

Minutes

A regular meeting of the Benefits and Actuarial Committee was held on February 7, 2024, in Richmond, Virginia with the following members participating:

John M. Bennett, Chair
Lindsey K. Pantele, Vice Chair
Jessica L. Hood

VRS Staff:

Patricia Bishop, Andrew Junkin, Jennifer Schreck, Rory Badura, Jeanne Chenault, Cassandra Coles, Michael Cooper, David Cotter, Sara Denson, Antonio Fisher, Krystal Groff, Robert Irving, Sandy Jack, Angela Payne, Andrew Ringle and Jillian Sherman.

Guests:

Jamie Bitz, Joint Legislative Audit and Review Commission; NaTosha Palmer, Securian Financial Group, Inc.

The meeting convened at 1:00 p.m.

Opening Remarks

Mr. Bennett called the meeting to order and welcomed everyone to the February 7, 2024, meeting of the Benefits and Actuarial Committee.

Approval of Minutes

Upon a motion by Ms. Pantele, with a second by Ms. Hood, the Committee approved the minutes of its November 16, 2023, meeting.

Cost of Living Adjustments

Virginia Sickness and Disability Program

Rory Badura, Senior Staff Actuary, presented the recommendation of Gabriel, Roeder, Smith & Company (GRS), the plan actuary, regarding statutory annual adjustments to the Virginia Sickness and Disability Program (VSDP) creditable compensation for members on long-term disability. Mr. Badura advised that for VSDP, the Plan Actuary recommends an increase of 4.00% in the creditable compensation for VRS pension benefit purposes. This increase would become effective July 1, 2024. In addition, GRS recommends a COLA in the amount of 3.56% to be applied to long-term disability (LTD) benefit payments for Plan 1 members who were vested prior to January 1, 2013, or 3.00% for Plan 1 members not vested by January 1, 2013, and all Plan 2 and Hybrid members.

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

RBA: Approval of July 1, 2024, Increase Relating to VSDP Creditable Compensation and VSDP COLA.

Request for Board Action: *Effective July 1, 2024, 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 4.00% for a Plan 1, Plan 2, or Hybrid member who has been the recipient of long-term disability (LTD) benefits for at least one calendar year under the Virginia Sickness and Disability Program (VSDP); and*
- *A cost of living adjustment shall be applied to the net LTD benefit payment of 3.56% for Plan 1 members vested prior to January 1, 2013, or 3.00% for Plan 1 members not vested by January 1, 2013, and all Plan 2 and Hybrid members.*

Virginia Local Disability Program

Next, Mr. Badura advised that for the VLDP program the plan actuary recommends an increase in the creditable compensation used at retirement of 4.00%, effective July 1, 2024. The VLDP plan does not provide for a COLA on LTD benefits being received. Mr. Badura noted the calculations for the increase in creditable compensation were reviewed by VRS staff and Internal Audit.

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

RBA: Approval of July 1, 2024, Increase Relating to VLDP Creditable Compensation.

Request for Board Action: *Effective July 1, 2024, 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, 2024, is an increase of 4.00% to be applied to a recipient's creditable compensation.*

Optional Life, Accidental Death and Dismemberment Insurance

Mr. Badura then provided an overview of the increases to the maximum Optional Life, Accidental Death and Dismemberment insurance coverages recommended by GRS. The current maximum coverage for Optional Life, Accidental Death and Dismemberment insurance for insured active employees is \$800,000, and GRS has recommended an increase to \$975,000. In addition, GRS has recommended that the current maximum coverage for Optional Life insurance for insured retirees be increased from \$300,000 to \$375,000.

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

RBA: Increase Maximum Optional Life, Accidental Death and Dismemberment Insurance Coverages, Effective July 1, 2024.

Request for Board Action: *Effective July 1, 2024, the maximum Optional Life, Accidental Death and Dismemberment insurance coverage for active insured employees shall increase to \$975,000, and the maximum Optional Life insurance coverage for active retirees shall increase to \$375,000.*

VRS Funding Policy Statement Amendments

Next, Mr. Badura reviewed the recommended updates to the VRS Funding Policy Statement. The updates would provide greater flexibility in obtaining funding for employers who no longer have active members covered by VRS. The current funding policy is structured assuming that employers are active ongoing entities and develops contributions as a percentage of active payroll. Currently, there are 14 employers with no active VRS members that still have liabilities associated with inactive or retired members. Mr. Badura advised the proposed changes would provide VRS with additional means to ensure the funding of benefits for these employers.

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

RBA: Amend VRS Funding Policy Statement to Address Payments to Cover Benefits for Employers with No Active Employees.

Request for Board Action: *The Board approves the changes to the VRS Funding Policy Statement (Funding Policy) to allow VRS to determine alternative funding requirements for employers with no active members who still have retirees or inactive members eligible for future VRS benefits. Such alternative funding requirements may include allowing ad hoc payments that may be necessary to cover future benefits if employer assets are insufficient to cover future cash flow needs.*

Information Items

2024 COLAs Called for Under Statute Not Requiring Board Approval

Mr. Badura noted that, by statute, VRS cost of living adjustments (COLA) are based on the consumer price index for all items, all urban consumers, as published by the Bureau of Labor Statistics of the U.S. Department of Labor. Mr. Badura advised that the COLA increase effective July 1, 2024, of 3.56% is applicable to eligible Plan 1 members vested prior to January 1, 2013. A COLA increase of 3.00% is applicable to Plan 1 members not vested prior to January 1, 2013, and all Plan 2 and Hybrid Plan members effective July 1, 2024. This figure was calculated by GRS and verified by VRS and Internal Audit staff. The COLA did not require action by the Committee.

The Group Life Insurance Program minimum benefit for members retired with at least 30 years of service is to be increased by the same COLA applicable to VRS Plan 2 members, or 3.00%, effective July 1, 2024. The new minimum life insurance payout, effective July 1, 2024, will be \$9,532. The Group Life Insurance Program minimum did not require action by the Committee. Mr. Badura noted the calculations were reviewed by VRS staff and Internal Audit.

Mr. Bennett thanked Mr. Badura for his presentation.

Legislative Update

Next, Trish Bishop, VRS Director, and Sandy Jack, Director of Policy, Planning and Compliance, provided an update on the 2024 legislative session to the Committee.

In addition to other legislation, Ms. Jack reviewed legislation requested by VRS. Ms. Jack noted that the bill would allow VRS members to purchase service credit for prior full-time active-duty military service of at least 180 consecutive days in any federally established branch of the armed forces, including the Space Force and any other future new branches established. The bill also provides that any funds or other property held in a VRS defined contribution plan, deferred compensation plan or cash match plan remaining unclaimed for more than five years will be presumed abandoned under the Virginia Disposition of Unclaimed Property Act and may escheat to the state treasury.

Ms. Bishop praised the Policy Team and the VRS actuaries for their hard work and diligence to provide accurate information and meet deadlines during session.

Mr. Bennett thanked Ms. Bishop and Ms. Jack for the update.

2024 B&A Committee Meeting Schedule:

Lastly, Mr. Bennett reviewed the Committee meeting schedule:

- April 17
- June 12
- October 16
- November 14

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

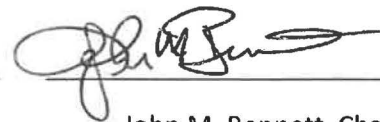
Adjournment

Upon a motion by Ms. Pantele, with a second by Ms. Hood, the Committee agreed to adjourn the meeting.

There being no further business, the meeting concluded at 1:45 p.m.

6/12/24

Date



John M. Bennett, Chair
Benefits and Actuarial Committee