
Minutes

A regular meeting of the Benefits and Actuarial Committee was held on June 9, 2025, in Richmond, Virginia with the following members participating:

John M. Bennett, Chair
Lindsey K. Pantele, Vice Chair
Jessica L. Hood

Board members participating:

Hon. J. Brandon Bell, II (*remotely under § 2.2-3708.3(B)(3)*)
Lawrence A. Bernert, III

VRS Staff:

Patricia Bishop, Andrew Junkin, Rory Badura, Judy Bolt, Michael Cooper, David Cotter, Sara Denson, Curtis Doughtie, Antonio Fisher, Krystal Groff, Robert Irving, Sandy Jack, Angela Payne, Virginia Sowers and Leslie Weldon.

Guests:

Alexandria Jansson, Joint Legislative Audit and Review Commission; Jacob Hodges and Matthew Glasgow, Encore Global.

The meeting convened at 12:59 p.m.

Opening Remarks

Mr. Bennett called the meeting to order and welcomed everyone to the June 9, 2025, meeting of the Benefits and Actuarial Committee. Mr. Bennett took attendance with the following roll call:

Ms. Hood: Present.
Ms. Pantele: Present.
Senator Bell: Present.
Mr. Bernert: Present.
Mr. Bennett: Present.

Approval of Minutes

Upon a motion by Ms. Pantele, with a second by Ms. Hood, the Committee approved the minutes of its April 15, 2025, meeting.

Election of Committee Vice Chair

In accordance with the B&A Committee charter, and following a nomination by Mr. Bennett and second by Ms. Hood, the Committee unanimously approved Ms. Pantele to continue serving as Vice Chair.

Purchase of Prior Service Normal Cost Adjustments

Patricia Bishop, VRS Director, provided a brief overview of the purchase of prior service program to the committee. Ms. Bishop advised that the program provides eligible VRS members opportunities to purchase prior public service employment, certain types of military service, as well as refunded service

in order to become vested sooner or enhance their benefit payment in retirement. Service can only be purchased while an active VRS member. Members have the option to purchase all or a portion of eligible service as long as it does not overlap with other VRS service.

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 the Plan Actuary based on the 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: 12.50% for regular VRS members, 23.78% for Hazardous Duty employees, and 31.97% for judges.
- Plan 2: 10.74% for regular VRS members, 19.15% for Hazardous Duty employees, and 29.67% for judges.
- Hybrid Plan: 6.68% for regular VRS members and 19.21% for judges.
- Alternate Hazardous Duty: 10.01% for certain hazardous duty employees whose employers have not adopted all hazardous duty benefits for their hazardous duty employees.

Mr. Badura advised the rates will be in effect for four years until the next experience study is conducted.

Upon a motion by Ms. Pantele, with a second by Ms. Hood, the Committee recommended approval of the following action to the full Board of Trustees:

RBA: Approve updated rates for purchase of prior service for Plan 1, Plan 2, and Hybrid Plan members, effective July 1, 2025.

Request for Board Action: The Board determines, after considering the recommendations of the Plan Actuary, that effective July 1, 2025, the rates for Plan 1 members to purchase prior service shall be 12.50% for regular VRS members, 23.78% for hazardous duty employees, and 31.97% for judges; that the rates for Plan 2 members to purchase prior service shall be 10.74% for regular VRS members, 19.15% for hazardous duty employees, and 29.67% for judges; that the rates for Hybrid Plan members to purchase prior service shall be 6.68% for regular VRS members and 19.21% for judges, and an alternative rate of 10.01% for certain affected hazardous duty employees whose employers have not adopted all the enhanced benefits for their hazardous duty employees.

Recommendations from Experience Study – Adjustments to Funding Policy

Next, Mr. Badura reviewed the recommended adjustments to the VRS Funding Policy Statement ("Funding Policy") following the recent experience study. The Funding Policy memorializes the methods the Board has approved to fund each plan. The proposed changes establish strategies for amortizing

surpluses in the statewide pension and other postemployment benefit plans once a plan reaches 100% funded status. These strategies help to protect the plan's funded status by requiring plans to achieve 120% funded status prior to recognizing or amortizing funding surpluses.

Following a motion by Ms. Pantele and a second by Ms. Hood, the Committee recommended approval of the following action to the full Board of Trustees:

RBA: Amend VRS Funding Policy Statement regarding the Surplus Funding Policy for Statewide Plans

***Request for Board Action:** The Board approves the changes to the VRS Funding Policy Statement (Funding Policy) regarding how to amortize surpluses in the statewide pension and other postemployment benefit (OPEB) plans once any such plan reaches 100% funded status. Effective July 1, 2025, a surplus credit in the derivation of the employer contribution amount will be recognized for a plan once the plan reaches a funded status of 120% on an actuarial value of assets (AVA) basis. The amortization of any overfunding over 100% funded status will use a rolling 20-year period.*

Mr. Bennett thanked Mr. Badura for his presentation.

Information Item

Factors Study: Early Retirement Factors Analysis Update

Mr. Badura next presented an update on the Early Retirement Factors Analysis. Pension plans are generally designed to produce a benefit that begins at normal retirement age. In the case of VRS, normal retirement for a Plan 1 member is age 65 or any age after 50 with at least 30 years of service, and for a Plan 2 or Hybrid Plan member it is Social Security normal retirement age or if the sum of their age and service equal 90. VRS provides an option for members to retire earlier provided certain criteria are met:

- Plan 1: Age 55 with at least five years of service or age 50 with 10 years of service.
- Plan 2/Hybrid: Age 60 with five years of service.

VRS applies factors to a member's benefit to offset the increased cost to the retirement plan due to paying benefits for a longer period of time. This reduction, known as an early retirement factor, is calculated based on the length of time before the normal retirement age, the member's age and total service credit.

Mr. Badura advised that during the first phase of the factors study, the optional form factors regarding Joint and Survivor, Partial Lump-Sum Option (PLOP), and the Advanced Pension Option were implemented in August 2024. The second phase involves a review of the retirement reduction factors, which involves updating the early retirement analysis to include fiscal year 2025 data, comparing VRS factors to other public sector plans, and developing a proposal on whether an update to the factors is needed.

Mr. Bennett thanked Mr. Badura for his presentation.

Other Business

Lastly, Mr. Bennett noted the Administration, Finance and Talent Management Committee will meet on June 17 at 10:30 a.m., followed by the Audit and Compliance Committee at 1:00 p.m. The full Board of Trustees will meet on June 18 at 1:00 p.m.

Adjournment

Upon a motion by Ms. Pantele, with a second by Ms. Hood, the Committee agreed to adjourn the meeting.

There being no further business, the meeting concluded at 1:36 p.m.

10/15/2025

Date



John M. Bennett, Chair
Benefits and Actuarial Committee