
Minutes

A regular meeting of the Benefits and Actuarial Committee was held on October 13, 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
Troilen G. Seward

VRS Staff:

Patricia Bishop, Jennifer Schreck, Rory Badura, Ty Bowers, Jeanne Chenault, Michael Cooper, Sara Denson, Valerie Disanto, Barry Faison, Jon Farmer, Andy Feagans, 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; Adam Rosatelli, Senate Finance and Appropriations Committee; Latosha Johnson, Department of Planning and Budget; Jamie Bitz, Joint Legislative Audit and Review Commission; Louise Moody, Fairfax County Public Schools; and Bea Snidow, Virginia Education Association.

The meeting convened at 10:01 a.m.

Opening Remarks

Mr. Garrett called the meeting to order and welcomed everyone to the October 13, 2021 meeting of the Benefits and Actuarial Committee.

Approval of Minutes

Upon a motion by Mr. Bennett, with a second by Mr. Disharoon, the Committee approved the minutes of its September 1, 2021 meeting.

Cavanaugh Macdonald Consulting, LLC, 2021 Actuarial Valuation Results for Five Statewide Retirement Plans, Group Life Insurance, State and Teacher Retiree Health Insurance Credit, and the Virginia Sickness and Disability Program (includes self-funded Long-Term Care)

Mr. Garrett introduced Larry Langer and Alisa Bennett with the VRS plan actuary, Cavanaugh Macdonald Consulting, LLC, who presented the June 30, 2021 actuarial valuations for the Five Statewide Retirement Plans (Teachers, State Employees, JRS, SPORS, and ValORS). In addition, the results of the Other Post-Employment Benefit Programs (OPEBs), including Group Life Insurance, Health Insurance Credit (HIC), and the Virginia Sickness and Disability Program, which includes self-funded Long-Term Care, were presented.

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 from the April 2021 experience study, investment return, salary increases and demographic changes. The most significant assumption 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 assets basis. The investment gain will be phased in over a five-year period due to actuarial smoothing of assets for funding calculations. The Teacher retirement plan and the State HIC also benefitted from additional cash infusions above the required contributions; \$61.3 million and \$38.7 million respectively. He also noted that the Governor's budget included 5% salary increases for state employees and 8% salary increases for SPORS members, along with additional compression increases for eligible SPORS members. Mr. Langer advised that headcounts for State, Teachers, and VaLORS plans decreased from the prior year. The plans generally experienced more terminations, deaths, and refunds than expected, and fewer hires.

The contribution rates for the upcoming biennium are lower than the rates paid for fiscal years 2021 and 2022 for all plans except SPORS, VaLORS and JRS, which had increases in liability associated with the experience study that were not fully offset by the investment gains.

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

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

RBA: Certify the contribution rates for the Five Statewide Retirement Plans and associated OPEBs for FY 2023 and FY 2024.

Request for Board Action: After considering the recommendations of its actuary, the Board certifies the rates as presented for the Five Statewide Retirement Plans (State Employees, Teachers, JRS, SPORS, and VaLORS) and the associated OPEBs; Group Life Insurance (GLI); Health Insurance Credit (HIC); and the Virginia Sickness and Disability Program (VSDP), including self-funded Long-Term Care, all effective July 1, 2022.

Information Item

Rory Badura, Senior Staff Actuary, provided a brief overview of strategies to enhance funding, which included shortening amortization periods for legacy unfunded liabilities, using level dollar rather than percentage of pay amortization, as well as maintaining higher contribution rates following years in which the plan has favorable experience.

Mr. Garrett advised that the Committee will meet November 15, 2021 at 1:00 p.m. to receive the valuation results for the Local Plans and the Line of Duty Act Fund. Lastly, Mr. Garrett noted the Board of Trustees will meet October 14, 2021 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 11:11 a.m.

11/16/2021

Date

William
Garrett

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William Garrett
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William A. Garrett, Chair
Benefits and Actuarial Committee