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## Minutes

A regular meeting of the Benefits and Actuarial Committee of the VRS Board of Trustees was held on November 13, 2018 in Richmond, Virginia with the following members present:

Wallace G. Harris, Chair  
Troilen G. Seward, Vice Chair  
O'Kelly McWilliams

Board members present:

Mitchell L. Nason, VRS Chair  
Hon. J. Brandon Bell, II (by phone under § 2.2-3708.2(D))  
William H. Leighty

Also present: Trish Bishop, Rory Badura, Jeanne Chenault, Michael Cooper, Sara Denson, Andy Feagans, Krystal Groff, Taylor Melton, Angela Payne, Andrea Peeks, Jennifer Schreck, Jillian Sherman, and Cindy Wilkinson of the VRS Staff; Lauren Axelle of Joint Legislative Audit and Review Commission; Bea Snidow of the Virginia Education Association; and John Garrett, Alisa Bennett, Larry Langer, and Brad Wild of Cavanaugh Macdonald Consulting, LLC.

The meeting convened at 1:05 p.m.

### Approval of Minutes

Ms. Seward moved to approve the minutes of the October 17, 2018 meeting with a second by Mr. Leighty. The Committee approved the minutes of the October 17, 2018 meeting upon the following roll call vote:

Mr. Harris: Aye  
Ms. Seward: Aye  
Hon. J. Brandon Bell, II: Aye  
Mr. Leighty: Aye  
Mr. McWilliams: Aye  
Mr. Nason: Aye

### **Cavanaugh Macdonald Consulting, LLC 2018 Actuarial Valuation Results for Political Subdivisions Retirement Plans, the Virginia Local Disability Program (VLDP), Local Health Insurance Credit (HIC), and Line of Duty Act Fund**

Mr. Langer of Cavanaugh Macdonald Consulting, LLC, the VRS plan actuary, presented the June 30, 2018 actuarial valuations for the Political Subdivision Retirement Plans, the Virginia Local Disability Program (VLDP), including self-funded Long-Term Care, the Health Insurance Credit (HIC) for political subdivisions, the state-funded HIC for constitutional officers, social services employees and

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registrars, and the Line of Duty Act (LODA) fund. Key points from the presentation include:

- The June 30, 2018 valuations are used for informational purposes (odd year valuations are used for contribution rate setting).
- For a majority of the local pension plans, the funded status increased and contribution rates decreased as compared to the 2017 valuation.
- The number of plans impacted by the additional surcharge increased from the prior valuation, though the average surcharge amount decreased slightly from prior year.
- With the exception of the VLDP plan for political subdivisions, the funded status for the local OPEB plans increased from the prior valuation. The VLDP for political subdivisions had an increase in administrative expenses as well as higher than expected disability claims which resulted in increased liabilities.
- Contribution rates for the local OPEB plans remained relatively level from the prior year though the average contribution rate for local health insurance credit plans increased due to an additional surcharge being applied to some plans. The employer contribution rate for the VLDP plan for political subdivisions also saw a slight increase due to the additional claims processed during the year.

Plan Experience and Demographics:

- The average age and entry age of active members has remained relatively stable over the last seven years.
- Total active membership, retiree membership and inactive members in the local plans increased from 2017. Payroll increased 3.4% over the prior year, which is slightly higher than the assumed 3.0% payroll growth assumption.
- The average age at retirement has remained relatively consistent over the last several years at just over 62 years of age.
- As of 2018, less than 50% of active members in the Political Subdivision Plans are covered under Plan 1. This number is expected to continue to decline as more new hires enter under the Hybrid Retirement Plan.

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LODA Results:

Next, Alisa Bennett presented the results of the LODA Fund valuations. Key points from the presentation include:

- The 2017 valuation was used to set contribution rates for fiscal years 2019 and 2020.
  - The current rate (FY 2019 and FY 2020) is \$705.77 per full-time equivalent position (FTE).
- The plan saw a slight increase in the number of full-time equivalent covered members, increasing from 18,734 to 19,014.
- The calculated LODA employer premium rate based on the 2018 valuation was \$729.25. While it is higher than the current rate, it is actually lower than expected due to the healthcare premiums remaining the same for the 2019 fiscal year.
- LODA Fund employer contributions per FTE are heavily influenced by healthcare costs, which are expected to increase approximately 6% per year.
- VRS reviewed 169 LODA claims in fiscal year 2018 with 103 claims approved, which was well above the assumed number of claims per year, approximately 80 claims. Claims received in FY 2018 included 36 cases transferred from DOA, as well as 61 cases received from VSP which included 41 transferred cases from the prior agency.
- The LODA fund has averaged 25 approved disability claims each year from 2012 – 2017. Fiscal year 2018 had 53 new disability claims and 47 were approved.
- Total beneficiaries increased by an average of 43 each year from 2012 – 2017. Fiscal year 2018 increased by 78 new beneficiaries.
- The total number of current healthcare beneficiaries has increased from 1,037 in 2017 to 1,115 in 2018.
- Future LODA fund costs continue to trend upward with expected rates for fiscal year 2019 expected near \$800 per FTE.

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

Mr. Nason then moved, with a second by Mr. McWilliams, to recommend approval to the Board:

**RBA: Accept the Plan Actuary's Valuations as of June 30, 2018 for the Political Subdivision Retirement Plans; the Health Insurance Credit (HIC) for Political Subdivisions; the State-Funded HIC for Constitutional Officers, Social Services Employees and Registrars; the Virginia Local Disability Program, including Long-Term Care; and Line of Duty Act Fund.**

**Request for Board Action:** The Virginia Retirement System Board of Trustees accepts the June 30, 2018 Actuarial Valuations conducted by the VRS plan actuary, Cavanaugh Macdonald Consulting, LLC, for the Political Subdivision Retirement Plans; the Health Insurance Credit (HIC) for Political Subdivisions; the State-Funded HIC for Constitutional Officers, Social Services Employees and Registrars; the Virginia Local Disability Program, including Self-Funded Long-Term Care; and the Line of Duty Act Fund.

The Committee approved the motion upon the following roll call vote:

Mr. Harris: Aye  
Ms. Seward: Aye  
Hon. J. Brandon Bell, II: Aye  
Mr. Leighty: Aye  
Mr. McWilliams: Aye  
Mr. Nason: Aye

#### Information Items

#### 2019 Benefits and Actuarial Committee Meeting Schedule

- February 12, 2019 at 1:30 p.m.
- June 11, 2019 at 1:30 p.m.
- October 16, 2019 at 1:00 p.m.
- November 19, 2019 at 1:00 p.m.

#### Adjournment

There being no further business, Mr. Harris adjourned the meeting at 2:14 p.m.

2/12/2019  
Date

Wallace G. Harris  
Wallace G. Harris, Chair