



Benefits and Actuarial Committee (B&A) Meeting

Thursday, 2/11/2021

1:00 - 3:30 PM ET

I. Welcome and Introductions

II. Public Comment

III. Approve Minutes

B&A Minutes 11.16.2020 - Page 2

IV. 2021 COLAs Requiring Board Approval

- **RBA - Approval of July 1, 2021 Increase Relating to VSDP Creditable Compensation and VSDP COLA.**

RBA_VSDP_COLA_02162021 - Page 6

- **RBA - Approval of July 1, 2021 Increase Relating to VLDP Creditable Compensation.**

RBA_VLDP_COLA_02162021 - Page 8

VRS COLAs 2021 - Page 9

Audit COLA Memorandum & VRS COLA Letter - Page 23

V. Information Items

- **2021 COLAs called for under statute not requiring Board approval**
 - i. COLA for service and disability retirees effective July 1, 2021**
 - ii. Hazardous Duty Supplement effective July 1, 2021**
 - iii. Group Life Insurance minimum life insurance amount effective July 1, 2021**
- **2021 Legislative Update**

LegislativeUpdate 02.11.2021 - Page 27
- **Upcoming B&A Committee Meetings**
 - April 19, 2021 at 1:00 p.m.
 - June 9, 2021 at 1:00 p.m.
 - October 13, 2021 at 10:00 a.m..
 - November 15, 2021 at 1:00 p.m.

VI. Other Business

Minutes

An electronic meeting of the Virginia Retirement System Benefits and Actuarial Committee was held on November 16, 2020 in accordance with § 2.2-3708.2(A)(3) of the *Code of Virginia* and in accordance with guidance provided in § 4-0.01 of Chapter 1289 of the 2020 Acts of Assembly, with the following members participating:

Wallace G. Harris, Ph.D., Chair
William A. Garrett, Vice Chair
Michael P. Disharoon

Board members present:

O'Kelly E. McWilliams, III, Board Chair
Joseph W. Montgomery, Board Vice Chair
Hon. J. Brandon Bell, II
Troilen G. Seward, Ed.S.

VRS Staff:

Patricia Bishop, Jennifer Schreck, Rory Badura, Judy Bolt, Ty Bowers, Jeanne Chenault, Stephanie Conyers, Michael Cooper, Sara Denson, Valerie Disanto, Barry Faison, Brian Goodman, Krystal Groff, Robert Irving, Daveida Murphy-Hasan, Angela Payne, Cat Pelletier, Jillian Sherman, Virginia Sowers and Cindy Wilkinson.

Guests participating were:

Larry Langer, Alisa Bennett, Brad Wild and Micki Taylor, Cavanaugh Macdonald Consulting, LLC; Adam Rosatelli, Senate Finance and Appropriations Committee; Michael Jay, House Appropriations Committee; Grace Wheaton, Virginia Management Fellows; Latosha Johnson, Department of Planning and Budget; Bea Snidow, Virginia Education Association; and Jamie Bitz, Joint Legislative Audit and Review Commission.

The meeting convened at 1:01 p.m.

Opening Remarks

Mr. Harris called the meeting to order and welcomed everyone to the November 16, 2020 meeting of the Benefits and Actuarial Committee.

Mr. Harris noted that given the current circumstances related to COVID-19, the Committee is unable to meet in person and, therefore, is using electronic means to hold the meeting. The meeting is being held in accordance with § 2.2-3708(A)(3) of the *Code of Virginia* and guidance provided in the Appropriation Act as they relate to conducting business during the pandemic.

Next, Mr. Harris took attendance with the following roll call:

Mr. Bell: Here
Mr. Disharoon: Here
Mr. Garrett: Here

Mr. McWilliams: Here
Mr. Montgomery: Here
Ms. Seward: Here
Mr. Harris: Here

Public Comment

In accordance with Item 4-0.01 of Chapter 1289 of the 2020 Acts of Assembly, the Committee opened the floor for public comment. Mr. Harris noted that no members of the public registered to comment at the electronic meeting.

Approve Minutes

Upon Mr. Disharoon's motion, with a second by Mr. Garrett, the Committee approved the minutes of its October 14, 2020 meeting upon the following roll call vote:

Mr. Bell: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Mr. McWilliams: Aye
Mr. Montgomery: Aye
Ms. Seward: Aye
Mr. Harris: Aye

Cavanaugh Macdonald Consulting, LLC, 2020 Actuarial Valuation Results for Political Subdivision Retirement Plans, the Virginia Local Disability Program (VLDP), Local Health Insurance Credit (HIC) Plans, and the Line of Duty Act (LODA) Fund

Larry Langer and Alisa Bennett from the VRS plan actuary, Cavanaugh Macdonald Consulting, LLC, presented the June 30, 2020 actuarial valuations for the Political Subdivision Retirement Plans, 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 changes to contribution rates.

Mr. Langer began by noting that the market value return for the total fund of 1.40% fell short of the long-term assumed rate of return of 6.75%. The corresponding actuarial value asset return for local pension plans was 5.86% due to smoothing of investment gains and losses observed over the previous five years. The pension funded status on an actuarial value of assets basis for political subdivisions in aggregate increased slightly from the 2019 valuation. Half of the individual plans saw a decrease in funded status while the other half saw an increase in funded status. On a market value basis, nearly all plans saw a decrease in funded status as compared to 2019. The employer contribution rates trended higher for just over half of the political subdivision pension plans compared to the 2019 rate setting valuation.

With regard to Other Post-Employment Benefits (OPEBs) plans, the funded status increased and contribution rates decreased slightly for Constitutional Officers and Registrars Health Insurance Credit (HIC) programs as compared to the prior year. Funded status decreased and contribution rates increased slightly for HIC programs for Political Subdivisions in aggregate as well as Social Services employees when compared to the previous year. Teacher and Political Subdivision VLDP saw an increase in funded status and contribution rates for both plans trended slightly lower than the 2019 valuation.

Ms. Bennett presented the results for the Line of Duty Act (LODA) fund and noted that the premium rate certified by the Board last November increased from \$695.18 to \$717.31 in order to cover new legislation effective July 1, 2020. Health care premiums for pre-Medicare members increased 2.8% and the premiums for Medicare-eligible members increased roughly 8.0% from the 2019 valuation. These premiums are expected to increase every year with the assumed health care cost trend.

The full-time equivalent (FTE) active headcount for the LODA fund increased slightly from 19,243 in 2019 to 19,989 for the 2020 valuation, and the number of health care beneficiaries decreased slightly from 1,173 in 2019 to 1,168 in 2020. The LODA premium developed for the informational valuation trended upwards to \$758.03 due to increased health care and administrative costs. Lastly, Ms. Bennett noted that no explicit changes or assumptions related to COVID-19 were incorporated in the 2020 valuation due to the level of uncertainty regarding the impact on both plan costs and contribution levels going forward.

Mr. Harris thanked Mr. Langer and Ms. Bennett for their presentation.

Following some discussion, the Committee took up the following RBA for consideration:

RBA: Accept the Plan Actuary's Valuations as of June 30, 2020 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 Local Disability Program, including the Self-Funded Long-Term Care; and the Line of Duty Act Fund

Request for Board Action: *The Virginia Retirement System Board of Trustees accepts the June 30, 2020 Actuarial Valuations conducted by the VRS plan actuary, Cavanaugh Macdonald Consulting, LLC, 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 Local Disability Program, including Self-Funded Long-Term Care; and the Line of Duty Act Fund.*

Upon a motion by Mr. Disharoon, with a second by Mr. Garrett, the Committee recommended approval of the action to the full Board of Trustees upon the following roll call vote*:

Mr. Bell: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Mr. McWilliams: Aye
Ms. Seward: Aye
Mr. Harris: Aye

**Mr. Montgomery had exited the meeting prior to this vote.*

Information Items

Mr. Harris announced the B&A Committee's 2021 meeting schedule:

- February 11, 2021 at 1:00 p.m.
- April 19, 2021 at 1:00 p.m.
- June 9, 2021 at 1:00 p.m.
- October 13, 2021 at 10:00 a.m.
- November 15, 2021 at 1:00 p.m.

Adjournment

Upon a motion by Mr. Disharoon, with a second by Mr. Garrett, the Committee agreed to adjourn the meeting upon the following roll call vote:

Mr. Bell: Aye
Mr. Disharoon: Aye
Mr. Garrett: Aye
Mr. McWilliams: Aye
Ms. Seward: Aye
Mr. Harris: Aye

There being no further business, the meeting concluded at 2:27 p.m.

Date

Wallace G. Harris, Chair
Benefits and Actuarial Committee



Approval of July 1, 2021 increase relating to VSDP creditable compensation and VSDP COLA.

Requested Action

Effective July 1, 2021 the following increases shall apply:

- The creditable compensation used in calculating the member's average final compensation at retirement shall be increased in the amount of 2.12% for a Plan 1, Plan 2 or Hybrid member who has been the recipient of long-term disability (LTD) benefits for at least one year under the Virginia Sickness and Disability Program (VSDP); and
- A cost of living adjustment of 1.23% shall be applied to the net LTD benefit payment for Plan 1 members vested prior to January 1, 2013, Plan 1 members not vested by January 1, 2013, and all Plan 2 and Hybrid members.

Description/Background

Code of Virginia § 51.1-1112(C) provides: "Creditable compensation during periods an employee receives long-term disability benefits shall (i) not include salary increases awarded during the period covered by long-term disability benefits and (ii) be increased annually by an amount recommended by the actuary of the Virginia Sickness and Disability Program and approved by the Board."

Code of Virginia § 51.1-1117(B) provides: "The average final compensation of any participating full-time employee taking a service retirement under any provision of this title shall be equal to his creditable compensation on the date of the commencement of the disability increased by an amount recommended by the program actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement."

Code of Virginia § 51.1-1128(B) provides the same requirement for participating full-time employees receiving supplemental (work-related) disability benefits: "The employee's average final compensation shall be equal to his creditable compensation on the date of the commencement of the disability increased by an amount recommended by the actuary of the Virginia Retirement System, and approved by the Board, from the date of the commencement of the disability to the date of retirement."

In accordance with these provisions, each year VRS requests that the plan actuary recommend the cost of living adjustment (COLA) to be applied to the benefit paid and to the creditable compensation of LTD recipients who have been receiving such benefits for at least one calendar year under VSDP.

In 2011 the Board amended the process for determining the COLA to be applied to the creditable compensation of LTD recipients for purposes of calculating service retirement. It is now based on the combined average increase in the pay rate for State, SPORS and VaLORS VSDP members active at the beginning and the end of the most recent plan year before the date of determination of the COLA.

Rationale for Requested Action

Per the attached January 14, 2021 letter, the VRS plan actuary, Cavanaugh Macdonald Consulting, LLC, observed increases in creditable compensation of 2.12% during fiscal year 2020 for members enrolled in

VSDP. Based on the recommendation from the plan actuary, and consistent with past practice, the recommended increase in creditable compensation for purposes of service retirement from disability shall be 2.12%, and after offsets, an adjustment to the benefit payments of VSDP LTD recipients who have been receiving such payments for at least one calendar year of 1.23% for Plan 1 members vested as of January 1, 2013, Plan 1 members not vested by January 1, 2013, and all Plan 2 and Hybrid members.

Authority for Requested Action

The Board's authority for this action is contained in *Code of Virginia* §§ 51.1-1112, -1117, and -1128.

The above action is approved.

O'Kelly E. McWilliams, III, Chairman
VRS Board of Trustees

Date



**Approval of July 1, 2021 increase relating to
VLDP creditable compensation.**

Requested Action

Effective July 1, 2021, each recipient of LTD benefits under the Virginia Local Disability Program (VLDP) who has been receiving LTD benefits for at least one calendar year, and who ultimately retires directly from LTD, will have their creditable compensation at date of disability increased by an amount set by the Board to be used in determining the member's average final compensation for disability retirement. The recommendation applicable July 1, 2021 is an increase of 4.0% to be applied to a recipient's creditable compensation.

Description/Background

Code of Virginia § 51.1-1161(C) provides: "The average final compensation of any participating full-time employee taking a service retirement under any provision of this title shall be equal to his creditable compensation on the date of the commencement of the disability increased by an amount recommended by the program actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement."

Code of Virginia § 51.1-1169(C) provides: "The employee's average final compensation shall be equal to his creditable compensation on the date of the commencement of the disability increased by an amount recommended by the actuary of the Virginia Retirement System, and approved by the Board, from the date of the commencement of the disability to the date of retirement."

In accordance with these provisions, VRS requested that its actuary recommend the COLA to be applied to the creditable compensation of LTD recipients who have been receiving such benefits for at least one calendar year under VLDP.

Rationale for Requested Action

Per the attached January 14, 2021 letter, the VRS plan actuary, Cavanaugh Macdonald Consulting, LLC, observed increases in creditable compensation of 5.66% during fiscal year 2020 for VLDP members. Based on the recommendation from the plan actuary, and consistent with past practice the recommended increase in creditable compensation for purposes of service retirement from disability shall be capped at 4.0%.

Authority for Requested Action

The Board's authority for this action is contained in *Code of Virginia §§ 51.1-1161* and *-1169*.

The above action is approved.

O'Kelly E. McWilliams, III, Chairman
VRS Board of Trustees

Date



Virginia
Retirement
System

Virginia Retirement System Cost-of-Living Adjustments (COLAs)

February 11, 2021



VRS COLAs



- Per § 51.1-166 of the *Code of Virginia*, VRS post-retirement supplements shall be determined annually by reference to the increase in the United States Average Consumer Price Index for all items, all urban consumers (CPI-U), as published by the Bureau of Labor Statistics of the United States Department of Labor.
- The percentages shall be based on the monthly averages and shall be the difference between (i) the average for the calendar year just ended and (ii) the average for the most recent calendar year used in the determination of the post-retirement supplements currently being paid.

Post-Retirement Supplement (COLA)

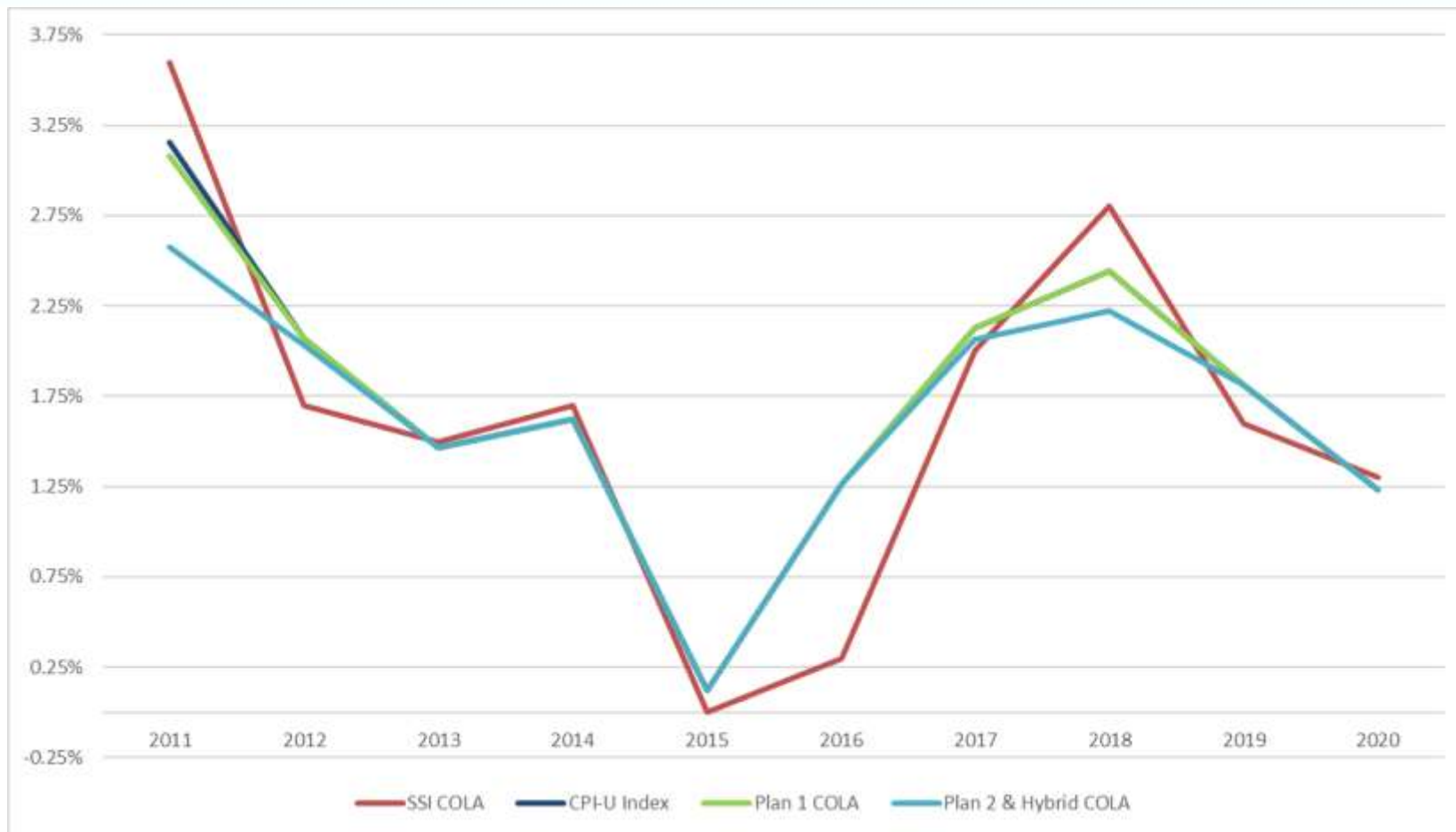


Calendar Year	COLA Index U.S. CPI-U	Annual growth rate	Plan 1	Plan 2	Hybrid	Effective
2011	224.939	3.16%	3.08%	2.58%	N/A	July 2012
2012	229.594	2.07%	2.07%	2.04%	N/A	July 2013
2013	232.957	1.46%	1.46%	1.46%	N/A	July 2014
2014	236.736	1.62%	1.62%	1.62%	N/A	July 2015
2015	237.017	0.12%	0.12%	0.12%	0.12%	July 2016
2016	240.007	1.26%	1.26%	1.26%	1.26%	July 2017
2017	245.120	2.13%	2.13%	2.07%	2.07%	July 2018
2018	251.107	2.44%	2.44%	2.22%	2.22%	July 2019
2019	255.657	1.81%	1.81%	1.81%	1.81%	July 2020
2020	258.811	1.23%	1.23%	1.23%	1.23%	July 2021

- Plan 1 members receive 100% of the first 3% increase in CPI-U* and 50% of any increase between 3% and 7%, capped at 5%.
- Effective January 1, 2013, the COLA for Plan 2 and Hybrid members is 100% of first 2% increase in CPI-U and 50% of any increase between 2% and 4%, capped at 3%.

* United States Average Consumer Price Index for all items, all urban consumers, as published by the Bureau of Labor Statistics of the United States Department of Labor.

Comparison of Indices



- VRS COLA was higher than the SSI COLA in 2019, but is slightly lower in 2020.

- Code Sections 51.1-138.B, 51.1-206.B, and 51.1-217.B require that the supplement provided to hazardous duty employees be reviewed biennially, at which time it is to be increased by any applicable cost of living adjustments published by the Social Security Administration since the last applicable increase.
- The SSI COLA was 1.6% in 2019 and 1.3% in 2020, resulting in a biennial increase of 2.92%.
- The annual Hazardous Duty Supplement will increase from \$14,244 to \$14,664 for fiscal year 2022.

- Per § 51.1-1112(C), 51.1-1117(B) and 51.1-1128(B), Virginia Sickness and Disability Program (VDSP) creditable compensation is to be increased annually by an amount recommended by the program actuary and approved by the Board.
- VSDP creditable compensation is increased each year based on the combined average increase in the pay rate for State, SPORS and VaLORS VSDP members active at the beginning and the end of the most recent plan year before the date of determination of the COLA.

VSDP Increase in Creditable Compensation



Virginia Retirement System VSDP Increase in Creditable Compensation for VRS Pension Benefit Purposes

Average pay increase from 2019 to 2020 for members active as of June 30, 2019 and June 30, 2020, and reported in VRS valuation data as participating in VSDP

Plan	June 30, 2019		June 30, 2020		Increase in Pay Rate
	Number Members	Annual Pay Rate	Number Members	Annual Pay Rate	
State	60,122	\$ 3,475,818,101	60,122	\$ 3,551,779,380	2.19%
VaLORS	6,643	\$ 281,765,134	6,643	\$ 286,316,410	1.62%
SPORS	1,454	\$ 91,526,784	1,454	\$ 92,649,895	1.23%
Total	68,219	\$ 3,849,110,019	68,219	\$ 3,930,745,685	2.12%

Increase in Total Annual Pay Rate (Not to Exceed 4.00%)

2.12%

- The annual COLA to be applied to a VSDP long-term disability claimant's creditable compensation may not exceed 4.00%.

VSDP Increase in LTD Benefit



- For members who have been the recipient of long-term disability (LTD) benefits for at least one year under the Virginia Sickness and Disability Program shall receive an increase in the net LTD benefit payment.
- For Plan 1 members vested prior to January 1, 2013 – 1.23% increase.
- For Plan 1 members not vested by January 1, 2013 and all Plan 2 and Hybrid members – 1.23% increase.

- Per § 51.1-1161(C) and 51.1-1169(C), Virginia Local Disability Program (VLDP) creditable compensation shall be increased by an amount recommended by the program actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.
- Increases in VLDP creditable compensation will be computed each year based on the combined average increase in the pay rate for Teachers and Political Subdivisions participating in the Hybrid Retirement Plan active at the beginning and the end of the most recent plan year before the date of determination of the COLA.
- The increase is not applied on an annual basis, but is applied to a member's average final compensation if the member ends up taking a service retirement directly from long-term disability status.

VLDP Increase in Creditable Compensation



Virginia Retirement System VLDP Increase in Creditable Compensation for VRS Pension Benefit Purposes

Average pay increase from 2019 to 2020 for members active as of June 30, 2019 and June 30, 2020, and reported in VRS valuation data as participating in VLDP

Plan	June 30, 2019		June 30, 2020		Increase in Pay Rate
	Number Members	Annual Pay Rate	Number Members	Annual Pay Rate	
Teachers - Hybrid	39,432	\$ 1,760,002,754	39,432	\$ 1,866,470,910	6.05%
Political Subdivisions - Hybrid	27,746	\$ 1,064,838,670	27,746	\$ 1,118,333,117	5.02%
Total	67,178	\$ 2,824,841,424	67,178	\$ 2,984,804,027	5.66%
Increase in Total Annual Pay Rate (Not to Exceed 4.00%)					4.00%

- The annual COLA to be applied to a VLDP long-term disability claimant's creditable compensation may not exceed 4.00%.

- § 51.1-505(B) provides that the reduction in life insurance coverage shall not decrease the amount of life insurance on an employee to less than 25 percent of the amount of life insurance to which the initial reduction is applied.
- Effective July 1, 2014, for retirees with at least 30 years of creditable service, the reduction shall not decrease the amount of life insurance to less than \$8,000.
- The \$8,000 minimum coverage shall be increased by the same percentage as any annual post-retirement supplement for retirees, as calculated for employees hired on or after July 1, 2010, pursuant to § 51.1-166.

Group Life Insurance – Minimum Benefit



Calendar Year End	Plan 2 COLA	Group Life Minimum
2014	1.62%	\$8,000
2015	0.12%	\$8,010
2016	1.26%	\$8,111
2017	2.07%	\$8,279
2018	2.22%	\$8,463
2019	1.81%	\$8,616
2020	1.23%	\$8,722

Questions



MEMORANDUM

TO: Patricia S. Bishop, VRS Director

FROM: Jennifer P. Bell Schreck, VRS Internal Audit Director 

DATE: February 3, 2021

RE: Cost of Living Adjustments (COLAs)

Internal Audit has reviewed the amounts referred to as "Cost of Living Adjustments" as set forth in the attached letter and supporting table from VRS' actuary, Cavanaugh Macdonald Consulting, LLC, dated January 14, 2021.

In conducting our review, we independently recalculated the "Cost of Living Adjustments" using data and procedures provided by management and the actuary, while confirming certain external components associated with such calculations. We also examined the Code of Virginia sections referred to in the actuary's letter and supporting table.

Based upon our review, we found the "Cost of Living Adjustments" in the above referenced letter and table to be valid and accurate, based on the data provided, subject to the assumptions included therein with respect to increases in both VSDP LTD benefits and VSDP and VLDP creditable compensation, where the amounts are not specified by statute, but instead are to be recommended by the actuary and approved by the Board.

Please let me know if you have any questions. I ask that you share this information with the Benefits and Actuarial Committee.

Attachment



Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

January 14, 2021

Mr. Rory Badura, ASA, EA, MAAA
Senior Staff Actuary
Virginia Retirement System
1200 E. Main Street
Richmond, VA 23219

2021 Cost of Living Adjustments

Dear Rory:

As requested, we have calculated the Cost of Living Adjustments (COLAs) called for under Virginia Statutes for VRS, VSDP, and VLDP.

In the table enclosed we present the COLAs to be effective July 1, 2021.

By statute, the VRS COLA is based on the ratio of the average of the monthly CPI-U for the 2020 calendar year (258.811) to the average of the monthly CPI-U for the most recent calendar year used in the determination of a COLA, 2019 calendar year (255.657). The result is 1.23%. The VRS COLA formula is applied to the CPI increase to produce COLAs effective July 1, 2021 of 1.23% for Plan 1 members vested as of January 1, 2013 and 1.23% for Plan 1 members not vested as of January 1, 2013 and all Plan 2 and Hybrid Plan members.

Statute also provides a COLA under the Group Life Insurance program in the minimum \$8,000 life insurance amount for members with at least 30 years of creditable service. The increase is the same percentage as the VRS COLA of 1.23% used for Plan 1 members not vested as of January 1, 2013 and all Plan 2 and Hybrid Plan members. Applying this increase to the prior year minimum of \$8,616, the minimum effective life insurance amount for members with at least 30 years of creditable service will increase to \$8,722 effective July 1, 2021.

The VSDP and VLDP COLAs are required by statute but the actual amounts are set by Board resolution. We have calculated the VSDP increase in creditable compensation for VRS pension benefit purposes based on the approach adopted in 2011. As recommended in 2011, the VSDP creditable compensation COLA is based on the increase in the pay rate for State, SPORS and VaLORS VSDP members active at the beginning and the end of the most recent plan year before the date of determination of the COLA. For 2021, it would be the ratio of the annual pays as of June 30, 2020 to the annual pays as of June 30, 2019 for VSDP members who were active in the State, SPORS and VaLORS plans as of both dates. The COLA calculated in this manner may be modified to reflect extraordinary pay adjustments during a given year. On this basis we have determined a VSDP creditable compensation COLA of 2.12% effective July 1, 2021. Our calculation is based on the data provided by VRS for the June 30, 2019 and 2020 actuarial valuations.

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Mr. Rory Badura
January 14, 2021
Page 2

We used a similar approach to determine the VLDP creditable compensation COLA. That is, we have based the VLDP creditable compensation COLA on the increase in the pay rate for Teachers and non-hazardous Political Subdivision Hybrid plan members active at the beginning and the end of the most recent plan year before the date of determination of the COLA. For 2021, it would be the ratio of the annual pays as of June 30, 2020 to the annual pays as of June 30, 2019 for non-hazardous members who were active in the Teachers and Political Subdivision Hybrid plans as of both dates. The COLA calculated in this manner may be modified to reflect extraordinary pay adjustments during a given year. On this basis we have determined a VLDP creditable compensation COLA of 5.66% effective July 1, 2021. Our calculation is based on the data provided by VRS for the June 30, 2019 and 2020 actuarial valuations. However, as with the current approach with VSDP, we have assumed the VLDP creditable compensation COLA would be capped at 4.00% per year.

The Hazardous Duty Supplement is increased biennially by the Social Security COLAs which were 1.6% in December 2019 and 1.3% in December 2020. The biennial Social Security increase is 2.92%, resulting in an increase in the annual Hazardous Duty Supplement from \$1,187 to \$1,222 per month (\$14,664 annually).

We have enclosed a table showing the calculations of the COLAs in detail.

Please let us know if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read 'L. Langer', with a stylized flourish at the end.

Larry Langer, ASA, FCA, EA, MAAA
Principal and Consulting Actuary

Enc.

Copy to: Cynthia Wilkinson (VRS)

**Virginia Retirement System (VRS), Virginia Sickness and Disability Program (VSDP), Virginia Local Disability Program (VLDP)
and Group Life Insurance Program**



Cost of Living Adjustments (COLAs) Recommendations Effective July 1, 2021

Item	Code Section(s)	CPI-U		CPI Increase	COLA Calculation		
		2019	2020		100% of First 3%	50% of Next 4%	COLA (maximum 5%)
VRS COLA - Plan 1 vested as of 1/1/2013 - (100% of the increase in the CPI-U up to 3%, plus 50% of the next 4%, with a maximum COLA of 5%)	51.1-166	255.657	258.811	1.23% *	1.23%	0.00%	1.23%
Item	Code Section(s)	CPI-U		CPI Increase	COLA Calculation		
		2019	2020		100% of First 2%	50% of Next 2%	COLA (maximum 3%)
VRS COLA - Plan 1 non-vested as of 1/1/2013, Plan 2 and Hybrid Plan - (100% of the increase in the CPI-U up to 2%, plus 50% of the next 2%, with a maximum COLA of 3%)	51.1-166	255.657	258.811	1.23%	1.23%	0.00%	1.23%
Item	Code Section(s)	Creditable Compensation		Increase in Pay	COLA Calculation		
		2019	2020		100% of First 4%		COLA (maximum 4%)
VSDP increase in creditable compensation for VRS pension benefit purposes (100% of the increase in the pay over the previous plan year for continuing active VSDP members in the State, SPORS and VaLORS plans, with a maximum COLA of 4%)	51.1-1117 51.1-1123 51.1-1128	\$3,849,110,019	\$3,930,790,685	2.12%	2.12%		2.12%
Item	Code Section(s)	Creditable Compensation		Increase in Pay	COLA Calculation		
		2019	2020		100% of First 4%		COLA (maximum 4%)
VLDP increase in creditable compensation for VRS pension benefit purposes (100% of the increase in the pay over the previous plan year for non-hazardous continuing active members in the Teachers and Political Subdivision Hybrid plans, with a maximum COLA of 4%)	51.1-1161 51.1-1169	\$2,824,841,424	\$2,984,804,027	5.66%	4.00%		4.00%
Item	Code Section(s)				COLA Calculation		
							COLA
VSDP increase in net LTD benefit - Plan 1 vested as of 1/1/2013 - (100% of the VRS COLA for Plan 1 vested as of 1/1/2013)	51.1-1112						1.23%
Item	Code Section(s)				COLA Calculation		
							COLA
VSDP increase in net LTD benefit - Plan 1 non-vested as of 1/1/2013, Plan 2 and Hybrid Plan - (100% of the VRS COLA for Plan 1 non-vested as of 1/1/2013, Plan 2 and Hybrid Plan)	51.1-1112						1.23%
Item	Code Section(s)				COLA Calculation		
					Before COLA	After COLA	COLA
Increase in minimum \$8,000 life insurance amount for members with at least 30 years of creditable service - (100% of the VRS COLA for Plan 1 non-vested as of 1/1/2013, Plan 2 and Hybrid Plan)	51.1-505.B.				\$8,616	\$8,722	1.23%
Item	Code Section(s)	Social Security (SS) COLA		Biennial SS COLA Increase	Biennial Hazardous Duty Supplement COLA Calculation		
		2019	2020		Before COLA (monthly)	After COLA (monthly)	After COLA (annual)
Hazardous Duty Supplement	51.1-138.B 51.1-206.B 51.1-217.B	1.60%	1.30%	2.92%	\$1,187	\$1,222	\$14,664

* CPI-U increase is ratio or percentage increase in prices of all urban consumers (1982=100) - Bureau of Economic Analysis (B&A) Meeting 2/11/2021

2021 Legislation*



HJR 575 is the 2021 organizing resolution.

The last day to introduce bills or joint resolutions in the regular session was January 22, 2021.

VRS Fiscal Impact Statements were due by January 22, 2021.

“Crossover” was Saturday, February 6, 2021.

Committee budget work was to have been completed by Sunday, February 7, 2021- both budget bills have been continued to Special Session.

Both chambers have heard non-member budget amendments.

Committee reports are not yet available.

Sine die was intended to be Thursday, February 11, 2021. The Senate and House adjourned sine die Monday, February 8.

Special Session begins Wednesday, February 10, 2021. The organizing resolution notes they will adjourn sine die no later than March 1, 2021.

2021 VRS-Related Bills



VRS-Requested Bills

Bill Number	Patron	Description
HB 2181	Mundon King	Makes technical amendments to provisions of the <i>Code of Virginia</i> relating to the Virginia Retirement System to change the required minimum distribution provisions to reflect recent changes in federal law, and conform terminology related to disability retirement. The bills have passed their respective chambers, crossed over, and were continued to Special Session. SB 1251 was reported from HAC on 2/10.
SB 1251	Newman	

2021 VRS-Related Bills

LODA Bills

Bill Number	Patron	Description
SB 1367	DeSteph	<p>Requires that, for any medical review of a claim made pursuant to the provisions of the Line of Duty Act, the Virginia Retirement System shall require that such review be conducted by a doctor, nurse, or psychologist who is licensed in the Commonwealth or a contiguous state. The bill has a delayed effective date of July 1, 2022.</p> <p>The bill passed the Senate 1/29, crossed over, and was continued to Special Session in HAC.</p>

VaLORS Bills

Bill Number	Patron	Description
HB 2312	Herring	<p>Creates the Virginia Cannabis Control Authority under the Secretary of Public Safety and Homeland Security. Employees of the authority will be members of VRS. Special agents of the new authority will be members of VaLORS and eligible for LODA benefits. The CEO and Special Assistant are appointees who will have the option to join ORPPA. Many provisions have a delayed effective date.</p> <p>The bills have passed their respective chambers, crossed over, and were continued to Special Session. HAC budget recommendation Item 3-2.03 #1h.</p>
SB 1406	Ebbin/ Lucas/ Morrissey	

2021 VRS-Related Bills

Other Bills

Bill Number	Patron	Description
SB 1221	Favola	<p>Allows Loudoun County to enter into a contract with the Department of Health for the local administration of health services. Currently, the local department of health is operated as a joint venture between the state and local governments. The bill would move affected employees from state employment to employment with Loudoun County.</p> <p>The bill passed the Senate 1/29, crossed over, and was continued to Special Session in House committee. SFAC budget recommendation Item #302 #4s.</p>

Investment Bills

Bill Number	Patron	Description
HB 2322	Herring	<p>Establishes the Opioid Abatement Authority. Requires VRS to manage and invest the Opioid Abatement Fund. VRS-requested amendments to limit frequency of contributions/distributions were accepted.</p> <p>The bills have passed their respective chambers, crossed over, and were continued to Special Session.</p>
SB 1469	Barker	

2021 VRS-Related Bills (failed)



Return to Work Bills

Bill Number	Patron	Description
HB 2195 SB 1137	Leftwich Cosgrove	<p>Provides that a retired law-enforcement officer employed by a local school division as a school security officer on January 1, 2020, who had a bona fide break in service of at least one month between retirement and employment as a school security officer, is not required to have the 12-month break in service that would otherwise be required by law to continue receiving his service retirement allowance while employed full time as a school security officer.</p> <p>Both bills failed to report from committees.</p>
HB 2264 SB 1409	Leftwich Cosgrove	<p>Allows a retired law-enforcement officer to continue to receive his service retirement allowance during a subsequent period of full-time employment by a law-enforcement agency as a civilian fingerprint examiner after a 12-month break in service following retirement.</p> <p>Both bills failed to report from committees.</p>

2021 VRS-Related Bills (failed)



VaLORS Bills

Bill Number	Patron	Description
HB 2097	O'Quinn	<p>Adds agents of the Department of Corrections Special Investigations Unit to the Virginia Law Officers' Retirement System (VaLORS). The bill provides that such employees will not be eligible to retire under VaLORS unless they have five years of creditable service as a member of VaLORS, the State Police Officers' Retirement System, or an equivalent local system.</p> <p>The bill failed to report from committee.</p>

2021 Workers' Compensation Bills



EMS; hypertension and heart disease

Bill Number	Patron	Description
HB 1818 (HB 2080 incorporated)	Heretick (Convirs-Fowler)	<p>Makes salaried or volunteer emergency medical services personnel eligible for the hypertension or heart disease Workers' Compensation presumption.</p> <p>As amended covers salaried or volunteer emergency medical services personnel, as defined in §32.1-111.1, employed by any locality that has legally adopted a resolution declaring it will provide one or more presumptions under the subsection.</p> <p>The bill passed the House as amended, crossed over, and was continued to Special Session in Senate committee.</p>
SB 1275	Marsden	<p>Makes salaried or volunteer emergency medical services personnel eligible for the hypertension or heart disease Workers' Compensation presumption. Requires local approval. Amended to be prospective only.</p> <p>As amended- "salaried or volunteer emergency medical services personnel, as defined in § 32.1-111.1, when such emergency medical services personnel is operating in a locality that has legally adopted a resolution declaring that it will provide one or more of the presumptions under this subsection and meets any minimum hours worked requirements established in such resolution."</p> <p>The bill passed the Senate as amended, crossed over, and was continued to Special Session in House committee. SFAC budget recommendation Item 477 #2s.</p>

2021 Workers' Compensation Bills



COVID-19

Bill Number	Patron	Description
HB 1985	Hurst	<p>Adds COVID-19 as a presumption for health care providers who as part of the provider's employment are directly involved in diagnosing or treating persons known or suspected to have COVID-19. Retroactive to 1/1/2020.</p> <p>The bill passed the House as amended, crossed over, and was continued to Special Session in Senate committee.</p>
HB 2207 SB 1342	Jones Vogel	<p>Adds COVID-19 as a presumption for firefighters, emergency medical services personnel, law-enforcement officers, and correctional officers. For death or disability after 3/12/2020 and through 12/31/21.</p> <p>The bill passed the House as amended, crossed over, and was continued to Special Session in Senate committee. HAC budget recommendation Item 477 #3h</p> <p>The Senate bill was reported from Commerce & Labor. SFAC rolled it into SB 1375.</p>
SB 1375	Saslaw	<p>Adds COVID-19 as a presumption for firefighters. As introduced the bill was retroactive to 3/1/2020. As amended, includes law-enforcement officers and correctional officers, requires testing, diagnosis, and symptoms, and is prospective only (on and after July 1, 2021).</p> <p>The bill passed the Senate as amended, crossed over, and was continued to Special Session in House committee. SFAC budget recommendation Item 477 #3s</p>

2021 Paid Leave Bills

Leave Bills

Bill Number	Patron	Description
HB 2137	Guzman	<p>Requires employers to provide certain employees paid sick leave. An employee is eligible for paid sick leave under the bill if the employee is an essential worker and works on average at least 20 hours per week or 90 hours per month. The bill provides for an employee to earn at least one hour of paid sick leave benefit for every 30 hours worked. In Title 40.1. Effective 7/1/2021.</p> <p>The bill passed the House as amended and was continued to Special Session in Senate committee.</p>

2021 Paid Leave Bills (failed)

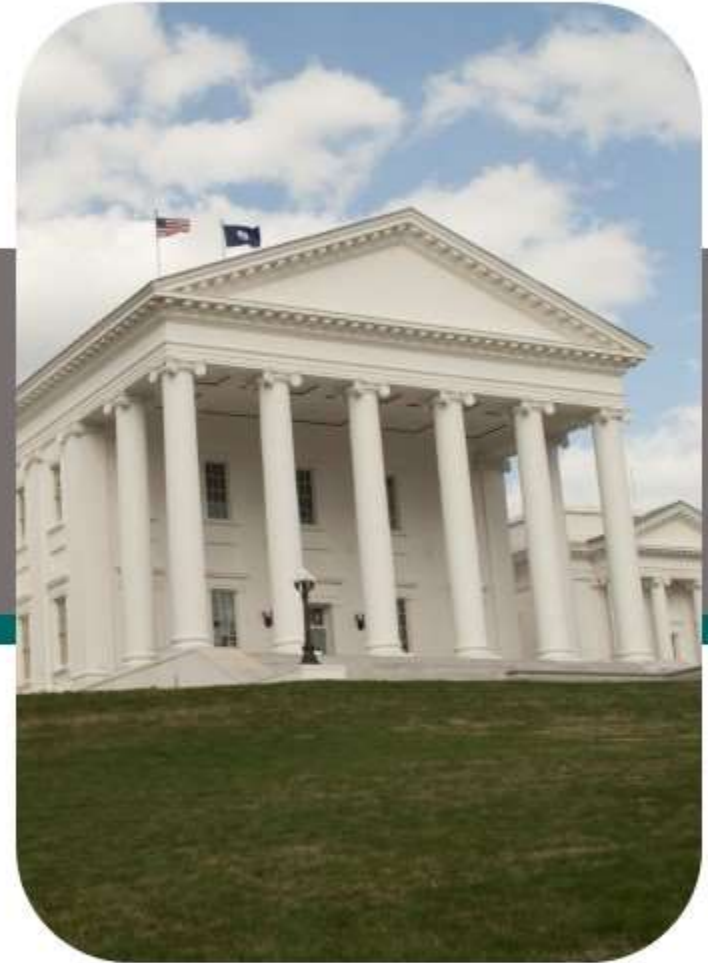
Leave Bills

Bill Number	Patron	Description
HB 2016	Ayala	Requires the Virginia Employment Commission to establish and administer for public and private employers a paid family and medical leave program with benefits beginning January 1, 2024. In Title 60.2. Effective 7/1/2022. The House bill was reported from Labor & Commerce. HAC- Commerce, Agriculture & Natural Resources recommended tabling. The Senate bill was passed by indefinitely in committee.
SB 1330	Boysko	
SB 1159	Favola	Requires employers with a sick leave program to allow an employee to use his sick leave for the care of an immediate family member. In Title 40.1. Effective 7/1/2021. The bill was reported as amended from Commerce & Labor and referred to SFAC. It was stricken in SFAC at the request of the patron.

Studies

Bill Number	Patron	Description
HJ 549	Guy	<p>Directs the Joint Legislative Audit and Review Commission to study the impact of COVID-19 on Virginia's public schools, students, and school employees, including, among other things, determining the impact of the COVID-19 pandemic on staffing levels, including the impact of teacher and school employee retirements and resignations on delivery of instruction and the ability of local school boards to fully staff their needs, employment levels, and local budgets.</p> <p>The House resolution passed 1/26, crossed over, and was continued to Special Session in Senate committee.</p> <p>The Senate resolution passed 1/27, crossed over, and was continued to Special Session in House committee.</p>
SJ 308	Lucas	

Budget



Item #	Description
145	Reduction of FY21 and FY22 VRS retirement appropriation for the Teacher Plan, to reflect a reduction in membership and fewer funded SOQ positions and lower retirement costs.
277	\$100,000,000 to VRS in FY 2021 to pay off the remaining deferred contributions for the Teacher Plan and to reduce the unfunded liability of the State HIC
477	Adjust funding for Line of Duty Act (LODA) premiums based on current enrollment

2021 Committee-approved Budget Amendments



Budget amendments related to staffing, benefits, and compensation

Item #	Description
1 #3h 1 #2s	Legislative Committee to Study Compensation at the DOC (HJR 522/ Senate language only)
4 #2h	Funding for Capitol Police Salary and Staffing Adjustments
111.10 #1h	Create Secretary of Labor cabinet position
131 #3h	Support Actuarial Study of Paid Family and Medical Leave
144 #4h	COVID Learning Loss and Remediation Recovery Grants (year round schooling & summer school- potential teacher contract impacts)
145 #10h	Compensation Adjustment 5%
145 #6s	DOE Direct Aid- 3% salary increase
351 #1h	Local DSS Salary Adjustments
477 #1h	Provide \$1,000 Bonus for Correctional Officers in FY 2022
477 #2h	Provide 3.5% Salary Increase for State and State-supported Local Employees
477 #1s	3% Salary Adjustment for State and State-supported Local Employees
479.20 #1s	Appropriations Contingent on Additional Revenue- language only Department of Accounts Transfer Payments to VRS- \$200,000,000 Payment to Increase Actuarial Funding Status

2021 Committee-approved Budget Amendments



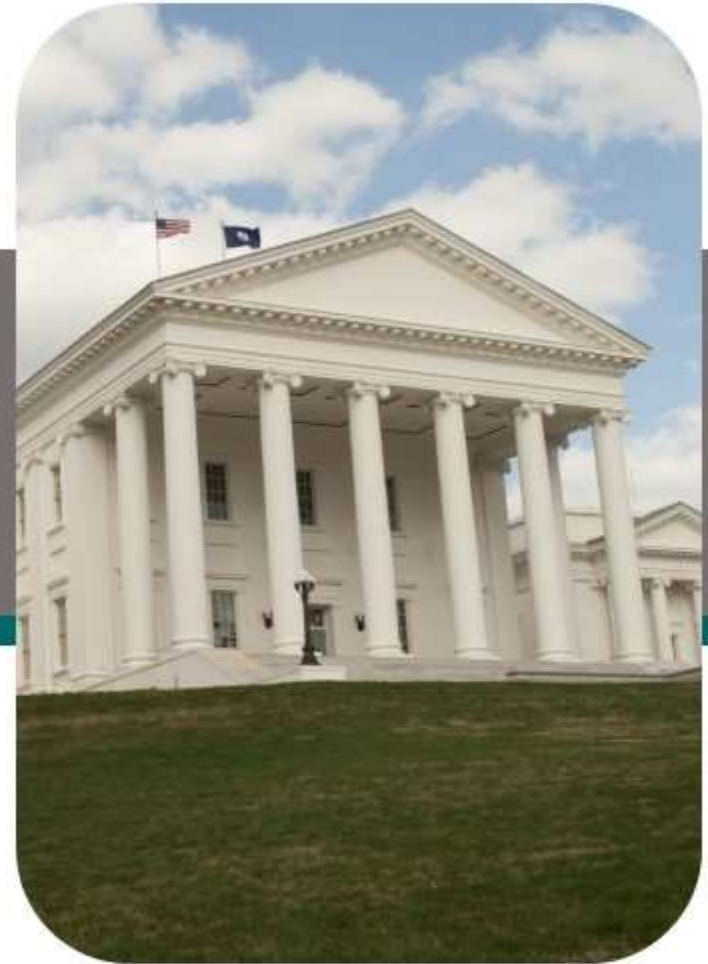
Budget amendments with related bills

Item #	Description
302 #4s	DOH- Remove Positions for Loudoun County Health District- language only (SB 1221)
477 #3h	Include COVID-19 Under Presumption Clause for First Responders Under WC (HB 2207)
477 #2s	Add EMS Employees to WC Hypertension Presumption (SB 1275)
477 #3s	WC COVID Presumption (SB 1375)

Budget amendments without related bills

Item #	Description
492 #1h	<p>Require Annual Report on LODA Eligibility Determinations- language only "H. The Virginia Retirement System shall report annually on or before January 1 to the Governor and the Virginia General Assembly the detailed aggregate of eligibility determinations for employees in accordance with § 9.1-400. This report shall tabulate claims data, types of injuries and associated costs with provided benefits. In accordance with § 9.1-408, the name of the employer or employee shall not appear in such publications and all documents to determine eligibility shall remain confidential."</p> <p>Explanation (This amendment requires the Virginia Retirement System to provide an annual report to the Governor and the General Assembly providing statistics and demographic details concerning Line of Duty eligibility determinations.)</p>
83 #1s	<p>Establish Return to Work Policies for State Government- language only DHRM and other agencies to evaluate return to work and</p>

Other Failed Legislation



2021 VRS-Related Bills

Workers' Compensation Bills- EMS

Bill Number	Patron	Description
HB 2080	Convirs-Fowler	<p>Makes salaried emergency medical services personnel eligible for the hypertension or heart disease Workers' Compensation presumption.</p> <p>"full-time, salaried emergency medical services personnel, as defined in § 32.1-111.1, employed by any locality that has authorized such presumption by ordinance"</p> <p>The bill was incorporated into HB 1818.</p>

Workers' Compensation Bills- Repetitive & Sustained Physical Stressors

Bill Number	Patron	Description
HB 2228	Guzman	<p>Adds repetitive and sustained physical stressors to the definition of occupational disease.</p> <p>The bill was reported as amended from Labor & Commerce and referred to HAC-Compensation & General Government. The subcommittee laid it on the table.</p>

2021 VRS-Related Bills



Leave Bills

Bill Number	Patron	Description
HB 2103	Reid	<p>Requires public and private employers with 35 or more full-time equivalent employees to provide eligible employees, defined in the bill, with earned paid sick time and paid sick time. The bill provides for an eligible employee to earn up to 40 hours of earned paid sick time. In Title 40.1. Effective 1/1/2023.</p> <p>The bill was reported from Labor & Commerce and referred to HAC-Compensation & General Government. The subcommittee laid it on the table.</p>

2021 VRS-Related Bills



Studies

Bill Number	Patron	Description
HJ 543	Helmer	Requests the Department of Social Services to study ways to increase participation in national service. In conducting its study, the Department of Social Services shall consider, among other things, offering retirement service credits for individuals who have completed a year of service in a national service program.