

**REPORT OF THE  
VIRGINIA RETIREMENT SYSTEM**

# **Actuarial Costs for Retired Teachers Returning to Work in Critical Shortage Areas**

**TO THE GOVERNOR AND  
THE GENERAL ASSEMBLY OF VIRGINIA**



## **HOUSE DOCUMENT NO. 11**

**COMMONWEALTH OF VIRGINIA  
RICHMOND  
2007**



Virginia  
Retirement  
System

1200 East Main Street, P.O. Box 2500, Richmond, Virginia 23218-2500  
Telephone: (804) 344-3120 Fax: (804) 786-1541

Robert P. Schultze  
Director

January 9, 2007

The Honorable Vincent F. Callahan, Chairman  
House Appropriations Committee  
General Assembly Building, 9<sup>th</sup> Floor  
910 Capitol Street  
Richmond, VA 23219

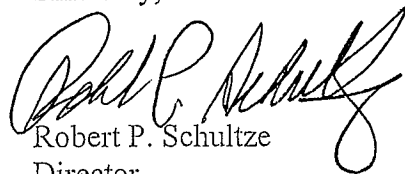
The Honorable John H. Chichester, Chairman  
Senate Finance  
General Assembly Building, 10<sup>th</sup> Floor  
910 Capitol Street  
Richmond, VA 23219

Dear Chairman Chichester and Chairman Callahan:

Chapters 605 and 606 of the 2005 *Acts of Assembly* requires that prior to the 2007 session of the General Assembly, the Virginia Retirement System (VRS) report the actuarial costs of retired teachers returning to work in critical shortage areas. A copy of the report is enclosed.

Please contact me if you have any questions or comments regarding this report at (804) 344-3120.

Sincerely,



Robert P. Schultze  
Director

Enclosure

## **Preface**

Chapters 605 and 606 of the 2005 *Acts of Assembly* requires that prior to the 2007 session of the General Assembly, the Virginia Retirement System shall report the actuarial costs of retired teachers returning to work in critical shortage areas.

The office of the Director of the Virginia Retirement System prepared the report, assisted by Wachovia Retirement Services, the actuary for the Virginia Retirement System.

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## **Executive Summary**

The Virginia Retirement System (VRS) was required by The 2005 General Assembly, through Chapters 605 and 606 of the *Acts of Assembly*, to report to the General Assembly no later than the 2007 session the costs of retired teachers returning to work to teach in critical shortage areas. A survey was conducted by the VRS to determine the number and salary of retired teachers serving in these positions. This data was examined by the VRS actuary, Wachovia Retirement Services, and it was determined that the majority of teachers returning to work in the Critical Shortage Programs retired with unreduced benefits and added no cost to the VRS pension plan for teachers. The program remains cost neutral.

## **Introduction**

The 2005 General Assembly, through Chapters 605 and 606 of the *Acts of Assembly*, directed the Virginia Retirement System (VRS) to report the actuarial costs associated with retired teachers returning to work in critical shortage areas.

Under current laws, a person who is retired can teach in a critical shortage position while continuing to receive a retirement benefit. The retiree must be licensed by the Board of Education to serve as a local school board instructional or administrative employee, be retired for at least one (1) year, and be teaching a subject matter area that the local superintendent has determined as being a critical shortage area.

This study seeks to establish the actuarial cost to the Commonwealth of this program.

## **Methodology**

The Virginia Retirement System (VRS) receives annual reports from the Virginia Department of Education to identify VRS retirees who had returned to work in critical shortage areas. In addition, VRS conducted a survey of all school systems (134 systems) within the Commonwealth. Survey responses included the retired teacher's name, subject taught, dates of employment, salary and retirement date.

## **Survey Findings**

The VRS forwarded surveys to 134 school systems and received 74 responses that gave the survey a response rate of 55%. Of these responses 28 local school boards have hired retired teachers for critical shortage areas and 46 localities reported that they had not hired retirees for critical shortage positions. Once this data was collected, it was forwarded to the VRS actuary, Wachovia Retirement for cost analysis.

## **Actuarial Method and Results**

Wachovia Retirement Services ran the data that the VRS provided through their valuation system and examined the following four components:

- Benefit payments paid to the retired teachers from the fund;
- Benefit accruals not being earned by the retired teachers;
- Contributions not being received by the retired teacher or the school systems; and
- Early retirement reduction factor applied to the retired teacher's retirement benefit as a result of an early retirement.

After examining these factors, the actuarial study found that there were very few retired teachers returning to work in these critical shortage positions and that there were no material plan costs as a result of their participation.

## **Conclusions**

The actuarial study by Wachovia Retirement Services found that currently the majority of teachers returning to work in the Critical Shortage Programs retired with unreduced benefits and adds no cost to the VRS pension plan for teachers. The program remains cost neutral.

**DATE:** September 21, 2004  
**TO:** Public Schools  
**FROM:** Patty Atkins-Smith  
Legislative Liaison and Policy Analyst  
**SUBJECT:** Retired Teachers – Returning to Work in Critical Shortage Areas

The Virginia General Assembly has asked the Virginia Retirement System (VRS) to develop a report on teachers who have retired and have returned to teaching in critical shortage areas. The VRS obtained information from the Department of Education. However, in order to insure that the VRS is providing reliable data to the General Assembly we are canvassing each public school system to determine if your school system has hired retired teachers for critical shortage positions.

I am asking that you fax to the VRS the attached form indicating if you have hired retired teachers. If you have hired retired teachers for these positions, please fill out the following information on the attached form:

- Name of teacher
- Social Security number
- Name of School System
- VRS Employer number
- Date that the retirees began teaching in a critical shortage area
- Date the retiree stopped teaching in a critical shortage position
- Salary for each year that they taught
- Area of expertise
- Retirement date

It would be helpful if you could fax this information to me as soon as possible, but no later than *September 27, 2006*.

I appreciate your willingness to help provide this data. If you have any questions, please contact me at (804) 344-3123 or [psmith@vrs.state.va.us](mailto:psmith@vrs.state.va.us).

Attachments



Has your school system hired retired teachers to teach in critical shortage areas?

Yes\* \_\_\_\_\_

No \_\_\_\_\_

**\*If you indicated that your school system has hired retired teachers, please provide the information on the attached form.**

Name of Person Completing Survey \_\_\_\_\_

School System \_\_\_\_\_

Phone Number \_\_\_\_\_

E-Mail Address \_\_\_\_\_

Please fax the completed survey to Patty Atkins-Smith at (804) 786-1541.

Thank you very much


SSN                      Name                      Employer                      Employer Code                      Beginning Date of Employment                      Ending date of Employment                      Salary                      Teaching Assignment                      Date of Retirement

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Tel 804 267-3100  
Fax 804 330-1386

November 17, 2006

WACHOVIA



Mr. Craig Burns  
Virginia Retirement System  
P.O. Box 2500  
Richmond, VA 23218-2500

Report to the General Assembly – Retired Teachers Returning to Work in Critical Shortage Areas

Dear Craig,

We have reviewed the data provided for the Teachers who have retired and returned to work in critical shortage areas across the Commonwealth. Based on the data provided, we have determined this act is cost neutral to the Virginia Retirement System pension plan for Teachers. Below is the process we used to make this determination.

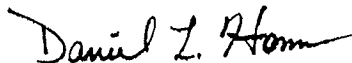
We ran the retired teachers through our valuation system and looked at the following cost components:

- Benefit payments being paid to the retiree from plan assets,
- Benefit accruals not earned because the Teacher is retired and not earning future benefits,
- Contributions not received from either the employer or the employee,
- Early retirement reduction factor applied to the accrued benefit due to early retirement (the majority of the Teachers in this program retired with unreduced benefits).

When all of the factors were put together, there was no material additional plan cost or savings due to this program. In addition, the total number of retired Teachers who have participated in this program over the last couple of years is very small compared to the total population. Therefore, unless there is a substantial increase in the number of participation or the demographics change dramatically, we do not see any change in this actuarial determination.

If you have any questions regarding this determination or the actuarial methods used, please contact us to discuss.

Sincerely,



Daniel L. Homan  
Senior Consultant

Copy: Patty Atkins-Smith

Appendix 3

Retired Teachers Returning to Work in Critical Shortage Areas

Employer	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Alleghany County		1	1		
Appomattox County Public Schools		1	1		
Bland County Public Schools				1	1
Bristol Public Schools					1
Buckingham County Public School					
Charlotte County Public Schools		1			
Dickenson County Public Schools					
Fairfax County Public Schools	19	22	24	25	26
Halifax County	1		1	1	1
Henrico County Public Schools	1	2			
Henry County Public School		1	1		
Isle of Wight City Schools			1		
Lancaster County Public Schools		1			
Loudoun County Public Schools	2	2	2	4	5
Mathews County			1		
Nottoway County Public Schools			2	2	2
Patrick County Public Schools	1	1	1		
Petersburg City Public Schools	1	4	4	4	3
Pittsylvania County Public Schools		1	1		2
Portsmouth	3	6	7	5	6
Powhatan	1	1			
Prince Edward County Public Schools				2	
Prince William Public Schools	2	1	2	3	4
Shenandoah					1
Smyth County Public Schools	1	1	1	1	1
Spotsylvania			1	1	
Virginia Beach City Public Schools				1	1
Virginia Beach City Public Schools					
Westmoreland County	1	5	3	2	1
TOTALS	35	51	54	52	54
Total Number of Participants: 246					
*Reported 2 teachers, but dates not reported.					