



Virginia
Retirement
System



Optional Retirement Plan for Higher Education Review of Contribution Rates

**Report to the
Defined Contribution Plans
Advisory Committee
(DCPAC)**



September 2025



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Optional Retirement Plan for Higher Education

2025 Review of Contribution Rates

Introduction

The Board of Trustees of the Virginia Retirement System (VRS) is required by *Code of Virginia §51.1-126.F.3* to review contribution rates for the Optional Retirement Plan for Higher Education (ORPHE) at least once every six years. The previous periodic contribution rate review was completed in 2019.

The contribution rates established pursuant to subdivision 1 shall be examined by the Board at least once every six years. The examination shall consider the salary peer group mean contribution as determined by the State Council of Higher Education and the Virginia Retirement System actuary, and, if deemed advisable, recommend a revision to the rate of contribution by the Commonwealth.

To support the review process, VRS staff gathered employer and employee contribution data from peer institutions across the country designated by the State Council of Higher Education for Virginia (SCHEV). This data was used to calculate the average contribution rate for the salary peer group as of July 2025.

VRS reviewed contribution rates for faculty members participating in ORPHE, a defined contribution plan. Under [§51.1-126](#), faculty members contribute 5% and employers contribute 8.5%. This rate structure has been in place for eligible new hires since July 1, 2010. Employers may choose to make an additional employer contribution of up to 0.4%, totaling 8.9%. Currently, the only institution doing so is the University of Virginia.

The results of the analysis determined that the current employee and employer contribution rate was competitive with the peer group average.

At this time, a revision to the current rates is not recommended.

Methodology

SCHEV developed a set of peer institutions in 2007 for each public college and university in Virginia in order to assess the Commonwealth's funding of faculty salaries. Using cluster analysis, SCHEV set 19 quantitative characteristics to identify institutions similar to each Virginia institution.

In total, 622 peer institutions were identified by SCHEV, including 272 four-year institutions and 350 community colleges. For most institutions, information related to retirement benefits was available on their public websites. For others, VRS staff reached out via email and/or phone.

VRS was able to obtain data from 614 of the 622 institutions. (Of the eight institutions that did not provide data, five were private.)

Responding peers represented a mix of public (505) and private (109) institutions. In some areas, there are key differences between these types of institutions, which are highlighted in relevant sections.

Additionally, there are often differences between four-year institutions and community colleges, which this report also compares.

Although current ORPHE contributions rates differ from an earlier tier of the plan, which included only a 10.4% employer contribution, VRS only considered the current tier in its review and analysis. The current tier has been in place since 2010 and is the only option available for new hires. Likewise, only the current retirement plan available at peer institutions was considered.

The following plan attributes were reviewed:

- Primary retirement plan offerings:
 - IRS plan type for the defined contribution plans
 - Availability of an alternate plan choice
- Contribution rates
- Waiting period
- Vesting schedule
- Shared plan status (Additional information provided on page 8.)

Findings

Primary Retirement Plan Offerings

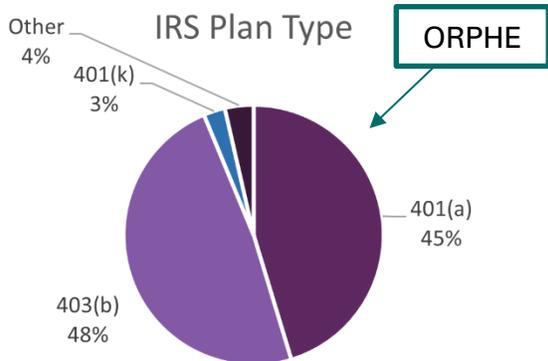
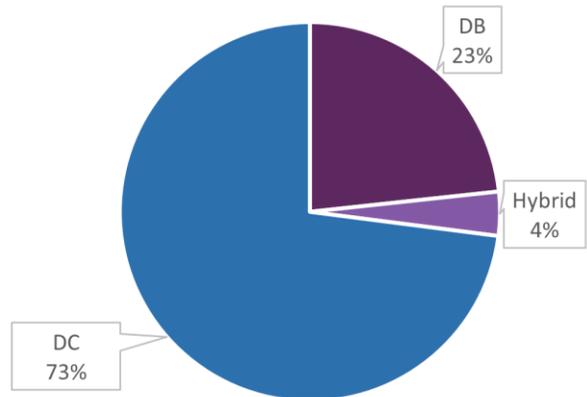
Of key consideration is the type(s) of plans offered to employees as a primary retirement benefit. For the purpose of this review, primary plans include those with required employer and/or employee contributions, as opposed to supplemental retirement plans, to which employees may choose to contribute. Analysis is limited to primary retirement plans.

Of the responding institutions, 143 offered only a defined benefit (DB) plan. A DB offering was a much more common feature in public sector plans.

Twenty-three of the responding institutions only offered a hybrid plan.

The most common offering was a primary defined contribution (DC) plan, which is offered by 73% (448) of the peer institutions. When focusing on four-year institutions, the percentage jumps to 93%.

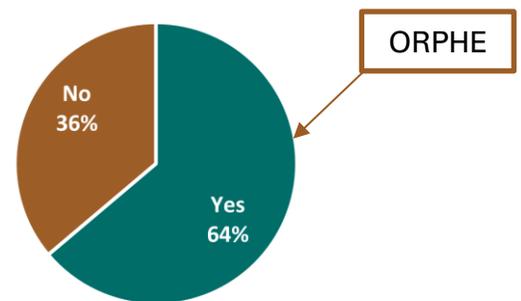
Primary Plan Type



IRS Plan Types: For institutions offering a DC plan, there were several types in use. The most common, however, were 401(a) and 403(b) plans. Fewer than 10% offered a different plan type.

Availability of an Alternate Plan: At many institutions, employees are given a choice between plans. Among the institutions offering a DC plan as a primary retirement plan, 84% public institutions offered an alternative. None of the private institutions did so.

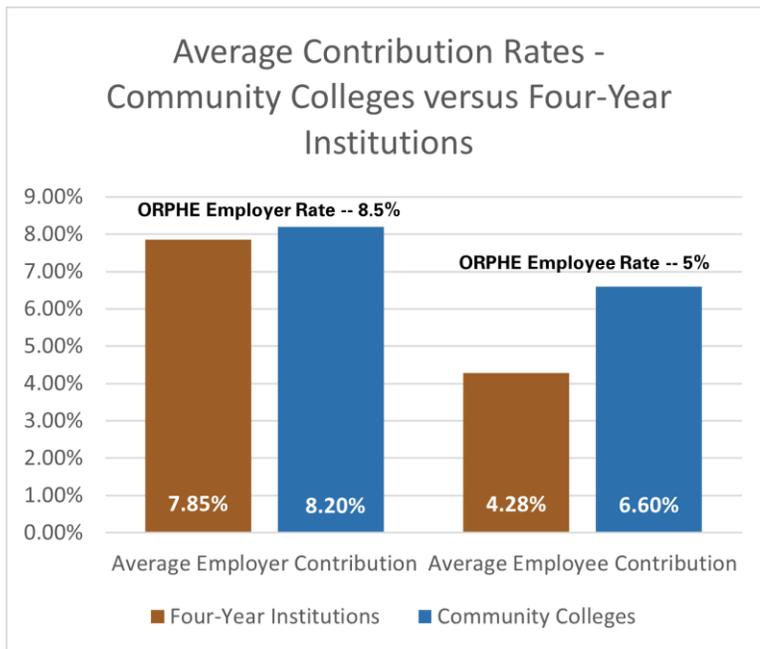
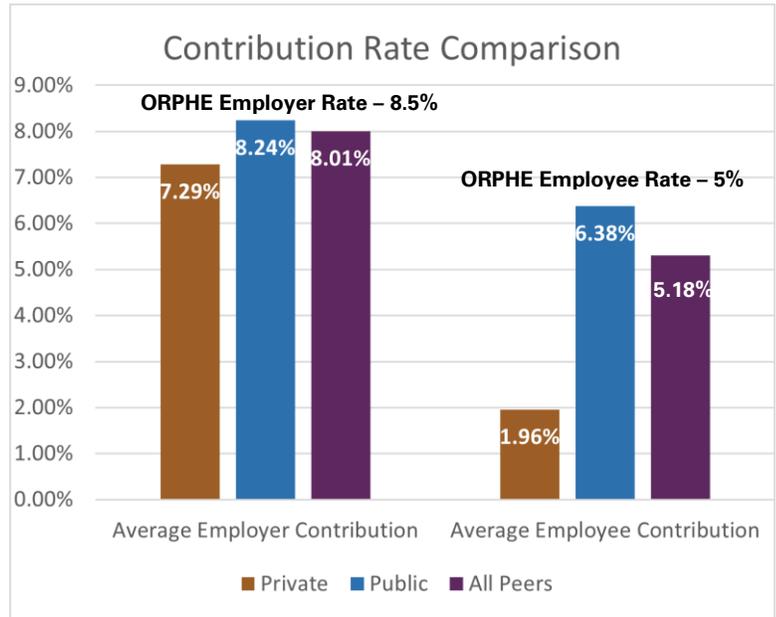
Alternative Plan Available



Contribution Rates

Contribution rates for primary DC plans were reviewed in a number of different ways. Across all peers, the mean contribution was 8.01% for employer contributions and 5.31% for employee contributions. This ratio of employer to employee contributions aligns with the current ORPHE contribution rates of 8.5% employer and 5% employee.

Public versus Private Institutions: When comparing rates between public and private institutions, there is a difference in the average employee contribution; where private institutions are approximately 4.4% less than public institutions. The ORPHE employee contribution rate of 5% is below the average of all peers, both public and private.



Community Colleges versus Four-Year Institutions:

There were minimal differences in employer contribution rates when comparing four-year institutions and community colleges. The average employee contribution rate was higher for community colleges than for four-year institutions. These differences are largely because all the community colleges are public institutions, which on average have higher employer and employee contribution rates.

Current contribution rates to ORPHE include an 8.5% employer contribution and a 5% employee contribution. [§51.1-126. F.1](#) allows for an employer contribution up to 8.9%. Currently, only one institution, the University of Virginia, has opted to use the 8.9% maximum contribution rate.

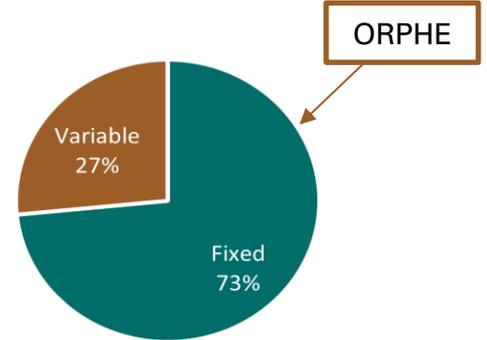
Of the 249 four-year institutions with a primary defined contribution plan, 17% (43) did not require an employee contribution. Contributions ranged between 0.5% to 17.5% for those requiring it.

Of the 199 community colleges offering a primary defined contribution plan, 8% (15) did not require an employee contribution. For those requiring it, employee contributions ranged between 2.0% and 17.5%.

	Employer Contributions			Employee Contributions		
	Mean	Median	Mode	Mean	Median	Mode
Community Colleges	8.20%	7.60%	6.60%	6.60%	6.65%	6.65%
Four-Year Institutions	7.85%	8.00%	10.00%	4.28%	4.38%	0.00%
ORPHE		8.5%			5%	

Fixed versus Variable Rates: Another plan attribute that varies from one defined contribution plan to another is whether contribution rates change based on factors like age, salary and/or tenure. Of the plans reviewed, 73% included fixed contribution rates, like ORPHE, that are the same for all participating employees, and 27% included variable rates. Fixed contribution rates were more common in public sector plans at 84%, but only 43% of private sector plans used a fixed rate. The specific factors determining how or why rates varied within a plan were not part of the analysis. For plans with variable rates, only the mean contribution rate was considered.

Contribution Rate Structure (All plans)



A few examples of variable contribution rates include:

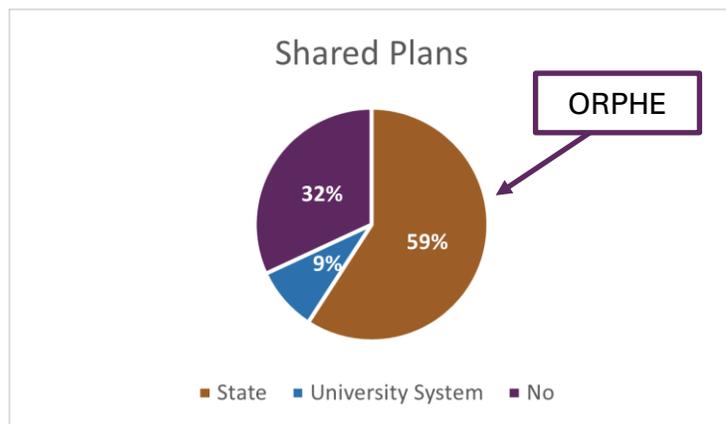
- The State University of New York (SUNY) Optional Retirement Plan includes a fixed employer contribution rate of 8% and a variable employee contribution ranging from 3% to 6% based on salary.
- The University of Pennsylvania’s employer contributions vary based on the employee’s age and range from 2.5% to 5%.
- Boston College’s defined contribution plan offers employer contributions of either 8% or 10%, depending on years of service.

Contribution Rate Structure Public versus Private



Shared Plan Status

A shared plan is a retirement plan administered by a central entity with participation by multiple employers. Most attributes of the plan are shared and do not vary from one employer to another, although some variation may be allowed. Most commonly, shared plans can be administered at the state level, as is the case in Virginia, or shared across a university system. In the private sector, shared plans can be administered by a third party on behalf of participating employers.



As an example, public institutions in Virginia take part in the Optional Retirement Plan for Higher Education, which is administered by VRS. Individual institutions have limited flexibility to modify plan attributes, although some modification is permitted.

Of the peer institutions reviewed, 59% (265 institutions) were part of a state-administered plan; 9% (40 institutions) were part of a university-administered plan; and 32% (143 colleges) were not part of a shared plan. Only one private institution was part of a shared university plan.

Of the public institutions with a defined contribution plan, the most common structures were those administered at the state level, which accounted for about 78% of the public institutions.

The peer group reviewed included public sector plans administered by the following states:

- Colorado
- Connecticut
- Florida
- Georgia
- Idaho
- Illinois
- Kansas
- Louisiana
- Maryland
- Massachusetts
- Michigan
- Minnesota
- Mississippi
- Missouri
- New Jersey
- New Mexico
- Nevada
- New York
- Ohio
- North Carolina
- Pennsylvania
- Rhode Island
- South Carolina
- Tennessee
- Texas
- Utah
- Washington
- West Virginia

Conclusion

Code of Virginia §51.1-126 requires the VRS Board of Trustees to examine the contribution rates for the Optional Retirement Plan for Higher Education at least once every six years. Based on the analysis set forth above, VRS staff has concluded that contribution rates are comparable to peer institutions identified by SCHEV.

No changes are recommended at this time.

Virginia Public Higher Education Institutions

Community Colleges

Blue Ridge Community College
Brightpoint Community College
Central Virginia Community College
Danville Community College
Dabney S. Lancaster Community College
Eastern Shore Community College
Germanna Community College
J. Sargeant Reynolds Community College
Laurel Ridge Community College
Mountain Empire Community College
New River Community College
Northern Virginia Community College
Paul D. Camp Community College
Patrick Henry Community College
Piedmont Virginia Community College
Rappahannock Community College
Southside Virginia Community College
Tidewater Community College
Virginia Highlands Community College
Virginia Peninsula Community College

Virginia Western Community College

Wytheville Community College

Four-Year Colleges and Universities

Christopher Newport University
College of William and Mary
George Mason University
James Madison University
Longwood University
Norfolk State University
Old Dominion University
Radford University
Richard Bland College*
University of Mary Washington
University of Virginia
University of Virginia's College at Wise
Virginia Commonwealth University
Virginia Military Institute
Virginia State University
Virginia Tech

*Richard Bland is a junior college associated with the College of William & Mary.