
Minutes

A regular meeting of the Virginia Retirement System Board of Trustees was held on October 19, 2023, in Richmond, Virginia with the following members participating:

Board members:

A. Scott Andrews, Chair
Joseph W. Montgomery, Vice Chair (*remotely under § 2.2-3708.3(B)(1)*)
Hon. J. Brandon Bell, II
John M. Bennett
Michael P. Disharoon
Susan T. Gooden, Ph.D.
Jessica L. Hood (*remotely under § 2.2-3708.3(B)(4)*)
W. Brett Hayes
Lindsey K. Pantele

VRS Staff:

Patricia Bishop, Jennifer Schreck, Andrew Junkin, Rory Badura, Parham Behrooz, Jeanne Chenault, Paula Reid, Michael Cooper, David Cotter, Juanita Cribbs, Sara Denson, Dan Schlusser, Tom Coleman, JT Grier, John Alouf, Dane Honrado, KC Howell, Robert Irving, Ross Kasarda, LaShaunda King, Matt Lacy, Chung Ma, Curt Mattson, Walker Noland, Greg Oliff, Angela Payne, Steven Ramirez, Mark Rein, Rob Voeks, Kristina Koutrakos, Leslie Weldon, Dan Whitlock, Cindy Wilkinson, Steve Woodall, Emily Trent and Scott Weaver.

Guests:

Jim Anderson, Becky Stouffer and Kurt Dosson, Gabriel, Roeder, Smith & Company; Jeremy Bennett, Virginia Association of Counties; Josette Bulova, Virginia Municipal League; and Elizabeth Myers, Office of the Attorney General.

The meeting convened at 1:00 p.m.

Opening Remarks

Mr. Andrews called the meeting to order and welcomed everyone to the October 19, 2023, meeting of the Virginia Retirement System Board of Trustees.

Approval of Minutes

Following a motion by Mr. Disharoon, and a second by Mr. Hayes, the VRS Board of Trustees unanimously approved the minutes from its September 21, 2023, meeting.

Report of the Chief Investment Officer

Andrew Junkin, Chief Investment Officer, began his report with a market overview and discussed asset allocation, total fund portfolio and tracking error, concluding that risk measures are within Board-approved levels.

Next, Mr. Junkin discussed the New Investment and Terminations report, the Diverse Investment Manager Engagement (DIME) report, and the External Investment Manager Referral report.

Mr. Andrews thanked Mr. Junkin for his report.

Report of the Benefits and Actuarial Committee

The VRS Board of Trustees received the report of the Benefits and Actuarial Committee and placed it on file.

APPROVAL OF MINUTES

The Committee approved the minutes of its June 14, 2023, meeting.

GABRIEL, ROEDER, SMITH & COMPANY (GRS), 2023 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) AND FUNDING POLICY AMENDMENTS

Jim Anderson and Becky Stouffer from the VRS plan actuary, Gabriel, Roeder, Smith & Company (GRS), presented the June 30, 2023, actuarial valuations for the Five Statewide Retirement Plans, Group Life Insurance, State and Teacher Health Insurance Credit, and the Virginia Sickness and Disability Program. 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 for the upcoming biennium. 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.

Key points from the presentation include:

- The June 30, 2023, valuations will be used to set the contribution rates for fiscal years 2025 and 2026.
- Unfunded liability as of June 30, 2023, was re-amortized over a 20-year period, collapsing bases created from 2013-2023 into one new base.
- Pension rates no longer contain an estimate of the DC hybrid employer contributions, representing only the defined benefit portion of the employer contributions.
- Pension rates for State, Teachers, and VaLORS are lower than the rates paid during fiscal years 2023 and 2024. SPORS and JRS experienced slight increases in rates year over year.
- OPEB rates all trended lower, but funded levels remain well below desired level. Maintaining prior year contribution rates for the OPEB plans would provide necessary additional funding to improve the health of the plans.

Mr. Andrews thanked Mr. Anderson and Ms. Stouffer for their presentation and turned the floor back to Mr. Bennett. Mr. Bennett continued his report, noting Rory Badura, Senior Staff Actuary, presented three proposed changes to the VRS Funding Policy Statement, including:

- Resetting the total unfunded accrued liability as of June 30, 2023, over 20 years.

- Explicit funding requirements associated with modifying the health insurance credit programs will require employers to provide a lump sum payment prior to the enhancement of benefits or coverage based on the funded status of their plan prior to the election.
- Confirming the Stress Testing Report will be issued regularly instead of annually.

Upon a motion by Mr. Bennett, with a second by Mr. Hayes, the VRS Board of Trustees approved the following action:

RBA: Amendments to the VRS Funding Policy Statement

***Request for Board Action 2023-10-23:** The VRS Board of Trustees approves the amendments to the VRS Funding Policy Statement to Allow for Resetting of Total Unfunded Accrued Liability as of June 30, 2023, Over 20 Years; Establish Employer Funded Status When Modifying the HIC Programs, and Confirm that Stress Testing Report is to be issued Regularly Instead of Annually.*

Upon a motion by Mr. Bennett, with a second by Mr. Disharoon, the VRS Board of Trustees approved the following action:

RBA: Certify the contribution rates for the Five Statewide Retirement Plans and associated OPEBs effective for FY 2025 and FY 2026

***Request for Board Action 2023-10-24:** The VRS Board of Trustees certifies the contribution rates for the Five Statewide Retirement Plans and associated OPEBs effective for FY 2025 and FY 2026.*

INFORMATION ITEM

Stress Test and Sensitivity Analysis Report

Mr. Bennett advised the Board that the Stress Test and Sensitivity Analysis Report was provided to the General Assembly and published as required on the Legislative Information System.

B&A Committee Meeting Schedule:

- November 16 at 10:00 a.m. (Local Valuations and Line of Duty Act)

Mr. Andrews thanked Mr. Bennett for his report. Mr. Andrews next thanked GRS and the VRS staff actuaries for their hard work in developing, validating and delivering the results.

Legislative Package for the 2024 General Assembly Session

Cindy Wilkinson, Director of Policy, Planning and Compliance, presented the proposed legislative package for the 2024 General Assembly Session to the Board. The first legislative proposal adds service from all branches of armed services to the list of branches included for purposes of purchasing prior service. The *Code of Virginia* currently specifies that members of the United States Army, Navy, Air Force, Marines and Coast Guard may purchase active-duty military service, but the list does not include the Space Force. Since the Space Force was established in 2019, a technical amendment is needed in §

51.1-142.2(A) so that active-duty service with this branch, and any others that may be subsequently created, can be purchased.

The second proposed legislative change allows escheatment for defined contribution (DC) accounts that have been unclaimed for a period of more than five years. No VRS accounts may currently be escheated under the current exemption in § 55.1-2544 for any property held or payable pursuant to Title 51.1. Thus, VRS must hold DC plan accounts with relatively low balances indefinitely if the participant cannot be found. VRS is an outlier in the DC plan industry as most plans escheat DC accounts. Currently, VRS has close to 12,000 stale-dated DC plan participant checks. These checks are managed by spreadsheets generated when VRS changes recordkeepers. The average check is \$119.50 and the median is \$66.23, and 10,000 of these checks fall between the amounts of \$10 and \$250. VRS expects there to be over 15,000 checks by the time it transitions to the new DC plan record keeper. The proposal does not affect Defined Benefit (DB) accounts which remain ineligible for escheatment. Unclaimed Property has higher visibility and will make it easier for participants to locate and claim these funds. The proposal has been vetted with and received support from the Virginia Department of Treasury, which administers the Commonwealth's Unclaimed Property program.

Mr. Andrews thanked Ms. Wilkinson for her presentation.

Upon a motion by Mr. Andrews, with a second by Mr. Bennett, the VRS Board of Trustees approved the proposed legislative package for the 2024 General Assembly Session.

Report of the Director

Trish Bishop, VRS Director, began her report with a review of New Coverage Elections.

Ms. Bishop announced that the Government Finance Officers Association (GFOA) presented VRS with the Certificate of Excellence in Financial Reporting for the 2022 Annual Comprehensive Financial Report (ACFR). This is the 41st report for which VRS has received the Certificate of Achievement, which is the highest form of recognition in the area of governmental accounting and financial reporting.

Next, Ms. Bishop advised the first week of October was Customer Service Week, during which VRS honored its employees for their service to members, retirees and employers. Staff enjoyed various activities, as well as coffee and treats distributed by VRS leadership. In addition, VRS is participating in the Commonwealth of Virginia Campaign which mobilizes and encourages state employees to engage in the community through giving. Staff is hosting the second annual 5k walk/run on October 28, 2023, to raise additional donations.

Ms. Bishop informed the Board that Directors Desk was updated to include technical terms, frequently used acronyms and a glossary for reference.

Lastly, Ms. Bishop advised that the agency's annual meeting will be held at the Greater Richmond Convention Center to honor the achievements of staff and to present various awards.

Mr. Andrews thanked Ms. Bishop for her report.

Other Business

Mr. Andrews reviewed the following meeting schedule:

- Investment Advisory Committee – November 15 at 9:00 a.m.
- Benefits and Actuarial Committee – November 16 at 10:00 a.m.
- Board of Trustees – November 16 at 1:00 p.m.

Adjournment

There being no further business and following a motion by Mr. Disharoon, with a second by Senator Bell, the VRS Board of Trustees agreed to adjourn the meeting at 2:08 p.m.



Chair



Secretary

Report

The Benefits and Actuarial Committee met on October 18, 2023, and took up the following matters:

APPROVAL OF MINUTES

The Committee approved the minutes of its June 14, 2023, meeting.

GABRIEL, ROEDER, SMITH & COMPANY (GRS), 2023 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) AND FUNDING POLICY AMENDMENTS

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Key points from the presentation include:

- The June 30, 2023, valuations will be used to set the contribution rates for fiscal years 2025 and 2026.
- Unfunded liability as of June 30, 2023, was re-amortized over a 20-year period, collapsing bases created from 2013-2023 into one new base.
- Pension rates no longer contain an estimate of the DC hybrid employer contributions, representing only the defined benefit portion of the contributions.
- Pension rates for State, Teachers, and VaLORS are lower than the rates paid during fiscal years 2023 and 2024. SPORS and JRS experienced slight increases in rates year over year.
- OPEB rates all trended lower, but funded levels remain well below desired level. Maintaining prior year contribution rates for the OPEB plans would provide necessary additional funding to improve health of plans.

Mr. Anderson, Ms. Stouffer and Mr. Dosson of GRS will also deliver an abbreviated version of their presentation to the full Board of Trustees.

Rory Badura, Senior Staff Actuary, next presented proposed amendments to the VRS Funding Policy Statement. The changes include:

- Resetting the total unfunded accrued liability as of June 30, 2023, over 20 years.
- Establishing employer funded status when modifying the health insurance credit (HIC) program.
- Confirming the Stress Testing Report will be issued regularly instead of annually.

Following some discussion, the Committee recommended approval of the following action to the full Board of Trustees:

Request for Board Action: Amendments to the VRS Funding Policy Statement.

Request for Board Action: Certify the contribution rates for the Five Statewide Retirement Plans and associated OPEBs effective for FY 2025 and FY 2026.

INFORMATION ITEM

Stress Test and Sensitivity Analysis Report

Rory Badura, Senior Staff Actuary, advised the Committee that the Stress Test and Sensitivity Analysis Report was provided to the General Assembly and published as required on the Legislative Information System.

B&A Committee Meeting Schedule:

- November 16 at 10:00 a.m. (Local Valuations and Line of Duty Act)

Submitted to the Board of Trustees on October 19, 2023.



John M. Bennett, Chair
Benefits and Actuarial Committee