

Minutes

An electronic meeting of the Virginia Retirement System Benefits and Actuarial Committee was held on June 9, 2021 in accordance with § 2.2-3708.2(A)(3) of the *Code of Virginia* and in accordance with guidance provided in Item 4-0.01 of Chapter 552 of the 2021 Special Session I Acts of Assembly, with the following members participating:

William A. Garrett, Vice Chair
Michael P. Disharoon

Board members present:
O'Kelly E. McWilliams, III, Board Chair
Joseph W. Montgomery, Board Vice Chair
Hon. J. Brandon Bell, II
John M. Bennett
Troilen G. Seward

VRS Staff:

Patricia Bishop, Jennifer Schreck, Rory Badura, Judy Bolt, Jeanne Chenault, Michael Cooper, Sara Denson, Valerie Disanto, Jonathan Farmer, Brian Goodman, Robert Irving, Angela Payne, Jillian Sherman, and Cindy Wilkinson.

Guests:

Adam Rosatelli, Senate Finance and Appropriations Committee; Latosha Johnson, Department of Planning and Budget; and 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 June 9, 2021 meeting of the Benefits and Actuarial Committee.

Mr. Garrett took a moment to express appreciation and gratitude to Wallace "Bo" Harris, whose term recently expired, for his leadership of the Benefits and Actuarial Committee.

Next, Mr. Garrett 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 552 of the 2021 Special Session I Acts of Assembly as they relate to conducting business during the pandemic.

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

Mr. Bell: Here
Mr. Bennett: Here
Mr. Disharoon: Here
Mr. McWilliams: Here

Mr. Montgomery: Here
Ms. Seward: Here
Mr. Garrett: Here

Public Comment

In accordance with Chapter 552 of the 2021 Special Session I Acts of Assembly, the Committee opened the floor for public comment. Mr. Garrett noted that no members of the public registered to comment at the electronic meeting.

Approve Minutes

Upon Mr. Montgomery's motion, with a second by Mr. Bennett, the Committee approved the minutes of its April 19, 2021 meeting upon the following roll call vote:

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

Purchase of Prior Service Normal Cost Rates

Rory Badura, Senior Staff Actuary, presented the proposed normal cost rates for the purchase of prior service for Plan 1, Plan 2 and Hybrid Plan members. Mr. Badura explained that members are eligible to purchase prior service at any point while employed as an active VRS member; however, there is a two-year period of time to purchase most types of service at approximate normal cost rates before the cost changes to an actuarial equivalent cost. The approximate normal cost rates are updated every four years following the Board's acceptance of the new assumptions associated with the quadrennial experience study. The actuarial equivalent cost rates are developed by Cavanaugh Macdonald Consulting, LLC, the Plan Actuary, and are based on the new assumptions and demographic data from the prior year valuations.

The following are the proposed normal cost rates for current active members across each of the plans and their respective member groups:

- Plan 1: 12.54% for regular VRS members, 21.64% for Hazardous Duty employees and 35.03% for judges.
- Plan 2: 10.89% for regular VRS members, 19.97% for Hazardous Duty employees and 33.13% for judges.
- Hybrid Plan: 6.68% for regular VRS members and 18.12% for judges.
- Alternate Hazardous Duty: 9.20% for certain hazardous duty employees whose employers have not adopted all enhanced benefits for their hazardous duty employees.

Following some discussion, the Committee took up the following RBA for consideration:

RBA: Approve Updated Rates for Purchase of Prior Service for Plan 1, Plan 2 and Hybrid Plan Members, Effective July 1, 2021.

***Request for Board Action:** The Board determines, after considering the recommendations of the Plan Actuary, that effective July 1, 2021, the rates for Plan 1 members to purchase prior service shall be 12.54% for regular VRS members, 21.64% for hazardous duty employees, and 35.03% for judges; that the rates for Plan 2 members to purchase prior service shall be 10.89% for regular VRS members, 19.97% for hazardous duty employees, and 33.13% for judges; that the rates for Hybrid Plan members to purchase prior service shall be 6.68% for regular VRS members, and 18.12% for judges, and an alternative rate of 9.20% for certain affected hazardous duty employees whose employers have not adopted all the enhanced benefits for their hazardous duty employees.*

Upon a motion by Mr. Montgomery, with a second by Mr. Bennett, 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. McWilliams: Aye
Mr. Montgomery: Aye
Mr. Garrett: Aye

**Due to technical difficulties, Ms. Seward was unable to audibly respond during this vote.*

Information Item

Upcoming B&A Meetings

Mr. Garrett reviewed the B&A Committee's upcoming meetings:

- September (TBD)
- October 13, 2021 at 10:00 a.m.
- November 15, 2021 at 1:00 p.m.

Mr. Garrett advised that following the conclusion of the June 10, 2021 Board meeting, the Committee members will be polled for their availability in order to schedule a September meeting to receive the Stress Test and Sensitivity Analysis Report.

Adjournment

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

Mr. Bell: Aye
Mr. Bennett: Aye



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

**Due to technical difficulties, Ms. Seward was unable to audibly respond during this vote.*

There being no further business, the meeting concluded at 1:31 p.m.

9.1.2021

Date

A handwritten signature in black ink, appearing to read 'William A. Garrett'.

William A. Garrett, Vice Chair
Benefits and Actuarial Committee