

FAQs: 2010 Plan Design and Other Legislative Changes

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1) What are the VRS Plan 1 and Plan 2?

The Virginia General Assembly, in its 2010 session, passed legislation implementing new plan provisions for employees hired or rehired on or after July 1, 2010. The new plan provisions are called the Virginia Retirement System (VRS) Plan 2. The current plan provisions are called the VRS Plan 1. This also applies to the optional retirement plans (ORPs) administered or authorized by VRS, which are referred to as the ORP Plan 1 and the ORP Plan 2.

PLAN 1: Employees whose membership date is before July 1, 2010 are covered under the provisions of the VRS Plan 1. Employees may be active or deferred. Active members are currently working in a covered position. Deferred members are not currently working in a covered position but have not withdrawn their funds and have service credit in VRS or an account balance in a Virginia optional retirement plan (ORP) as of June 30, 2010. Deferred members who return to covered employment will be rehired under Plan 1.

PLAN 2: Employees whose membership date is July 1, 2010 or later are covered under the provisions of the VRS Plan 2. Employees who were previously employed in a covered position and withdrew their funds will be rehired under Plan 2 if they return to covered employment with no service credit in VRS or no ORP account balance.

[See a comparison between Plan 1 and Plan 2 !\[\]\(339a16584d5da0f0a3ca4e9ec17bf6a1_img.jpg\) 106kb.](#)

2) Are new employees required to participate in the VRS Plan 2?

Employees hired or rehired on or after July 1, 2010 with no VRS service credit or no ORP account balance are required to come in under Plan 2.

3) How do I verify whether a new employee still has funds in his or her member contribution account or in an ORP?

VRS is working on a process to help you verify new employees' work history and membership status. We expect to have this ready by late summer. In the meantime, you can ask new employees to print their *myVRS* account summary page to verify previous VRS membership. If an employee cannot access *myVRS*, you can call VRS toll free at 1-888-VARETIR (1-888-827-3847) to verify a new employee's membership status.

If you are rehiring an employee who has an ORP account balance, ask the employee to provide you an account statement from the most recent quarter.

4) Will deferred members who come back to covered employment be in Plan 1 or Plan 2?

Deferred members who have service credit in VRS or an ORP account balance as of June 30, 2010 will be rehired under Plan 1 if they return to covered employment.

5) Will retirees who come back to covered employment be in Plan 1 or Plan 2?

Employees who retired under Plan 1 will remain under the Plan 1 provisions if they return to covered employment.

6) Did the retirement multipliers change for Plan 2 members?

No, they are the same as those for Plan 1:

- The 1.7 percent multiplier will apply to the benefit calculation for employees covered under the VRS Plan 2 and the Judicial Retirement System (JRS) Plan 2.
- The 1.85 percent multiplier will apply to the benefit calculation for employees covered under the State Police Officers' Retirement System (SPORS) Plan 2 and sheriffs covered under the VRS Plan 2.
- The 1.7 percent multiplier will apply to regional jail superintendents and sworn officers, local sworn law enforcement officers, firefighters and emergency technicians eligible for enhanced hazardous duty coverage under the VRS Plan 2. Employers may elect the 1.85 percent multiplier for these employees.
- The 2.0 percent multiplier, with no eligibility for the hazardous duty supplement, will apply to the benefit calculation for employees covered under the VaLORS Plan 2.

7) How do I report Plan 2 employees?

No file layout changes are required to report Plan 2 contributions. VRS will identify Plan 1 and Plan 2 employees and allocate the contributions accordingly. State employers should refer to the Department of Accounts payroll bulletins for additional information regarding CIPPS and non-CIPPS reporting.

If full-time permanent, salaried employees begin employment in June but you do not report them to VRS until July, they are still eligible for Plan 1. Plan determination is based on an employee's start date as a full-time permanent, salaried employee. Part-time classified state employees who begin working in June also will be in Plan 1.

8) If a non-covered employee hired before July 1 moves to a covered position on or after July 1, is that employee in Plan 1 or Plan 2?



Non-covered employees who move into a covered position effective July 1 will be in Plan 2. Non-covered employment includes temporary, hourly or other employment with a participating employer that does not provide eligibility for benefits. Most non-covered employment is part time. Some full-time positions may be considered non-covered if they are temporary and paid on an hourly basis.

9) Do employees covered under Plan 2 pay the 5 percent member contribution? If so, is it pre-tax?

State employees hired under Plan 2 pay the 5 percent member contribution on a pre-tax salary reduction basis. School instructional and management employees and political subdivision employees may pay some or all of the 5 percent member contribution depending on the employer's election.

10) How do school divisions and political subdivisions elect to pick up the 5 percent member contribution?

School divisions and political subdivisions may pick up some or all of the 5 percent member contribution on their employees' behalf by submitting a duly authorized resolution to VRS. Any portion of the member contribution paid by employees will be on a pre-tax salary reduction basis. Political subdivisions that do not pay the 5 percent member contribution for current Plan 1 employees must elect to pick up the full contribution for these employees in order to pay some or all of the contribution for Plan 2 employees.

VRS recently mailed a resolution packet containing election information to political subdivision administrative heads and school superintendents. Read the memo to [political subdivision administrative heads](#) 136kb and [school superintendents](#) 135kb.

11) Is the member contribution pick up for Plan 2 employees of school divisions and political subdivision revocable?

Yes. The election can be changed annually by submitting a new resolution. However, if you do not submit a new resolution, the most recent resolution remains in effect.

12) Can school divisions and political subdivisions phase in the member contribution pick up?

Yes, you can choose to phase in the 5 percent contribution over a period of time. This election also is revocable. You must submit a separate resolution instead of the pick-up resolution you received in the mail. Please contact your [employer representative](#) for further instructions on electing this option.

13) When are resolutions due?

If you are electing to pick up some or all of the 5 percent member contribution effective July 2010, your school board and/or local governing board must sign the resolution by June 30. The resolution is due to VRS by August 1.

If your board is unable to sign the resolution by June 30, you must deduct the 5 percent member contribution from your Plan 2 employee payroll for the month of July. It should be treated as a pre-tax salary reduction for payroll deduction purposes. As required under the

Internal Revenue Service (IRS), resolutions signed after June 30 cannot be retroactive. They become effective the month following the date the resolution is signed.

14) Do I have to submit a resolution if I want my employees to pay the 5 percent contribution?


Yes, you must acknowledge on the resolution that you do not want to pick up any of the 5 percent member contribution. However, the resolution does not require the signature of your governing board.

15) What are the changes to purchase of prior service for Plan 2 employees?

The eligibility period for purchases by Plan 2 members will be one year instead of three years for most types of prior service, except VRS refunded service, no-cost military leave and sick leave conversions. The cost basis during the eligibility period also changes from 5 percent of compensation or average final compensation to an approximate normal cost rate, to be determined by the VRS Board of Trustees and its actuary. After the one-year eligibility period, Plan 2 members pay the full actuarial cost. As provided in the legislation, VRS has until January 1, 2011 to implement these changes. The one-year eligibility period for employees hired between July 1, 2010 and January 1, 2011 will begin January 1.

The provisions for VRS refunded service, no-cost military leave and sick leave conversions are the same as those for Plan 1 employees. Plan 2 employees have three years to apply for VRS refunded service at the 5 percent rate. After three years, the rate is still 5 percent but they will be required to purchase it with a lump-sum payment. Those with active duty military leave are eligible for this leave at no cost provided they are not dishonorably discharged, apply within one year of returning to a covered position and do not take a refund of their member contributions and interest. The cost basis for sick leave conversions will be the full actuarial rate.

16) When can Plan 2 members purchase prior service?

Plan 2 members with VRS refunded service or active duty military leave, or those who are eligible to convert sick leave to service credit, may submit an [Application for Purchase of Prior Service Credit \(VRS-26\)](#)  45kb and other required forms upon employment. Prior service credit for payroll errors also may be submitted at any time. Plan 2 members purchasing any other type of prior service must wait to apply on or after January 1, 2011. The one-year eligibility period for these purchases begins January 1, 2011.

17) What are the new provisions regarding vesting and refunds?

Employees who are vested (they have at least five years of service credit) are eligible for a full refund of their member contribution account balance. Employees who are not vested are eligible for a refund of any contributions they have made to their member contribution

account, plus accrued interest. Plan 1 employees with contributions made by employers before July 1 also are eligible for these contributions and the accrued interest. Non-vested Plan 1 and Plan 2 employees are not eligible for a refund of any contributions made by their employers after July 1 or the interest on these contributions.

18) If there is a death in service, is a non-vested member's beneficiary eligible for a refund of member contributions paid by the employer?

If the beneficiary or spouse, natural or legally adopted minor child or parent is receiving a lump-sum payment, he or she will receive all member and employer contributions in the employee's member contribution account. The employee is not required to have been vested at the time of death.

19) What is the Transitional Benefits Program?

The 2010 General Assembly established the [Transitional Benefits Program](#) to allow school divisions and VRS-participating political subdivisions to provide a transitional severance benefit or an enhanced retirement benefit to employees who are involuntarily separated from employment. Involuntary separation is a layoff because of a budget reduction, agency reorganization, workforce downsizing or other causes not related to job performance or misconduct. The program is effective through June 30, 2012. The General Assembly may continue the program in subsequent budgets or establish it as a permanent program under the Code of Virginia.

20) Who is eligible for the Transitional Benefits Program?

School instructional and management employees, other school employees (cafeteria workers, bus drivers and maintenance workers) and political subdivision employees are eligible for benefits under the program, depending on your election. Sheriffs, treasurers, commissioners of revenue, commonwealth attorneys and circuit court clerks are not eligible for the Transitional Benefits Program. However, personnel reporting to these employees are eligible for the program.

21) Can an employer elect to provide enhanced retirement but not the transitional severance benefit?

No. You must elect to provide both the transitional severance benefit and the enhanced retirement.

22) When is the Transitional Benefits Program resolution due to VRS?

You may elect and submit a resolution for this program at any time. You also have the option to elect the beginning and end date of the program as long as the end date is on or before June 30, 2012. Once elected, you must offer transitional benefits to any employee who is eligible for the program and involuntarily separated from employment.

23) If I don't indicate an end date for the Transitional Benefits Program, can I still revoke it before June 30, 2012?

Yes, you can revoke the program at any time by submitting another resolution to VRS.

24) What is the cost to offer the Transitional Benefits Program?

For employees who elect to receive the transitional severance benefits, you will pay the severance benefit and any health and life insurance benefits for 12 months after separation. The cost of enhanced retirement benefits will be factored into your future employer contribution rate. For school instructional and management employees, the costs associated with benefits provided by electing school divisions will be factored into the future pooled VRS contribution rate for teachers.