VRS Modernization: Employee Contributions

The Virginia Retirement System (VRS) is undertaking a multi-year Modernization Program to upgrade its technology systems and business processes. As part of this modernization, VRS is making changes to how it collects member contributions from employees. These changes are effective immediately.

What are member contributions?
Every faculty and staff employee who works in a position that is covered by VRS for retirement benefits is required to make a member contribution in the amount of 5% of creditable compensation each pay period. This requirement is already in place and all eligible faculty and staff employees currently pay their 5% member contribution.

What is changing about member contributions?
The definition of monthly creditable compensation is changing. Previously, the 5% member contribution was calculated based on an employee’s monthly gross pay, which can fluctuate based on reductions in pay due to docked pay or other reasons. Under the new definition, monthly creditable compensation will be an amount equal to the employee’s annual salary divided by 12.

How will this change affect me?
Sometimes your actual gross pay may be less than your full salary. This can happen if your pay is docked for absences or if you are receiving reduced pay while on a disability claim through the Virginia Sickness and Disability Program (VSDP) or on Temporary Workforce Reduction (TWFR). Even though your actual pay is reduced, your required member contribution is 5% of your full monthly creditable compensation (your annual salary divided by 12, as explained above). This means that your contribution might be more than 5% of your actual pay.

What is VRS service credit?
VRS service credit is the credit toward retirement that a member earns in a VRS-covered position, whether that position is a state position or any other VRS-covered position. A member is credited with one month of service for each month the member makes a contribution to VRS. Under certain circumstances, members can purchase additional service credit for periods of unpaid leave, military service or public employment that was not covered by VRS. The VRS service credit total is used only for retirement benefit purposes. It is not used to determine an employee’s leave accrual rate, disability income replacement or any other benefit that is based on actual state service.

When do I earn VRS service credit?
You earn VRS service credit when you are actively employed, on paid leave or on an approved VSDP disability claim as of the first business day of the month, provided your 5% member contribution is paid for that month.

What is changing about VRS service credit?
Previously, you earned service credit for each month in which you made a member contribution equal to 5% of your actual pay. You will now earn service credit only when you make a member contribution equal to your annual salary divided by 12.

HR & Payroll March 2013
**What happens if the full 5% member contribution is not paid?**
You will not earn VRS service credit for any month in which your full member contribution is not paid. The 5% contribution is deducted from your Mason paycheck. If your paycheck is not sufficient for Mason to deduct the full 5% required contribution, you will not earn VRS service credit for that month.

**What if I am separating from Mason?**
If you are leaving Mason after the first business day of the month, your entire 5% member contribution must be paid for that month for you to earn service credit for that month. If your final paycheck is not sufficient for Mason to deduct the full 5% required member contribution, you will not earn service credit for that month. Please note - your VRS member contribution will not be deducted from any leave payment upon separation.

**What if I am transferring between VRS employers?**
You earn VRS service credit through a participating employer (including Mason) only when you are employed in a VRS-covered position as of the first business day of the month. If you start at Mason after the first business day of the month, you will not earn VRS service credit through Mason until the next month.
If you leave a VRS employer (including Mason) after the first day of the month to transfer to another VRS employer, you will not earn service credit through your new employer until the next month. So that you do not have a break in your VRS service credit history, you must make your entire VRS monthly member contribution through the employer you are leaving. This will ensure you receive service credit for the month in which you left that employer.

**What if I have questions about these changes?**
Contact Benefits at (703) 993-2600 or benefits@gmu.edu