

Minutes

An electronic meeting of the Benefits and Actuarial Committee of the VRS Board of Trustees was held on June 10, 2020 in accordance with § 2.2-3708.2(A)(3) of the *Code of Virginia* and in accordance with guidance provided in § 4-0.01 of Chapters 1283 and 1289 of the 2020 Acts of Assembly, with the following members participating:

Wallace G. Harris, Ph.D., Chair
Troilen G. Seward, Vice Chair
O'Kelly E. McWilliams, III
Board members present:
Hon. J. Brandon Bell, II
William A. Garrett
William Leighty

Also present:

Trish Bishop, Jennifer Schreck, Rory Badura, Judy Bolt, Jeanne Chenault, Cassandra Coles, Michael Cooper, Sara Denson, Valerie Disanto, Barry Faison, Andrew Feagans, Krystal Groff, Robert Irving, Ryan LaRoche, Angela Payne, Cat Pelletier, Steve Peterson, Kathryn Quiriconi, Jillian Sherman, Virginia Sowers and Cindy Wilkinson of the VRS Staff; Adam Rosatelli, Senate Finance and Appropriations Committee; Kimberly Sarte, Joint Legislative Audit and Review Commission; and Bea Snidow, Virginia Education Association.

The meeting convened at 1:04 p.m.

Opening Remarks

Mr. Harris called the meeting to order and welcomed everyone to the June 10, 2020 meeting of the Benefits and Actuarial Committee.

Mr. Harris noted that given the current circumstances related to COVID-19, the Committee is unable to meet in person and, therefore, is using electronic means to hold the meeting. The meeting is being held in accordance with § 2.2-3708(A)(3) of the *Code of Virginia* and Chapter 1283 of the 2020 Acts Assembly as it relates to conducting business during the pandemic.

Next, Mr. Harris took attendance with the following roll call:

Mr. McWilliams: Here
Ms. Seward: Here
Mr. Garrett: Here
Mr. Leighty: Here
Mr. Bell: Here
Mr. Harris: Here

Public Comment

In accordance with Item 4-0.01(g) of Chapters 1283 and 1289 of the 2020 Acts of Assembly, the Committee opened the floor for public comment. Mr. Harris noted that no members of the public requested to comment at the electronic meeting.

Approval of Minutes

Upon a motion by Ms. Seward, with a second by Mr. McWilliams, the Committee approved the minutes of its February 12, 2020 meeting upon the following roll call vote:

Mr. McWilliams: Aye
Ms. Seward: Aye
Mr. Garrett: Aye
Mr. Leighty: Aye
Mr. Bell: Aye
Mr. Harris: Aye

Health Insurance Credit for Local School Divisions

Mr. Badura presented the revisions to the June 30, 2019 valuation reports for the Health Insurance Credit (HIC) for political subdivisions as a result of changes made by House Bill 1513 (HB 1513). Mr. Badura explained that the current monthly HIC for local employees is \$1.50 per year of service and only retirees with at least fifteen (15) years of service in participating localities or school divisions that have elected the benefit are eligible.

Beginning July 1, 2021, HB 1513 requires school divisions providing retirement benefits to non-teacher employees to also provide a health insurance credit of \$1.50 per year of service to all employees who retire with at least 15 years of service. Eligible non-teacher employees who retired prior to July 1, 2021 may begin receiving the benefit in the August 1, 2021 benefit payment. HB 1513 also removes the \$45 per month cap for local school division plans and adds an option to provide an additional \$1 health insurance credit, for a total HIC of \$2.50 per year of service if elected.

The Department of Education is expected to provide some state general fund support for the new HIC benefit by including a portion of the expense in the Standards of Quality (SOQ) reimbursement for non-professional positions DOE estimates an additional state general fund cost of \$976,000 in FY 2021 and \$1,024,000 in FY 2022 to provide funding support for the \$1.50 per year of service HIC. Mr. Badura noted that the new benefit is payable beginning July 1, 2021; however, the legislation is effective July 1, 2020, so benefit funding begins then.

RBA: Approve Revised Contribution Rates for the Health Insurance Credit for Political Subdivisions, Effective for FY 2021 and FY 2022, to Implement HB 1513 (Chapter 1091, 2020 Virginia Acts of Assembly).

Request for Board Action: After considering the recommendations of its Plan Actuary to implement the provisions of HB 1513 (Chapter 1091, 2020 Virginia Acts of Assembly), the Board accepts the revised June 30, 2019 valuation reports for the Health Insurance Credit (HIC) for political subdivisions, which set employer contribution rates for both FY 2021 and FY 2022, effective July 1, 2020.

Upon a motion by Mr. Harris, with a second by Ms. Seward, the Committee recommended approval of the action to the full Board of Trustees upon the following roll call vote:

Mr. McWilliams: Aye
Ms. Seward: Aye
Mr. Garrett: Aye
Mr. Leighty: Aye
Mr. Bell: Aye
Mr. Harris: Aye

SPORS and VaLORS Rates and LODA Premiums

Mr. Badura presented the revised contribution rates for the State Police Officers' Retirement System (SPORS) and the Virginia Law Officers' Retirement System (VaLORS) and the revised LODA Fund premium.

HB 1495 and SB 54 permit retired sworn law enforcement officers to return to work as a school security officer after a break in service of at least 12 calendar months. Individuals who return to work under this provision would not be eligible for any cash match as detailed in Chapter 6.1 (§51.1-607 et seq., cash match plans) of Title 51.1, nor would any additional service be earned, and employers must pay contributions for these positions. As a result of this legislation, the SPORS contribution rate for employers was increased from 26.26% to 26.33%, and VaLORS employer contribution rates were increased from 21.88% to 21.90% in the 2020 Appropriation Act.

Legislation from the 2020 session also impacted the currently certified LODA premium for fiscal years 2021 and 2002. The Governor's introduced budget included increased LODA Fund premiums to cover natural or adopted children of LODA participants who were previously provided health insurance coverage, but later became ineligible under the new LODA Health Benefits Plans. In addition, the General Assembly increased the LODA premium to reflect the following:

- Chapters 1150 & 1152: Adding corrections officers and full-time sworn members of the DMV enforcement division to those entitled to a presumption of certain infectious diseases that are compensable occupational diseases.
- Chapters 498 and 499: Adding colon, brain and testes to the list of cancers presumed to be an occupational disease covered by the Virginia Workers' Compensation Act.
- Chapters 1206 & 1262: Adding post-traumatic stress disorder incurred by law enforcement officers or firefighters as an occupational disease covered by the Virginia Workers' Compensation Act.

As a result, the General Assembly provided funding for an adjusted LODA premium of \$717.31, an increase from the original June 30, 2019 valuation premium of \$695.18.

RBA: Accept Revised Contribution Rates for SPORS and VaLORS and Revised LODA Premium as set out in the Appropriation Act, Effective July 1, 2020.

Request for Board Action: The Board accepts the revised contribution rates for the State Police Officers' Retirement System (SPORS) and the Virginia Law Officers' Retirement System (VaLORS) and the increased

premium for the Line of Duty Death and Health Benefits Trust Fund that are set out in the Appropriation Act for the 2020-2022 biennium.

Upon a motion by Mr. Harris, with a second by Ms. Seward, the Committee recommended approval of the action to the full Board of Trustees upon the following roll call vote:

Mr. McWilliams: Aye
Ms. Seward: Aye
Mr. Garrett: Aye
Mr. Leighty: Aye
Mr. Bell: Aye
Mr. Harris: Aye

Information Items

Review Stress Test and Sensitivity Analysis Report

Mr. Badura presented the findings of the draft VRS Stress Test and Sensitivity Analysis report. He noted that the report is based on the June 30, 2019 actuarial valuation and focused on the current and future impacts of COVID-19 and other risks to long-term funding including investment volatility, contribution risk and longevity risk.

The report contains illustrative COVID-19 economic recovery scenarios, which were used to derive estimated results for the VRS plans to show the magnitude of potential impacts on plan funding. While the full extent is unknown at this time, COVID-19 is expected to have an impact on fund returns and possibly cause challenges related to plan funding for employers over the next several years. Due to the uncertainty surrounding the COVID-19 recovery and the corresponding impacts on the economy at large, analysis of future impacts on the VRS fund will continue as new information becomes available.

Mr. Harris thanked Mr. Badura for his presentation.

Upcoming B&A Committee Meetings

Mr. Harris noted the B&A Committee meeting schedule for 2020:

- October 14, 2020 at 1:00 p.m.
- November 16, 2020 at 1:00 p.m.

Lastly, Mr. Harris advised that the Committee plans to schedule a brown bag session to review the Funding Policy and an Actuarial 101 overview.

Adjournment

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

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


Mr. Leighty: Aye
Mr. Bell: Aye
Mr. Harris: Aye

There being no further business, the meeting concluded at 1:40 p.m.

10/15/2020

Date

Wallace G.
Harris

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G. Harris
Date: 2020.10.15 09:51:39
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Wallace G. Harris, Chair
Benefits and Actuarial Committee