

## 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.

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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.

2/9/22

Date

William Garrett Digitally signed by William Garrett  
Date: 2022.02.09 15:48:31 -05'00'

William A. Garrett, Chair  
Benefits and Actuarial Committee