



Benefits and Actuarial Committee (B&A) Meeting

VRS, 1111 E. Main St., 3rd Floor Board Room

Wednesday, 4/6/2022

1:00 - 5:00 PM ET

I. Welcome and Introductions

II. Approve Minutes

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III. Actuarial Firms Finalist Interviews (Closed Session)

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- **RBA (tentative - pending discussions)**
RBA_AppointmentofVRSPlanActuary - Page 8
- **Information Item**
Upcoming B&A Committee Meetings:
 - April 19 at 10:30 a.m.
 - October 17 at 1:00 p.m.
 - November 14 at 1:00 p.m.
- **Other Business**

Minutes

A regular meeting of the Benefits and Actuarial Committee was held on February 9, 2022 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 (*remotely from Roanoke, VA under § 2.2-3708.2(A)(2)*)
Troilen G. Seward

VRS Staff:

Patricia Bishop, Jennifer Schreck, Rory Badura, Judy Bolt, Jeanne Chenault, Michael Cooper, Sara Denson, Valerie Disanto, Barry Faison, Jon Farmer, Andy Feagans, Brian Goodman, Krystal Groff, Robert Irving, Ryan LaRochelle, Angela Payne, Jillian Sherman, Virginia Sowers and Cindy Wilkinson.

Guests:

Latosha Johnson, Department of Planning and Budget; Jamie Bitz, Joint Legislative Audit and Review Commission; and Bea Snidow, Virginia Education Association.

The meeting convened at 1:04 p.m.

Opening Remarks

Mr. Garrett called the meeting to order and welcomed everyone to the February 9, 2022 meeting of the Benefits and Actuarial Committee.

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

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

Approval of Minutes

Following a motion by Mr. Bennett, with a second by Mr. Montgomery, the Committee approved the minutes of its November 15, 2021 meeting upon the following roll call vote:

Mr. Bell: Aye
Mr. Bennett: Aye

Mr. Disharoon: Aye
Mr. Montgomery: Aye
Mr. McWilliams: Aye
Ms. Seward: Aye
Mr. Garrett: Aye

2022 Cost of Living Adjustments (COLAs)

Virginia Sickness and Disability Program (VSDP)

Rory Badura, Senior Staff Actuary, presented the recommendations of Cavanaugh Macdonald Consulting, LLC, the Plan Actuary, regarding statutory annual adjustments to the Virginia Sickness and Disability Program (VSDP) creditable compensation for members on long-term disability. For VSDP, Mr. Badura advised that the Plan Actuary recommends an increase in the creditable compensation for VRS pension benefit purposes of 4.00%, effective July 1, 2022. In addition, a COLA in the amount of 3.85% shall be applied to long-term disability (LTD) benefit payments for Plan 1 members vested prior to January 1, 2013. A COLA of 3.00% shall be applied for Plan 1 members not vested prior to January 1, 2013, and all Plan 2 and Hybrid Retirement Plan members who have been recipients of LTD benefits for at least one year. The calculations were reviewed by VRS staff and Internal Audit.

RBA: Approval of July 1, 2022 Increase Relating to VSDP Creditable Compensation and VSDP COLA.

Request for Board Action: Effective July 1, 2022 the following increases shall apply:

- *The creditable compensation used in calculating the member's average final compensation at retirement shall be increased in the amount of 4.00% for a Plan 1, Plan 2 or Hybrid member who has been the recipient of long-term disability (LTD) benefits for at least one year under the Virginia Sickness and Disability Program (VSDP); and*
- *A cost of living adjustment shall be applied to the net LTD benefit payment of 3.85% for Plan 1 members vested prior to January 1, 2013 or 3.00% for Plan 1 members not vested by January 1, 2013 and all Plan 2 and Hybrid members.*

Following a motion by Mr. Disharoon, with a second by Mr. Montgomery, 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. Montgomery: Aye
- Mr. McWilliams: Aye
- Ms. Seward: Aye
- Mr. Garrett: Aye

Virginia Local Disability Program (VLDP)

Next, Mr. Badura advised that for the Virginia Local Disability Program (VLDP) the Plan Actuary recommends an increase in the creditable compensation used at retirement of 3.74% effective July 1, 2022. The VLDP plan does not provide for a COLA on LTD benefits being received. The calculations for the increase in creditable compensation were reviewed by VRS staff and Internal Audit.

RBA: Approval of July 1, 2022 Increase Relating to VLDP Creditable Compensation.

Request for Board Action: Effective July 1, 2022, each recipient of LTD benefits under the Virginia Local Disability Program (VLDP) who has been receiving LTD benefits for at least one calendar year, and who ultimately retires directly from LTD, will have their creditable compensation at date of disability increased by an amount set by the Board to be used in determining the member's average final compensation for disability retirement. The recommendation applicable July 1, 2022 is an increase of 3.74% to be applied to a recipient's creditable compensation.

Following a motion by Mr. McWilliams, with a second by Mr. Montgomery, 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. Montgomery: Aye
- Mr. McWilliams: Aye
- Ms. Seward: Aye
- Mr. Garrett: Aye

Information Items

2022 COLAs Called for Under Statute Not Requiring Board Approval

Mr. Badura noted that, by statute, VRS cost of living increases are based on the consumer price index for all items, all urban consumers, as published by the Bureau of Labor Statistics of the U.S. Department of Labor. Mr. Badura advised that the COLA increase effective July 1, 2022 of 3.85% is applicable to eligible Plan 1 members vested prior to January 1, 2013. A COLA increase of 3.00% is applicable to Plan 1 members not vested prior to January 1, 2013, and all Plan 2 and Hybrid Plan members effective July 1, 2022. This figure was calculated by the VRS Plan Actuary, Cavanaugh Macdonald Consulting, LLC, and verified by VRS and Internal Audit staff. The COLA did not require action by the Committee.

The Group Life Insurance Program minimum benefit for members retired with at least 30 years of service is to be increased by the same COLA applicable to VRS Plan 2 members, or 3.00%, effective July 1, 2022. The new minimum life insurance payout effective July 1, 2022 will be \$8,984. The Group Life Insurance Program minimum did not require action by the Committee. The calculations were reviewed by VRS staff and Internal Audit.

Following some discussion regarding the calculations and the cumulative impact of inflation on member benefits, Ms. Bishop noted that while many other state pension plans administer ad hoc COLAs, these specific COLAs are prefunded and statutory. The adjustments regarding VSDP and VLDP, while not statutory, contain elements that are set by the *Code of Virginia* and require Board review and approval.

2022 Legislative Update

Ms. Wilkinson provided an update on VRS-related legislation in the 2022 General Assembly session.

Actuarial Services RFP Update

Next, Ms. Wilkinson provided an update on the Actuarial Services RFP that was issued in January. The *Code of Virginia* specifically lists the employment of an outside actuarial firm as a duty and responsibility of the Board of Trustees. Ms. Wilkinson noted that proposals are due March 1, and staff will provide background information prior to the finalist interviews set to take place during the April 6 B&A Committee meeting. Following the interviews, the Committee will make a recommendation to the full Board of Trustees.

Upcoming B&A Committee Meetings

Mr. Garrett reviewed the meeting schedule:

- April 6 at 1:00 p.m.
- April 19 at 12:30 p.m. (if needed)
- June 6 at 1:00 p.m.
- October 17 at 1:00 p.m.
- November 14 at 1:00 p.m.

Lastly, Mr. Garrett noted that the full Board of Trustees will meet February 10, 2022 at 1:00 p.m.

Adjournment

Upon a motion by Mr. McWilliams, with a second by Mr. Montgomery, the Committee agreed to adjourn upon the following roll call vote:

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

There being no further business, the meeting concluded at 1:38 p.m.

Date

William A. Garrett, Chair
Benefits and Actuarial Committee

Closed Session



Virginia
Retirement
System

Closed Session in Progress



**Accept the Benefits and Actuarial Committee's
recommendation for a plan actuary.**

Requested Action

The Virginia Retirement System Board of Trustees accepts the recommendation of the Benefits and Actuarial Committee for a firm to serve as the Board of Trustees' plan actuary for all actuarial services, including long-term care, effective July 1, 2022, subject to negotiation of a contract.

Description/Background

VRS issued a Request for Proposals (RFP #158:22-0118) for actuarial consulting services. The RFP was issued in January 2022 via eVA, Virginia's electronic procurement portal.

Six firms submitted written proposals in response to the RFP. The proposals were evaluated by a panel of VRS staff members based on the following criteria: understanding of the services desired; offeror's qualifications/experience; personnel qualifications/experience; soundness of approach; and cost. Of the six firms that responded, the four highest-ranked firms were selected for an interview with the Benefits and Actuarial Committee on April 6, 2022.

During the interviews, all the firms were asked to respond to several questions and to provide an overview of their firm's background, staffing, experience, expertise, and capabilities.

The initial contract period is for three years, with three additional three-year renewals.

Rationale for Requested Action

Based on the results of the scoring of the written proposals and the interviews, the panel's recommendation, with which the Benefits and Actuarial Committee concurs, is that the Board appoint _____, contingent upon staff's successful negotiation of contract terms acceptable to the parties, to serve as the VRS Board of Trustees' plan actuary effective July 1, 2022. This decision is based on the staff panel's review of the proposals and recommendation and the interviews held on April 6th, 2022.

Authority for Requested Action

Code of Virginia § 51.1-124.22(A)(4) authorizes the Board to employ an actuary as its technical advisor.

The above action is approved.

O'Kelly E. McWilliams, III, Chair
VRS Board of Trustees

Date