



# Focus on Reconciliations

Virginia Association of School Business Officials

October 12, 2018

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Program Manager



- **VRS Overview**
- **myVRS Navigator**
- **Reconciliations**
- **Contracts and Service Credit**
- **GASB Update**



Virginia  
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System

# VRS Overview



# VRS Total Membership as of June 30, 2018



	Plan 1	Plan 2	Hybrid	Total
Teachers	77,317	32,622	36,856	<b>146,795</b>
Political Subdivisions	48,879	31,526	27,422	<b>107,827</b>
State Employees	39,845	16,707	20,785	<b>77,337</b>
State Police Officers' Retirement System (SPORS)	1,242	645	–	<b>1,887</b>
Virginia Law Officers' Retirement System (VaLORS)	3,556	5,186	–	<b>8,742</b>
Judicial Retirement System (JRS)	253	48	116	<b>417</b>
<b>Total Active Members</b>	<b>171,092</b>	<b>86,734</b>	<b>85,179</b>	<b>343,005</b>



More than  
**705,000**

members, retirees  
and beneficiaries  
as of June 30, 2018



**19th**  
**largest\***

public or private pension  
system in the U.S.,  
based on assets

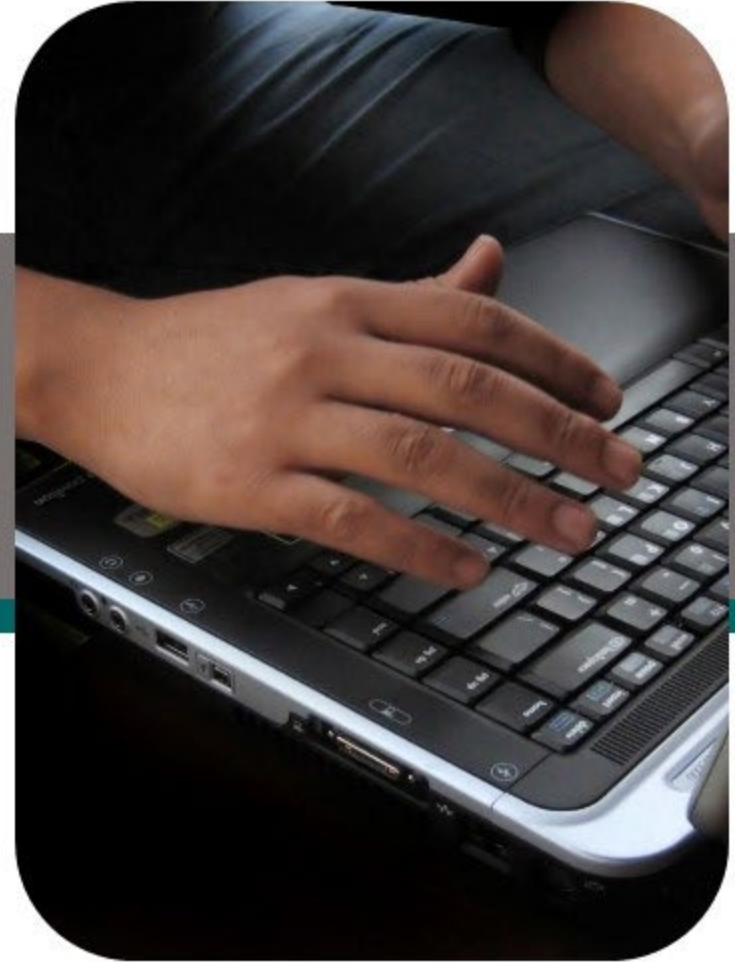
**43rd**  
**largest\***

public or private pension  
system in the world,  
based on assets



\* As ranked by *Pensions & Investments*, Sept. 2017

# myVRS Navigator



## Creditable Compensation

- Creditable compensation is the member's annual salary not including overtime, extraordinary or bonus pay; housing, travel, vehicle or cell phone allowances; termination pay for annual or sick leave; non-permanent shift differentials; payment of a temporary nature; or payments for extra duties, such as pay for teachers who provide coaching or act as an adviser for special activities
- The portion of the employee's annual salary *earned* in a given month, not the amount he or she is paid monthly

## Calculation: Annual Salary ÷ Contract Period

- Contract period may be 9, 10, 11 or 12 months

## Service Credit Calculation: (Cred Comp ÷ Annual Salary) x 12

- Monthly service credits correlated to contracts above are 1.333, 1.200, 1.0909 and 1.0000

## First of the Month Rule

- Changes with effective dates *on or before the 1<sup>st</sup> business day* of the month are reflected in the ***current month***
- Changes with effective dates *after the 1<sup>st</sup> business day* of the month are reflected in the ***following month***
- Business days do not include Saturdays, Sundays or banking holidays



## **First of the Month Rule**

VRS acknowledges that the employer may implement management policies based on business needs to be used in conjunction with these business rules

The employer is granted limited management discretion in VRS benefit administration.

***This is very important!!!***

# myVRS Navigator Process Overview

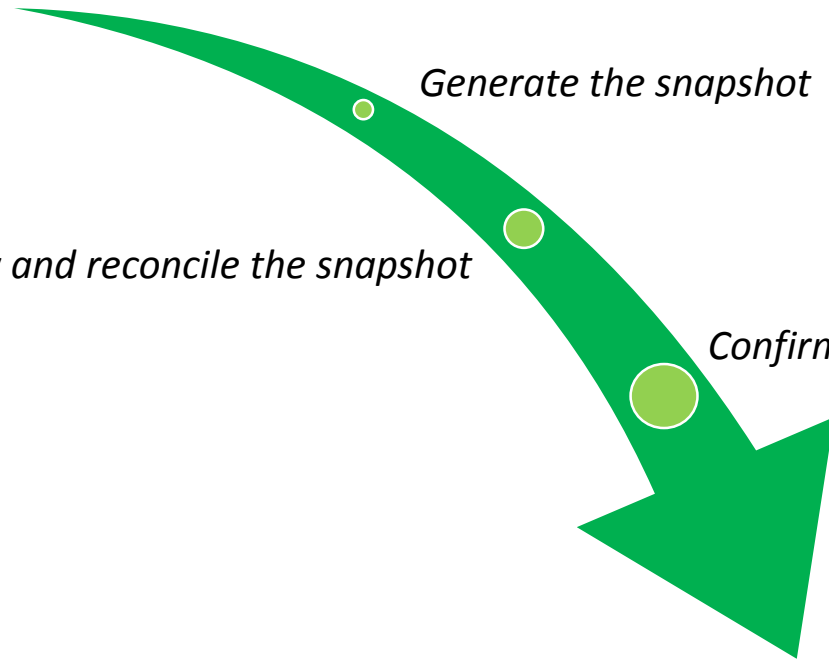
*Enter changes that  
occur during the month  
in myVRS Navigator*

*Generate the snapshot*

*Review and reconcile the snapshot*

*Confirm the snapshot*

*Submit the payment*



# Snapshot and Payment

- Snapshot confirmation due the 10<sup>th</sup> of the subsequent month
- Payment also due the 10<sup>th</sup> of the subsequent month
  - Payment scheduler set after snapshot confirmation
  - ACH payments must be established 2-3 days before due date
  - Backs confirmation due date up to the 7<sup>th</sup> or 8<sup>th</sup> of the subsequent month
  - If the 10<sup>th</sup> falls on a weekend or holiday, the payment is due the next business day

Receipt of the best data possible by the due date:

- **Does not mean perfect data**
- Some member records require correction through data fix requests
  - You should not hold confirmation until records are corrected
  - Corrections will be retroactive to origination when completed
- Confirmation should not be delayed for small numbers of employees
  - Timely confirmation needed for the majority of members to allow the processing of pending retirements and refunds
  - VRS will issue a formal communication requesting delay of confirmation if required



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# Reconciliations



# Reconciliation: Purpose and Goals



## Purpose:

- Ensure data is properly reflected in myVRS Navigator for administration of VRS benefits
- Reconcile myVRS Navigator contributions **due** to contributions **calculated and withheld** in payroll system
- Reconciliation process may differ based upon the size and complexity of the employer

## Goals:

- Understand differences between myVRS Navigator and payroll system
- Correct the appropriate system
- myVRS Navigator should be corrected before certification even if reconciling items are created

- All reconciliations:
  - Source of differences should be determined
  - Appropriate system corrected
  - Reconciling items should clear in subsequent periods
- Generally, reconciliations are handled by the finance/payroll staff while the snapshot process is often handled by the human resource department
- Actual assignment of these roles is at the employer's discretion
- Snapshot processor role must have strong relationship with the snapshot reconciler

# Two-Part Review/Reconciliation Process

The myVRS Navigator precertification process requires two parts:

## Review the Snapshot

- Review changes
- Ensure changes are accurate

## Reconcile Payroll Information

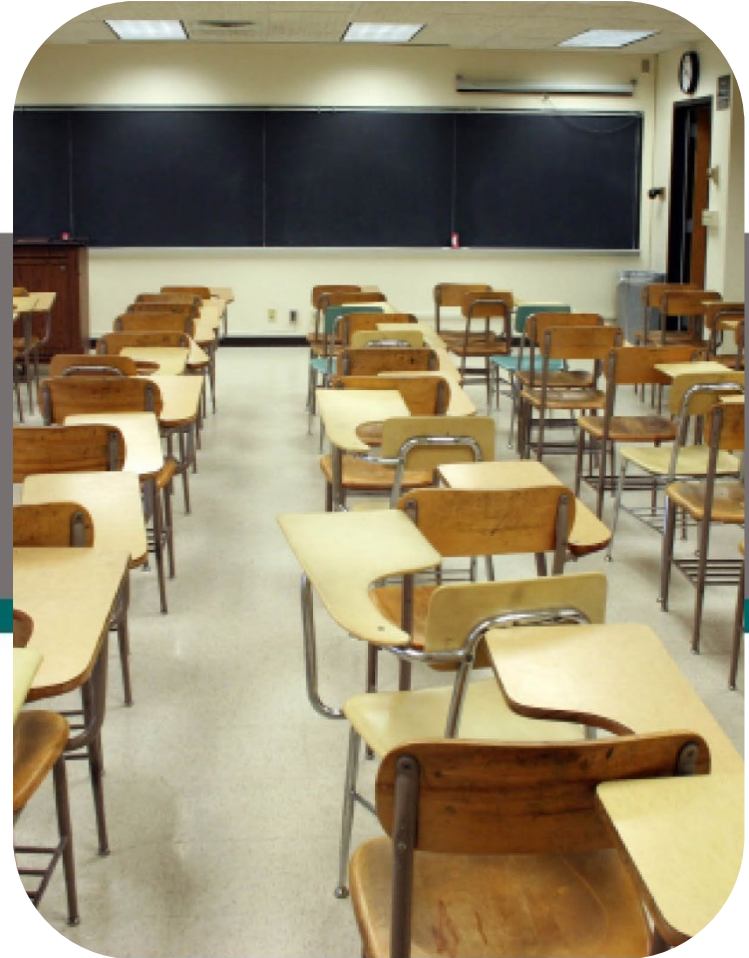
- Contributions
- Benefit plan withholdings





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# Contracts and Service Credit



## Contracts

- All contracts reported to VRS begin on the first of the month.
- Typically, contracts end May 31 or June 30 of each year (by the end of the fiscal year).
- For employees who are on less-than-12-month contracts, the months when they are not working are called the “off-contract months.”

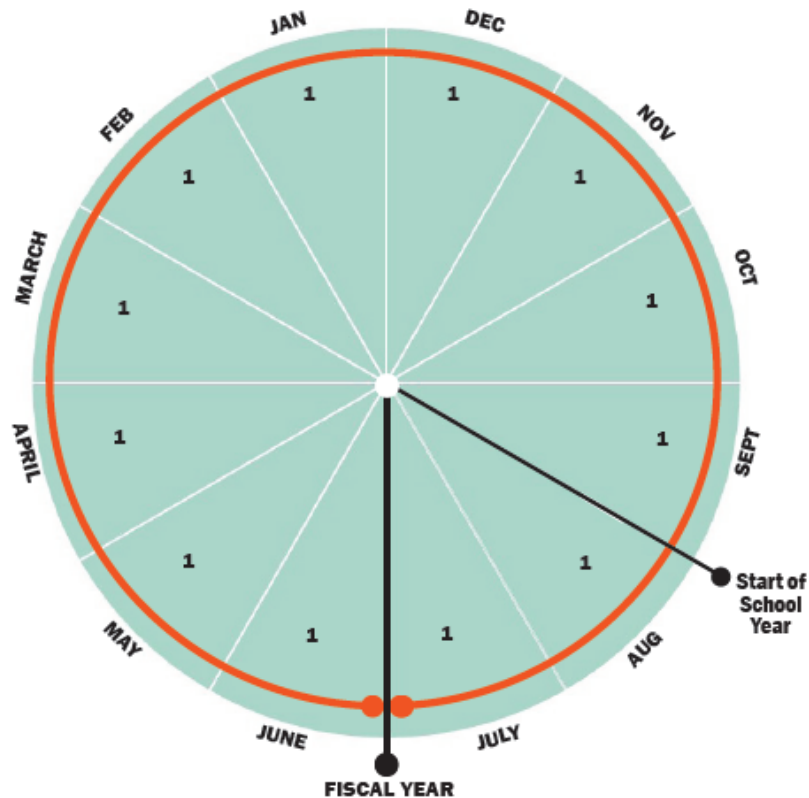
## Service

- The maximum number of service credits that can be earned in a year is 12.
- Active employees who work 12 months earn one service credit per month.
- Teachers and others who work less-than-12-month contracts earn more than one service credit per month in order to earn 12 service credits for the school year.

Contract Period	Monthly Service Credit
12 Months	1.000
11 Months	1.0909
10 Months	1.2000
9 Months	1.3333

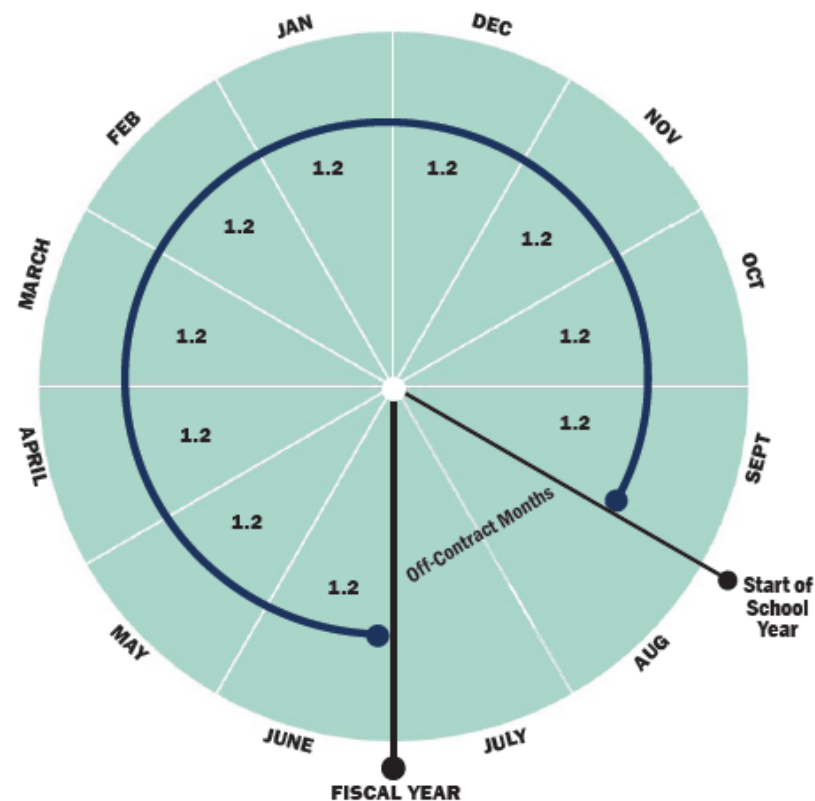
# Contracts and Service

### 12-Month-Contract Service



1 Monthly service credit for 12 months      — 12-month contract

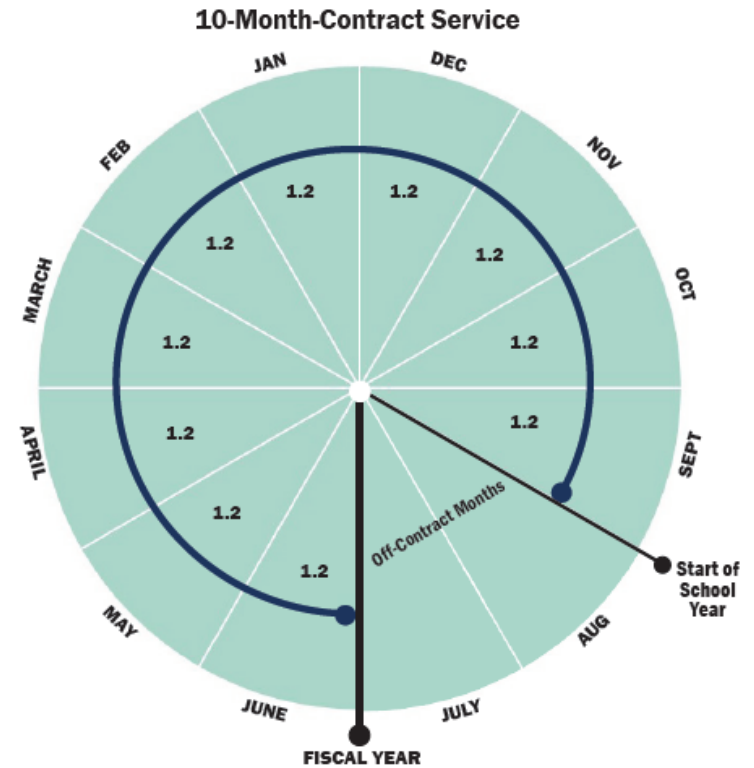
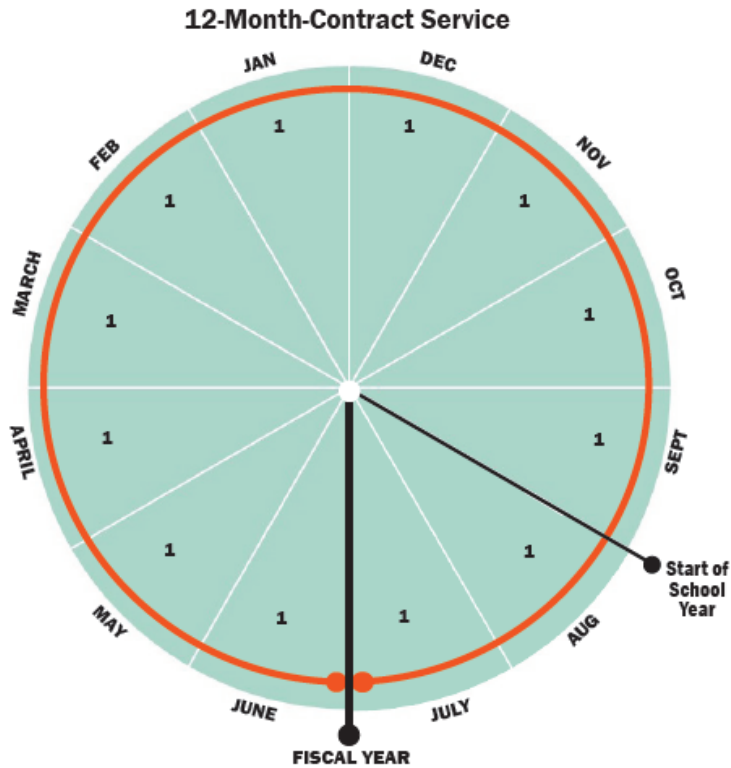
### 10-Month-Contract Service



1.2 Monthly service credit for 10 months      — 10-month contract

- In order for employees to accrue service credit, it must be earned and paid for through employer and employee contributions.
- Some employers with employees with contracts less-than-12-months submit contributions over the length of contract.
- Some employers with employees with contracts less-than-12-months spread the contributions over the entire year.
  - For example, a 10-month-contract employee with contributions reported to VRS over 12 months. This is called a 10/12 employee.
- For 10/12 employees, a portion of monthly contributions contribution is deferred until paid in the off-contract months.
  - These are called “deferred contributions.”
  - The employer is deferring contributions as well as deferring pay for their employees.
- Note that the employer may choose to pay VRS contributions over the length of contract even though they pay salaries over 12 months.

# Service and Contributions

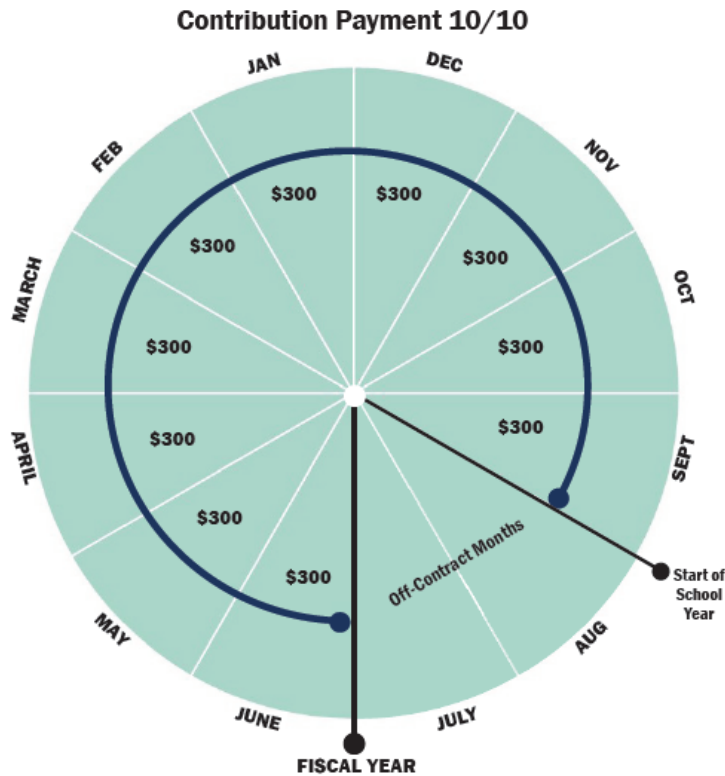


1 Monthly service credit for 12 months

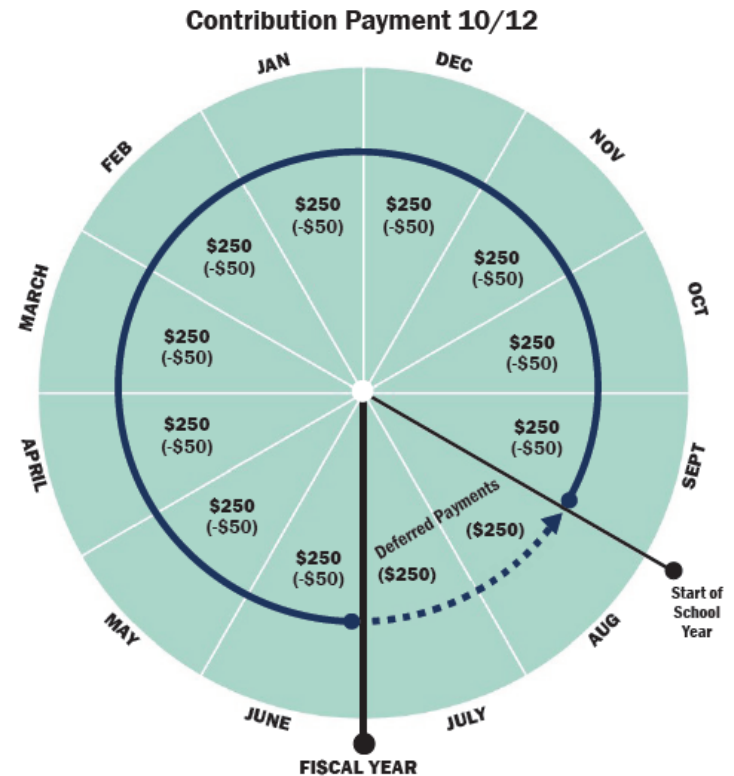
1.2 Monthly service credit for 10 months

# School Board Service and Contributions

**\$60,000 Creditable Compensation**  
**Annual 5% Employee Contribution = \$3,000**



**\$300** Monthly employee contribution  
— 10-month contract (paid over 10 months)

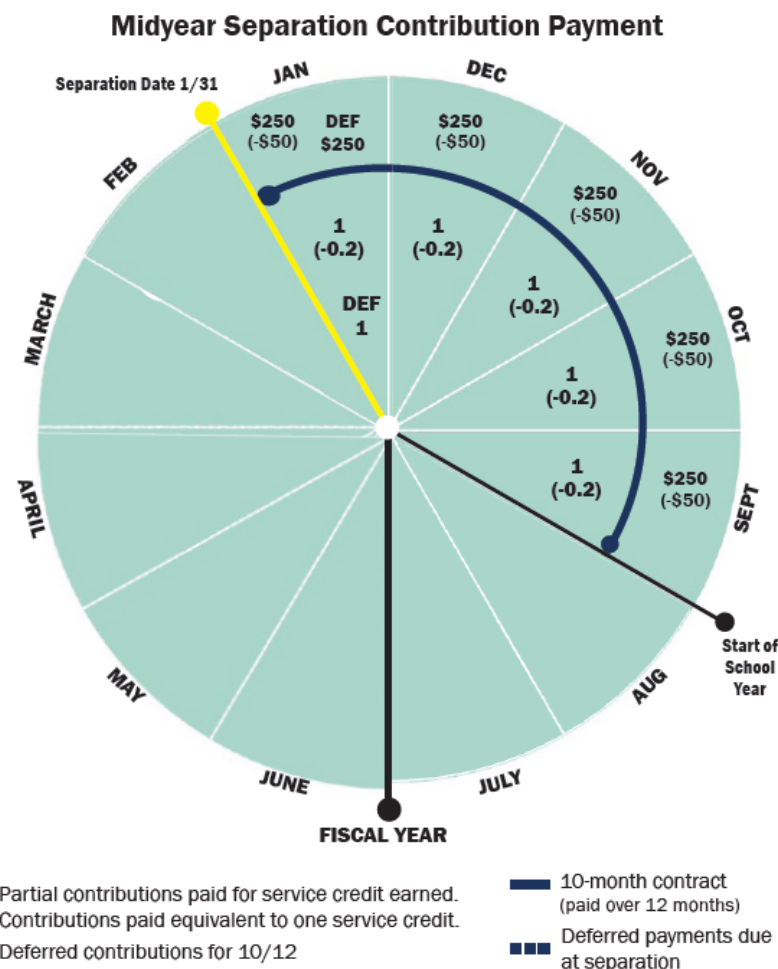


**\$250** Monthly employee contribution  
**(-\$50)** Deferred contributions for 10/12  
— 10-month contract (paid over 12 months)  
- - - Deferred payments due

# Deferred Contributions, Separations and Leave Without Pay (LWOP)

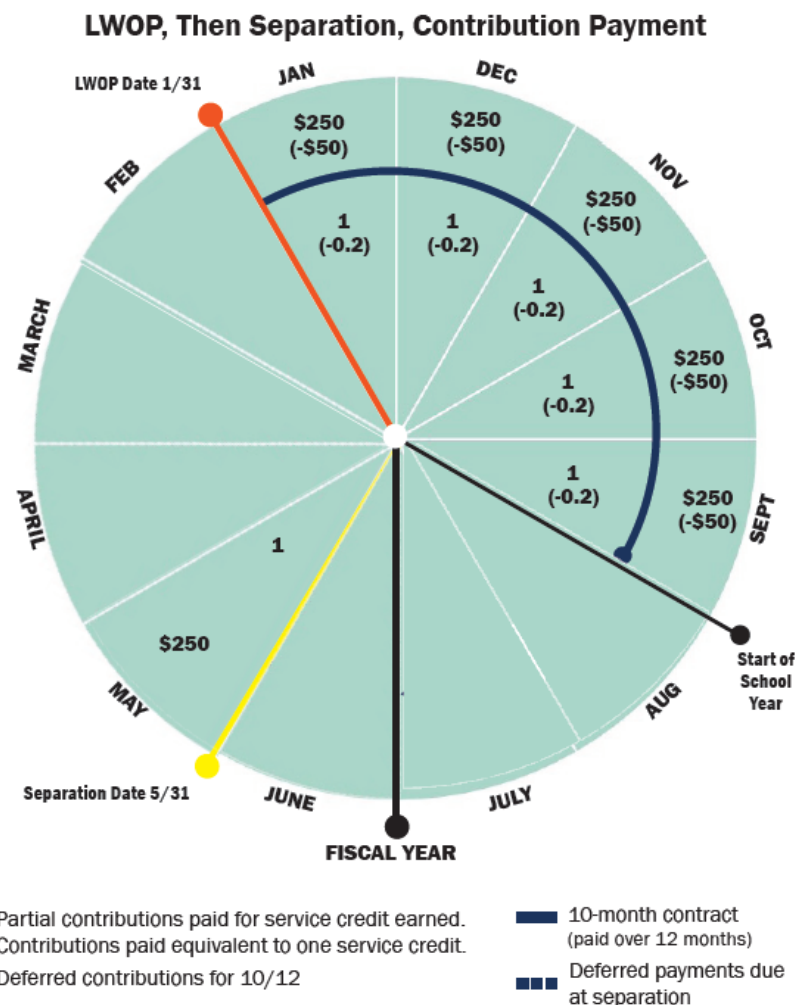
Employees with deferred contributions have worked to accrue 12 service credits by the end of their contracts but have not paid the full contributions for the service. Employers are responsible for withholding deferred deductions from any deferred earnings.

- If a 10/12 employee leaves before making the deferred contributions, when the employee is separated in myVRS Navigator, the deferred contributions are required to be paid and the employer will be billed for them in the snapshot.
  - Deferred contributions are due to pay for the employee's service credits already in their record.
  - The employer cannot pay for the employee's contributions.



# Deferred Contributions, Separations and Leave Without Pay (LWOP)

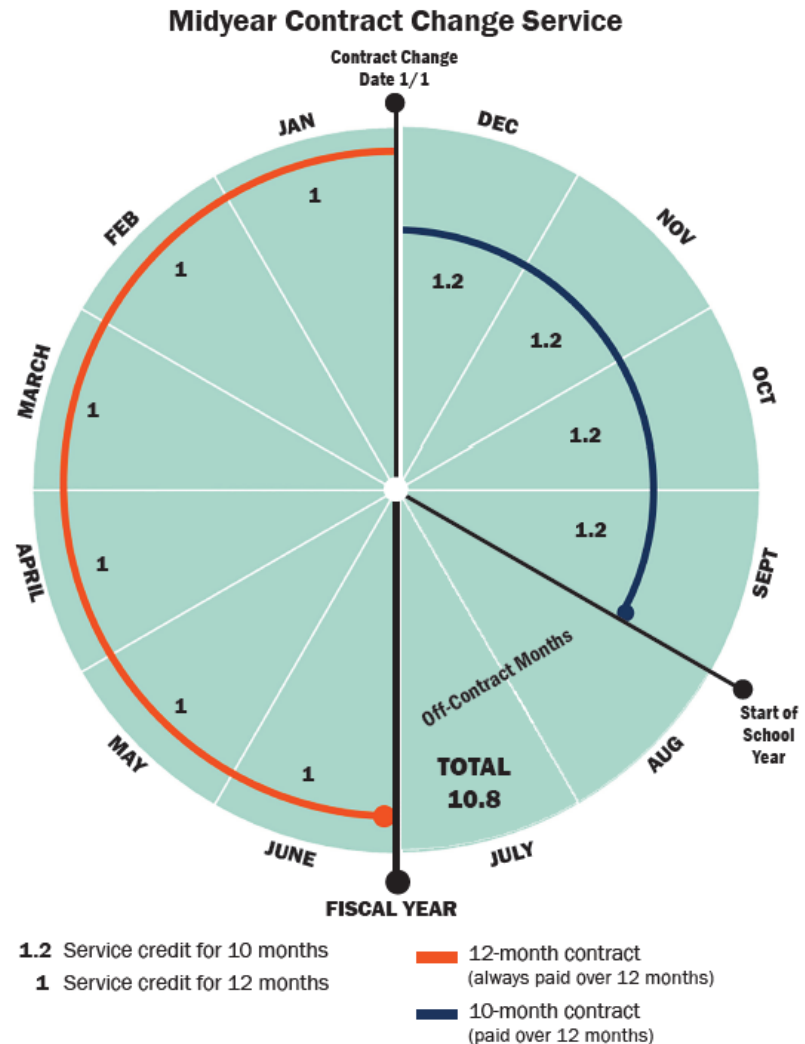
- The employer must implement business rules to require pay-ups of deferred contributions. Business rules must be applied consistently.
- If an employee goes on leave without pay (LWOP), the employer must hold back the deferred contributions from any payment of deferred earnings. If the employee then separates or retires, those contributions are due.
- If the employee returns to work, the deferred contributions will still be due in the off-contract months. To obtain the monthly amount of the off-contract deferral payment, add all the deferral amounts and divide by the number of off-contract months.





# Other Factors With Deferred Payments

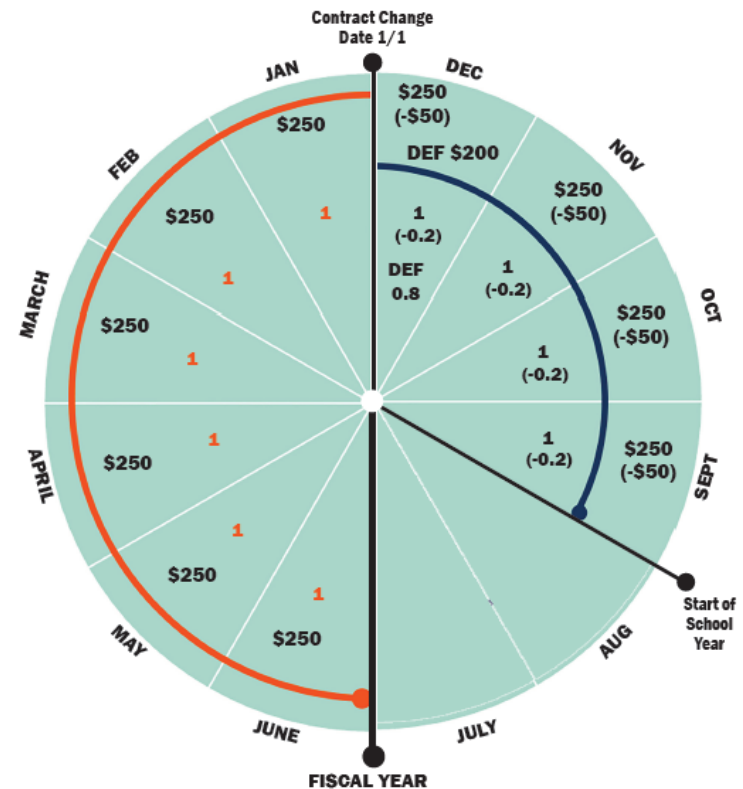
- If a 10/12 employee switches to a 12-month contract midyear, the employee will not accrue a full year of service (12 service credits) in myVRS Navigator.
  - For example, a 10/12 employee works from September through December and then changes to a 12-month contract on January 1. The employee earned 1.2 service credits per month for four months and one service credit per month for six months. The employee ends the year with 10.8 service credits instead of 12.
  - Employers can institute business rules that ensure a full 12 service credits are earned in these circumstances.



# Other Factors With Deferred Payments

- Any time there is a change in contract length midyear, the deferrals will be due and will be billed in the snapshot for the month in which the change took place.
  - The new contract deferral amount will begin and carry over into the off-contract months.

Midyear Contract Change 10/12 to 12-Month Contribution Payment

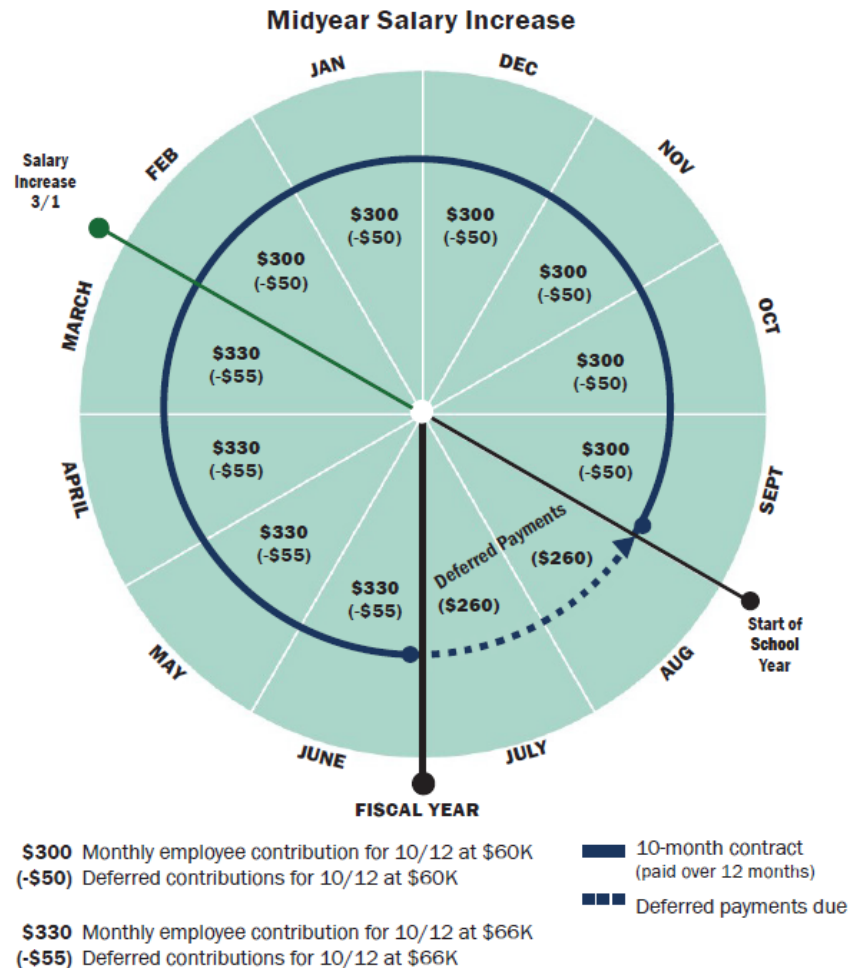


- 1 Partial contributions paid for service credit earned. Contributions paid equivalent to one service credit.
- 1 Full contributions for 12-month contract
- (-0.2) Deferred contributions for 10/12
- 12-month contract
- 10-month contract (paid over 12 months)

# Other Factors With Deferred Payments

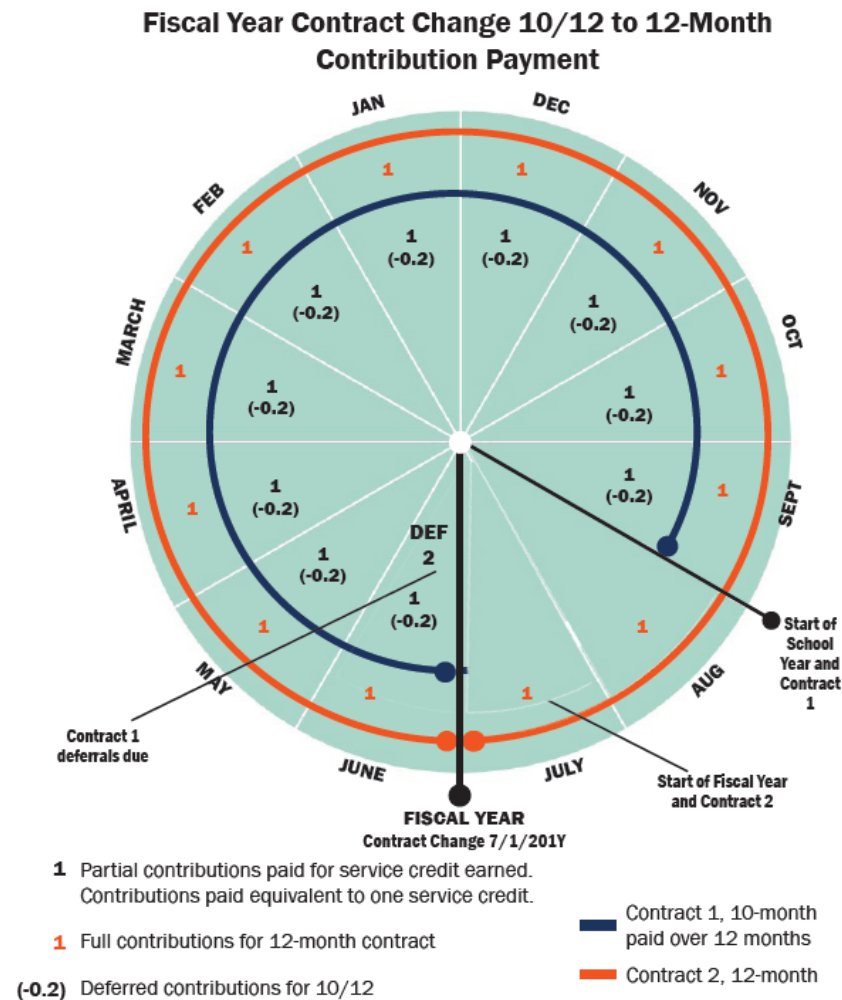
**\$60,000 Creditable Compensation Increases to \$66,000**  
**5% Employee Contribution = \$3,000 Increases to \$3,300**

- With a midyear salary change (but no contract length change), there are deferrals based on both the old and new salaries.
- To obtain the monthly amount of the off-contract deferral payment, add all deferral amounts and divide by the number of off-contract months.



# Other Factors With Deferred Payments

- If a 10/12 employee changes to a 12-month contract at the beginning of the fiscal year, the deferred contributions from the old 10-month contract will be due as well as the contributions for the new 12-month contract. When the deferrals are billed depends on when the new contract is entered into myVRS Navigator.
  - For example: The employee's old contract was for 10 months, from 9/1 through 6/30, and because it was 10/12, the off-contract months were July and August. If the new 12-month contract, which begins 7/1, is entered in myVRS Navigator prior to the confirmation of the July snapshot (typically by 8/10), then all the deferred contributions (July and August) will be due and will show up in the July snapshot. In addition, the new 12-month contract starts 7/1, so the contribution for the new 12-month contract will also start in July and will be on that same July snapshot.



For more information, refer to [\*Understanding myVRS Navigator's Calculations and Business Rules for Employees Who Work Less than 12 Months\*](#), found under Publications on [employers.varetire.org](http://employers.varetire.org), as well as process guides and webinars for myVRS Navigator, available in the Virginia Learning Center.



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# GASB Update



Item	Value	Item	Value
1.25	25.00	Orange wire	1.40
1.50	30.00	Orange wire	1.40
1.75	35.00	Orange wire	1.40
2.00	40.00	Orange wire	1.40
2.25	45.00	Orange wire	1.40
2.50	50.00	Orange wire	1.40
2.75	55.00	Orange wire	1.40
3.00	60.00	Orange wire	1.40
3.25	65.00	Orange wire	1.40
3.50	70.00	Orange wire	1.40
3.75	75.00	Orange wire	1.40
4.00	80.00	Orange wire	1.40
4.25	85.00	Orange wire	1.40
4.50	90.00	Orange wire	1.40
4.75	95.00	Orange wire	1.40
5.00	100.00	Orange wire	1.40
5.25	105.00	Orange wire	1.40
5.50	110.00	Orange wire	1.40
5.75	115.00	Orange wire	1.40
6.00	120.00	Orange wire	1.40
6.25	125.00	Orange wire	1.40
6.50	130.00	Orange wire	1.40
6.75	135.00	Orange wire	1.40
7.00	140.00	Orange wire	1.40
7.25	145.00	Orange wire	1.40
7.50	150.00	Orange wire	1.40
7.75	155.00	Orange wire	1.40
8.00	160.00	Orange wire	1.40
8.25	165.00	Orange wire	1.40
8.50	170.00	Orange wire	1.40
8.75	175.00	Orange wire	1.40
9.00	180.00	Orange wire	1.40
9.25	185.00	Orange wire	1.40
9.50	190.00	Orange wire	1.40
9.75	195.00	Orange wire	1.40
10.00	200.00	Orange wire	1.40





## **GASB 68 Accounting and Financial Reporting for Pensions**

Measurement of the total pension liability, on which the net pension liability is based, requires the use of ***assumptions*** about numerous future events that affect the benefit payments that will be made to employees in retirement.

- Liability required to be presented in financial statements, rather than in footnotes
- School divisions must report their proportionate share of the liability
- Demographics of participants are a factor



- The Governmental Accounting Standards Board (GASB) adopted two new standards in June 2015, similar to the earlier Standards adopted for Pensions
- These related to accounting and financial reporting for other post-employment benefit plans (OPEBs):
  - **GASB Statement No. 74** (applies to the Plan – VRS): *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*
  - **GASB Statement No. 75** (applies to employers): *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*





## **GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions**

Measurement of the total OPEB liabilities requires the use of *assumptions* about numerous future events that affect the OPEB payments that will be made to employees post-employment.

- Liabilities required to be presented in financial statements, rather than in footnotes
- School divisions must report their proportionate share of the liabilities
- Demographics of participants are a factor

To support your reporting requirements, VRS develops and provides the following information for the OPEB Plans:

## Sample Journal Entries

needed to establish the opening balance as of June 30, 2016, and to record the OPEB expense and other data for the fiscal year ended June 30, 2017

## Sample Note Disclosures

for each of the OPEB plans, including plan descriptions and other related information

## Spreadsheets

with an analysis of the changes in the net OPEB liability for the fiscal year ended June 30, 2017, for each employer within each of the OPEB plans

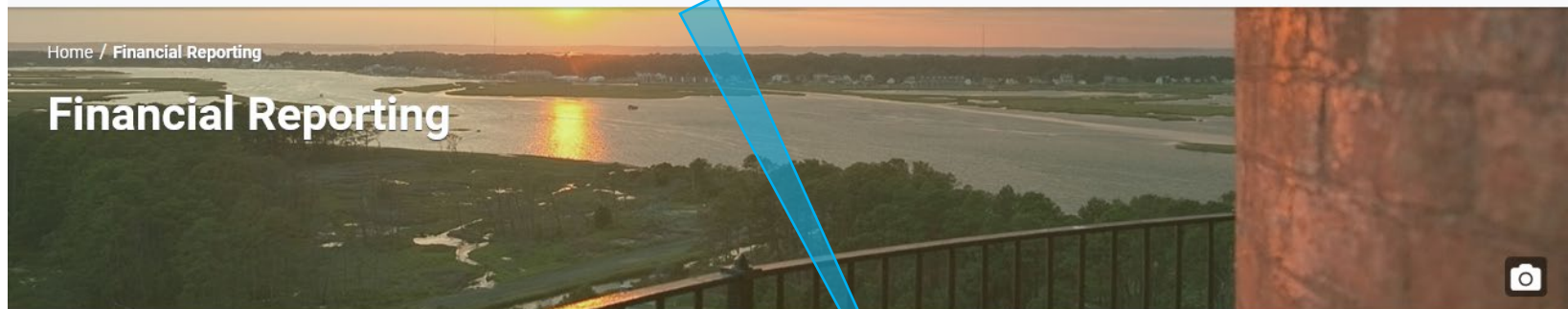
## GASB 75 Reports

from the actuary for each of the OPEB plans as well as separate employer-level reports for each of the political subdivisions that participate in the Health Insurance Credit program

## Audit Reports

with the APA's Opinion for each of the OPEB plans, except VLDP

# Financial Reporting



Welcome to VRS employers' financial center. Here you will find resources and links to assist with financial reporting related to VRS-administered benefit plans.

### Additional Resources

#### Current Contributions

Find the current employer contribution rates for various programs and other post-employment benefits.

[View Current Contributions](#)

#### Governmental Accounting Standards Board (GASB)

VRS provides a variety of resources to assist with GASB financial reporting requirements.

[View GASB Resources >](#)



## Financial Reporting

Resources and links to assist with GASB and other financial reporting related to VRS-administered benefit plans, including fiscal year-end reminders.

[Visit Financial Reporting Home >](#)

- Current Contribution Rates
- Fiscal Year-End Reminders
- Governmental Accounting Standards Board (GASB)
- VRS Guidelines and Resources

reports to include in your annual financial statements.

[View VRS Guidelines and Resources >](#)

## Employer Manuals

[varetire.org](http://varetire.org) > Employers > Employer Manuals

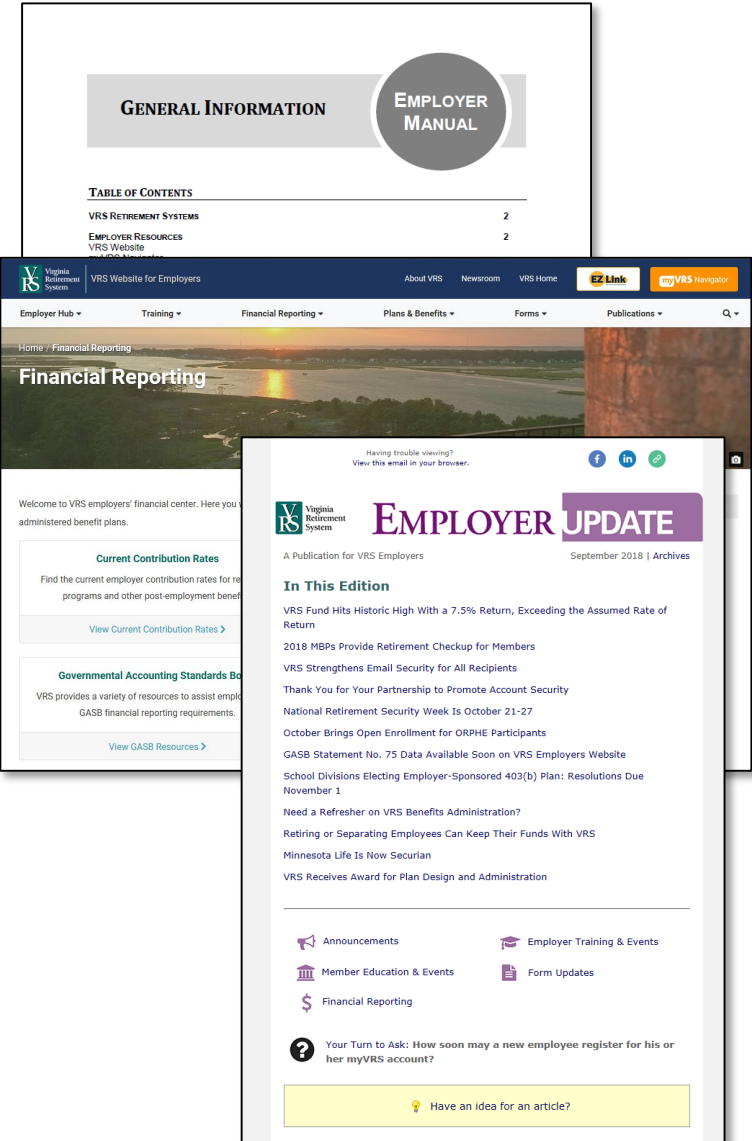
- General Information
- Membership
- Enroll and Maintain Employees
- Contribution Confirmation Scheduling
- Purchase of Prior Service Credit

## Employer Financial Reporting Page

[varetire.org](http://varetire.org) > Employers > Financial Reporting

## Employer Updates

[varetire.org](http://varetire.org) > Employers > Employer Update



The image displays three overlapping screenshots of the myVRS Navigator website. The top screenshot shows the 'EMPLOYER MANUAL' page with a 'GENERAL INFORMATION' tab and a 'TABLE OF CONTENTS' section. The middle screenshot shows the 'Financial Reporting' page with a navigation menu and a welcome message. The bottom screenshot shows the 'EMPLOYER UPDATE' page with a list of articles and a 'Have an idea for an article?' button.

Item	Page
VRS RETIREMENT SYSTEMS	2
EMPLOYER RESOURCES	2

**Thank you!**