



Benefits and Actuarial Committee (B&A) Meeting

**1111 E. Main Street
3rd Floor Board Room
Richmond, VA 23219
Wednesday, 2/12/2020
1:00 - 3:30 PM ET**

I. Approve November 19, 2019 Minutes

B&A 11.19.2019 Minutes FINAL - Page 2

II. Cost-of-Living Adjustments (COLAs) for Virginia Sickness and Disability Program

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III. Cost-of-Living Adjustments (COLAs) for Virginia Local Disability Program

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IV. Information Items

- **2020 COLAs called for under statute not requiring Board approval**
 - COLA for service and disability retirees effective July 1 2020.
 - Group Life Insurance minimum life insurance amount effective July 1, 2020.
- **2020 Legislative Update**

Legislative Update as of 2-12-2020 - Page 26
- **Upcoming B&A Committee Meetings**
 - June 10, 2020 at 1:00 p.m.
 - October 14, 2020 at 1:00 p.m.
 - November 16, 2020 at 1:00 p.m.

V. Other Business

Minutes

A regular meeting of the Benefits and Actuarial Committee of the VRS Board of Trustees was held on November 19, 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

Board members present:

Mitchell L. Nason, VRS Chair
William H. Leighty (entered at 1:10 p.m.)

VRS Staff:

Trish Bishop, Jennifer Schreck, Rory Badura, Judy Bolt, Ty Bowers, Jeanne Chenault, Michael Cooper, Sara Denson, Krystal Groff, Angela Payne, Cat Pelletier, Jillian Sherman, Virginia Sowers, and Cindy Wilkinson.

Guests present were:

Larry Langer, Brad Wild and Alisa Bennett of Cavanaugh Macdonald Consulting, LLC; Latosha Johnson of the Department of Planning and Budget; Lauren Axselle and Jamie Bitz of the Joint Legislative Audit and Review Commission; Jeremy Bennett of the Virginia Association of Counties; and Rick Fowler of the Virginia Governmental Employees Association.

The meeting convened at 1:01 p.m.

Approval of Minutes

Upon a motion by Ms. Seward, with a second by Mr. McWilliams, the minutes of the October 16, 2019 meeting were approved.

2019 Actuarial Valuation Results for Political Subdivision Retirement Plans, the Virginia Local Disability Program (VLDP), Local Health Insurance Credit (HIC), and the Line of Duty Act (LODA) fund

Ms. Bishop introduced Larry Langer, Alisa Bennett and Brad Wild of Cavanaugh Macdonald Consulting, LLC, the VRS plan actuary, to present the June 30, 2019 actuarial valuation results for Political Subdivisions, the Health Insurance Credit for Certain Political Subdivisions, the Virginia Local Disability Program and the Line of Duty Act (LODA) fund.

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 6.70% fell just short of the

long-term assumed rate of return of 7.00%; however, the investment loss had minimal impact on results since it was close to expectations. Prior to the change in plan discount rate, the majority of local pension plans saw a decrease in funded status due to higher than expected salary increases, and plan experience such as unexpected retirements and disabilities. After incorporating the new 6.75% assumed rate of return, funded status decreased for most local plans with a corresponding increase in the employer contribution rates as compared to those in effect from the 2017 valuation.

Next, Alisa Bennett presented the results of Other Post-Employment Benefits (OPEBs) and the Line of Duty Act (LODA) fund.

Ms. Bennett stated that the local Health Insurance Credit (HIC) contribution rates based on the new 6.75% assumed rate of return remained largely consistent with the current rates being paid. The funded status increased for Constitutional Officers, Social Services and General Registrar plans, and decreased for the local Health Insurance Credit (HIC) plans in aggregate.

The Virginia Local Disability Program (VLDP) contribution rates and funded status increased for the Teacher Plan and Political Subdivision Plans, both before and after the reduction in the assumed rate of return.

The LODA fund provides benefits to eligible first responders who die or become disabled in the line duty. LODA benefit payments are projected for future years, which covers the cost of health care premiums for current beneficiaries and needs to cover the cost of any new claims that are expected to occur during the year.

Funding is on a “pay-as-you-go” basis, rather than a pre-funding of benefits, which requires that the discount rate be set lower than the rate used for the funding of pensions. LODA fund assets are expected to earn 4.75%.

The contribution rate per full-time employee (FTE) decreased from \$705.77 to \$695.18 for FY 2021 and FY 2022. The primary driver of this decrease was a reduction in the LODA health care premiums from the Department of Human Resource Management (DHRM) compared to the prior year. The full-time equivalent employees covered in the LODA fund increased from 19,013.65 to 19,243.35 as of the end of FY 2019. The total of current health care beneficiaries increased from 1,115 to 1,173. This includes disabled participants, spouses of disabled participants and surviving spouses.

Mr. Harris thanked Mr. Langer and Ms. Bennett for their presentation.

Upon a motion by Mr. McWilliams, with a second by Ms. Seward, the Committee recommended approval of the following action to the full Board:

RBA: Approve Contribution Rates for Political Subdivisions, the Health Insurance Credit for Certain Political Subdivisions, the Virginia Local Disability Program and the Line of Duty Act Fund, Effective FY 2021 and FY 2022

Request for Board Action: After considering the recommendations of its Plan Actuary, the Board accepts the June 30, 2019 valuation report for political subdivisions and the Health Insurance Credit (HIC) for

certain political subdivisions; approves a contribution rate of 0.36% for constitutional officers, a rate of 0.38% for social services employees, and a contribution rate of 0.39% for general registrars; approves a contribution rate of 0.47% for the Virginia Local Disability Program (VLDP), including self-funded Long-Term Care for Teachers and a rate of 0.83% for VLDP, including self-funded Long-Term Care for Political Subdivisions; and approves a full-time equivalent premium rate of \$695.18 for the Line of Duty Death and Health Benefits Trust Fund, all for both FY 2021 and FY 2022, to be effective July 1, 2020.

Funding Policy Amendments

Mr. Badura presented the proposed amendments to the VRS Funding Policy. The Funding Policy memorializes the methods by which the Board has elected to govern required funding for pension and OPEB plans with the goal of ensuring that future contributions, along with current plan assets, are sufficient to provide for all benefits expected to be paid when due.

Staff is proposing modifications to the Funding Policy to allow for accelerating funding of unfunded liabilities in pension or OPEB plans where feasible and where available funding permits; and clarifying funding parameters for political subdivision plans entering the Virginia Retirement System or enhancing benefits for current participants. Mr. Badura noted that political subdivision plans that VRS has identified as potentially “at-risk” due to low funded levels may require an additional surcharge or shortened amortization period to bring the funded level of plans to a sustainable level as determined by the Plan Actuary.

The proposed changes to the Funding Policy also document the discount rate being lowered to 6.75% for actuarial valuations on or after June 30, 2019.

Upon a motion by Mr. McWilliams, with a second by Ms. Seward, the Committee recommended the approval of the following action to the full Board:

RBA: Approve modifications to the VRS Funding Policy Statement to clarify that amortization periods may be shortened to accelerate payment of unfunded liabilities and to authorize alternative funding requirements.

Request for Board Action: *The Board approves the changes to the VRS Funding Policy Statement presented at this meeting and attached to this RBA. Changes include the following: authorize VRS staff, working with the Plan Actuary, to shorten amortization periods of explicit bases in an effort to pay off unfunded liabilities of either pensions or OPEBs earlier than originally scheduled depending on available funding, and to determine alternative funding requirements that could be used to improve funding levels of certain plans.*

Information Items

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

- February 12, 2020 at 1:00 p.m.
- June 10, 2020 at 1:00 p.m.

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

Adjournment

There being no further business, Mr. Harris adjourned the meeting at 2:50 p.m.

Date

Wallace G. Harris, Chair
Benefits and Actuarial Committee



Virginia
Retirement
System

Virginia Retirement System Cost-of-Living Adjustments (COLAs)

February 12, 2020





Virginia
Retirement
System

VRS COLAs



- Per § 51.1-166 of the *Code of Virginia*, VRS post-retirement supplements shall be determined annually by reference to the increase in the United States Average Consumer Price Index for all items, all urban consumers (CPI-U), as published by the Bureau of Labor Statistics of the United States Department of Labor.
- The percentages shall be based on the monthly averages and shall be the difference between (i) the average for the calendar year just ended and (ii) the average for the most recent calendar year used in the determination of the post-retirement supplements currently being paid.

Post-Retirement Supplement (COLA)

Calendar Year	COLA Index U.S. CPI-U	Annual growth rate	VRS COLA			
			Plan 1	Plan 2	Hybrid	Effective
2011	224.939	3.16%	3.08%	2.58%	N/A	July 2012
2012	229.594	2.07%	2.07%	2.04%	N/A	July 2013
2013	232.957	1.46%	1.46%	1.46%	N/A	July 2014
2014	236.736	1.62%	1.62%	1.62%	N/A	July 2015
2015	237.017	0.12%	0.12%	0.12%	0.12%	July 2016
2016	240.007	1.26%	1.26%	1.26%	1.26%	July 2017
2017	245.120	2.13%	2.13%	2.07%	2.07%	July 2018
2018	251.107	2.44%	2.44%	2.22%	2.22%	July 2019
2019	255.657	1.81%	1.81%	1.81%	1.81%	July 2020

- Plan 1 members receive 100% of the first 3% increase in CPI-U* and 50% of any increase between 3% and 7%, capped at 5%.
- Effective January 1, 2013, the COLA for Plan 2 and Hybrid members is 100% of first 2% increase in CPI-U and 50% of any increase between 2% and 4%, capped at 3%.

* United States Average Consumer Price Index for all items, all urban consumers, as published by the Bureau of Labor Statistics of the United States Department of Labor

Comparison of Indices



- VRS COLA trailed the SSI COLA in 2018, but is slightly higher in 2019.

VSDP Increase in Creditable Compensation



- Per § 51.1-1112(C), 51.1-1117(B) and 51.1-1128(B), Virginia Sickness and Disability Program (VDSP) creditable compensation is to be increased annually by an amount recommended by the program actuary and approved by the Board.
- VSDP creditable compensation is increased each year based on the combined average increase in the pay rate for State, SPORS and VaLORS VSDP members active at the beginning and the end of the most recent plan year before the date of determination of the COLA.

VSDP Increase in Creditable Compensation



Virginia Retirement System

VSDP Increase in Creditable Compensation for VRS Pension Benefit Purposes

Average pay increase from 2018 to 2019 for members active as of June 30, 2018 and June 30, 2019, and reported in VRS valuation data as participating in VSDP

Plan	June 30, 2018		June 30, 2019		Increase in Pay Rate
	Number Members	Annual Pay Rate	Number Members	Annual Pay Rate	
State	58,156	\$ 3,211,545,071	58,156	\$ 3,424,164,104	6.62%
VaLORS	6,397	\$ 252,476,079	6,397	\$ 277,564,695	9.94%
SPORS	1,360	\$ 82,670,524	1,360	\$ 87,959,539	6.40%
Total	65,913	\$ 3,546,691,674	65,913	\$ 3,789,688,338	6.85%

Increase in Total Annual Pay Rate (Not to Exceed 4.00%)

4.00%

- The annual COLA to be applied to a VSDP long-term disability claimant's creditable compensation may not exceed 4.00%.

VSDP Increase in LTD Benefit



- For members who have been the recipient of long-term disability (LTD) benefits for at least one year under the Virginia Sickness and Disability Program shall receive an increase in the net LTD benefit payment.
- For Plan 1 members vested prior to January 1, 2013 – 1.81% increase.
- For Plan 1 members not vested by January 1, 2013 and all Plan 2 and Hybrid members – 1.81% increase.

VLDP Increase in Creditable Compensation



- Per § 51.1-1161(C) and 51.1-1169(C), Virginia Local Disability Program (VLDP) creditable compensation shall be increased by an amount recommended by the program actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.
- Increases in VLDP creditable compensation will be computed each year based on the combined average increase in the pay rate for Teachers and Political Subdivisions participating in the Hybrid Retirement Plan active at the beginning and the end of the most recent plan year before the date of determination of the COLA.
- The increase is not applied on an annual basis, but is applied to a member's average final compensation if the member ends up taking a service retirement directly from long-term disability status.

VLDP Increase in Creditable Compensation



Virginia Retirement System VLDP Increase in Creditable Compensation for VRS Pension Benefit Purposes

Average pay increase from 2018 to 2019 for members active as of June 30, 2018 and June 30, 2019, and reported in VRS valuation data as participating in VLDP

Plan	June 30, 2018		June 30, 2019		Increase in Pay Rate
	Number Members	Annual Pay Rate	Number Members	Annual Pay Rate	
Teachers - Hybrid	31,743	\$ 1,363,899,135	31,743	\$ 1,449,223,973	6.26%
Political Subdivisions - Hybrid	22,338	\$ 813,550,866	22,338	\$ 870,133,617	6.96%
Total	54,081	\$ 2,177,450,001	54,081	\$ 2,319,357,590	6.52%

Increase in Total Annual Pay Rate (Not to Exceed 4.00%)

4.00%

- The annual COLA to be applied to a VLDP long-term disability claimant's creditable compensation may not exceed 4.00%.

Group Life Insurance – Minimum Benefit



- § 51.1-505(B) provides that the reduction in life insurance coverage shall not decrease the amount of life insurance on an employee to less than 25 percent of the amount of life insurance to which the initial reduction is applied.
- Effective July 1, 2014, for retirees with at least 30 years of creditable service, the reduction shall not decrease the amount of life insurance to less than \$8,000.
- The \$8,000 minimum coverage shall be increased by the same percentage as any annual post-retirement supplement for retirees, as calculated for employees hired on or after July 1, 2010, pursuant to § 51.1-166.

Group Life Insurance – Minimum Benefit

Calendar Year End	Plan 2 COLA	Group Life Minimum
2014	1.62%	\$8,000
2015	0.12%	\$8,010
2016	1.26%	\$8,111
2017	2.07%	\$8,279
2018	2.22%	\$8,463
2019	1.81%	\$8,616

Questions



P.O. Box 2500, Richmond, Virginia 23218-2500
Toll-free: 1-888-VARETIR (827-3847)
Website: www.varetire.org

MEMORANDUM

TO: Patricia S. Bishop, VRS Director

FROM: Jennifer P. Bell Schreck, VRS Internal Audit Director

DATE: January 29, 2020

RE: Cost of Living Adjustments (COLAs)

Internal Audit has reviewed the amounts referred to as "Cost of Living Adjustments" as set forth in the attached letter and supporting table from VRS' actuary, Cavanaugh Macdonald Consulting, LLC, dated January 21, 2020.

In conducting our review, we independently recalculated the "Cost of Living Adjustments" using data and procedures provided by management and the actuary, while confirming certain external components associated with such calculations. We also examined the Code of Virginia sections referred to in the actuary's letter and supporting table.

Based upon our review, we found the "Cost of Living Adjustments" in the above referenced letter and table to be valid and accurate, based on the data provided, subject to the assumptions included therein with respect to increases in both VSDP LTD benefits and VSDP and VLDP creditable compensation, where the amounts are not specified by statute, but instead are to be recommended by the actuary and approved by the Board.

Please let me know if you have any questions. I ask that you share this information with the Benefits and Actuarial Committee.

Attachment



Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

January 21, 2020

Mr. Rory Badura, ASA, EA, MAAA
Senior Staff Actuary
Virginia Retirement System
1200 E. Main Street
Richmond, VA 23219

2020 Cost of Living Adjustments

Dear Rory:

As requested, we have calculated the Cost of Living Adjustments (COLAs) called for under Virginia Statutes for VRS, VSDP, and VLDP.

In the table enclosed we present the COLAs to be effective July 1, 2020.

By statute, the VRS COLA is based on the ratio of the average of the monthly CPI-U for the 2019 calendar year (255.657) to the average of the monthly CPI-U for the most recent calendar year used in the determination of a COLA, 2018 calendar year (251.107). The result is 1.81%. The VRS COLA formula is applied to the CPI increase to produce COLAs effective July 1, 2020 of 1.81% for Plan 1 members vested as of January 1, 2013 and 1.81% for Plan 1 members not vested as of January 1, 2013 and all Plan 2 and Hybrid Plan members.

Statute also provides a COLA under the Group Life Insurance program in the minimum \$8,000 life insurance amount for members with at least 30 years of creditable service. The increase is the same percentage as the VRS COLA of 1.81% used for Plan 1 members not vested as of January 1, 2013 and all Plan 2 and Hybrid Plan members. Applying this increase to the prior year minimum of \$8,463, the minimum effective life insurance amount for members with at least 30 years of creditable service will increase to \$8,616 effective July 1, 2020.

The VSDP and VLDP COLAs are required by statute but the actual amounts are set by Board resolution. We have calculated the VSDP increase in creditable compensation for VRS pension benefit purposes based on the approach adopted in 2011. As recommended in 2011, the VSDP creditable compensation COLA is based on the increase in the pay rate for State, SPORS and VaLORS VSDP members active at the beginning and the end of the most recent plan year before the date of determination of the COLA. For 2020, it would be the ratio of the annual pays as of June 30, 2019 to the annual pays as of June 30, 2018 for VSDP members who were active in the State, SPORS and VaLORS plans as of both dates. The COLA calculated in this manner may be modified to reflect extraordinary pay adjustments during a given year. On this basis we have determined a VSDP creditable compensation COLA of 6.85% effective July 1, 2020. Our calculation is based on the data provided by VRS for the June 30, 2018 and 2019 actuarial valuations. Finally, under the current approach the VSDP creditable compensation COLA would be capped at 4.00% per year.

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Mr. Rory Badura
January 21, 2020
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We used a similar approach to determine the VLDP creditable compensation COLA. That is, we have based the VLDP creditable compensation COLA on the increase in the pay rate for Teachers and non-hazardous Political Subdivision Hybrid plan members active at the beginning and the end of the most recent plan year before the date of determination of the COLA. For 2020, it would be the ratio of the annual pays as of June 30, 2019 to the annual pays as of June 30, 2018 for non-hazardous members who were active in the Teachers and Political Subdivision Hybrid plans as of both dates. The COLA calculated in this manner may be modified to reflect extraordinary pay adjustments during a given year. On this basis we have determined a VLDP creditable compensation COLA of 6.52% effective July 1, 2020. Our calculation is based on the data provided by VRS for the June 30, 2018 and 2019 actuarial valuations. However, as with the current approach with VSDP, we have assumed the VLDP creditable compensation COLA would be capped at 4.00% per year.

We have enclosed a table showing the calculations of the COLAs in detail.

Please let us know if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read 'LL' with a stylized flourish at the end.

Larry Langer, ASA, FCA, EA, MAAA
Principal and Consulting Actuary

Enc.

Copy to: Cynthia Wilkinson (VRS)

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**Virginia Retirement System (VRS), Virginia Sickness and Disability Program (VSDP), Virginia Local Disability Program (VLDP)
and Group Life Insurance Program**

Cost of Living Adjustments (COLAs) Recommendations Effective July 1, 2020

Item	Code Section(s)	CPI-U		CPI Increase	COLA Calculation		
		2018	2019		100% of First 3%	50% of Next 4%	COLA (maximum 5%)
VRS COLA - Plan 1 vested as of 1/1/2013 - (100% of the increase in the CPI-U up to 3%, plus 50% of the next 4%, with a maximum COLA of 5%)	51.1-166	251.107	255.657	1.81% *	1.81%	0.00%	1.81%

Item	Code Section(s)	CPI-U		CPI Increase	COLA Calculation		
		2018	2019		100% of First 2%	50% of Next 2%	COLA (maximum 3%)
VRS COLA - Plan 1 non-vested as of 1/1/2013, Plan 2 and Hybrid Plan - (100% of the increase in the CPI-U up to 2%, plus 50% of the next 2%, with a maximum COLA of 3%)	51.1-166	251.107	255.657	1.81%	1.81%	0.00%	1.81%

Item	Code Section(s)	Creditable Compensation		Increase in Pay	COLA Calculation		
		2018	2019		100% of First 4%		COLA (maximum 4%)
VSDP increase in creditable compensation for VRS pension benefit purposes (100% of the increase in the pay over the previous plan year for continuing active VSDP members in the State, SPORS and VaLORS plans, with a maximum COLA of 4%)	51.1-1117 51.1-1123 51.1-1128	\$3,546,691,674	\$3,789,688,338	6.85%	4.00%		4.00%

Item	Code Section(s)	Creditable Compensation		Increase in Pay	COLA Calculation		
		2018	2019		100% of First 4%		COLA (maximum 4%)
VLDP increase in creditable compensation for VRS pension benefit purposes (100% of the increase in the pay over the previous plan year for non-hazardous continuing active members in the Teachers and Political Subdivision Hybrid plans, with a maximum COLA of 4%)	51.1-1161 51.1-1169	\$2,177,450,001	\$2,319,357,590	6.52%	4.00%		4.00%

Item	Code Section(s)				COLA Calculation		
							COLA
VSDP increase in net LTD benefit - Plan 1 vested as of 1/1/2013 - (100% of the VRS COLA for Plan 1 vested as of 1/1/2013)	51.1-1112						1.81%

Item	Code Section(s)				COLA Calculation		
							COLA
VSDP increase in net LTD benefit - Plan 1 non-vested as of 1/1/2013, Plan 2 and Hybrid Plan - (100% of the VRS COLA for Plan 1 non-vested as of 1/1/2013, Plan 2 and Hybrid Plan)	51.1-1112						1.81%

Item	Code Section(s)					COLA
Increase in minimum \$8,000 life insurance amount for members with at least 30 years of creditable service - (100% of the VRS COLA for Plan 1 non-vested as of 1/1/2013, Plan 2 and Hybrid Plan)	51.1-505.B.					1.81%

* CPI-U increase is ratio or percentage increase of CPI-U indices year over year (255.657/251.107 - 1 = 1.81%)



Approval of July 1, 2020 increase relating to VSDP creditable compensation and VSDP COLA.

Requested Action

Effective July 1, 2020 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% 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 of 1.81% shall be applied to the net LTD benefit payment for Plan 1 members vested prior to January 1, 2013, Plan 1 members not vested by January 1, 2013, and all Plan 2 and Hybrid members.

Description/Background

Code of Virginia § 51.1-1112(C) provides: "Creditable compensation during periods an employee receives long-term disability benefits shall (i) not include salary increases awarded during the period covered by long-term disability benefits and (ii) be increased annually by an amount recommended by the actuary of the Virginia Sickness and Disability Program and approved by the Board."

Code of Virginia § 51.1-1117(B) provides: "The average final compensation of any participating full-time employee taking a service retirement under any provision of this title shall be equal to his creditable compensation on the date of the commencement of the disability increased by an amount recommended by the program actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement."

Code of Virginia § 51.1-1128(B) provides the same requirement for participating full-time employees receiving supplemental (work-related) disability benefits: "The employee's average final compensation shall be equal to his creditable compensation on the date of the commencement of the disability increased by an amount recommended by the actuary of the Virginia Retirement System, and approved by the Board, from the date of the commencement of the disability to the date of retirement."

In accordance with these provisions, each year VRS requests that the plan actuary recommend the cost of living adjustment (COLA) to be applied to the benefit paid and to the creditable compensation of LTD recipients who have been receiving such benefits for at least one calendar year under VSDP.

In 2011 the Board amended the process for determining the COLA to be applied to the creditable compensation of LTD recipients for purposes of calculating service retirement. It is now based on the combined average increase in the pay rate for State, SPORS and VaLORS VSDP members active at the beginning and the end of the most recent plan year before the date of determination of the COLA.

Rationale for Requested Action

Per the attached January 21, 2020 letter, the VRS plan actuary, Cavanaugh Macdonald Consulting, LLC, observed increases in creditable compensation of 6.85% during fiscal year 2019 for members enrolled in

VSDP. Based on the recommendation from the plan actuary, and consistent with past practice, the recommended increase in creditable compensation for purposes of service retirement from disability shall be capped at 4.0%, and after offsets, an adjustment to the benefit payments of VSDP LTD recipients who have been receiving such payments for at least one calendar year of 1.81% for Plan 1 members vested as of January 1, 2013, Plan 1 members not vested by January 1, 2013, and all Plan 2 and Hybrid members.

Authority for Requested Action

The Board's authority for this action is contained in *Code of Virginia* §§ 51.1-1112, -1117, and -1128.

The above action is approved.

Mitchell L. Nason, Chairman
VRS Board of Trustees

Date



Approval of July 1, 2020 increase relating to VLDP creditable compensation.

Requested Action

Effective July 1, 2020, 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, 2020 is an increase of 4% to be applied to a recipient's creditable compensation.

Description/Background

Code of Virginia § 51.1-1161(C) provides: "The average final compensation of any participating full-time employee taking a service retirement under any provision of this title shall be equal to his creditable compensation on the date of the commencement of the disability increased by an amount recommended by the program actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement."

Code of Virginia § 51.1-1169(C) provides: "The employee's average final compensation shall be equal to his creditable compensation on the date of the commencement of the disability increased by an amount recommended by the actuary of the Virginia Retirement System, and approved by the Board, from the date of the commencement of the disability to the date of retirement."

In accordance with these provisions, VRS requested that its actuary recommend the COLA to be applied to the creditable compensation of LTD recipients who have been receiving such benefits for at least one calendar year under VLDP.

Rationale for Requested Action

Per the attached January 21, 2020 letter, the VRS plan actuary, Cavanaugh Macdonald Consulting, LLC, observed increases in creditable compensation of 6.52% during fiscal year 2019 for VLDP members. Based on the recommendation from the plan actuary, and consistent with past practice the recommended increase in creditable compensation for purposes of service retirement from disability shall be capped at 4.0%.

Authority for Requested Action

The Board's authority for this action is contained in *Code of Virginia* §§ 51.1-1161 and -1169.

The above action is approved.

Mitchell L. Nason, Chairman
VRS Board of Trustees

Date



Virginia
Retirement
System

2020 Legislative Update

As of February 12, 2020



Active Bills



2020 VRS-Related Bills



VRS-Requested Bills

Bill Number	Patron	Description	Member requested budget amendment
HB 536 SB 109	Carr Ruff	VRS Board of Trustees requested bill. To reflect statutory changes to the Virginia College Savings Plan and Internal Revenue Code, the bill changes the formula for determining the amount of the college savings account for children of VRS members who die in service as a result of a felonious assault. HB 536 passed House & has been referred to SFAC. SB 109 passed Senate 2/5.	

Hazardous Duty Mandatory Retirement

Bill Number	Patron	Description	Member requested budget amendment
SB 338	Stuart	Allows exception to compulsory retirement at age 70 for SPORS and local hazardous duty members with permission of supervisor. Amended in SFAC. Passed Senate 2/3.	

2020 VRS-Related Bills

Return to Work/Critical Shortage

Bill Number	Patron	Description	Member requested budget amendment
HB 351 SB 324	Bell Deeds	Allows school bus drivers to be designated critical shortage under certain conditions and return to work as a retiree; one-year break in service and no employer contributions. HB 351 passed House 2/7, referred to Senate Education and Health. SB 324 passed Senate 2/6, referred to House Education.	
HB 1495 (incorporates HB 986, HB 1368, HB 1493)	Torian, Batten, Helmer, Leftwich	Allows law enforcement officers to collect a retirement benefit and return to work as a school security officer. Includes early retirement incentive program restrictions, requires one-year break in service and employer contributions; amended to require an actuarial valuation, and add a sunset of July 1, 2025. Passed House 2/6, referred to Senate Appropriations and Finance.	477 #32h & 494 #1h (HB 1493, rolled into HB 1495) 477 #31h & 494 #3h (HB 986, rolled into HB 1495)
SB 54	Cosgrove	Allows law enforcement officers to collect a retirement benefit and return to work as a school security officer and requires employer contributions. Amended in SFAC to add a one-year break in service. Passed Senate 1/31.	494 #1s
SB 671	Mason	Allows up to two retirees at a time to return to work in full-time positions for a locality and collect retirement benefits; requires employer contributions. Amended in SFAC to require a one-year break in service and no employer contributions. Passed Senate 1/22.	

2020 VRS-Related Bills

LODA Bills

Bill Number	Patron	Description	Member requested budget amendment
HB 845	Krizek	Adds special agents of Washington Metropolitan Area Transit Authority to definition of law enforcement officer. Substitute reported & referred to HAC 1/23; 2/7 substitute removed officers from LODA, passed House 2/11.	
SB 168	DeSteph	Requires medical review by Virginia licensed health practitioner. Amended in SFAC to include those licensed in D.C. or contiguous states. Passed Senate 2/3.	
HB 51 SB 40	Knight DeSteph	Children born or adopted after the death/disability of LODA-covered individual become eligible for health insurance. After amendments, identical in substance to each other and to language in the introduced budget: covers children born or adopted after date of death or disability but before July 1, 2017. HB 51 passed House 2/4, referred to Senate Appropriations and Finance. SB 40 amended in SFAC; passed Senate 1/31	477 #16s

2020 VRS-Related Bills

VaLORS

Bill Number	Patron	Description	Member requested budget amendment
SB 790	Deeds	Adds conservation officers to VaLORS for prospective service. Amended in SFAC. Passed Senate 2/5.	477 #13s 477 #12h, 477 #11h
SB 1019	Stanley and Ruff	Changes the cutoff age from 65 to Social Security retirement age for VaLORS supplement payments. Amended in SFAC to require appropriation. Passed Senate 1/31.	477 #14s

2020 VRS-Related Bills

Other

Bill Number	Patron	Description	Member requested budget amendment
SB 1057	Stanley, Ruff	For state retirees with at least 30 years of service on or after 1/1/21, increases the HIC annually by the Plan 2 COLA. Substitute also increases the HIC for constitutional officers, general registrars, and local social service employees from \$1.50 to \$4 beginning 7/1/2020, and requires an appropriation. Passed Senate 2/5.	
HB 1513	McQuinn	Requires school divisions to provide \$4 health insurance credit to all school division employees. Amended in HAC to require \$1.50 HIC for school support employees and allow school divisions to elect an additional \$1. Passed House 2/10.	

2020 VRS-Related Bills

Other

Bill Number	Patron	Description	Member requested budget amendment
HB 480	Subramanyam	Prospectively adds local 911 dispatchers to those eligible for enhanced hazardous duty retirement benefits. Referred to HAC; Tabled in Appropriations 2/7.	494 #3h

2020 VRS-Related Bills

Workers' Compensation

Bill Number	Patron	Description	Member requested budget amendment
HB 438	Heretick	Adds PTSD as a compensable disorder for law enforcement officers and firefighters (new Code section).	477 #25h
SB 561	Vogel, McPike, Cosgrove	HB 438 reported & referred to HAC 1/30; Passed House 2/11. SB 561 passed Senate 2/10.	477 #27h
HB 1596	Murphy	Adds psychological injuries as a new presumption. Labor & Commerce subcommittee recommended on 2/4 to report & refer to HAC; incorporated into HB 438 2/6.	

2020 VRS-Related Bills

Workers' Compensation

Bill Number	Patron	Description	Member requested budget amendment
HB 783 (incorporates HB 44, HB 121, HB 733, HB 1536)	Askew, Brewer, Carroll-Foy, Reid, Wyatt	As amended, adds brain, colon and testicular cancers as presumptions for firefighters and certain employees, lowers the service requirement for cancer presumptions to 5 years, removes the need for contact with a toxic substance, and adds a 5 year service requirement for hypertension and heart disease presumptions. Clarifies that the presumption is only for diagnoses after July 1, 2020. HB 783 reported from HAC with amendment 1/29; substitute passed House 2/4, referred to Senate Commerce and Labor.	477 #22h 477 #23h (HB 1536, rolled into HB 783) 477 #24h (HB 733, rolled into HB 783)
SB 9 (incorporates SB 58, SB 381, SB 531)	Saslaw, Cosgrove, McPike, Vogel	SB 9 Amended in SFAC, reported 1/30; passed Senate 2/5.	477 #12s 477 #3s (SB 58, rolled into SB 9) 477 #4s (SB 58, rolled into SB 9)

2020 VRS-Related Bills

Workers' Compensation

Bill Number	Patron	Description	Member requested budget amendment
HB 169	Tyler	Adds correctional officers only to presumption for infectious diseases. Substitute makes prospective for diagnoses on or after 7/1/2020. Passed House 2/6, Referred to Senate Commerce and Labor.	477 #26h
SB 345	Bell	Adds correctional officers and full-time sworn members of enforcement division of DMV to presumption for infectious diseases. Passed Senate 1/31.	477 #9s

2020 VRS-Related Bills

Family and Medical Leave

Bill Number	Patron	Description	Member requested budget amendment
HB 825	Carroll-Foy	Requires the Virginia Employment Commission to establish and administer a paid family and medical leave program, capped at 12 weeks of paid leave in any application year, beginning January 1, 2023. HB 825 Left in Appropriations 2/11 SB 770 PBld with letter 2/4.	477 #5s
SB 770	Boysko & Hashmi		

Private Employer Retirement Plan

Bill Number	Patron	Description	Member requested budget amendment
HB 775	Ayala	Creates the My Virginia Plan to allow employees of private employers in the Commonwealth to contribute to a defined contribution retirement plan. Re-referred to HAC; reported with amendment 1/29 , puts in Title 51.1 with VA529 administering. Passed House 2/6, referred to Senate Appropriations and Finance.	



Virginia
Retirement
System

Budget Amendments



2020 Member-requested Budget Amendments



Budget amendments with no related bill

Item #	Description
477 #6h	3% salary increase for state employees and state supported local employees
477 #8s	5% state employee salary increase
492 #1h	Provide a state match for VOLSAP

Bills Failed or Carried Over



2020 VRS-Related Bills



JRS

Bill Number	Patron	Description	Member requested budget amendment
HB 556	Knight	Removes JRS retirement allowance cap of 78 percent under certain conditions. Laid on table in Compensation & General Government.	477 #30h

Workers' Compensation

Bill Number	Patron	Description	Member requested budget amendment
HB 52	Knight	Adds Virginia Beach EMTs to presumption for hypertension, heart disease. Stricken in Labor & Commerce.	
HB 649	Campbell	Adds full-time salaried police dispatchers to presumption for hypertension, heart disease. Laid on table in Labor & Commerce.	477 #1h
HB 1542	Convirs-Fowler	Adds full-time sworn members of enforcement division of DMV to presumption for hypertension, heart disease. Carried over to 2021 in Compensation & General Government.	

2020 VRS-Related Bills

Return to Work/Critical Shortage

Bill Number	Patron	Description	Member requested budget amendment
HB 986 HB 1368	Batten Leftwich	Allows law enforcement officers to collect a retirement benefit and return to work as a school security officer. Appropriations incorporated into HB 1495. Identical to SB 54.	477 #31h, 494 #1h
HB 1493	Helmer	Allows law enforcement officers to collect a retirement benefit and return to work as a school security officer or school resource officer. Appropriations incorporated into HB 1495.	477 #32h

2020 VRS-Related Bills

JRS

Bill Number	Patron	Description	Member requested budget amendment
SB 606	McDougle	Increases retirement multiplier for certain judges who participate in the Hybrid Retirement Plan. Carried over to 2021 in Finance & Appropriations.	477 #6s

Workers' Compensation

Bill Number	Patron	Description	Member requested budget amendment
SB 741	McPike	Adds PTSD as a presumption for law enforcement officers, firefighters, hazardous materials officers, animal protection officers and 911 dispatchers. Rolled into SB 561 in Finance & Appropriations but does not apply to 911 dispatchers.	

2020 VRS-Related Bills

Family and Medical Leave

Bill Number	Patron	Description	Member requested budget amendment
HB 693	Simonds	Requires each school board to establish a paid maternity leave benefit policy granting 12 weeks of paid sick leave. Failed to report from Education.	

VaLORS

Bill Number	Patron	Description	Member requested budget amendment
HB 1350	Mullin	Adds sworn member of DMV law enforcement division to VaLORS. Referred to HAC, subcommittee laid on table 2/4.	477 #13h; 477 #14h

2020 VRS-Related Bills

Other

Bill Number	Patron	Description	Member requested budget amendment
HB 1029	L. Adams	Under certain conditions a constitutional officer may be eligible for early retirement without having met age or service requirements. Referred to HAC; left in Appropriations 2/11.	
SB 202	Peake	Relief for Jack Anthony Maxwell. Passed by indefinitely in Finance & Appropriations.	