
Minutes

A regular meeting of the Benefits and Actuarial Committee was held on February 7, 2023, in Richmond, Virginia with the following members participating:

William A. Garrett, Chair
John M. Bennett, Vice Chair
Lindsey K. Pantele

Board members present:

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

VRS Staff:

Patricia Bishop, Jennifer Schreck, Rory Badura, Judy Bolt, Ty Bowers, Caroline Cardwell, Jeanne Chenault, Michael Cooper, Sara Denson, Andy Feagans, Jon Farmer, Krystal Groff, Robert Irving, Wendy Jenkins, Angela Payne, Steven Ramirez, Andrew Ringle, Virginia Sowers, Leslie Weldon and Cindy Wilkinson.

Guests:

Bea Snidow, Virginia Education Association; Ira Astin.

The meeting convened at 1:00 p.m.

Opening Remarks

Mr. Garrett called the meeting to order and welcomed everyone to the February 7, 2023, meeting of the Benefits and Actuarial Committee.

After noting that the meeting was being held in accordance with § 2.2-3708.3(B)(3) of the *Code of Virginia* and the VRS Remote Meeting Attendance Policy, Mr. Garrett took a roll call for attendance:

Mr. Bennett: Here
Ms. Pantele: Here
Mr. Bell: Here
Mr. Garrett: Here

Approval of Minutes

Upon a motion by Mr. Bennett, with a second by Ms. Pantele, the Committee approved the minutes of its November 14, 2022, meeting upon the following roll call vote:

Mr. Bennett: Aye
Ms. Pantele: Aye
Mr. Bell: Aye
Mr. Garrett: Aye

Cost of Living Adjustments

Virginia Sickness and Disability Program

Rory Badura, Senior Staff Actuary, presented the recommendations of Gabriel, Roeder, Smith & Company (GRS), the plan actuary, regarding statutory annual adjustments to Virginia Sickness and Disability Program (VSDP) creditable compensation for members on long-term disability. For VSDP, Mr. Badura advised that the Plan Actuary recommends an increase in the creditable compensation for VRS pension benefit purposes of 4.00%, effective July 1, 2023, for members who have been recipients of LTD benefits for at least one year. In addition, a cost of living adjustment (COLA) in the amount of 5.00% shall be applied to long-term disability (LTD) benefit payments for Plan 1 members vested prior to January 1, 2013. A COLA of 3.00% shall be applied for Plan 1 members not vested prior to January 1, 2013, and all Plan 2 and Hybrid Retirement Plan members. The calculations were reviewed by VRS staff and Internal Audit.

RBA: Approval of July 1, 2023, increase relating to VSDP creditable compensation and VSDP COLA.

Request for Board Action: Effective July 1, 2023, 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 4.00% for a Plan 1, Plan 2 or Hybrid member who has been the recipient of long-term disability (LTD) benefits for at least one calendar year under the Virginia Sickness and Disability Program (VSDP); and*
- *A cost of living adjustment shall be applied to the net LTD benefit payment of 5.00% for Plan 1 members vested prior to January 1, 2013, or 3.00% for Plan 1 members not vested by January 1, 2013, and all Plan 2 and Hybrid members.*

Upon a motion by Ms. Pantele, 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. Bennett: Aye

Ms. Pantele: Aye

Mr. Bell: Aye

Mr. Garrett: Aye

Virginia Local Disability Program

Next, Mr. Badura advised that for the VLDP program the plan actuary recommends an increase of 4.00% in the creditable compensation used at retirement, effective July 1, 2023. The VLDP plan does not provide for a COLA on LTD benefits being received. The calculations for the increase in creditable compensation were reviewed by VRS staff and Internal Audit.

RBA: Approval of July 1, 2023, increase relating to VLDP creditable compensation.

Request for Board Action: Effective July 1, 2023, 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 to July 1, 2023, is an increase of 4.00% to be applied to a recipient's creditable compensation.

Upon a motion by Mr. Bennett, with a second by Ms. Pantele, the Committee recommended approval of the action upon the following roll call vote:

Mr. Bennett: Aye

Ms. Pantele: Aye

Mr. Bell: Aye

Mr. Garrett: Aye

Information Items

2023 COLAs Called for Under Statute Not Requiring Board Approval

Mr. Badura noted that, by statute, VRS cost of living increases are based on the consumer price index for all items, all urban consumers, as published by the Bureau of Labor Statistics of the U.S. Department of Labor. Mr. Badura advised that the COLA increase effective July 1, 2023, of 5.00% is applicable to eligible Plan 1 members vested prior to January 1, 2013. A COLA increase of 3.00% is applicable to Plan 1 members not vested prior to January 1, 2013, and all Plan 2 and Hybrid Plan members, effective July 1, 2023. This figure was calculated by GRS, the VRS plan actuary, and verified by VRS and Internal Audit staff. The COLA did not require action by the Committee.

Mr. Badura advised that the *Code of Virginia* requires the Hazardous Duty Supplement provided to hazardous duty employees be reviewed biennially, at which time it is to be increased by any applicable cost of living adjustments based on increases in Social Security benefits since the last applicable increase. Following a Social Security biennial increase of 15.11%, the annual Hazardous Duty Supplement will increase from \$14,664 to \$16,884 for fiscal years 2023 and 2024.

The Group Life Insurance Program minimum benefit for members retired with at least 30 years of service is to be increased by the same COLA applicable to VRS Plan 2 members, or 3.00%, effective July 1, 2023. The new minimum life insurance payout, effective July 1, 2023, will be \$9,254. The Group Life Insurance Program minimum did not require action by the Committee. The calculations were reviewed by VRS staff and Internal Audit.

Mr. Garrett thanked Mr. Badura for his presentation.

Legislative Update

Cindy Wilkinson, Director of Policy, Planning and Compliance, provided an update on VRS-related legislation in the 2023 General Assembly session.

In addition to other legislation, Ms. Wilkinson reviewed legislation related to the Health Insurance Credit (HIC), which is a benefit provided to state and many local employees who retire with at least 15 years of service. The HIC is a flat dollar amount that varies by employer, and proposed legislation would add the

Plan 2 COLA increase to certain HIC benefits for certain employees who retire with at least 30 years of service. The Committee discussed the fiscal impact on the unfunded liability and funded status of the plan.

Mr. Garrett thanked Ms. Wilkinson for her report.

2023 B&A Committee Meeting Schedule:

Lastly, the Committee reviewed its 2023 meeting schedule:

- April 19
- June 14
- October 18
- November 16

Mr. Garrett advised that all meetings will begin at 1:00 p.m., apart from the November meeting, which is scheduled for 10:00 a.m. Mr. Garrett noted the Investment Policy Committee will hold a Brown Bag Lunch Session on February 9, 2023, at 11:45 a.m., followed by the full Board of Trustees meeting at 1:00 p.m.

Adjournment


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

Mr. Bennett: Aye
Ms. Pantele: Aye
Mr. Bell: Aye
Mr. Garrett: Aye

There being no further business, the meeting concluded at 1:33 p.m.

6/14/23

Date



John M. Bennett, Chair
Benefits and Actuarial Committee