

Minutes

An electronic meeting of the Virginia Retirement System Benefits and Actuarial Committee was held on September 1, 2021 pursuant to § 2.2-3708.2(A)(3) of the *Code of Virginia*, with the following members participating:

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

Board members present:
O’Kelly E. McWilliams, III, Board Chair (*entered at 1:14 p.m.*)
Hon. J. Brandon Bell, II
Troilen G. Seward

VRS Staff:

Patricia Bishop, Jennifer Schreck, Rory Badura, Judy Bolt, Jeanne Chenault, Cassandra Coles, Michael Cooper, Sara Denson, Valerie Disanto, Barry Faison, Andy Feagans, Brian Goodman, Krystal Groff, Robert Irving, Angela Payne, Mark Rein, Jillian Sherman and Cindy Wilkinson.

Guests:

NaTosha Palmer, Securian; Adam Rosatelli, Senate Finance and Appropriations Committee; Latosha Johnson, Department of Planning and Budget; Jamie Bitz, Joint Legislative Audit and Review Commission; Jessica Dotson, Virginia Municipal League; and Bea Snidow, Virginia Education Association.

The meeting convened at 1:01 p.m.

Opening Remarks

Mr. Garrett called the meeting to order and welcomed everyone to the September 1, 2021 meeting of the Benefits and Actuarial Committee.

Next, Mr. Garrett noted that due to the Governor’s declared state of emergency related to tropical depression Ida, the Committee is unable to meet in person and, therefore, used electronic means to hold the meeting in accordance with § 2.2-3708(A)(3) of the *Code of Virginia*.

Mr. Garrett then took attendance with the following roll call:

Mr. Bell: Here
Mr. Bennett: Here
Mr. Disharoon: Here
Ms. Seward: Here
Mr. Garrett: Here

Approve Minutes

Upon Mr. Bennett's motion, with a second by Mr. Disharoon, the Committee approved the minutes of its June 9, 2021 meeting upon the following roll call vote*:

Mr. Bell: Aye
Mr. Bennett: Aye
Mr. Disharoon: Aye
Ms. Seward: Aye
Mr. Garrett: Aye

**Mr. McWilliams was not present for this vote.*

Election of Committee Vice Chair

Mr. Garrett advised that the next item of business was to elect a Committee Vice Chair. Mr. Bennett moved, with a second by Ms. Seward, to nominate Michael P. Disharoon to serve as Vice Chair. The Committee approved the nomination upon the following roll call vote*:

Mr. Bell: Aye
Mr. Bennett: Aye
Mr. Disharoon: Aye
Ms. Seward: Aye
Mr. Garrett: Aye

**Mr. McWilliams was not present for this vote.*

Group Life Insurance

Robert Irving, Customer Services Director, presented the recommendation of VRS' third-party administrator, Securian, to increase the optional group life insurance maximum coverage from four times creditable compensation to eight times creditable compensation. The increase is subject to an unchanged maximum dollar amount limit of coverage, which is reviewed at least once every five years by the Board's actuary and, upon their recommendation, increased by the Board.

The guaranteed issue maximum of four times creditable compensation, or \$400,000, will remain the same, as will the coverage maximum of \$800,000. Securian has proposed a one-time opportunity for members to increase coverage without underwriting and subject to the maximum amounts. Current employees will be able to increase existing coverage by one-times creditable compensation, subject to the guaranteed issue limit.

VRS and Securian are partnering to provide members online access to apply for optional life insurance coverage within myVRS by the end of the calendar year. The online application functionality will integrate with myVRS online capabilities and provide an easier application process for members.

Mr. Garrett thanked Mr. Irving for his presentation.

Following some discussion, the Committee recommended approval of the RBA with a delayed effective date to allow planned online functionality to be in place prior to allowing Securian to implement the increase. Staff will inform the Board of the effective date of the change at a subsequent Board meeting.

RBA: Approve with a delayed effective date increasing optional insurance maximum coverage from up to four times annual salary to eight times annual salary (subject to an unchanged maximum dollar amount limit of coverage).

Request for Board Action: After considering the recommendations of its group life insurance third-party administrator, the Board approves increasing optional insurance maximum coverage from four times annual salary to eight times annual salary (subject to an unchanged maximum dollar amount limit of coverage).

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

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

Information Items

Review Stress Test and Sensitivity Analysis Report

Rory Badura, Senior Staff Actuary, presented the findings of the VRS Stress Test and Sensitivity Analysis report. He noted that the report is based on the June 30, 2020 actuarial valuation and reflects the changes to actuarial assumptions adopted by the VRS Board of Trustees in April 2021 as a result of the quadrennial experience study, as well as the 27.5% investment return earned in fiscal year 2021. The report provided analysis of risk to long-term funding, including investment volatility, contribution risk and longevity risk.

The report analyzes the potential effect on plan funding of various adverse economic scenarios that illustrate impacts of higher inflation and continued market uncertainty related to COVID variants. The report focuses on adverse events as they better highlight areas of risk. In addition, the impacts of the recent change in the VRS mortality table, which incorporates generational mortality improvement, were highlighted showing the increases in life expectancy and corresponding increases in unfunded liabilities. The change in the mortality table is expected to better position the plan to deal with longevity risk.

As in prior years, the report continued to highlight opportunities that exist to proactively address the legacy unfunded liabilities and to better position the retirement plans to provide financial stability for current and future members. Due to the uncertainty surrounding the COVID-19 recovery and the

corresponding impacts on the economy at large, analysis of future impacts on the VRS trust fund will continue as new information becomes available.

Mr. Garrett thanked Mr. Badura for his report.

Ms. Bishop then provided the Committee with additional information pertaining to an inquiry related to the optional group life insurance presentation. She advised that, as of June 30, 2021, there were 69,607 active members, 3,438 retirees, 26,409 spouses, and 26,607 dependents covered by the optional group life insurance program.

Upcoming B&A Meetings

Next, Mr. Garrett reviewed the B&A Committee's remaining 2021 meeting schedule and the confirmed 2022 meeting schedule:

- October 13, 2021 at 10:00 a.m.
- November 15, 2021 at 1:00 p.m.
- February 9, 2022 at 1:00 p.m.
- June 6, 2022 at 1:00 p.m.
- October 17, 2022 at 1:00 p.m.
- November 14, 2022 at 1:00 p.m.

Lastly, Mr. Garrett noted that the DCPAC will meet September 2nd at 1:00 p.m., the Audit and Compliance Committee will meet September 13th at 1:30 p.m., the Administration and Personnel Committee will meet September 15th at 10:00 a.m., and the full Board of Trustees will meet September 21st at 1:00 p.m.

Adjournment

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

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

There being no further business, the meeting concluded at 2:10 p.m.

10/13/21

Date

**William
Garrett**

Digitally signed by
William Garrett
Date: 2021.10.13
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William A. Garrett, Chair
Benefits and Actuarial Committee