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## Minutes

A regular meeting of the Benefits and Actuarial Committee was held on October 17, 2022, in Richmond, Virginia with the following members participating:

William A. Garrett, Chair  
John Bennett  
Lindsey K. Pantele

Board members present:

Hon. J. Brandon Bell, II (*attended remotely under § 2.2-3708.3(B)(3)*)  
Michael P. Disharoon

VRS Staff:

Patricia Bishop, Jennifer Schreck, Rory Badura, Judy Bolt, Ty Bowers, Lakiesha Cheatham, Jeanne Chenault, Sara Denson, Valerie Disanto, Barry Faison, Jon Farmer, Andrew Feagans, Brian Goodman, Krystal Groff, Robert Irving, Angela Payne, Matt Priestas, Steven Ramirez, Virginia Sowers, Leslie Weldon and Cindy Wilkinson.

Guests:

Jim Anderson, Becky Stouffer and Kurt Dosson; Gabriel, Roeder, Smith & Company; Emily Grimes, Department of Planning and Budget; and Jamie Bitz, Joint Legislative Audit and Review Commission; 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 October 17, 2022, meeting of the Benefits and Actuarial Committee. Mr. Garrett also specifically welcomed the newest member of the Benefits and Actuarial Committee, Ms. Lindsey Pantele. After noting that the meeting was being held in accordance with § 2.2-3708.3(B)(3) of the *Code of Virginia* and the VRS Remote Meeting Attendance Policy, Mr. Garrett took a roll call for attendance:

Mr. Bennett: Present  
Ms. Pantele: Present  
Mr. Bell: Present  
Mr. Disharoon: Present  
Mr. Garrett: Present

### Approval of Minutes

Following a motion by Mr. Bennett, with a second by Mr. Disharoon, the Committee approved the minutes of its April 19, 2022, meeting upon the following roll call vote:

Mr. Bennett: Aye  
Ms. Pantele: Aye  
Mr. Bell: Aye

Mr. Disharoon: Aye  
Mr. Garrett: Aye

#### **Election of Committee Vice Chair**

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

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

#### **Gabriel, Roeder, Smith & Company (GRS) 2022 Actuarial Valuation Results for Five Statewide Retirement Plans, Group Life Insurance, and State and Teacher Retiree Health Insurance Credit**

Next, Mr. Garrett commended the hard work and diligence of VRS staff actuaries, Rory Badura and Sara Denson, as well as the team at Gabriel, Roeder, Smith & Company (GRS), in ensuring a smooth transition and exchange of accurate data and information with former VRS plan actuary, Cavanaugh Macdonald Consulting, LLC. Mr. Garrett noted that additional time was needed in order to replicate prior valuations and validate current process and, as a result, the Virginia Sickness and Disability Program (VSDP) and the Virginia Local Disability Program (VLDP) valuations will be presented in November.

Jim Anderson and Becky Stouffer from the VRS plan actuary, Gabriel, Roeder, Smith & Company (GRS), presented the June 30, 2022, actuarial valuations for the Five Statewide Retirement Plans, Group Life Insurance and the State and Teacher Health Insurance Credit. The VRS actuary conducts annual valuations as of the close of the fiscal year (June 30). In odd-numbered years the valuations are used to establish employer contribution rates. The results in even-numbered years are shared with the Board of Trustees to inform the Board of any emerging trends or indications of the magnitude and direction of contribution rates.

The market value return for the total fund of 0.60% fell short of the long-term assumed rate of return of 6.75%. Despite lower-than-expected returns for fiscal year 2022, recognition of prior gains led to improved funded status for all pension plans on an actuarial basis. In addition, the \$750 million one-time infusion from the 2022 Appropriation Act served to increase funded status by approximately 0.80% for most plans. Fiscal year 2022 also included higher than expected cost-of-living increases and pay increases for most employer groups, exceeding assumed increases, which led to higher-than-expected liabilities.

The Other Post-Employment Benefits (OPEB) plans also benefited from the receipt of a portion of the \$750 million one-time contribution, which increased the funded status by approximately 0.85% for the Health Insurance Credit (HIC) plans and Group Life Insurance (GLI). Each OPEB plan saw an increase in funded status similar to pensions.

Due to a recently implemented allocation methodology for the HIC benefits, the State and Teacher HIC plans saw a reduction in the employer cost for the informational valuation. The new methodology allocates a prorated portion of HIC liability to each employer a member worked for that offered the HIC benefit.

The group life plan saw a slight increase in the employer rate mainly due to an increase in the active life coverage rate from 14.7 cents per \$1,000 of coverage to 16.2 cents per \$1,000 that became effective on July 1, 2022.

GRS also provided a summary of the recently modified Actuarial Standards of Practice 4 (ASOP 4) which will require plans to disclose plan liabilities using a low-default-risk obligation measure (LDROM). While this requirement will not impact contributions or funding, it is an item to be added to the Risk Assessment section of the reports beginning in 2023.

Mr. Garrett thanked Mr. Anderson and Ms. Stouffer for their presentation.

**RBA: Accept the Plan Actuary's Valuations as of June 30, 2022, for the Five Statewide Retirement Plans, Group Life Insurance, and Health Insurance Credit Plans for State and Teachers.**

*Request for Board Action: The Virginia Retirement System Board of Trustees accepts the June 30, 2022, Actuarial Valuations conducted by the VRS plan actuary, Gabriel, Roeder, Smith & Company, for the Five Statewide Retirement Plans, Group Life Insurance, and the Health Insurance Credit plans for both State and Teachers.*

Following a motion by Mr. Bennett, with a second by Ms. Pantele, the Committee recommended approval of the action upon the following roll call vote:

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

Following approval of the RBA, the Committee agreed to pause for a five-minute recess.

#### **Funding Policy Amendments**

Next, Rory Badura, VRS Senior Staff Actuary, presented the proposed amendments to the VRS Funding Policy. The Funding Policy memorializes the methods by which the Board has elected to govern required funding for pension and OPEB plans with the goal of ensuring that future contributions, along with current asset plans, are sufficient to provide for all benefits expected to be paid when due.

Staff is proposing modifications to the Funding Policy to explicitly set out amortization periods for unfunded liabilities generated by elected plan amendments to be 10 years rather than 20 years in the amortization period section of the policy. For HIC elections, any employer would be required to pay an initial contribution equal to the greater of two years of expected benefit payments or the amount required to reach at least 25% funded for its HIC plan, with the remainder of the unfunded liability amortized over no more than 10 years.

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The proposed changes ensure that employers electing the HIC have initial funds available to pay benefits and to establish at least a minimum funded status at the outset, and that the amortization period for all elected plan amendments be shortened to 10 years. This change mirrors the current requirement that an employer electing to participate in VRS must be at least 75% funded for pension benefits at the time of the election, and that any benefit enhancements do not reduce the funded status below 75%.

Mr. Garrett thanked Mr. Badura for his presentation.

#### **RBA: Amendments to the VRS Funding Policy Statement**

***Request for Board Action:*** *The Board approves the changes to the VRS Funding Policy Statement presented at this meeting and attached to this RBA. The changes reflect a new requirement that when electing the health insurance credit (HIC), employers will be required to pay an initial contribution equal to the greater of two years of expected benefit payments or the amount required to reach at least a 25 percent funded status for its HIC plan, with the remainder of the unfunded liability amortized over no more than 10 years, as well as requiring that the amortization period for unfunded liabilities generated by all elected plan amendments be set at 10 years rather than the current 20 years.*

Following a motion by Ms. Pantele, with a second by Mr. Bennett, the Committee recommended approval of the action upon the following roll call vote:

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

#### **Information Items**

##### Committee Meeting Schedule

Mr. Garrett advised the full Board of Trustees will meet October 18 at 1:00 p.m., and the Committee will meet next on November 14 at 1:00 p.m. to receive the valuation results for the local plans, the Line of Duty Act (LODA) Fund, the Virginia Local Disability Program (VLDP) and the Virginia Sickness and Disability Program (VSDP). In addition, the 2023 meeting schedule will be finalized in the coming weeks.

#### **Adjournment**

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

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

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There being no further business, the meeting concluded at 2:52 p.m.

11.14.2022

Date



William A. Garrett, Chair  
Benefits and Actuarial Committee