

WEST VIRGINIA

WEST VIRGINIA TEACHERS' RETIREMENT SYSTEM AND TEACHERS' DEFINED CONTRIBUTION RETIREMENT SYSTEM

TYPE OF PLAN: A) Mandatory Defined Contribution Plan; B) Mandatory Defined Benefit Plan

YEAR EFFECTIVE: A) 1991; B) 2005

WORKERS COVERED: A) All teachers hired after June 30, 1991 and before July 1, 2005 excluding those who switched back to the defined benefit plan. B) All teachers hired before July 1, 1991 and after June 30, 2005.

ACTIVE PARTICIPANTS: 4,778 (Defined contribution as of 2010); 68,838 (Defined benefit as of 2010).

CONTRIBUTION RATE: Employees contribute 4.5 percent to the defined contribution plan and 6 percent to the defined benefit plan. Employers contribute 7.5 percent to the defined contribution plan and have an actuarially set contribution level for the defined benefit plan, which was 29.2 percent for fiscal year 2011.

VESTING SCHEDULE: Employer contributions in the defined contribution plan are 33 percent vested after six years, 67 percent vested after nine years, and fully vested after 12 years. Members vest in the defined benefit plan after five years.

INVESTMENT OPTIONS: The defined contribution plan offers 10 investment options, which consist of fixed income and equity mutual funds, as well as a guaranteed insurance fixed annuity.

ORIGIN OF PLAN: In 1991, the West Virginia Teachers Retirement System closed its underfunded defined benefit (DB) plan to new members and started a defined contribution (DC) plan for new members and members of the DB plan who wanted to switch.

Over time, some members expressed concern with the performance of their DC accounts. In 2005, the state closed the DC plan and reopened the DB plan for new members. Originally, existing DC plan members were to be merged into the reopened DB plan. However, some members resisted the switch and filed suit. A judge ruled in their favor, concluding that the merger would violate federal and state law by seizing participants' private property without their permission.

In the wake of the court ruling, a compromise was reached in which DC members were required to choose which plan they preferred by May 12, 2008. However, no member would be allowed to switch to the DB plan unless 65 percent of all members chose to switch. In the end, more than 78 percent chose to switch. Because DC members contributed less of their salary than DB members, only 75 percent of their years of service in the DC plan were counted when switching to the DB plan, but switchers were allowed to purchase the remaining 25 percent.

LEARN MORE

- West Virginia Consolidated Public Retirement Board. Online at: <http://www.wvretirement.com>.
- Bill Rosenberger. 2008. "Education Workers Mull Pension Plan Switch." *Huntington Herald-Dispatch* (April 13).