Commission on Employee Retirement Security & Pension Reform

July 11, 2016

1:00 p.m.

House Room D, General Assembly Building

Meeting Summary

The Commission on Employee Retirement Security & Pension Reform (the Commission) held its first meeting on July 11, 2016. The Commission was created by House Bill 665 (2016), introduced by Delegate William J. Howell, Speaker of the House of Delegates. The Commission, consisting of 11 legislative members, eight nonlegislative citizen members, and two ex officio members, is charged with studying, reporting, and making recommendations relating to the financial soundness of retirement plans covering state and local employees, the changing state and local government workforce, and compensation and benefits packages of state and local government employees. Such study shall include a review of the unfunded liabilities of state and local defined benefit retirement plans and strategies to reduce such liabilities.

The Commission unanimously elected Speaker Howell as chairman and Senator Frank Ruff as vice-chairman. Speaker Howell noted that there are concerns about the fiscal stability of the Commonwealth's retirement systems, as well as concerns about the challenges facing the Commonwealth due to changes in the workforce. There exists a real need to come up with workable solutions to these problems, and this newly formed Commission provides an opportunity to develop solutions and accomplish much.

The Commission next heard a series of presentations designed to establish background and framework for the future work of the Commission. Patricia S. Bishop, Director of the Virginia Retirement System (VRS), provided an overview of the entire retirement system. Her presentation highlighted the various plans that have been adopted over the years, including Plan 1, Plan 2, and the Hybrid Plan, as well as the State Police Officers' Retirement System, the Virginia Law Officers' Retirement System, the Judicial Retirement System, and the plans available to political subdivisions. The General Assembly has enacted reforms to VRS in the past several years, most notably with the adoption of Plan 2 in 2010 and the adoption of the Hybrid Plan in 2012 (effective for employees hired on or after January 1, 2014). Ms. Bishop also provided an overview of unfunded liability issues confronting VRS.

Sara Redding Wilson, Director of the Department of Human Resource Management, discussed the demographics and compensation of the Virginia workforce. She highlighted the high number of employees eligible for retirement in five years or less and current trends in recruitment and retention. She noted that the compensation of state employees is generally below market rate, which leads to challenges related to both recruitment and pay compression.

Greg Mennis, Director of the Public Sector Retirement Systems Project at the Pew Charitable Trusts, provided a detailed 50-state overview of public pensions, allowing for comparison with the performance of VRS. He touched on pension funding and fiscal health, investment trends and issues, state benefits, and governance structures. He closed with suggested principles to be followed for fiscal sustainability and retirement security. A copy of each of the presentations received by the Commission will be available on the Commission's website.

Speaker Howell indicated that he planned to form working groups to support the work of the Commission. He suggested three working groups focused respectively on retirement issues, workforce issues, and compensation issues. He asked the Commission members to contact him about their interest in working on a particular group.

The next meeting will likely be held on August 22. There will likely be an opportunity for the working groups to meet that day as well.

No public comment was offered, and the meeting was adjourned.