
Minutes

A regular meeting of the Benefits and Actuarial Committee was held on November 14, 2022, in Richmond, Virginia with the following members participating:

William A. Garrett, Chair
John M. Bennett, Vice Chair
Lindsey K. Pantele

VRS Staff:

Patricia Bishop, Jennifer Schreck, Rory Badura, Judy Bolt, Ty Bowers, Jeanne Chenault, Michael Cooper, Sara Denson, Valerie Disanto, Barry Faison, Andy Feagans, Brian Goodman, Daveida Murphy-Hasan, Angela Payne, Steven Ramirez, Virginia Sowers, Leslie Weldon and Cindy Wilkinson.

Guests:

Jim Anderson, Becky Stouffer, and Kurt Dosson, Gabriel, Roeder, Smith & Company (GRS); Emily Grimes and Jason Saunders, Department of Planning and Budget; and Jamie Bitz, Joint Legislative Audit and Review Commission.

The meeting convened at 1:00 p.m.

Opening Remarks

Mr. Garrett called the meeting to order and welcomed everyone to the November 14, 2022, meeting of the Benefits and Actuarial Committee.

Approval of Minutes

Upon a motion by Mr. Bennett, with a second by Ms. Pantele, the Committee approved the minutes of its October 17, 2022, meeting.

Gabriel, Roeder, Smith & Company (GRS) 2022 Actuarial Valuation Results for Political Subdivision Retirement Plans, the Virginia Sickness and Disability Program (VSDP), the Virginia Local Disability Program (VLDP), Local Health Insurance Credit (HIC) Plans and the Line of Duty Act (LODA) Fund.

Jim Anderson and Becky Stouffer from the VRS plan actuary, Gabriel, Roeder, Smith & Company (GRS), presented the June 30, 2022, actuarial valuations for the Political Subdivision Retirement Plans, the Virginia Sickness and Disability Program (VSDP), the Virginia Local Disability Program (VLDP), Local Health Insurance Credit (HIC) Plans and the Line of Duty Act (LODA) Fund. The VRS actuary conducts annual valuations as of the close of the fiscal year (June 30). In odd-numbered years the valuations are used to establish employer contribution rates. The results in even-numbered years are shared with the Board of Trustees to inform the Board of any emerging trends or indications of the magnitude and direction of any potential changes to contribution rates.

Similar to the state-wide pension plans presented at the last meeting, despite lower-than-expected returns for fiscal year 2022, recognition of prior investment gains in the development of the actuarial

value of assets led to improved funded status for the political subdivision pension plans in aggregates. Fiscal year 2022 also included higher than expected cost-of-living increases and pay increases for political subdivision plans in aggregate, which led to higher than expected liabilities.

The HIC plans for political subdivisions as well as the State-funded HIC plans for Constitutional Officers, Social Services Employees and Registrars all had an increase in funded status and a slight decrease in contribution rates. Due to a recently implemented allocation methodology for the HIC benefits, the HIC plans for political subdivisions saw an increase in liability; however, it was offset by unrecognized gains from the prior valuation. The new methodology allocates a prorated portion of HIC liability to each employer a member worked for that offered the HIC benefit.

The VSDP plan and VLDP plan for Teachers and Political Subdivisions all had a slight decrease in plan funded status mainly due to slight differences in application of the actuarial funding method used by GRS. This also led to slightly lower contribution rates for each plan compared to the 2021 valuation.

GRS then presented information on the Line of Duty Act Fund (LODA). The LODA plan is a pay-as-you-go plan that must collect the required funds to pay benefits expected to be incurred over the coming year. With a notable decrease in the covered headcount as well as an expected increase in plan claims, GRS, working with VRS staff, recommended an increase in the LODA premium to \$830.00 per full time equivalent (FTE) beginning July 1, 2023. The increase in rate was set to cover fiscal year 2024 costs including one month of reserve for incurred but not reported claims (IBNR).

Mr. Garrett thanked Ms. Stouffer and Mr. Anderson for their presentation.

Upon a motion by Ms. Pantele, with a second by Mr. Bennett, the Committee recommended approval of the following action to the full Board of Trustees:

RBA: Accept the Plan Actuary's Valuations as of June 30, 2022 for the Political Subdivision Retirement Plans; the Health Insurance Credit (HIC) Plans for Political Subdivisions; the State-Funded HIC for Constitutional Officers, Social Services Employees and Registrars; the Virginia Sickness and Disability Program, including the Self-Funded Long-Term Care; and the Virginia Local Disability Program, including the Self-Funded Long-Term Care.

Request for Board Action: The Virginia Retirement System Board of Trustees accepts the June 30, 2022 Actuarial Valuations conducted by the VRS plan actuary, Gabriel, Roeder, Smith & Company, for the Political Subdivision Retirement Plans; the Health Insurance Credit (HIC) Plans for Political Subdivisions; the State-Funded HIC for Constitutional Officers, Social Services Employees and Registrars; the Virginia Sickness and Disability Program, including the Self-Funded Long-Term Care; and the Virginia Local Disability Program, including Self-Funded Long-Term Care.

Upon a motion by Ms. Pantele, with a second by Mr. Bennett, the Committee recommended approval of the following action to the full Board of Trustees:

RBA: Accept revised LODA premium for FY 2024 as recommended by the Plan Actuary, effective July 1, 2023.

Request for Board Action: *The Board accepts the increased FY 2024 premium for the Line of Duty Death and Health Benefits Trust Fund (the LODA Fund) as recommended by the Plan Actuary for FY 2024.*

Information Items

Review of Stress Test and Sensitivity Analysis Report

Next, Rory Badura, Senior Staff Actuary, presented the findings of the VRS Stress Test and Sensitivity Analysis Report. He noted that the report is based on the June 30, 2021, actuarial valuation and analyzes the potential effect on plan funding over the next several years and contains various adverse economic scenarios that illustrate impacts of higher inflation and continued market volatility. The report focuses on adverse events as they better highlight areas of risk.

Mr. Garrett thanked Mr. Badura for his presentation.

Confirmed 2023 B&A Committee Meeting Schedule:

Lastly, the Committee reviewed its 2023 meeting schedule:

- February 7
- April 19
- June 14
- October 18
- November 16

Mr. Garrett noted that all meetings will begin at 1:00 p.m., apart from the November meeting, which is scheduled for 10:00 a.m.

Adjournment

There being no further business and following a motion by Mr. Bennett, with a second by Ms. Pantele, the Committee agreed to adjourn the meeting at 2:48 p.m.

2/7/2023

Date



William A. Garrett, Chair
Benefits and Actuarial Committee