
Minutes

A regular meeting of the Benefits and Actuarial Committee of the VRS Board of Trustees was held on October 16, 2019 in Richmond, Virginia with the following members present:

Wallace G. Harris, Ph.D., Chair

Troilen G. Seward, Vice Chair

O'Kelly E. McWilliams, III (By phone due to a personal matter under the VRS FOIA Electronic Meeting Attendance Policy. Mr. McWilliams encountered a traffic backup while en route to the meeting, and he participated electronically from his personal vehicle. Mr. McWilliams' participation was not challenged and, therefore, automatically approved as being in accordance with the Policy.)

Board members present:

Mitchell L. Nason, VRS Chair

William H. Leighty (entered at 1:10 p.m.)

Also present:

Trish Bishop, Jennifer Schreck, Rory Badura, Farley Beaton, Judy Bolt, Ty Bowers, Jeanne Chenault, Michael Cooper, Sara Denson, Barry Faison, Andy Feagans, Robert Irving, Angela Payne, Andrea Peeks, Jillian Sherman, Virginia Sowers, and Cindy Wilkinson of the VRS Staff;

Larry Langer, Brad Wild, Ed Koebel, and Alisa Bennett (by phone) of Cavanaugh Macdonald Consulting, LLC;

Latosha Johnson of the Department of Planning and Budget;

Kimberly Sarte of the Joint Legislative Audit and Review Commission;

Sarah Herzog of the Senate Finance Committee Staff;

Michael Martz of the Richmond Times-Dispatch;

Joseph Chang and Jessica Marshall of Securian Financial;

Bea Snidow of the Virginia Education Association; and

Rick Fowler of the Virginia Governmental Employees Association.

The meeting convened at 1:04 p.m.

Approval of Minutes

Ms. Seward moved to approve the minutes of the February 12, 2019 meeting with a second by Mr. Nason. The Committee approved the minutes upon the following roll call vote:

Mr. Harris: Aye
Mr. McWilliams: Aye
Mr. Nason: Aye
Ms. Seward: Aye

Mr. Leighty was not present for this vote.

2019 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)

Ms. Bishop introduced Larry Langer, Ed Koebel, Alisa Bennett and Brad Wild of Cavanaugh Macdonald Consulting, LLC, the VRS plan actuary, to present the June 30, 2019 actuarial valuation results for the five Statewide Retirement Systems (Teachers, State Employees, JRS, SPORS, and VaLORS) and Other Post-Employment Benefit Programs (OPEBs), including Group Life Insurance (GLI), Health Insurance Credit (HIC), and the Virginia Sickness and Disability Program (VSDP), which includes self-funded Long-Term Care.

Mr. Langer began his presentation by stating that the June 30, 2019 valuations are used to set the contribution rates for fiscal years 2021 and 2022. He provided an overview of the actuarial valuation process and explained the impact of lowering the plan discount rate on plan costs.

Mr. Langer noted that the primary driver of the current results was the reduction in the assumed rate of return from 7.00% to 6.75%. The market value return for the total fund of 6.7% fell just short of the long-term assumed rate of return of 7.0%, however the investment loss had minimal impact on results since it was close to expectations. Prior to the change in plan discount rate, the funded status on both the market and actuarial basis value improved for all plans, and the employer contribution rates decreased for all pension and OPEB plans compared to the current rates in effect from the 2017 valuation.

After incorporating the new 6.75% assumed rate of return, funded statuses on both the market and actuarial value basis decreased for all statewide pension plans by approximately two percentage points. Mr. Langer explained that the change in discount rate impacted the OPEB plans differently than the pension plans due primarily to OPEB plans being less mature and therefore still very much in the accumulation phase. The contributions received for the OPEB plans, as a percentage of total assets, outweighed the impacts of the lower discount rate. While the change in discount rate led to slight decreases in funded status for the OPEB plans, these plans maintained a slightly higher funded status compared to the 2018 valuation.

Employer contribution rates for the statewide pension plans were higher for all pension plans by an average increase of just less than 1.0% of covered payroll except for JRS, which experienced a decrease of approximately 4.5% of covered payroll. The employer contribution rates for OPEB plans were less impacted by the change in discount rates with State HIC and VSDP slightly lower than current rates and Group Life Insurance and Teacher HIC plans just slightly higher than current rates.

Mr. Harris thanked Mr. Langer for his presentation.

The employer contribution rates for the five statewide plans and associated OPEBs are listed in the proposed request for Board action.

Upon a motion by Ms. Seward, with a second by Mr. Nason, the Committee recommended approval of the request for Board action set out below upon the following roll call vote:

Mr. Harris: Aye
Mr. Nason: Aye
Mr. Leighty: Aye
Mr. McWilliams: Aye
Ms. Seward: Aye

RBA: Certify the contribution rates for the Five Statewide Retirement Plans and associated OPEBs effective for FY 2021 and FY 2022

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, 2020.

Information Items

The Committee's next scheduled meeting is November 19, 2019 at 1:00 p.m., during which Cavanaugh Macdonald Consulting, LLC, will present the actuarial valuations for Political Subdivision Retirement Plans, the Virginia Local Disability Program (VLDP), Local Health Insurance Credit (HIC), and Line of Duty Act (LODA) fund.

Adjournment

There being no further business, Mr. Harris adjourned the meeting at 2:41 p.m.

11/19/2019
Date

Wallace G. Harris
Wallace G. Harris, Chair