



Benefits and Actuarial Committee (B&A) Meeting

**VRS, 1111 E. Main Street,
3rd Floor Board Room**

**Wednesday, 6/12/2024
1:00 - 3:30 PM ET**

I. Welcome and Introductions

II. Approve Minutes

B&A Minutes 02.07.2024 FINAL - Page 2

III. Election of Committee Vice Chair

IV. B&A Committee Charter Review

Benefits and Actuarial Committee Charter Redline - Page 6

Benefits and Actuarial Committee Charter Clean 2024 - Page 11

V. Information Items

- **Update on Optional Form Study**

Optional Form Factors 6.12.24 Final_Edited - Page 15

- **Pension Dashboard**

Pension Dashboard 6.12.24 Final - Page 27

- **Upcoming B&A Committee Meetings**

- October 16 at 1:00 p.m.

- November 14 at 10:00 a.m.

VI. Other Business

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.

Date

John M. Bennett, Chair
Benefits and Actuarial Committee

COMMITTEE CHARTER FOR THE BENEFITS AND ACTUARIAL COMMITTEE

PURPOSE

The purpose of the Benefits and Actuarial Committee (Committee) is to review matters relating to or affecting benefits, benefit administration, and actuarial soundness of all plans administered by VRS, except for the defined contribution plans, and to make recommendations to the full Board regarding those matters.

AUTHORITY

The Committee is authorized to request, gather, and consider whatever information it deems relevant to the matters brought before it, and to report its findings or recommendations on those matters to the Board. The Committee is not empowered to take any further or independent action unless such action is specifically authorized or directed by the Board.

DUTIES AND RESPONSIBILITIES

~~To fulfill the purpose for which it was established, the Committee shall perform~~ The Committee's duties and responsibilities include the following on an as needed basis unless otherwise specified:

1. Review proposed policies and procedural guidelines on issues related to benefits, and determine whether to recommend them for adoption by the Board, or to take some other course of action.
2. Review issues involving the award or denial of benefits brought to the Board by the Director because of their potential precedent-setting character and make a recommendation to the full Board regarding the instructions to be given to the Director.
3. Review reports of actuaries and other consultants regarding all plans and programs administered by VRS, except for the defined contribution plans, inform the Board about all such information received, and advise the Board as needed as to the significance or impact of such information and any recommended changes in benefits.

Commented [SJ1]: Conformed the introductory language across all committee charters to clarify that all duties and responsibilities are performed on an as needed unless a frequency is otherwise specified.

Commented [SJ2]: Removing language limiting recommendations the committee will make to the Board to benefits.

4. Propose educational programs for the ~~full~~ Board as necessary regarding pertinent issues related to benefits, benefit administration, and actuarial information.
5. Review and affirm determinations of the Director regarding ~~the~~ discontinuance of recovery and waiver of overpayments and advise the ~~full~~ Board about such determinations when it is outside of normal business operations.
6. Review benefit issues and short- and long-range plans for the administration of benefits, upon request, and provide feedback ~~in response to staff.~~
7. Review actuarial analyses and investigations pursuant to Va. Code § 51.1-124.22, and make recommendations to the Board regarding the impact of that data on future employer contributions and other benefit issues.
8. Perform such other duties when directed to do so by the Board.

Commented [SJ3]: Clarified feedback provided to staff for this responsibility.

While members of the Committee are expected to become sufficiently familiar with the benefits and actuarial practices of VRS, they are not expected to be or become experts in the actuarial or any other relevant field. They may, as is necessary and in good faith, rely upon the professional expertise of such actuaries and consultants.

COMPOSITION

The Committee is composed of at least three (3) Board members appointed by the chairperson of the Board, subject to approval by the Board.

In making appointments to the Committee, preference may be accorded to the Board member with direct experience in the management and administration of employee benefit plans, the Board member who is a local employee, the Board member who is a state employee, or the Board member who is a teacher.

Each member is appointed for a two-year term, and may be reappointed for additional two-year terms.

OFFICERS

Chairperson

The ~~VRS Board~~ chairperson of the Board shall appoint the chairperson of the Committee, subject to approval by the Board. The Committee chairperson is appointed for a two-year term, and may be reappointed for additional two-year terms.

The chairperson ~~is charged with~~ has the following duties:

1. Facilitating the operation of the Committee meetings;
2. Reviewing proposed agendas for Committee meetings;
3. Presiding over meetings of the Committee;
4. Reporting to the Board on the matters considered by the Committee, and the recommendations of the Committee; and
5. Performing such additional duties as are required to facilitate the Committee's fulfillment of its responsibilities.

Vice-Chairperson

The Committee shall elect its vice-chairperson at the first meeting following the appointment or reappointment of a chairperson, or at the first meeting following such time as a sitting vice-chairperson becomes unable or unwilling to complete ~~his or her~~ their term.

The term of the vice-chairperson shall commence upon election and shall terminate at the first meeting of the Committee following the appointment or reappointment of a Committee chairperson.

~~The Committee vice chairperson is appointed for a two-year term, and may be reappointed for additional two-year terms.~~ In the event of the absence or incapacity of the Committee chairperson, the vice-chairperson shall preside at meetings of the Committee and shall fulfill such other duties and responsibilities of the chairperson as may be necessary.

Commented [SJ4]: Removed existing inconsistent language relating to the term of the vice-chair.

Secretary

The Director, or the Director's designee, shall act as secretary to the Committee. ~~The Director shall continue to serve as secretary until such time as he or she is unable or unwilling to continue to do so, or until such time as the Committee appoints another secretary.~~

Commented [SJ5]: Removed language that the committee may appoint a secretary other than the Director or the Director's designee. Consistent change across all committee charters because it is not anticipated this authority would ever be needed.

The secretary has the following duties:

1. Help the chairperson develop the agenda for Committee meetings;
2. Notify Committee members of meetings;
3. Coordinate and distribute information to Committee members;
4. Act as liaison between the Committee and VRS staff;
5. Coordinate matters on the agenda and presentations for the Committee; and
6. Maintain the minutes and records of all Committee meetings.

CONDUCT OF BUSINESS

1. The rules contained in the current edition of *Robert's Rules of Order Newly Revised* shall govern all Committee meetings insofar as they are applicable and not inconsistent with any of the policies adopted by the Board, including this charter, with particular attention to the rules provided for conduct of business in committees. Special note is to be made of the rules provided for procedure in small boards which are deemed to be appropriate for use in all meetings contemplated in this charter.
2. Unless otherwise specified by the Board, voting by proxy is not allowed.
3. A majority of the appointed members of the Committee shall constitute a quorum at meetings of the Committee. ~~For the purposes of determining the presence of a quorum, an abstention or disqualification shall be considered an absence. However, any member of the Board who is not a member of the Committee but is present at a Committee meeting may serve as an alternate to an absent member of the Committee for purposes of constituting a quorum, and any such participation shall not be considered voting by proxy. Moreover, any~~ Any Board member who is not a member of the Committee but is present at a Committee meeting shall have all the rights and privileges afforded to a Committee member while present at such meeting, including voting and being counted toward a quorum, and any such participation shall not be considered voting by proxy. ~~The presence of any alternate at a Committee meeting and the~~ participation by any Board member who is not a member of the Committee shall be recorded in the minutes of the Committee meeting.
4. Except as otherwise specified herein, approval of an action or decision shall be by a majority of those Committee members present and voting at a Committee meeting.
5. The Committee chairperson will seek at all times to develop a consensus of opinion among Committee members in order to be able to present clear and concise recommendations to the Board. In the event that a consensus is not obtainable, the Committee chairperson will present the range of opinions and their rationale to the Board.
6. The Committee chairperson, vice-chairperson, any committee member or, in their absence, a staff designee, will report to the Board on the content and results of each Committee meeting. The chairperson or vice-chairperson will sign all meeting minutes, as applicable.
7. The Committee will generally meet at least four times per year.

Commented [SJ6]: Added procedural language relating to small boards. Language was previously in the Board Governance Policy and is being added to all committee charters.

Commented [SJ7]: Removed language indicating that an abstention vote be considered an absence for purposes of establishing a quorum. This is atypical for board procedures. Usually an abstention does not impact a quorum. In addition, members should be able to abstain if needed without affecting the committee's ability to conduct business.

Commented [SJ8]: Removed unnecessary language. Any member of the Board may already attend any committee meeting and be granted rights as a member of that committee.

Commented [SJ9]: Added language to clarify that additional persons may give the committee report to the Board in the chair's absence.

CHANGES IN THE CHARTER

The Committee may, from time to time, deem it necessary to alter, amend, modify, or rescind all or a part of this charter. Such revisions, once approved by a majority vote of the Committee, shall be submitted to the Board for final approval. If approved by a two-thirds vote of the Board such revisions shall be incorporated into and made a part of this charter.

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2. Review issues involving the award or denial of benefits brought to the Board by the Director because of their potential precedent-setting character and make a recommendation to the full Board regarding the instructions to be given to the Director.
3. Review reports of actuaries and other consultants regarding all plans and programs administered by VRS, except for the defined contribution plans, inform the Board about all such information received, and advise the Board as needed as to the significance or impact of such information and any recommended changes.
4. Propose educational programs for the Board as necessary regarding pertinent issues related to benefits, benefit administration, and actuarial information.

5. Review and affirm determinations of the Director regarding the discontinuance of recovery and waiver of overpayments and advise the Board about such determinations when it is outside of normal business operations.
6. Review benefit issues and short- and long-range plans for the administration of benefits, upon request, and provide feedback to staff.
7. Review actuarial analyses and investigations pursuant to Va. Code § 51.1-124.22, and make recommendations to the Board regarding the impact of that data on future employer contributions and other benefit issues.
8. Perform such other duties when directed to do so by the Board.

While members of the Committee are expected to become sufficiently familiar with the benefits and actuarial practices of VRS, they are not expected to be or become experts in the actuarial or any other relevant field. They may, as is necessary and in good faith, rely upon the professional expertise of such actuaries and consultants.

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Virginia
Retirement
System

Optional Form Factors



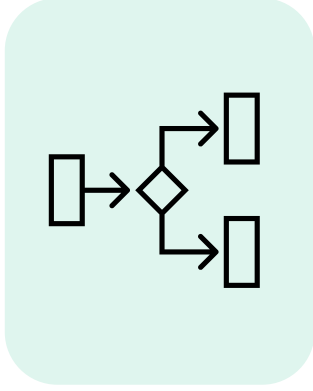
Agenda



- Background
- Why Are Factors Changing?
- Principles Used in Development of New Factors
- Plan Impacts
- Member Impacts
- Next Steps



Background



- VRS members have the ability to elect an optional form of payment when retiring under VRS-administered pension plans.
- Optional Forms of payment include:
 - Joint and Survivor Benefit (J&S)
 - Partial Lump Sum (PLOS)
 - Advanced Pension Option or Leveling Benefit (APO)
- Historically, approximately 30% of VRS retirees choose an alternative form of payment rather than the basic benefit.

Background



Virginia Code contains language noting that actuarial equivalent tables should be used to determine optional forms of payment.

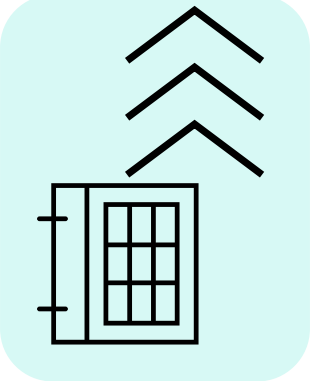
- Does not specify or require that the assumptions used to develop actuarial equivalent tables be on the same basis as those used for computing contribution rates.
- Does not specify the frequency of review.

VA Code Section 51.1-124.3 defines actuarial equivalent to mean a benefit of equal value when computed upon the basis of actuarial tables adopted by the Board.

Actuarial Equivalent tables are applied for purposes of determining :

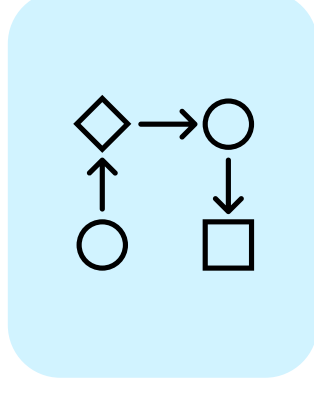
- Optional forms under *VA Code Section 51.1-165* (optional forms)
- Determining the cost of service purchased by members under *VA Code Section 51.1-142.2* (purchase of service (PPS)).

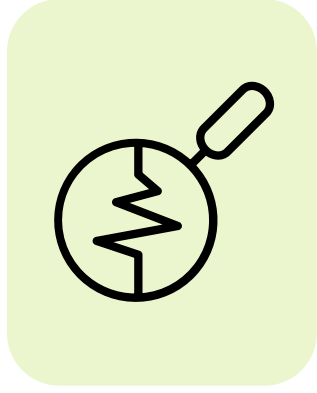
Why Are Factors Changing?

- 
- Optional form factors were last updated in 2001.
 - Based on static mortality table (no mortality improvement)
 - Use 8.0% discount rate and 3.5% inflation assumption.
 - Since factors were last updated, VRS has:
 - Added two additional benefit tiers with different eligibilities for retirement.
 - Moved to a generational mortality table that reflects longevity improvements.
 - Lowered plan discount rate to 6.75% and lowered inflation assumption to 2.50%.

Principles Driving New Optional Form Basis

- **Minimize complexity of administration and impacts to VRS systems.**
 - Create set of factors that can be used across benefit tiers and across all plans.
- **Align assumptions used for optional form factors with basis used for funding valuations.**
 - Reflect improvements in mortality.
 - Use plan discount rate of 6.75%.
 - Use Plan 2/Hybrid assumed cost-of-living increase.
- **Align future reviews with quadrennial experience studies.**

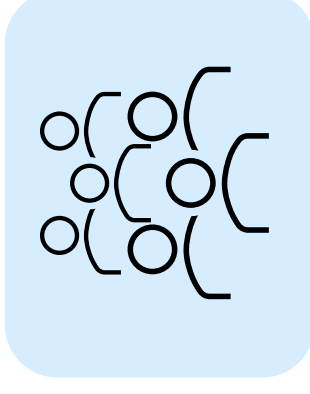




- While basis of optional form factors does not have to exactly align with valuation assumptions, current factors are not aligned with current funding assumptions.
- Current optional form factors are creating small actuarial gains to the plan.
 - Benefits being paid under an optional form are less than they would be if they were based on current funding assumptions.
- Future impacts will be more cost-neutral to the plan.

Member Impacts

- The majority of retirees elect the Basic benefit which is not impacted by the optional form factors.
- Impacts to members who elect an optional form will be positive (higher benefit using the new factors compared to the current factors)
 - Impacts will vary based on age at retirement and optional form elected.
- The following slides provide sample impacts.



Member Impact – Joint & Survivor



- New factors provide increased monthly benefit of approximately 7-13% relative to the current factors.
- The amount of the increase will depend on the age of both the member and beneficiary at retirement.

Member Age at Retirement	Beneficiary Age	100% J&S Factors	
		Current Factor	Proposed Factor
50	50	0.8550	0.9140
55	55	0.8300	0.9000
60	60	0.8050	0.8830
65	65	0.7800	0.8630
70	70	0.7550	0.8400

Basic Monthly Benefit	Adjusted Monthly Benefit for 100% J&S		Percentage Change
	Current Adjusted Monthly Benefit	Proposed Adjusted Monthly Benefit	
\$2,500	\$2,138	\$2,285	6.9%
\$2,500	\$2,075	\$2,250	8.4%
\$2,500	\$2,013	\$2,208	9.7%
\$2,500	\$1,950	\$2,158	10.6%
\$2,500	\$1,888	\$2,100	11.3%

Member Impact - PLOP



- Increased PLOP factors serve to decrease the benefit reduction stemming from payment of the PLOP, meaning that monthly benefits will increase for this optional form by approximately 1.5-6.0%.
- The amount of the increase will depend on the actual Partial Lump Sum amount as well as the age at retirement.

Member Age at Retirement	PLOP Factors	
	Current Factor	Proposed Factor
50	193.9591	208.3665
55	178.6464	194.5994
60	161.0910	178.5408
65	141.4346	159.9799
70	120.6110	138.9385

Basic Monthly Benefit	Adjusted Monthly Benefit for 36 Month PLOP				Percentage Change
	36 Month PLOP	Current Adjusted Monthly Benefit	Proposed Adjusted Monthly Benefit		
\$2,000	\$72,000	\$1,629	\$1,654		1.6%
\$2,000	\$72,000	\$1,597	\$1,630		2.1%
\$2,000	\$72,000	\$1,553	\$1,597		2.8%
\$2,000	\$72,000	\$1,491	\$1,550		4.0%
\$2,000	\$72,000	\$1,403	\$1,482		5.6%

Member Impact – Advanced Pension Option



- Increased APO Factors will serve to increase the member benefit being paid both pre- and post-leveling age.
- The amount of the increase will depend on age at retirement, the benefit amount, the estimated social security benefit and the leveling age.

Member Age at Retirement	Leveling Age	APO Factors	
		Current Factor	Proposed Factor
50	67	0.1894	0.2399
55	67	0.2961	0.3537
60	67	0.4761	0.5330
65	67	0.7958	0.8285

Basic Monthly Benefit	Adjusted Monthly Benefit for APO								Percentage Change Post-Leveling
	Monthly Social Security Estimate	Current Adjusted Monthly Benefit Pre-Leveling	Current Adjusted Monthly Benefit Post-Leveling	Proposed Adjusted Monthly Benefit Pre-Leveling	Proposed Adjusted Monthly Benefit Post-Leveling	Percentage Change Pre-Leveling	Percentage Change Post-Leveling		
\$2,500	\$2,000	\$2,879	\$879	\$2,980	\$980	3.5%	11.5%		
\$2,500	\$2,000	\$3,092	\$1,092	\$3,207	\$1,207	3.7%	10.5%		
\$2,500	\$2,000	\$3,452	\$1,452	\$3,566	\$1,566	3.3%	7.8%		
\$2,500	\$2,000	\$4,092	\$2,092	\$4,157	\$2,157	1.6%	3.1%		

Next Steps



- New optional form factors would go into effect with retirements after December 31, 2024. The new factors would impact:
 - Joint & Survivor Benefits
 - Partial Lump-Sum (PLOP)
 - Advanced Pension Option (APO)
- Work with IT to update tables in VRS systems.
- Work with processing team to validate changes.
- Communicate with members beginning of third quarter of upcoming change.
- Optional form factors will be reviewed as part of quadrennial experience study beginning in spring of 2029.



VRS Pension Dashboard

June 2024



Agenda



- Objective
- Health/Status of Pension Fund
- Key Indicators
- Pension Dashboard
- Next Steps



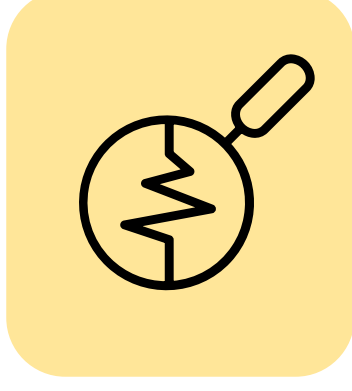
Objective



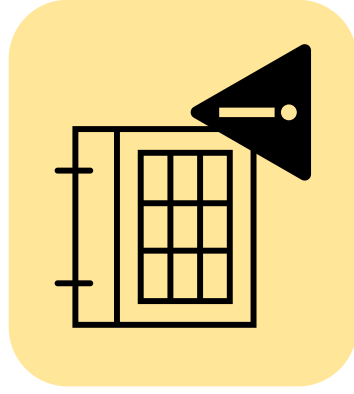
To provide VRS Board members a summary of key indicators of the fund's health and status.

Determining Health/Status of Pension Plan

- Defined benefit pension plans are complex financial arrangements. Complicated rules and regulations affect their design and management.
- Fundamental measures that need to be considered when determining the health of a pension plan:
 - Relative size of pension obligation to the size of the organization
 - Adherence to funding or contribution policy including use of reasonable assumptions
 - Reasonable investment strategy
 - Ability of plan sponsors to make required contributions



Key Indicators



- Various values exist which can provide insights into the financial health of a pension plan.
- Key indicators typically reviewed at fiscal year-end:
 - Funded status
 - Unfunded liabilities
 - Employer contribution rates
 - Gain/loss analysis
 - Salary Increases
 - Payroll growth
 - Membership levels

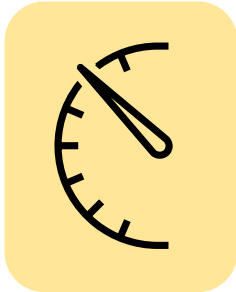
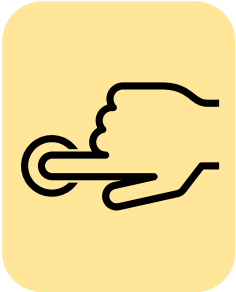
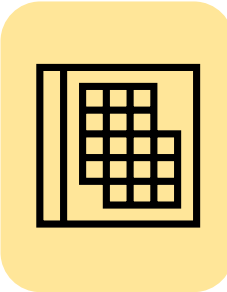
Key Indicators

Key indicators, measured during the fiscal year, can provide insight into expectations for upcoming valuation:

- Investment return year-to-date
- Inflation year-to-date
- Fund cash flow – monthly actual vs. expected



Pension Dashboard

-  Consolidates historical measures all in one place.
-  Provides easy access to trend information of key indicators.
-  Provides monthly updates of economic and cash flow measures that would help signal expectations for upcoming valuation results.

Pension Dashboard

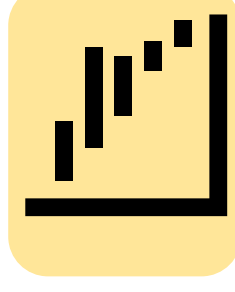
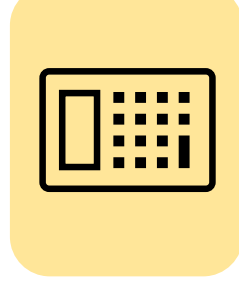
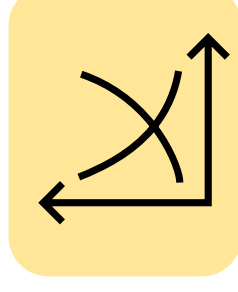


PENSION DASHBOARD

 Key Indicators	Investment Return YTD, Cash Flow, Inflation
Economic Factors	Market Value of Assets, Inflation, COLAS
Pension Liabilities and Rates	Unfunded Liabilities, Funded Status, Contribution Rates
Member Information	Active and Retiree Headcounts, Retirement Age, Salary Increases

Line of Duty (LODA)	Member Data, Claims Information, Employer Rate
OPEBS	Unfunded Liabilities, Funded Status, Contribution Rates

- **Fund Value**
 - Observed vs. expected trust fund value
- **Inflation**
 - Monthly average changes in CPI vs. assumed inflation
- **Cash Flow**
 - Monthly observed cash flow vs. estimated projected cash flow

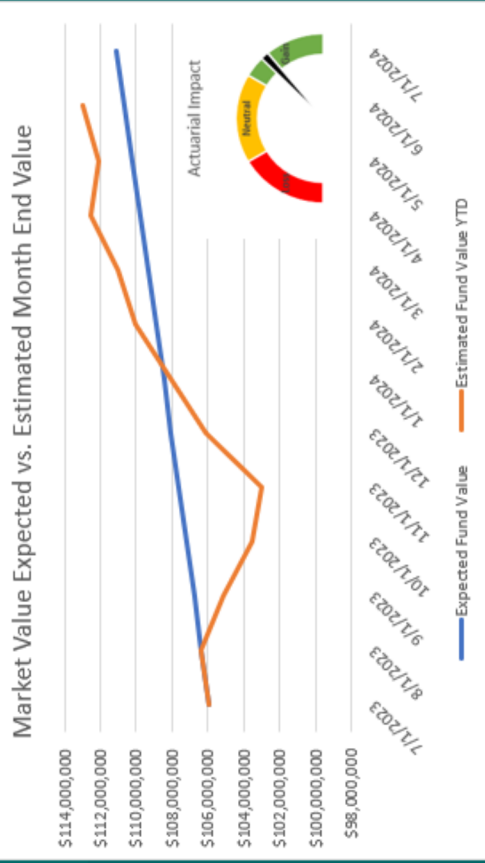


Pension Dashboard – Monthly Key Indicators

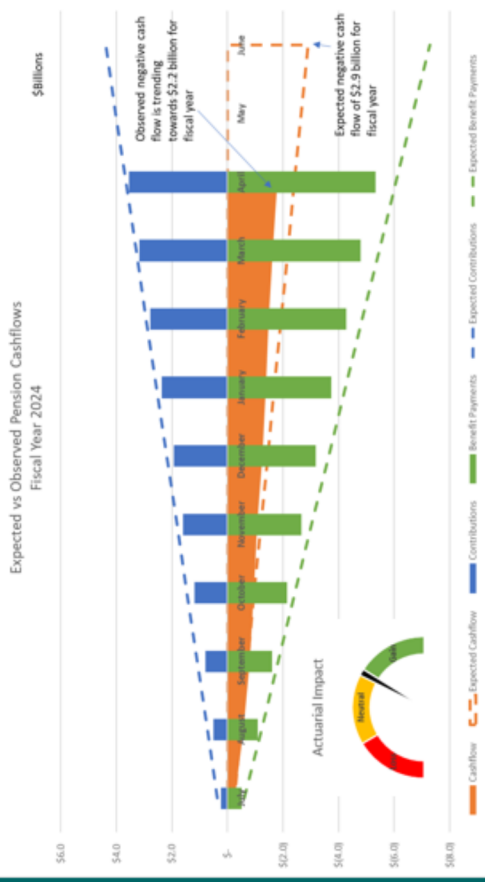


Pension Dashboard - Key Indicators

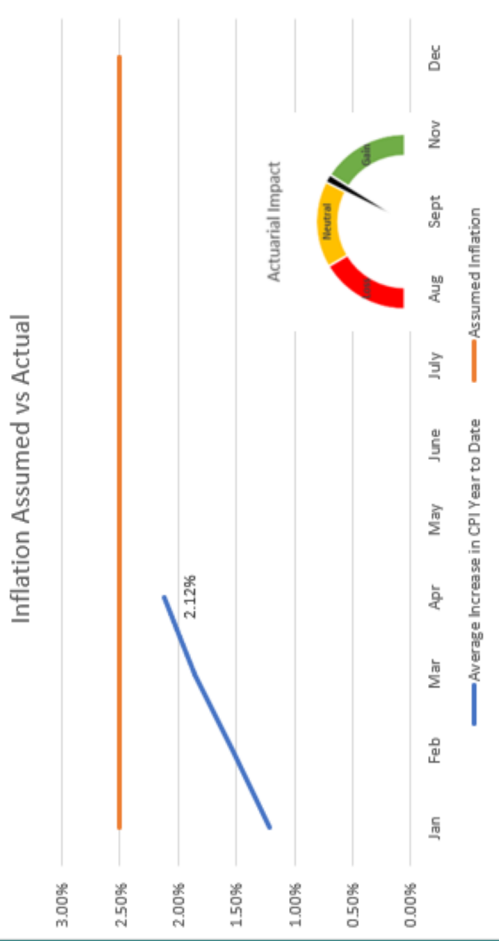
Total VRS Fund Market Value YTD versus Expected



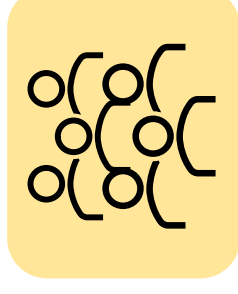
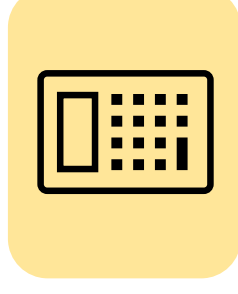
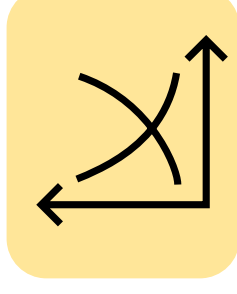
Expected vs Observed Cash Flow Fiscal Year 2024



Inflation YTD vs Expected



- **Economic Factors**
 - Actual vs. expected investment return
 - VRS COLAs – actual vs. expected
 - Unrecognized Asset Gain/Loss
 - Cashflows
- **Pension Liabilities and Contribution Rates**
 - Unfunded liabilities
 - Funded status
 - Contribution rate detail



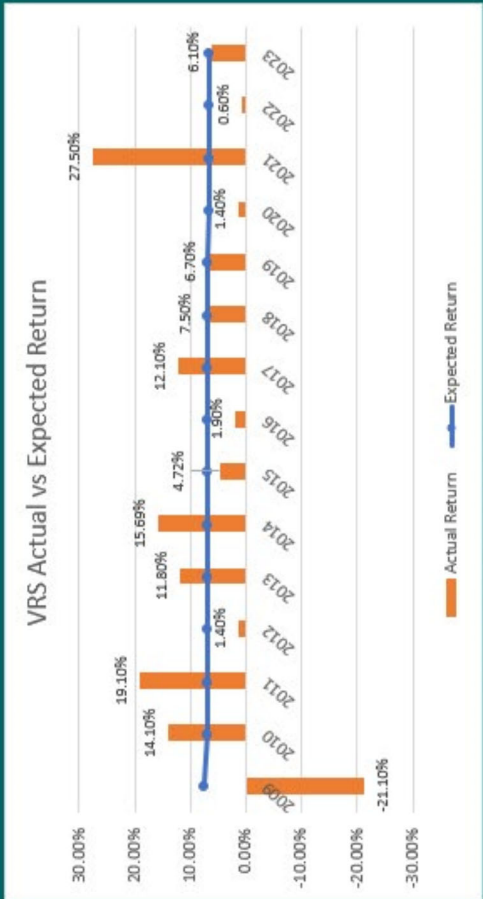
- **Member Information**
 - Active headcounts
 - Retiree headcounts
 - Average salary increases
 - Average age at retirement

Pension Dashboard – Economic Measures

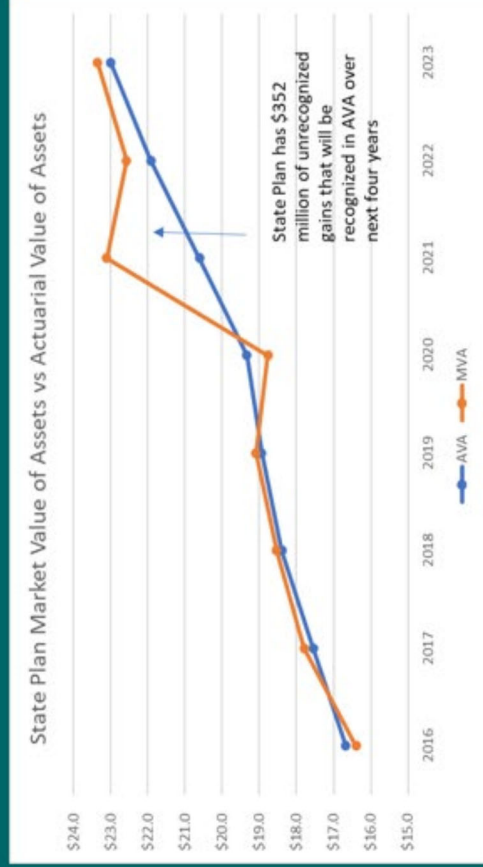


Pension Dashboard

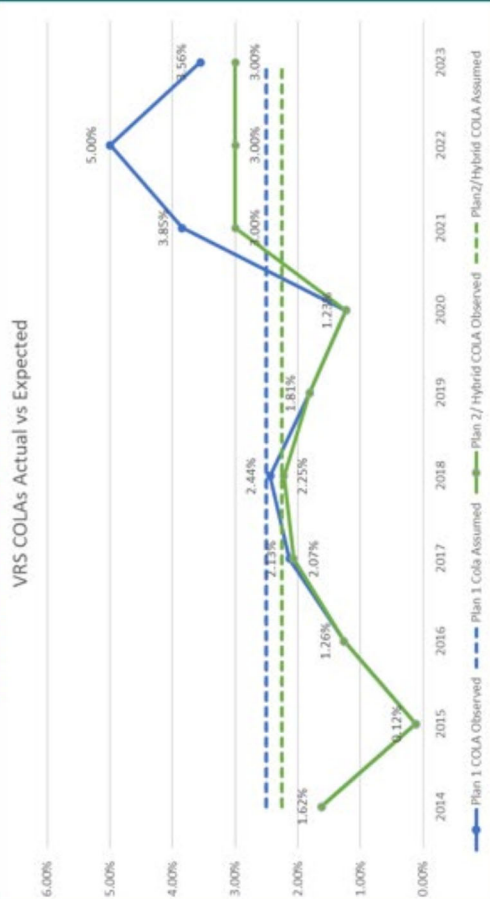
VRS Actual Investment Return vs Expected Return



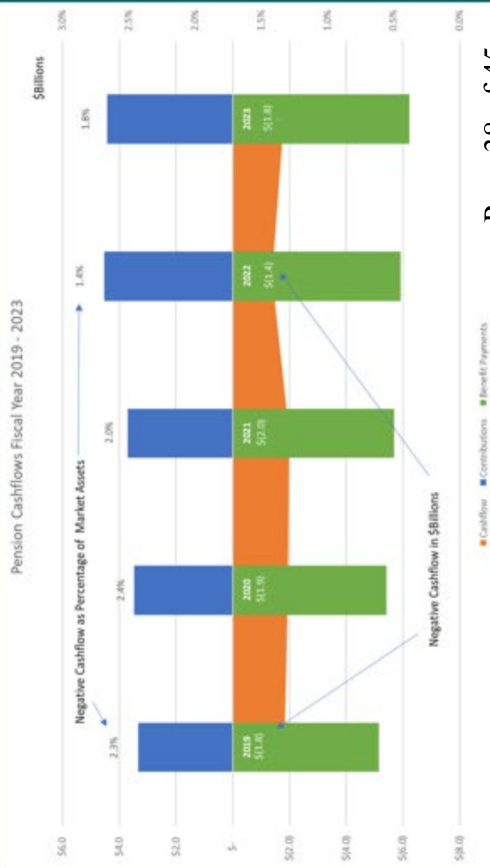
Unrecognized Asset Gains - State



Historical Cost of Living Increases



Historical Cash Flow



Pension Dashboard – Pension Liabilities & Rates

State Plan



Select a Plan Drop Box Below

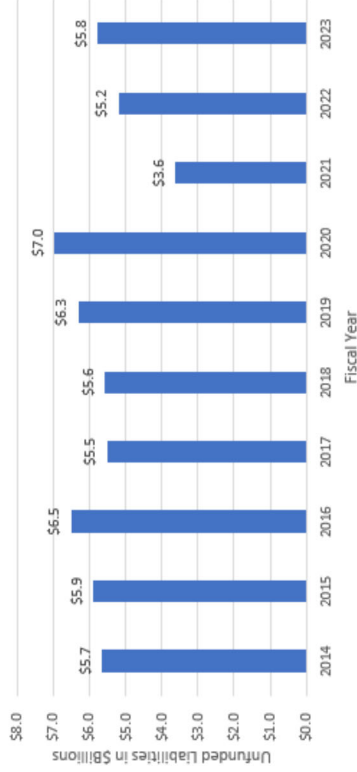
State Plan

Select Plan
Please Select Plan

Return to Homepage

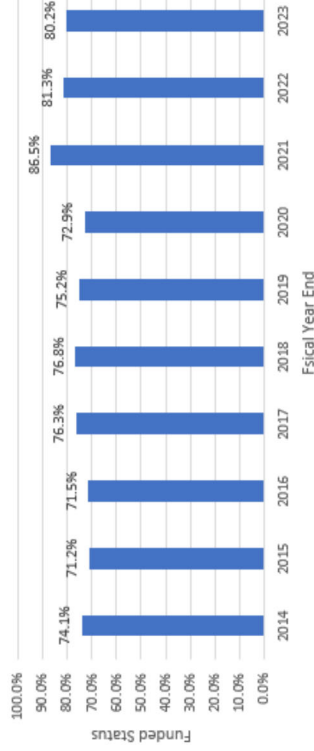
Unfunded Liabilities on a Market Value of Asset Basis

State Plan Unfunded Liabilities on Market Value Basis



Funded Status Market Value Basis

State Plan Funded Status on Market Value Basis



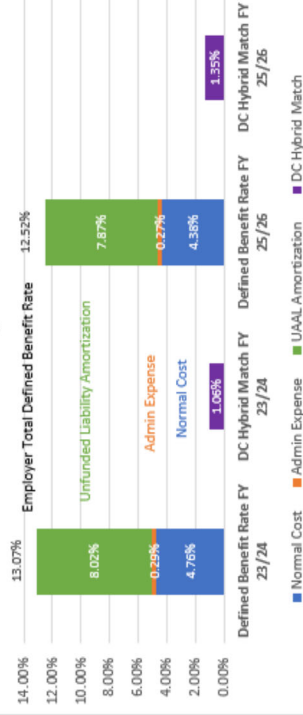
Contribution Rates - Board Certified vs General Assembly Funded

State Plan Board Certified Employer Rates vs General Assembly Funded Rates



Contribution Rate Detail

State Plan Comparison of Board Certified Rates Last Two Rate Setting Periods



Pension Dashboard – Pension Liabilities & Rates Teacher Plan



Select a Plan Drop Box Below

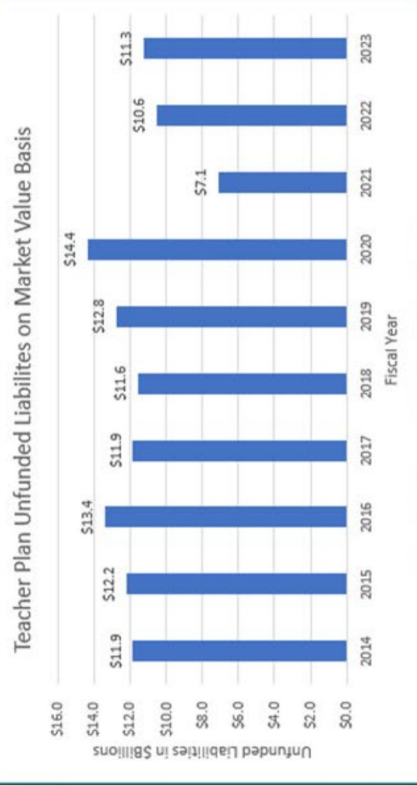
Teacher Plan



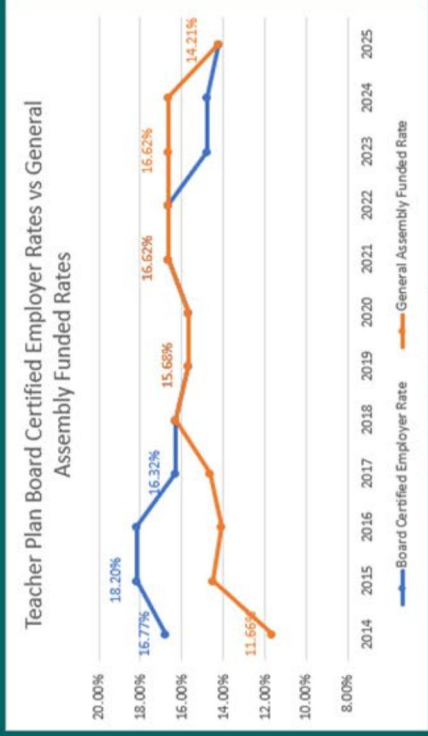
Select Plan
Please Select Plan

[Return to Homepage](#)

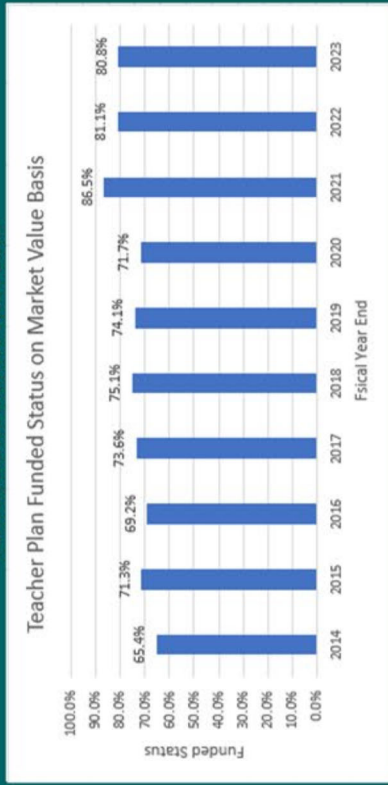
Unfunded Liabilities on a Market Value of Asset Basis



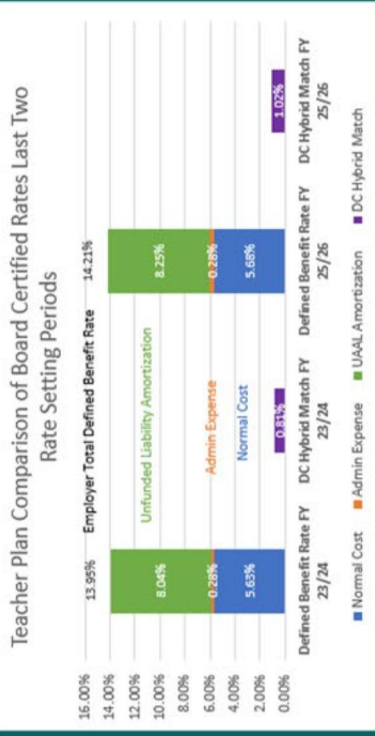
Contribution Rates - Board Certified vs General Assembly Funded



Funded Status Market Value Basis



Contribution Rate Detail



Pension Dashboard – Member Information

State Plan



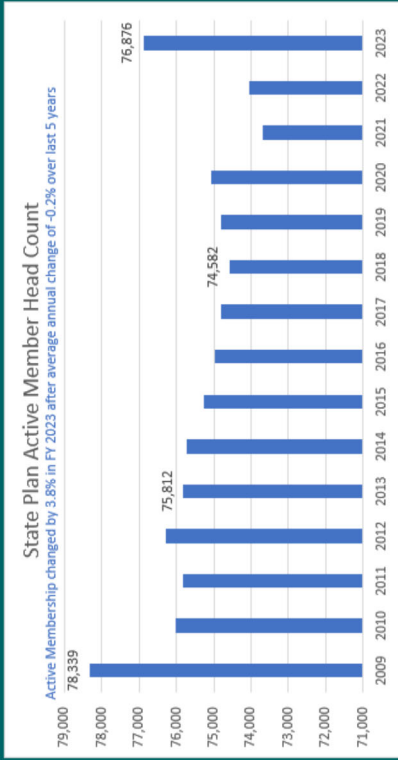
Select a Plan Drop Box Below

State Plan

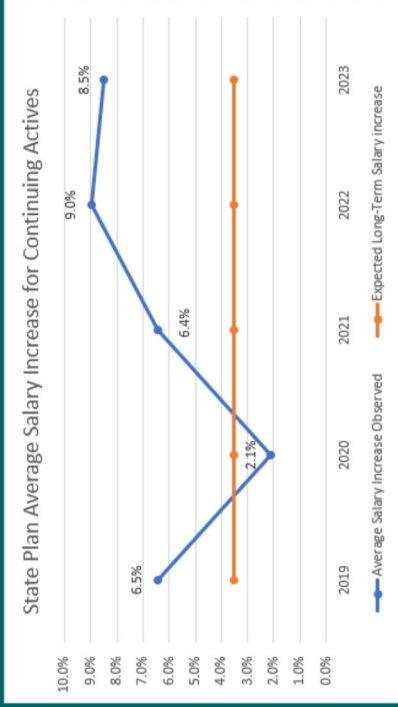
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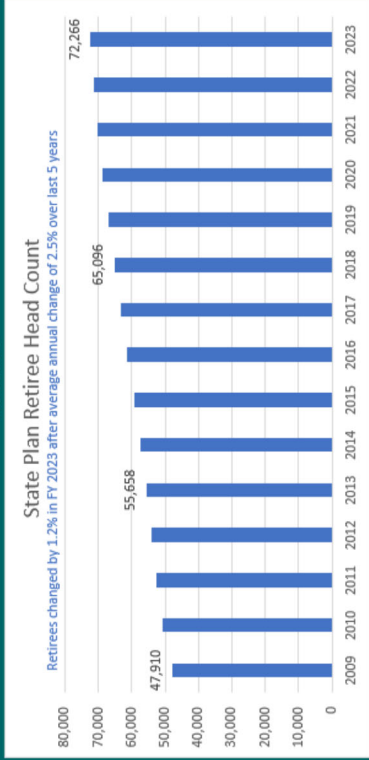
Active Membership



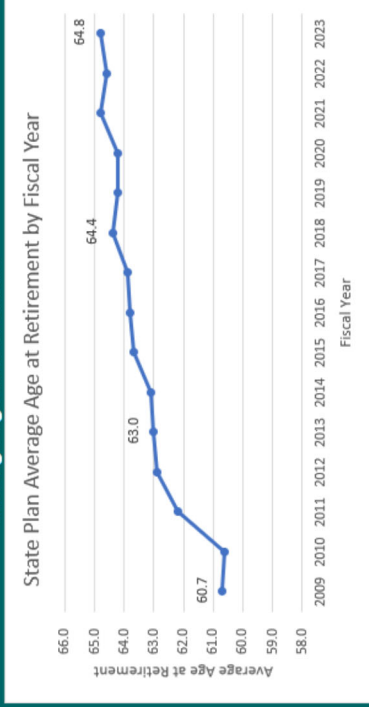
Average Salary Increases for Continuing Actives



Retirees



Average Age at Retirement



Pension Dashboard – OPEBs

Group Life Plan



Select a Plan Drop Box Below

Group Life



Select Plan
Please Select Plan

[Return to Homepage](#)

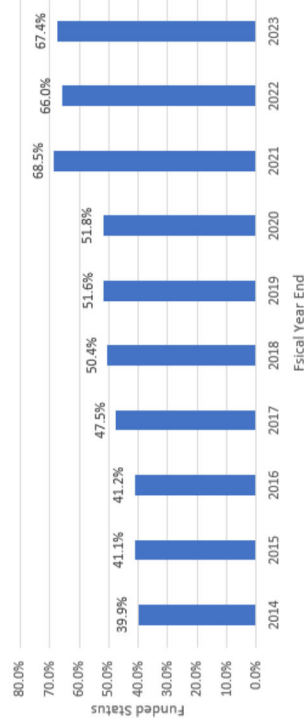
Unfunded Liabilities on a Market Value of Asset Basis

Group Life Unfunded Liabilities on Market Value Basis



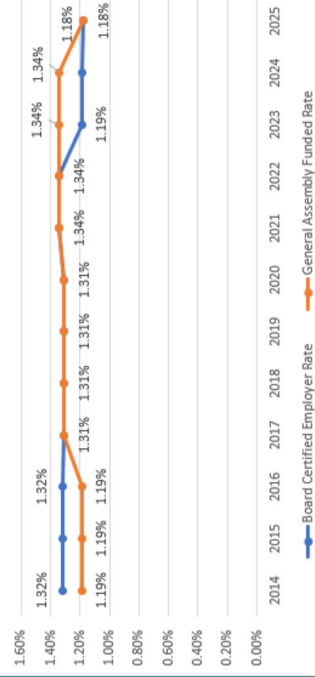
Funded Status Market Value Basis

Group Life Funded Status on Market Value Basis



Contribution Rates - Board Certified vs General Assembly Funded

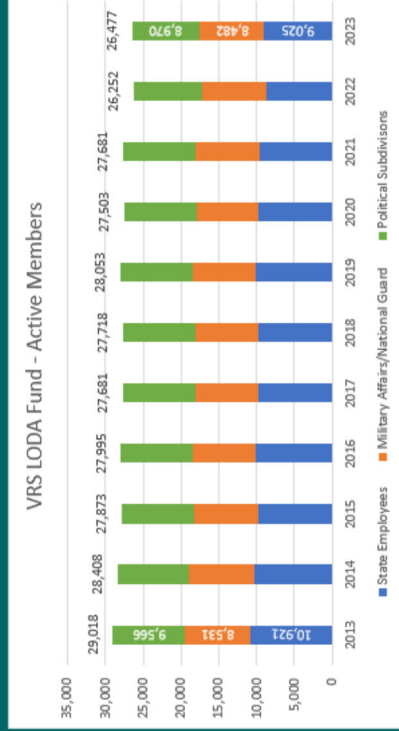
Group Life Board Certified Employer Rates vs General Assembly Funded Rates



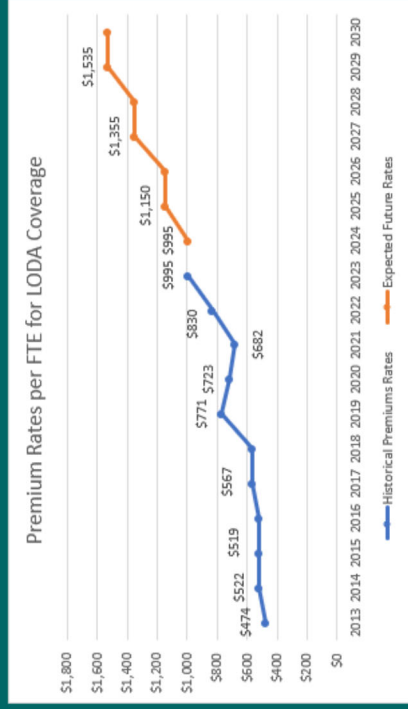
Pension Dashboard – LODA



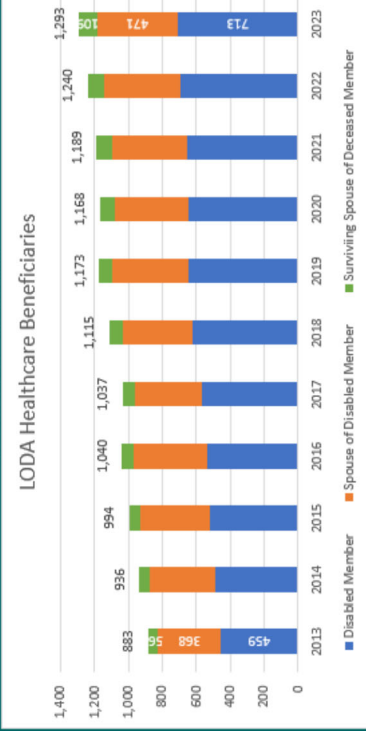
LODA Fund - Active Members



Employer Rates per FTE - VRS LODA Fund



LODA Fund - Claimants



[Return to Homepage](#)

Board Summary of Key Indicators



- Create Summary of Key Indicators Handout for Valuation Meetings.
- Provides quick review of key elements of actuarial valuation.



Pension Dashboard – Next Steps

- Continue development of measures
- Convert to Power BI for internal access
- Explore access of dashboard for VRS Board members

