, in-person counseling is available in the Richmond office, and counseling is available by telephone at any time. Regional presentations are available state-wide that provide information about the Commonwealth’s 457 plan, which is a supplemental deferred compensation account available to many VRS members.

7. Over the next five to 10 years, in what ways do you anticipate that an aging population will impact your agency’s services, funding streams, or policies? Consider the impact from an increase in the number of older Virginians and whether the needs of older Virginians will differ from those of today’s older adults. Please include any anticipated impacts upon the cost of services, changes in type of services or the manner of service delivery, or modifications to agency policies, staffing needs, or procedures.

Population aging and improvements in life expectancy will increase the number of people in retirement. The main impact of aging could result from improvements in life expectancy, in particular the uncertainty surrounding these improvements (*i.e.* longevity risk). Improvements in life expectancy lengthen the time people may remain in retirement increasing payouts and the liabilities of the plans. These risks build slowly over time, but if not addressed, could have negative effects on plan liabilities and funded status. We anticipate that adjustments will be made to plan assumptions within the next 5 to 10 years to account for mortality improvements.

With the addition of the Hybrid plan in 2014, plan members will be required to manage a portion of their retirement savings through the defined contribution component of the plan. They too will need to address longevity risk and will need to save more. Additional education along with encouraging greater personal savings will help to make the consequences clearer and should be a focus over the next 5 to 10 years as this plan develops.

8. Please describe the primary steps that should be taken at the federal, state, or local levels to meet the future demands of older Virginians and to make services delivery more effective and efficient.

VRS continues to strive for quality service in the administration of retirement and other post-employment benefits. Aside from the many initiatives being undertaken at this time to improve the delivery of services to the VRS members who are older Virginians, VRS does not have additional suggestions.

9. Identify the extent to which your agency provides “customer-oriented” publications and websites that are designed to be “senior-friendly.” If the information you currently provide is not readily accessible to older Virginians, please identify any steps your agency is taking to improve their access to this information.

All VRS publications are available for download on the VRS website, and the most current publications also are available in print. Member and employer newsletters are available online. VRS provides a specific retiree newsletter twice per year that is currently available in print and online. All publications can be printed and mailed or emailed by VRS upon request. The VRS web site conforms to Level A of the W3C [Web Content Accessibility Guidelines 1.0](#), including all [Priority 1](#) checkpoints defined in the Guidelines.

10. Describe any other services or programs that your agency plans to implement in the future to address the impact of the aging of Virginia’s population.

VRS is implementing a Modernization Plan that will impact and improve the delivery of services to all VRS members, retirees and beneficiaries. Modernization consists of four separate phases. Modernization Phase 3 was implemented in November 2012 and proved successful. For FYE 2014:

- The new software system (myVRS Navigator (VNAV)) was available 99.8% of the planned time
- 97% of employers confirmed their monthly contributions by the end of the month due with no further processing required
- The new data center, disaster recovery data center and VOIP phone system were available 100% of the time
- 100% of workflow documents were imaged in the new Imaging and Content Management System within one day of receipt

Modernization Phase 4 launched July 1, 2014. The primary goal of Phase 4 is to eliminate the legacy mainframe system by moving all remaining functionality to VNAV. By doing so, VRS will eliminate need for staff to use two systems, eliminate VITA mainframe charges, and achieve a number of efficiencies inherent in a modern pension processing system. Phase 4 also includes an online customer portal for members and retirees that will allow them to complete self-service transactions like requesting a refund, managing beneficiaries, or retiring.

11. Please indicate if your agency is experiencing an increase in employees retiring later and describe any actions your agency is taking or plans to take to accommodate its aging workforce with innovative practices.

VRS does not keep record of trends in retirement age specific to the agency itself. At the time of this report’s submission, however, roughly one-third of VRS employees are eligible for retirement.

Virginia Retirement System
November 14, 2014

On a statewide membership level, VRS has noticed the retirement age slowly increase following the economic downturn that began in 2008. See the response to question five for more information.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert P. Schultze". The signature is fluid and cursive, with the first name "Robert" being the most prominent.

Robert P. Schultze
Director