



## **Benefits and Actuarial Committee (B&A) Meeting**

**1111 East Main Street  
VRS 3rd Floor Board Room**

**Wednesday, 2/9/2022  
1:00 - 3:00 PM ET**

### **I. Welcome and Introductions**

### **II. Approve Minutes**

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### **III. 2022 COLAs Requiring Board Approval**

- **RBA - Approval of July 1, 2022 Increase Relating to VSDP Creditable Compensation and VSDP COLA.**

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- **RBA - Approval of July 1, 2022 Increase Relating to VLDP Creditable Compensation.**

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*VRS COLAs 2022 - Page 8*

*Audit COLA Memorandum - Page 21*

### **IV. Information Items**

- **2022 COLAs called for under statute not requiring Board approval**
  - i. COLA for service and disability retirees effective July 1, 2022.**
  - ii. Group Life Insurance minimum life insurance amount effective July 1, 2022.**
- **2022 Legislative Update**

*LegislativeUpdate - Page 25*
- **Actuarial Services RFP Update**
- **Upcoming B&A Committee Meetings:**
  - April 6 at 1:00 p.m.
  - April 19 at 12:30 p.m. (if needed)
  - June 6 at 1:00 p.m.
  - October 17 at 1:00 p.m.
  - November 14 at 1:00 p.m.

### **V. Other Business**

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## Minutes

A regular meeting of the Benefits and Actuarial Committee was held on November 15, 2021 in Richmond, Virginia with the following members participating:

William A. Garrett, Chair  
Michael P. Disharoon, Vice Chair  
John Bennett

Board members present:  
O'Kelly E. McWilliams, III, Board Chair  
Joseph W. Montgomery, Board Vice Chair  
Sen. J. Brandon Bell, II (*entered at 1:10 p.m.*)  
Troilen G. Seward

VRS Staff:

Patricia Bishop, Jennifer Schreck, Rory Badura, Judy Bolt, Ty Bowers, Jeanne Chenault, Paulette Cook, Michael Cooper, Sara Denson, Valerie Disanto, Barry Faison, Andy Feagans, Brian Goodman, Krystal Groff, Robert Irving, Angela Payne, Jillian Sherman, Virginia Sowers and Cindy Wilkinson.

Guests:

Larry Langer, Alisa Bennett, and Brad Wild, Cavanaugh Macdonald Consulting, LLC; Latosha Johnson, Department of Planning and Budget; Kimberly Sarte, Joint Legislative Audit and Review Commission; Regina Bourn-Delgado, Michael Evans, Alex Gottschalk and Kaitlyn James, City of Virginia Beach; and Bea Snidow, Virginia Education Association.

The meeting convened at 1:00 p.m.

### Opening Remarks

Mr. Garrett called the meeting to order and welcomed everyone to the November 15, 2021 meeting of the Benefits and Actuarial Committee.

### Approval of Minutes

Upon a motion by Mr. Montgomery, with a second by Mr. Bennett, the Committee approved the minutes of its October 13, 2021 meeting.

### **Cavanaugh Macdonald Consulting, LLC, 2021 Actuarial Valuation Results for Political Subdivision Retirement Plans, the Virginia Local Disability Program (VLDP), Local Health Insurance Credit (HIC) and Line of Duty Act (LODA) Fund.**

Mr. Garrett introduced Larry Langer and Alisa Bennett with the VRS plan actuary, Cavanaugh Macdonald Consulting, LLC, who presented the June 30, 2021 actuarial valuation results for the Political Subdivision Retirement Plans, the Virginia Local Disability Program (VLDP), Local Health Insurance Credit (HIC) and the Line of Duty Act (LODA) Fund.

Mr. Langer began his presentation by stating that the June 30, 2021 valuations are used to set the contribution rates for fiscal years 2023 and 2024. He provided an overview of the actuarial valuation process used to determine contribution rates and the funded status of pension and OPEB plans.

Since the previous valuation, there were several significant changes to assumptions and plan experience that differed from what was assumed, which will impact future contribution rates. Such factors included assumption changes, investment return, salary increases and demographic changes. The most significant change was to the mortality assumptions, which included moving to a generational mortality improvement scale. This generally increased liabilities for pension plans and had mixed results on OPEB plans. Mr. Langer advised that the 2021 investment return of 27.5% had an immediate positive impact to the funded status on the market value of asset basis. The investment gain will be phased in over a five-year period due to actuarial smoothing of assets for funding calculations.

Mr. Langer advised that the employer contribution rates for political subdivision pension plans in aggregate had a small increase from 8.33% during the last rate-setting to 8.79% as of the current valuation. The actual impacts will vary by employer, but most plans will have a change in contribution rate of less than 1%. The funded status in aggregate increased from 86.4% as of June 30, 2020 to 87.2% as of June 30, 2021 on an actuarial value of assets basis. Nearly two-thirds of the local pension plans are at least 90% funded on an actuarial value of assets basis and on a market value basis, nearly 90% of plans are 90% funded.

Ms. Bennett advised that with regard to the OPEB plans, the average contribution rate for HIC for political subdivisions increased from 0.64% to 0.72%. This was mostly due to payroll increasing less than expected, more schools electing the extra \$1.00 benefit as well as the additional funding contribution and "At-Risk" surcharge for certain plans. However, rates will vary by employer. The funded status for the HIC for political subdivisions continued to trend upward, rising from 31.9% as of June 30, 2020 to 40.2% as of June 30, 2021. The contribution rates for VLDP for Teachers and Political Subdivisions remained relatively level compared to the prior rate setting. The funded ratios increased for both VLDP plans, rising to 98.6% for VLDP Teachers and to 112.0% for VLDP Political Subdivisions.

Next, Ms. Bennett noted that due to actions taken by the General Assembly in the 2021 session, the LODA premium rate increased by \$5.24 for FY 2022 to \$722.55 in response to additional presumptions and conditions covered under the Workers' Compensation Act. Generally, the LODA premiums are expected to increase each rate setting year due to increases in covered members and increases in the cost of health care; however, the premium rate will decrease to \$681.84 per full-time equivalent (FTE) for FY 2023 and FY 2024, due largely to investment income and an end of year asset balance of \$7.5 million. The excess assets will be used to offset the costs for FY 2023 and 2024. The investment income overshadowed small increases in liabilities due to assumption changes related to the experience study, as well as an unanticipated increase of 14.50% in the Medicare Part B premium. Ms. Bennett concluded by noting there were no explicit changes related to COVID-19 incorporated due to the level of uncertainty regarding the impact of both plan costs and contribution levels.

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

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

**RBA: Approve contribution rates for political subdivisions, the Health Insurance Credit for certain political subdivisions, the Virginia Local Disability Program and the Line of Duty Act Fund, effective for FY 2023 and FY 2024.**

***Request for Board Action:** After considering the recommendations of its Plan Actuary, the Board accepts the June 30, 2021 valuation report for political subdivisions and the Health Insurance Credit (HIC) for certain political subdivisions; approves a contribution rate of 0.36% for constitutional officers, a rate of 0.37% for social services employees, and a contribution rate of 0.32% for general registrars; approves a contribution rate of 0.47% for the Virginia Local Disability Program (VLDP), including self-funded Long-Term Care for Teachers and a rate of 0.85% for VLDP, including self-funded Long-Term Care for Political Subdivisions; and approves a full-time equivalent premium rate of \$681.84 for the Line of Duty Death and Health Benefits Trust Fund (Fund), all for both FY 2023 and FY 2024, to be effective July 1, 2022.*

#### **Information Item**

Mr. Garrett reviewed the confirmed 2022 meeting schedule:

- February 9 at 1:00 p.m.
- June 6 at 1:00 p.m.
- October 17 at 1:00 p.m.
- November 14 at 1:00 p.m.

Mr. Garrett advised that VRS staff will be reaching out to poll for an April meeting date as the current contract for outside actuarial services does not have any additional renewals and an RFP will need to be issued in Spring 2022. Lastly, Mr. Garrett noted that the Administration and Personnel Committee will meet November 16<sup>th</sup> at 12:30 p.m. immediately followed by the full Board of Trustees at 1:00 p.m.

#### **Adjournment**

There being no further business and following a motion by Mr. Montgomery, with a second by Mr. Bennett, the Committee agreed to adjourn the meeting at 2:15 p.m.

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Date

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William A. Garrett, Chair  
Benefits and Actuarial Committee



## Approval of July 1, 2022 increase relating to VSDP creditable compensation and VSDP COLA.

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### Requested Action

Effective July 1, 2022 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 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 3.85% 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.

### 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 20, 2022 letter, the VRS plan actuary, Cavanaugh Macdonald Consulting, LLC, observed increases in creditable compensation of 6.76% during fiscal year 2021 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 4.00%, 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 3.85% for Plan 1 members vested as of January 1, 2013 or 3.00% for 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.

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

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Date



**Approval of July 1, 2022 increase relating to VLDP creditable compensation.**

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**Requested Action**

Effective July 1, 2022, 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, 2022 is an increase of 3.74% 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 20, 2022 letter, the VRS plan actuary, Cavanaugh Macdonald Consulting, LLC, observed increases in creditable compensation of 3.74% during fiscal year 2021 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 3.74%.

**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.

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

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Date



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

February 9, 2022





# 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)

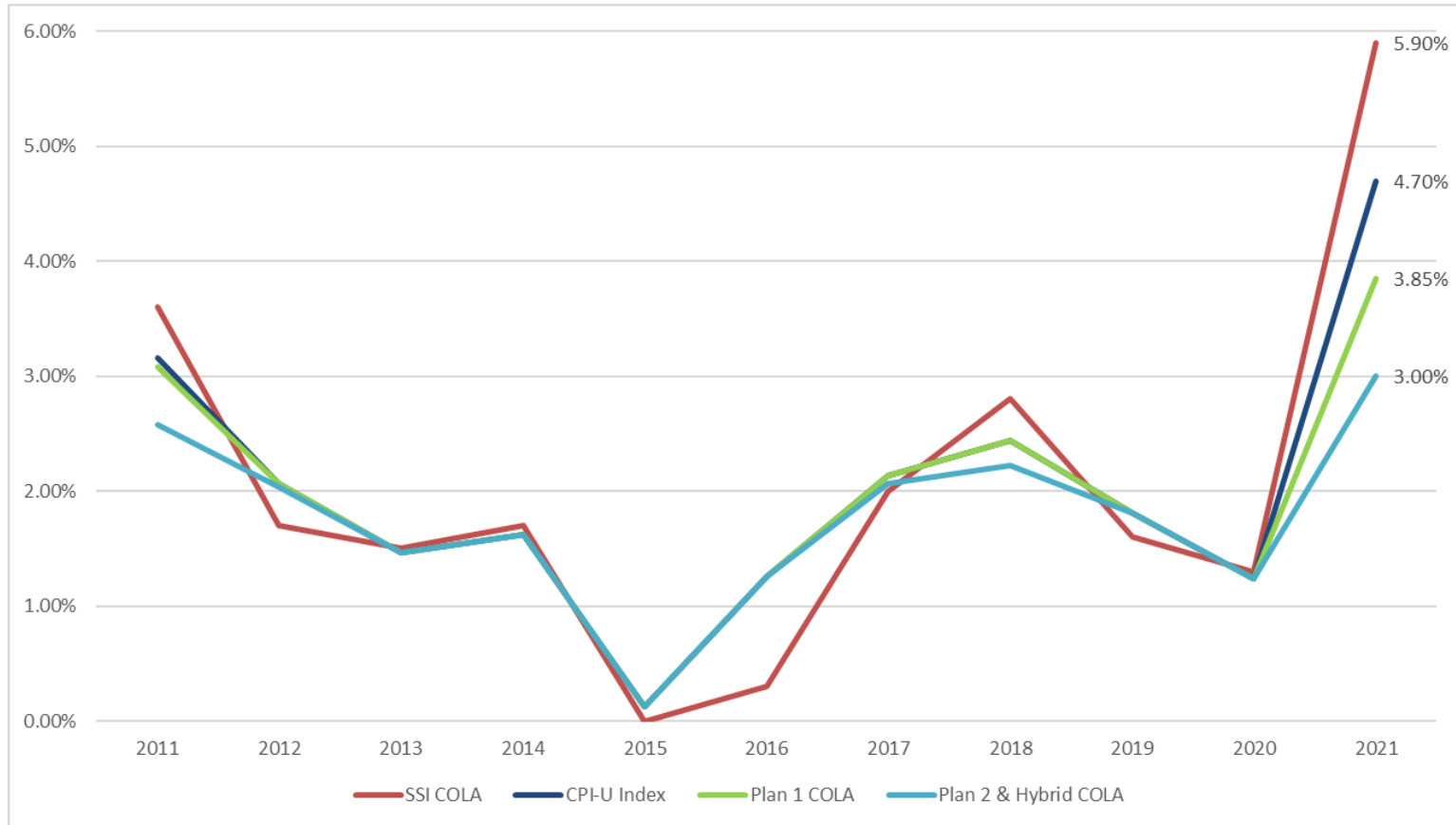


Calendar Year	COLA Index U.S. CPI-U	Annual growth rate	VRS COLA			
			Plan 1	Plan 2	Hybrid	Effective
2011	224.939	3.16%	3.08%	2.58%	N/A	July 2012
2012	229.594	2.07%	2.07%	2.04%	N/A	July 2013
2013	232.957	1.46%	1.46%	1.46%	N/A	July 2014
2014	236.736	1.62%	1.62%	1.62%	N/A	July 2015
2015	237.017	0.12%	0.12%	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
2021	270.970	4.70%	3.85%	3.00%	3.00%	July 2022

- 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



- Inflation during 2021 was 7.0%, but the VRS COLAs are based on the average monthly increase which was 4.7%.
- SSI COLA is based on different index and method and is determined in September rather than year end.
- The 2021 VRS COLAs are the highest in last 10 years with Plan 2 and Hybrid capped at the maximum COLA of 3.0%.

- 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 2020 to 2021 for members active as of June 30, 2020 and June 30, 2021, and reported in VRS valuation data as participating in VSDP

Plan	June 30, 2020		June 30, 2021		Increase in Pay Rate
	Number Members	Annual Pay Rate	Number Members	Annual Pay Rate	
State	60,699	\$ 3,560,373,923	60,699	\$ 3,795,884,233	6.61%
VaLORS	6,284	\$ 267,707,873	6,284	\$ 286,293,804	6.94%
SPORS	1,454	\$ 90,890,294	1,454	\$ 101,779,304	11.98%
Total	68,437	\$ 3,918,972,090	68,437	\$ 4,183,957,341	6.76%

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

4.00%

- 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 – 3.85% increase.
- For Plan 1 members not vested by January 1, 2013 and all Plan 2 and Hybrid members – 3.00% 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 2020 to 2021 for members active as of June 30, 2020 and June 30, 2021, and reported in VRS valuation data as participating in VLDP

Plan	June 30, 2020		June 30, 2021		Increase in Pay Rate
	Number Members	Annual Pay Rate	Number Members	Annual Pay Rate	
Teachers - Hybrid	45,599	\$ 2,119,703,946	45,599	\$ 2,187,380,173	3.19%
Political Subdivisions - Hybrid	<u>30,939</u>	<u>\$ 1,242,875,541</u>	<u>30,939</u>	<u>\$ 1,300,913,216</u>	4.67%
Total	76,538	\$ 3,362,579,487	76,538	\$ 3,488,293,389	3.74%
Increase in Total Annual Pay Rate (Not to Exceed 4.00%)					3.74%

- 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
2021	3.00%	\$8,984

# Questions



**MEMORANDUM**

TO: Patricia S. Bishop, VRS Director

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

DATE: February 1, 2022

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 20, 2022.

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 20, 2022

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

## **2022 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, 2022.

By statute, the VRS COLA is based on the ratio of the average of the monthly CPI-U for the 2021 calendar year (270.970) to the average of the monthly CPI-U for the most recent calendar year used in the determination of a COLA, 2020 calendar year (258.811). The result is 4.70%. The VRS COLA formula is applied to the CPI increase to produce COLAs effective July 1, 2022 of 3.85% for Plan 1 members vested as of January 1, 2013 and 3.00% 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 3.00% 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 \$8,722, the minimum effective life insurance amount for members with at least 30 years of creditable service will increase to \$8,984 effective July 1, 2022.

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, capped at 4.00%. For 2022, it would be the ratio of the annual pays as of June 30, 2021 to the annual pays as of June 30, 2020 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 6.76% effective July 1, 2022, before applying the 4.00% maximum. Our calculation is based on the data provided by VRS for the June 30, 2020 and 2021 actuarial valuations. The final VSDP credible compensation COLA is capped at 4.00%.





Mr. Rory Badura  
January 20, 2022  
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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 2022, it would be the ratio of the annual pays as of June 30, 2021 to the annual pays as of June 30, 2020 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 3.74% effective July 1, 2022. Our calculation is based on the data provided by VRS for the June 30, 2020 and 2021 actuarial valuations.

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 'LL', 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, 2022**

Item	Code Section(s)	CPI-U		CPI Increase	COLA Calculation		
		2020	2021		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	258.811	270.970	4.70% *	3.00%	0.85%	3.85%
Item	Code Section(s)	CPI-U		CPI Increase	COLA Calculation		
		2020	2021		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	258.811	270.970	4.70%	2.00%	1.35%	3.00%
Item	Code Section(s)	Creditable Compensation		Increase in Pay	COLA Calculation		
		2020	2021		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	\$3,918,972,090	\$4,183,957,341	6.76%	4.00%		4.00%
Item	Code Section(s)	Creditable Compensation		Increase in Pay	COLA Calculation		
		2020	2021		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	\$3,362,579,487	\$3,488,293,389	3.74%	3.74%		3.74%
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						3.85%
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						3.00%
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.				\$8,722	\$8,984	3.00%

\* CPI-U increase is ratio or percentage increase of CPI-U indices year over year (270.970/258.811 - 1 = 4.70%)

# 2022 Legislation\*



# 2022 VRS-Related Bills

## VRS-Requested Bills

Bill Number	Patron	Description
HB 473	Bulova	Separates the employer contribution for employers participating in the Hybrid Retirement Plan into defined benefit and defined contribution components. The bill has a delayed implementation date of July 1, 2024, to coincide with new contribution rates. Budget amendments: HB 30, Item 261 #1h (NGF- DOA implementation), Item 498 #1h (NGF- VRS implementation)  HB 473 passed House 2/4. SB 70 passed Senate 2/4.
SB 70	Newman	

# 2022 VRS-Related Bills

## Divestment Bills

Bill Number	Patron	Description
<del>HB 645</del> SB 213	<del>Kory</del> McPike	Requires the Virginia Retirement System and local retirement systems to divest from fossil fuel companies by January 1, 2027.  Budget amendment: SB 30, Item 500 #2s (GF placeholder-VRS implementation)  HB 645 was PBI'd in subcommittee on 1/27. SB 213 was passed by for the day in SFAC on 2/9.

## Code Commission Bill

Bill Number	Patron	Description
HB 338	Simon	Sets out a section in Title 51.1 (Pensions, Benefits, and Retirement) that is currently carried by reference only. The bill also repeals three obsolete sections in Title 58.1 (Taxation). This bill is a recommendation of the Virginia Code Commission.  Passed the House 2/1.

# 2022 VRS-Related Bills

## Hazardous Duty Benefits Bills- § 51.1-138

Bill Number	Patron	Description
SB 507	Lewis	<p>Requires localities to use the 1.85 percent multiplier for determining the annual retirement allowance for local eligible employees receiving benefits similar to those provided to State Police officers. Currently, localities may elect to provide a 1.7 percent multiplier in lieu of the 1.85 percent multiplier.</p> <p>Substitute applies only to deputy sheriffs for service earned on or after July 1, 2023.</p> <p>Reported from SFAC on 2/9.</p>

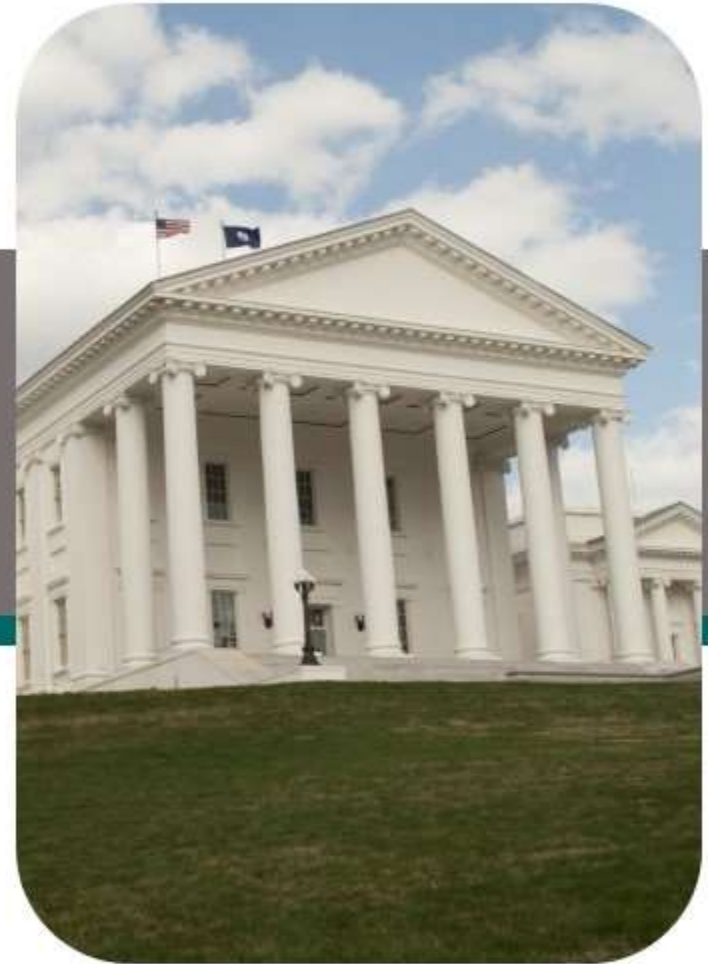
# 2022 VRS-Related Bills

## Other Bills

Bill Number	Patron	Description
SB 349	Surovell	Provides that if the court enters an order to distribute any Virginia Retirement System managed defined contribution plan, the Virginia Retirement System shall, if ordered by the court, calculate gains and losses from the valuation date through the date of distribution of the benefits. Passed Senate 2/3.
SB 468	DeSteph	Provides 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 Virginia or a contiguous state. The bill has a delayed effective date of July 1, 2023. Passed Senate 2/4



# Other Bills



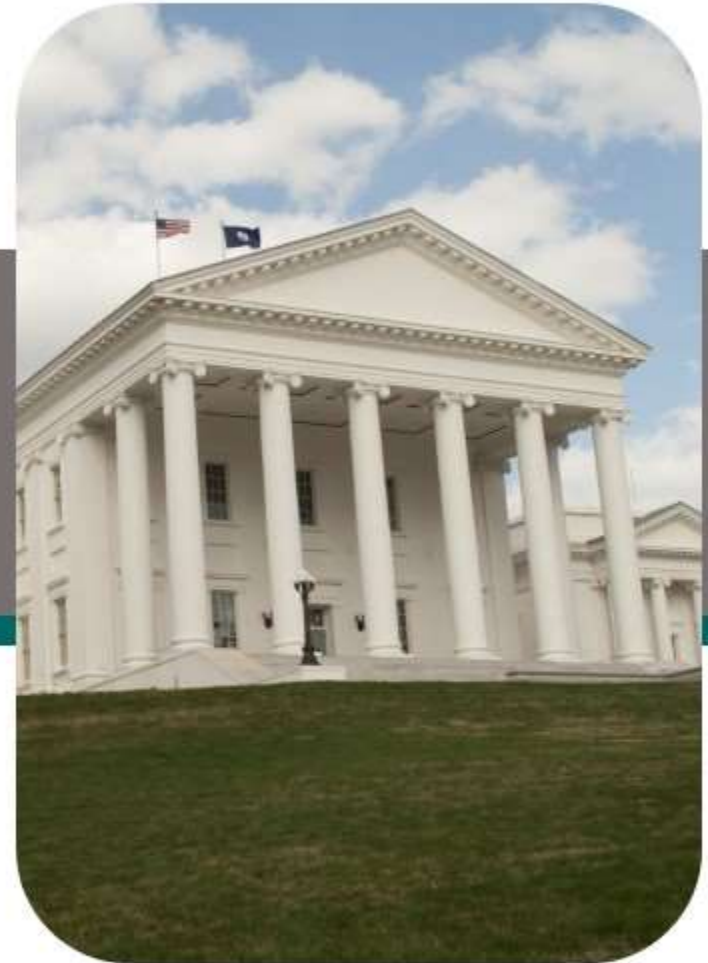
## Charter School Bills

Bill Number	Patron	Description
HB 344	Davis	Permits the Board of Education to receive, review, and rule upon applications for public charter schools and enter into agreements for the establishment of public charter schools. Under current law, the power to grant or deny a public charter school application and enter into an agreement for the establishment of a public charter school rests solely with local school boards. The bill also provides that the decision to grant or deny a public charter school application or to revoke or fail to renew a public charter school agreement is final and is not subject to appeal. HB 344 substitute expected. House Education agenda 2/9. Senate bills on Senate Education and Health: Public Education agenda 2/3.
SB 608	Suetterlein	
SB 638	Chase	

## Charter School Bills

Bill Number	Patron	Description
<p>HB 356</p> <p><del>SB 125</del></p>	<p>Tata</p> <p><del>Obenshain</del></p>	<p>Authorizes the Board of Education (the Board) to establish regional charter school divisions consisting of at least two but not more than three existing school divisions in regions in which each underlying school division has (i) an enrollment of more than 3,000 students and (ii) one or more schools that have accreditation denied status for two out of the past three years. The bill requires such regional charter school divisions to be supervised by a school board that consists of eight members appointed by the Board and one member appointed by the localities of each of the underlying divisions. The bill authorizes the school board, after a review by the Board, to review and approve public charter school applications in the regional charter school divisions and to contract with the applicant. The bill requires that the state share of Standards of Quality per pupil funding of the underlying school district in which the student resides be transferred to such school.</p> <p>HB 356 reported and referred to House Appropriations. SB 125 not reported from Senate Education and Health 2/3.</p>

**Carried Over to 2023**



# 2022 VRS-Related Bills

## JRS Bills

Bill Number	Patron	Description
SB 382	McDougle	<p>Increases, for the purposes of determining benefits provided under the Judicial Retirement System, the retirement multiplier from 1 percent to 1.7 percent. The increase would apply only to judges appointed on or after July 1, 2022, who are participants in the hybrid retirement program, and who are at least age 55 at the time of appointment.</p> <p>Budget amendment: SB 30, Item 483 #4s (GF- placeholder)</p> <p>Carried over to SFAC General Gov't subcommittee, OES, &amp; VRS review.</p>

# 2022 VRS-Related Bills

## Hazardous Duty Benefits Bills- VaLORS

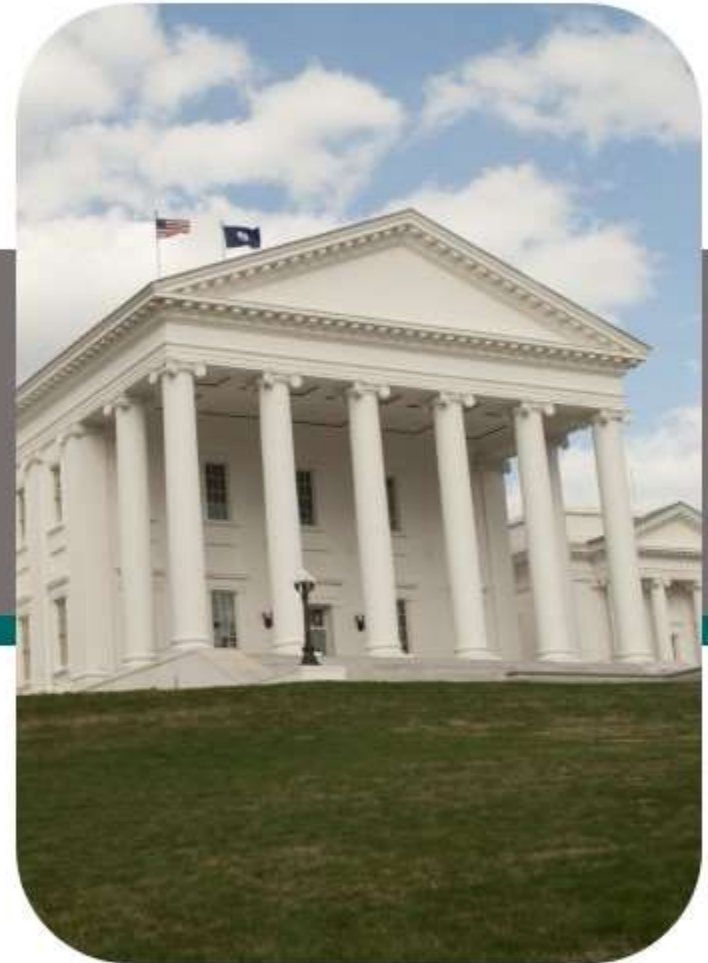
Bill Number	Patron	Description
SB 752	Stuart	<p>Adds sworn members of the enforcement division of the Department of Motor Vehicles and conservation officers of the Department of Conservation and Recreation to the membership of the Virginia Law Officers' Retirement System (VaLORS).</p> <p>Budget amendment: SB 30, Item 483 #6s (GF- placeholder)</p> <p>Carried over with letter to JLARC &amp; VRS.</p>

## Hazardous Duty Benefits Bills- § 51.1-138

Bill Number	Patron	Description
HB 854	Reid	Adds 911 dispatchers to the list of local employees eligible to receive enhanced retirement benefits for hazardous duty service. Under
SB 585	Reeves	<p>current law, localities may provide such benefits to first responders, including firefighters and emergency medical technicians, and certain other hazardous duty positions.                      Similar to HB 131; See also HB 56, HB 162.</p> <p>HB 854/HB 131 substitute eliminates “first responder,” adds dispatcher, and makes the bill effective for service earned on or after July 1, 2023.                      SB 585 substitute also adds VSP dispatchers to VaLORS.                      SB was carried over to 2023 with a letter to JLARC or referred to joint subcommittee.</p> <p>Budget amendments: HB 29, Item 494 #1h and SB 30, Item 500 #1s (NGF- VRS implementation)</p> <p>HB 854 incorporated into HB 131 and was laid on table with letter to JLARC.</p>



# Budget



Item #	Description
477	Language authorizing 5% increase for state employees on June 10, 2022. Contingent on funding in the 2022 Appropriation Act for the 2023-2024 biennium.

## Across the Board Salary Actions

Item #	Description
483	Funding for the 5% state employee, adjunct faculty, and certain other employee salary increases from HB 29.
483	5% increase for state employees on June 10, 2023. Not contingent on revenues.
	5% increase each year for Teachers/SOQ Positions
	5% increase for state-supported local employees

## Targeted Salary Actions

Item #	Description
72	Raise entry-level salary of sworn sheriff deputies and regional jail officers. Provide compression salary increase of \$100 for each full year of service for sworn personnel with 3+ years of continuous state service up to 30 years.
328	Salary increases for behavioral health direct care staff.
402	Increase minimum salaries and address salary compression issues for correctional officers.
431	Funding for Dept. of State Police compensation plan to address compression, recruitment, and retention of sworn employees.
	VMI Pay Equity Actions
	Department of Veterans Services Staff
	VDACS Veterinary Staff
	DGS Division of Consolidated Laboratory Staff
	DGS State Mail Services Staff
	Magistrates
	Legal Aid Attorneys through State Bar

## VRS Rates and Funding

Item #	Description
269	<p>\$923,998,000 on or before June 30, 2023 to reduce the unfunded liabilities of the State Plan, the Teacher Plan, SPORS, VaLORS, JRS, State HIC, Teacher HIC, GLI plan, and HIC for constitutional officers, local social services employees, and registrars. Contingent on not needing a revenue re-forecast.</p> <p>This is a voluntary deposit and in the event of an economic downturn, the deposit could be reduced or eliminated if needed for liquidity relief.</p>
<p>b. \$270,000,000 to the state employee plan.</p> <p>c. \$545,000,000 to the public school teacher plan.</p> <p>d. \$13,500,000 to the State Police Officers' Retirement System.</p> <p>e. \$24,500,000 to the Virginia Law Officers' Retirement System.</p> <p>f. \$7,700,000 to the Judicial Retirement System.</p> <p>g. \$10,500,000 to the HIC plan for state employees.</p> <p>h. \$14,800,000 to the HIC plan for public school teachers.</p> <p>i. \$37,500,000 to the GLI plan.</p> <p>j. \$340,000 to the HIC plan for Constitutional Officers and their employees.</p> <p>k. \$150,000 to the HIC plan for local social services employees.</p> <p>l. Any remaining balance, estimated at \$8,000, to HIC plan for Registrars and their employees.</p>	

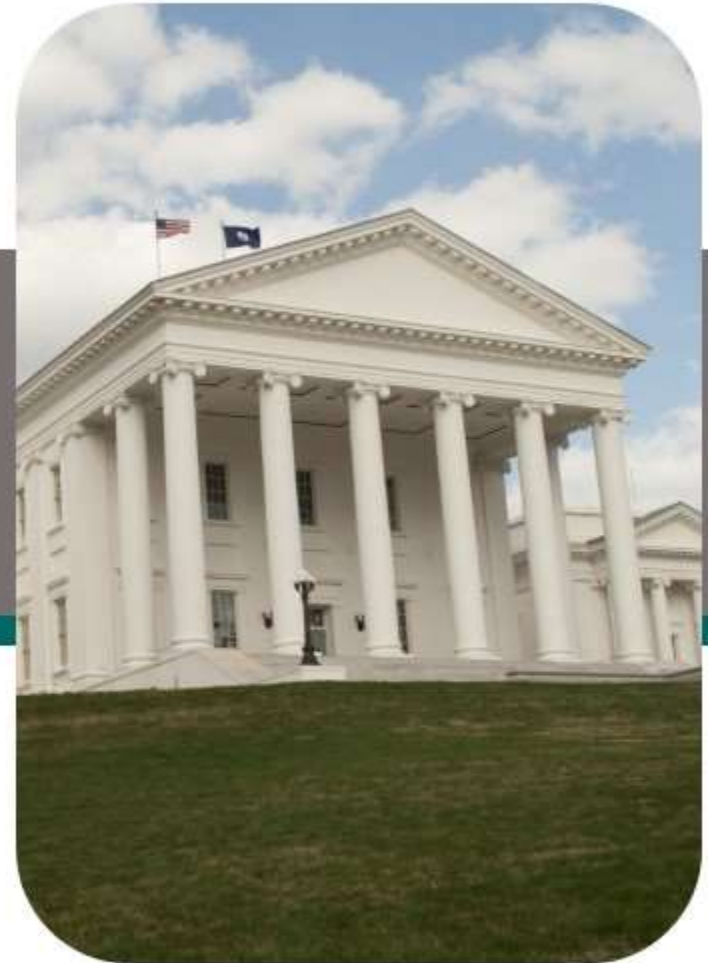
## VRS Rates and Funding

Item #	Description
483	Fund the required Board-certified contribution rates for JRS, SPORS, VaLORS and OPEBs. Fund the prior biennium's higher contribution rates for State (14.46% vs. 14.13%) and Teachers (16.62% vs. 14.76%), as well as for any OPEB plan rates that decreased.
483	Fund LODA premiums at \$681.84 per covered employee.

## Member Amendments without Corresponding Bills

Item #	Description
137 #14h; Davis	Direct Aid to reduce break in service for retirees in hard to staff positions from 12 months to 6 months (language only)
483 #3h; Edmunds	GF appropriation for difference in contribution rates to move Dept. of Wildlife Resources (DWR) Conservation Police Officers from VaLORS to SPORS

# Failed Legislation





# 2022 VRS-Related Bills

## JRS Bills

Bill Number	Patron	Description
SB 83	Stanley	<p>Increases the mandatory judicial retirement age from 73 to 75. Allows judges who would be subject to mandatory retirement during the 2022 General Assembly session to revoke their notice of retirement.</p> <p>The bill contains an emergency clause.</p> <p>Budget amendment: SB 30, Item 483 #1s (GF savings)</p> <p>Bill not reported from Sen. Judiciary</p>

# 2022 VRS-Related Bills

## Return to Work Bills

Bill Number	Patron	Description
SB 18	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>Budget amendment: SB 29, Item 494 #1s (NGF- VRS implementation) PBId in SFAC 2/1.</p>

# 2022 VRS-Related Bills

## Hazardous Duty Benefits Bills- § 51.1-138

Bill Number	Patron	Description
HB 131	Cherry	<p>Adds 911 dispatchers to the list of local employees eligible to receive enhanced retirement benefits for hazardous duty service. Under current law, localities may provide such benefits to first responders, including firefighters and emergency medical technicians, and certain other hazardous duty positions. The bill provides that such benefits would be available only to dispatchers hired starting on or after January 1, 2022.</p> <p>Similar to HB 854/SB 585; See also HB 56, HB 162.</p> <p>Budget amendment: HB 29, Item 494 #2h (NGF- VRS implementation) Subcommittee laid on table with letter to JLARC</p>
HB 854	Reid	<p>Adds 911 dispatchers to the list of local employees eligible to receive enhanced retirement benefits for hazardous duty service. Under current law, localities may provide such benefits to first responders, including firefighters and emergency medical technicians, and certain other hazardous duty positions.</p> <p>Similar to HB 131; See also HB 56, HB 162.</p> <p>Budget amendments: HB 29, Item 494 #1h (NGF- VRS implementation) HB 854 incorporated into HB 131.</p>

# 2022 VRS-Related Bills

## Hazardous Duty Benefits Bills

Bill Number	Patron	Description
HB 593	Van Valkenburg	<p>Provides that when a member of the State Police Officers' Retirement System or the Virginia Law Officers' Retirement System or a local employee who is eligible for similar benefits dies before retirement by suicide or in the line of duty, the retirement allowance payable to his beneficiary shall include any hazardous duty supplement for which the member or local law-enforcement officer was eligible.</p> <p>Budget amendments: HB 29, Item 494 #3h, (NGF- VRS implementation) &amp; HB 30, Item 483 #12h (GF- placeholder)</p> <p>Stricken in subcommittee 2/3.</p>
HB 834	Wilt	<p>Provides that service in the Fire and Rescue Department of the Virginia Air National Guard shall be treated as service in a hazardous position for purposes of the hazardous duty supplement or increased retirement multiplier in the State Police Officers' Retirement System, in the Virginia Law Officers' Retirement System, or as a local employee eligible for similar benefits. The bill applies to creditable service earned before July 1, 2022, but only allows additional benefits to be paid prospectively.</p> <p>Budget amendment: HB 30, Item 483 #11h (GF- placeholder)</p> <p>Laid on table with letter to JLARC 2/3.</p>

# 2022 VRS-Related Bills

## Hazardous Duty Benefits Bills- § 51.1-138

Bill Number	Patron	Description
HB 56	Wiley	<p>Requires each political subdivision participating in the Virginia Retirement System and each county or city participating in the Virginia Retirement System to provide retirement benefits comparable to the benefits provided to state police officers to juvenile detention specialists.</p> <p>See also HB 131, HB 162, HB 854, SB 585.</p> <p>Laid on table in subcommittee 1/27.</p>
HB 162	Runion	<p>Adds animal control officers to the list of local employees eligible to receive enhanced retirement benefits for hazardous duty service. Under current law, localities may provide such benefits to first responders, including firefighters and emergency medical technicians, and certain other hazardous duty positions.</p> <p>See also HB 56, HB 131, HB 854, SB 585.</p> <p>Budget amendment: HB 29, Item 494 #3h (NGF- VRS implementation)</p> <p>Laid on table in subcommittee with letter to the Compensation Board.</p>

# 2022 VRS-Related Bills

## Other Bills

Bill Number	Patron	Description
HB 1119	Campbell	Provides that a law-enforcement officer shall not lose his benefits in any retirement system administered by the Board of Trustees of the Virginia Retirement System upon being convicted of a felony, unless such felony was (i) the result of gross negligence or intentional misconduct by such officer or (ii) resulted in any pecuniary benefit for such officer. Struck in HAC subcommittee 2/3.

# 2022 VRS-Related Bills

## Return to Work Bills

Bill Number	Patron	Description
SB 17	Hackworth	<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 state or local law-enforcement agency after a 12-month break in service following retirement.</p> <p>Budget amendment: SB 29, Item 494 #2s (NGF- VRS implementation)</p> <p>Substitute not expected to impact Title 51.1.</p>