



**Benefits and Actuarial Committee (B&A) Meeting**  
**VRS, 1111 E. Main St., 3rd Floor Board Room**  
**Thursday, 11/16/2023**  
**10:00 AM - 12:00 PM ET**

**I. Welcome and Introductions**

**II. Approve Minutes**

*B&A Minutes 10.18.23 - Page 2*

**III. Action Item**

**Gabriel, Roeder, Smith & Company (GRS) 2023 Actuarial Valuation Results for Political Subdivision Retirement Plans, the Virginia Local Disability Program (VLDP), Local Health Insurance Credit (HIC), and Line of Duty Act (LODA) Fund**

- **RBA – Certify the contribution rates for political subdivision retirement plans, the Health Insurance Credit for certain political subdivisions, the Virginia Local Disability Program and the Line of Duty Act Fund, effective for FY 2025 and FY 2026**

*RBA - Rates for PoliSubs\_HIC\_VLDP\_LODA - Page 6*

*GRS Actuarial Valuation Results\_B&AC - Page 8*

*GRS LODA\_Presentation - Page 63*

**IV. Information Items**

**2024 B&A Committee Schedule**

- **February 7 at 1:00 p.m.**
- **April 17 at 1:00 p.m.**
- **June 12 at 1:00 p.m.**
- **October 16 at 1:00 p.m.**
- **November 14 at 1:00 p.m.**

**V. Other Business**

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## Minutes

A regular meeting of the Benefits and Actuarial Committee was held on October 18, 2023, in Richmond, Virginia with the following members participating:

John M. Bennett, Chair  
Jessica L. Hood (*attended remotely under § 2.2-3708.3(B)(3)*)  
Lindsey K. Pantele

Board members present:  
Hon. J. Brandon Bell, II (*attended remotely under § 2.2-3708.3(B)(3)*)

VRS Staff:  
Patricia Bishop, Jennifer Schreck, ZaeAnne Allen, Rory Badura, Ty Bowers, Jessica Budd, Michael Cooper, Jeanne Chenault, David Cotter, Sara Denson, Valerie DiSanto, Andrew Feagans, Antonio Fisher, Krystal Groff, Andrew Junkin, Katie Ray, Virginia Sowers, Emily Trent, Scott Weaver, Leslie Weldon, Cindy Wilkinson

Guests:  
Jim Anderson, Becky Stouffer and Kurt Dosson; Gabriel, Roeder, Smith & Company; Jamie Bitz, Joint Legislative Audit and Review Commission; Emily Grimes, Department of Planning & Budget; Michael Jay, House Appropriations Committee; Amy Stokes, Auditor of Public Accounts.

The meeting convened at 1:04 p.m.

### Opening Remarks

Mr. Bennett called the meeting to order and welcomed everyone to the October 18, 2023, meeting of the Benefits and Actuarial Committee.

### Approval of Minutes

Following a motion by Ms. Pantele, with a second by Mr. Bennett, the Committee approved the minutes of its June 14, 2023, meeting upon a unanimous voice vote.

### **Gabriel, Roeder, Smith & Company (GRS) 2023 Actuarial Valuation Results for Five Statewide Retirement Plans, Group Life Insurance, State and Teacher Retiree Health Insurance Credit, and the Virginia Sickness and Disability Program (including self-funded Long-Term Care)**

Next, Jim Anderson, Becky Stouffer and Kurt Dosson from the VRS plan actuary, Gabriel, Roeder, Smith & Company (GRS), presented the June 30, 2023, actuarial valuations for the Five Statewide Retirement Plans, Group Life Insurance, State and Teacher Health Insurance Credit, and the Virginia Sickness and Disability Program. The VRS plan actuary conducts annual valuations as of the close of the fiscal year (June 30). In odd-numbered years the valuations are used to establish employer contribution rates. The results in even-numbered years are shared with the Board of Trustees to inform the Board of any emerging trends or indications of the magnitude and direction of contribution rates.

The market value return for the total fund of 6.10% fell short of the long-term assumed rate of return of 6.75%. In addition, fiscal year 2023 also included higher than expected cost-of-living increases which hit

the maximum of 5% for Plan 1 members and 3% for Plan 2 and Hybrid members. The hazardous duty supplement also increased well above the assumed rate, increasing by over 15%. Pay increases were also higher than expected for most employer groups. Despite lower-than-expected returns for fiscal year 2023 and higher than expected salary increases and COLAs, continued recognition of asset gains from fiscal year 2021 along with additional cash infusions provided in fiscal years 2022 and 2023 through lump-sum deposits and maintaining prior rates helped most plans to show modest improvement in the funded status on an actuarial value of assets basis. While the State, Teachers, and VaLORS plans were able to post modest gains in funded status, SPORS and JRS plans posted slight decreases in funded status.

The Other Post-Employment Benefits (OPEB) plans also benefited from the receipt of over \$93 million from the 2022 and 2023 Appropriation Acts, as well as maintaining of prior rates for many of the OPEB plans. Each OPEB plan saw an overall increase in funded status with modest decreases in contribution rates.

GRS also provided a summary of the findings from the Actuarial Standards of Practice 4 (ASOP 4), which requires plans to disclose plan liabilities using a low-default-risk obligation measure (LDRM) beginning with the 2023 valuations.

Mr. Bennett thanked Mr. Anderson, Ms. Stouffer and Mr. Dosson for their presentation.

#### **Funding Policy Amendments**

Next, Rory Badura, VRS Senior Staff Actuary, presented 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 asset plans, are sufficient to provide for all benefits expected to be paid when due.

Staff recommends a change to the VRS Funding Policy Statement in order to reset the total unfunded accrued liability to be amortized over 20 years, effective June 30, 2023. This change will spread experience since June 30, 2013, which has been mostly gains, out over a longer period of time. The legacy unfunded liability was already scheduled to be amortized over 20 years as of June 30, 2023. This change will slightly increase contribution requirements, get money into the plan quicker, level out the amortization payments in later years, and is expected to provide savings of over \$1 billion in contributions over the 20-year period.

The additional change to the funded requirement for employers electing to either enhance HIC benefits or expand coverage will ensure that the funded status of the HIC plans for such employers does not fall below certain thresholds. This expands the current funded status requirement for employers making the initial election to offer the HIC benefit. The Funding Policy Statement will now require employers wishing to enhance the HIC benefit or expand coverage to non-covered members to potentially pay an initial contribution in order to elect the new coverage. The rules related to the new requirements are as follows:

Any employer (new and existing employers) that wishes to enhance the health insurance credit by electing the extra \$1.00 of coverage per year of creditable service or expand coverage to additional non-covered members is required to meet the following requirements:

- If the funded status of the plan is below 50% prior to the change, the employer must make an initial contribution equal to the full increase in the plan's liability associated with enhancing the HIC benefit.
- If the funded status of the plan is greater than 50% but below 75% prior to the change, the employer must make an initial contribution equal to 50% of the increase in the plan's liability associated with enhancing the HIC benefit, with the remaining additional liability to be amortized over 10 years.
- If the funded status of the plan is greater than 75% prior to the change, the employer must make an initial contribution in the amount necessary to keep the funded status at the 75% threshold after the change, with any remaining additional liability to be amortized over 10 years.

Lastly, staff recommends that the Sensitivity and Stress Test Analyses required by Va. Code § 51.1-124.30:1 shall be performed regularly, as opposed to annually, consistent with the statutory requirement.

Mr. Bennett thanked Mr. Badura for his presentation.

#### **RBA: Amendments to the VRS Funding Policy Statement**

***Request for Board Action:*** *The VRS Board of Trustees approves the amendments to the VRS Funding Policy Statement to Allow for Resetting of Total Unfunded Accrued Liability as of June 30, 2023, Over 20 Years; Establish Employer Funded Status When Modifying the HIC Programs, and Confirm that Stress Testing Report is to be issued Regularly Instead of Annually.*

Following a motion by Ms. Pantele, with a second by Mr. Bennett, the Committee unanimously voted to recommend approval of the action.

**RBA: Accept the Plan Actuary's Valuations as of June 30, 2023, for the Five Statewide Retirement Plans, Group Life Insurance, Health Insurance Credit Plans for State and Teachers, and the Virginia Sickness and Disability Program.**

***Request for Board Action:*** *After considering the recommendations of its actuary, the Board certifies the rates as presented for: the five statewide Retirement Plans (State Employees, Teachers, JRS, SPORS, and VaLORS) and the associated OPEBs; Group Life Insurance (GLI); Health Insurance Credit (HIC); and the Virginia Sickness and Disability Program (VSDP), including self-funded Long-Term Care, all effective July 1, 2024.*

Following a motion by Ms. Pantele, with a second by Ms. Hood, the Committee unanimously voted to recommend approval of the action.

#### **Information Items**

##### Committee Meeting Schedule

Mr. Bennett advised that the full Board of Trustees will meet October 19 at 1:00 p.m., and the Committee will meet next on November 16 at 10:00 a.m. to receive the valuation results for the Political Subdivision Retirement Plans, the Line of Duty Act (LODA) Fund, the Virginia Local Disability Program

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(VLDP) and the Local Health Insurance Credit (HIC). In addition, the 2024 meeting schedule will be finalized in the coming weeks.

**Adjournment**

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

There being no further business, the meeting concluded at 2:26 p.m.

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Date

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John M. Bennett, Chair  
Benefits and Actuarial Committee



**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 for FY 2025 and FY 2026.**

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**Requested Action**

After considering the recommendations of its Plan Actuary, the Board accepts the June 30, 2023, valuation report for political subdivisions and the Health Insurance Credit (HIC) for certain political subdivisions; approves a contribution rate of 0.32% for constitutional officers, a rate of 0.26% for social services employees, and a contribution rate of 0.17% for general registrars; approves a contribution rate of 0.45% for the Virginia Local Disability Program (VLDP), including self-funded Long-Term Care for Teachers and a rate of 0.74% for VLDP, including self-funded Long-Term Care for Political Subdivisions; and approves a full-time equivalent premium rate of \$995.00 for the Line of Duty Death and Health Benefits Trust Fund (Fund), all for both FY 2025 and FY 2026, to be effective July 1, 2024.

**Rationale for Requested Action**

The certified employer contribution rates reflect the assumptions and provisions in effect as of June 30, 2023, including the assumed rate of return of 6.75%.

The employer contribution rates will go into effect on July 1, 2024.

Under *Code of Virginia* § 51.1-1403(A), the cost of HIC for retired local officers, retired general registrars (and the retired employees of each), and retired employees of a local social services board is borne by the Commonwealth and not the political subdivisions.

The Line of Duty Act (LODA) provides benefits to eligible first responders who die or become disabled in the line of duty. VRS administers, manages and invests the Fund. VRS is responsible for determining costs for the Fund in order to provide benefit payments and for collecting required contributions from participating employers.

*Code of Virginia* § 9.1-400.1(D) requires participating employer contributions to the Fund to be determined by the Board on a current disbursement basis (pay-as-you-go). Contributions fund the claims and administrative expenses for participating employers. The FY 2024 and FY 2025 premium rate of \$995.00 is based on a participating FTE count of 18,161.

**Authority for Requested Action**

*Code of Virginia* §§ 51.1-124.22(5) and -145 authorize the Board to determine the required contribution rate for the various employer groups in the Retirement System. *Code of Virginia* § 9.1-400.1 authorizes the Board to set the employer contribution rates for the Line of Duty Death and Health Benefits Trust Fund.

The above action is approved.

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A. Scott Andrews, Chair  
VRS Board of Trustees

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Date



## June 30, 2023 Annual Actuarial Valuation Results

**Presented by: Becky Stouffer, ASA, MAAA, FCA and  
Jim Anderson, FSA, EA, MAAA, FCA**



# Agenda

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- Big Picture
- Highlights of Pension Valuations
- Highlights of OPEB Valuations
- Appendix





**BIG PICTURE**

# **PENSION and Other Post Employment Benefits (OPEB)**



# Big Picture – November Meeting Content

Pension	Other Post-Employment Benefits (OPEB)
Political Subdivisions	Health Insurance Credit (HIC) <ul style="list-style-type: none"><li>• Political Subdivisions</li><li>• Constitutional Officers</li><li>• Social Services Employees</li><li>• Registrars</li></ul>
	Virginia Local Disability Program <ul style="list-style-type: none"><li>• Political Subdivisions</li><li>• Teachers</li></ul>
	Line of Duty Act Fund LODA (separate presentation)



# Big Picture: Actuarial Valuation Results

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- June 30, 2023 Actuarial Valuations of VRS Pension and Other Post Employment Benefit (OPEB) plans
  - Measure funding progress as of June 30, 2023
  - Develop contribution rates for FYE 2025 and 2026

Odd year valuations determine contribution rates for 2 years



# Big Picture: General Funding Objectives

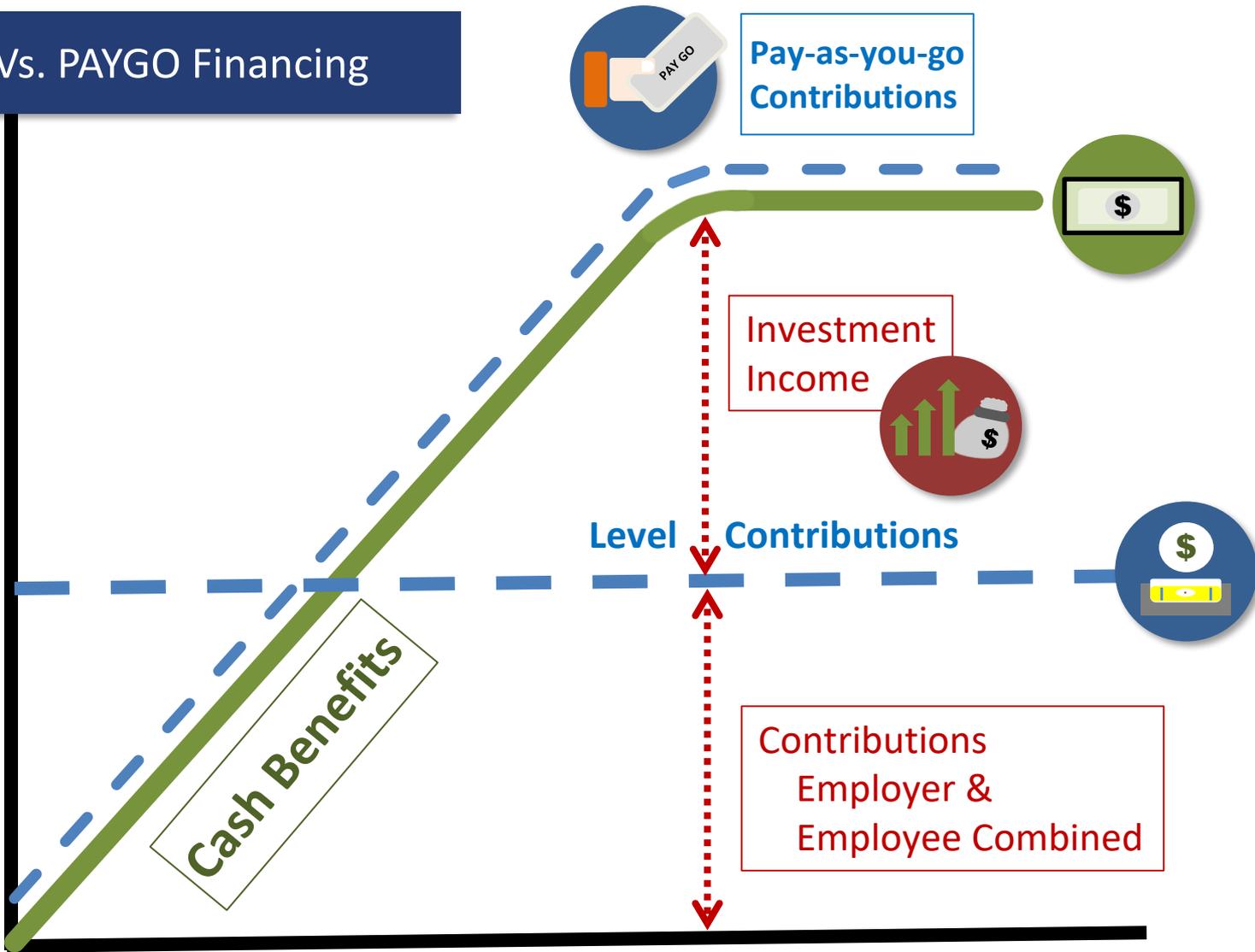
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- Intergenerational equity for plan costs
- Stable or increasing ratio of assets to liabilities
- Stable pattern of contribution rates

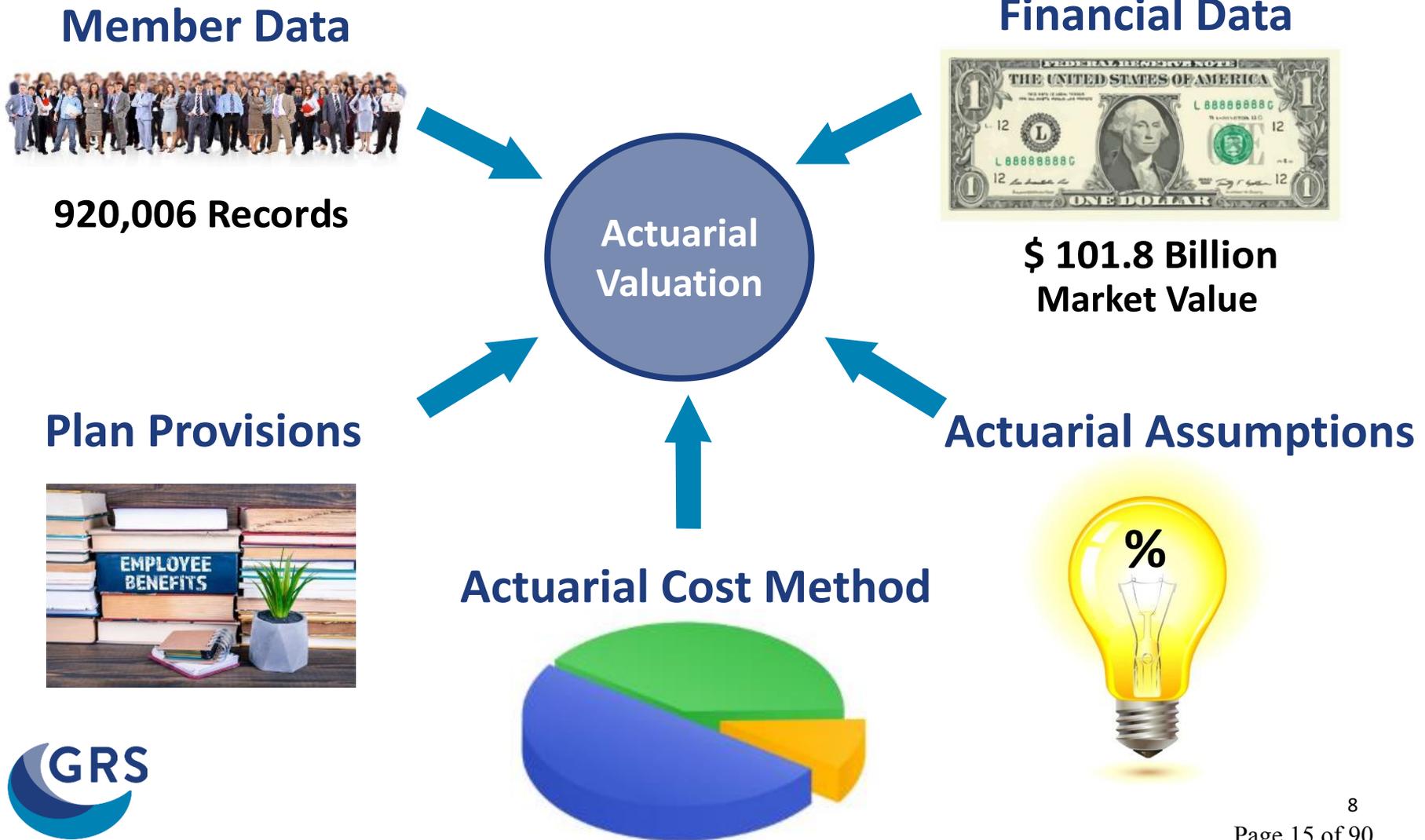


# Pre-funding Vs. PAYGO Financing

% of Active Employee Pays



# Actuarial Valuation Process – Statewide Pension and Political Subdivisions



Three spotlights are positioned at the top of the frame, casting beams of light onto a white podium on a stage. The background is a solid blue color.

# **JUNE 30, 2023**

# **VALUATION RESULTS HIGHLIGHTS**

# Active Participants at June 30, 2023 (Pension)

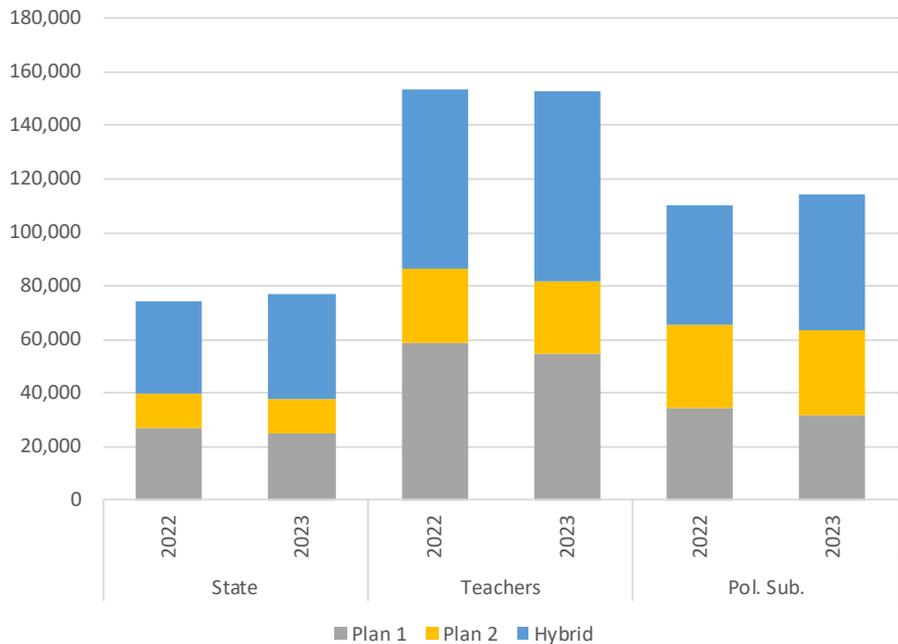
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System	Plan 1	Plan 2	Hybrid	Total 2023	Total 2022	Percent Change
State	24,764	12,620	39,492	76,876	74,048	3.8%
Teachers	54,810	26,797	71,500	153,107	153,356	-0.2%
SPORS	922	960	-	1,882	1,885	-0.2%
VaLORS	1,843	5,635	-	7,478	7,289	2.6%
JRS	136	42	280	458	461	-0.7%
Pol. Sub.	31,784	31,367	51,128	114,279	109,906	4.0%
Total	114,259	77,421	162,400	354,080	346,945	2.1%

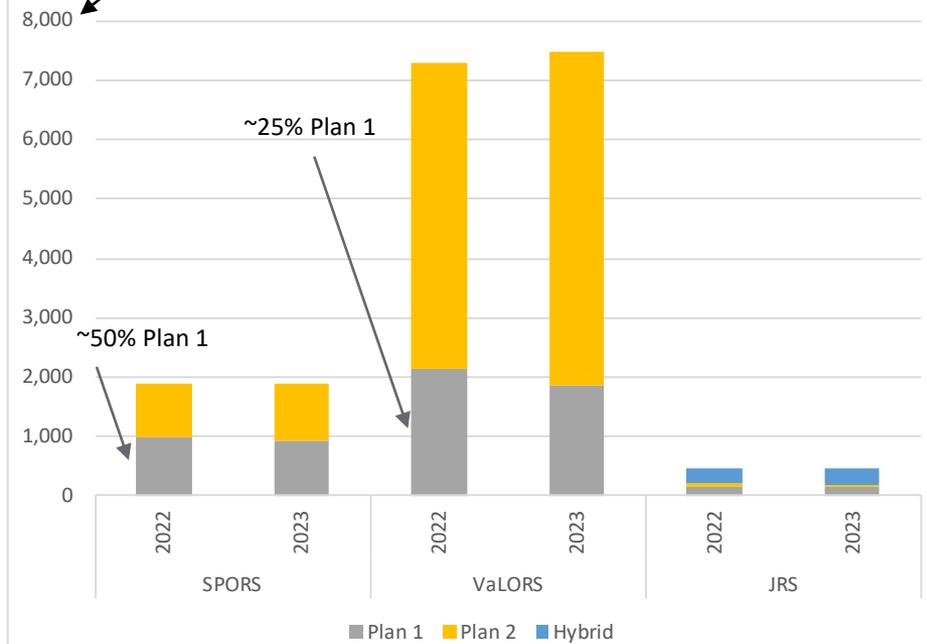


# Active Participants at June 30, 2023 - Scale for Large Plans = 22X Scale for Small Plans

Pension Plans - Active Count



Pension Plans - Active Count



Counts			
System	State	Teachers	Pol. Sub.
2022	74,048	153,356	109,906
2023	76,876	153,107	114,279
% Change	3.8%	-0.2%	4.0%

Counts			
System	SPORS	VaLORS	JRS
2022	1,885	7,289	461
2023	1,882	7,478	458
% Change	-0.2%	2.6%	-0.7%

**In Total  
Approx. 1/3  
Remain in  
Plan 1**



# Actives: Changes in Average Salary

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System	2022	2023	Percent Change
State	\$ 66,799	\$ 70,880	6.1%
Teachers	60,405	63,137	4.5%
SPORS	84,463	89,591	6.1%
VaLORS	51,103	53,238	4.2%
JRS	175,152	192,994	10.2%
Pol. Sub.	55,699	59,173	6.2%

Notes:

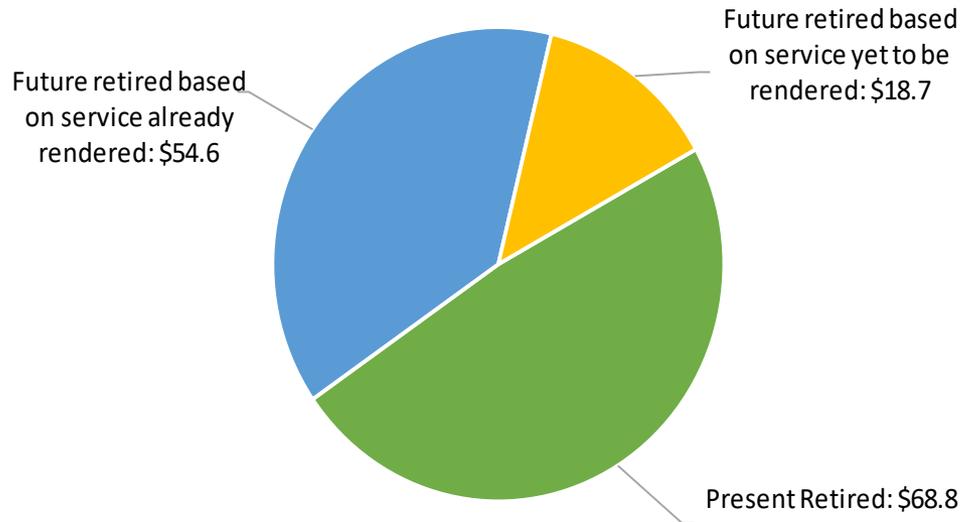
- 1) Return to Work (RTW) Payroll for 39 School Security Officers and Teachers = \$2 million
- 2) Political Subdivisions had 8 RTW (across 5 employers) with a total payroll of \$190k



# \$149.7 Billion\* of Benefit Promises to Present Active and Inactive Members

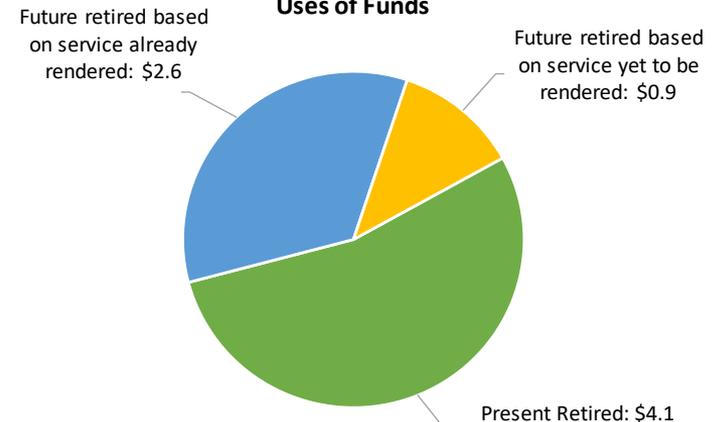
## PENSION: \$142.1 Billion

Uses of Funds



## OPEB\* (GLI+HIC): \$7.6 Billion

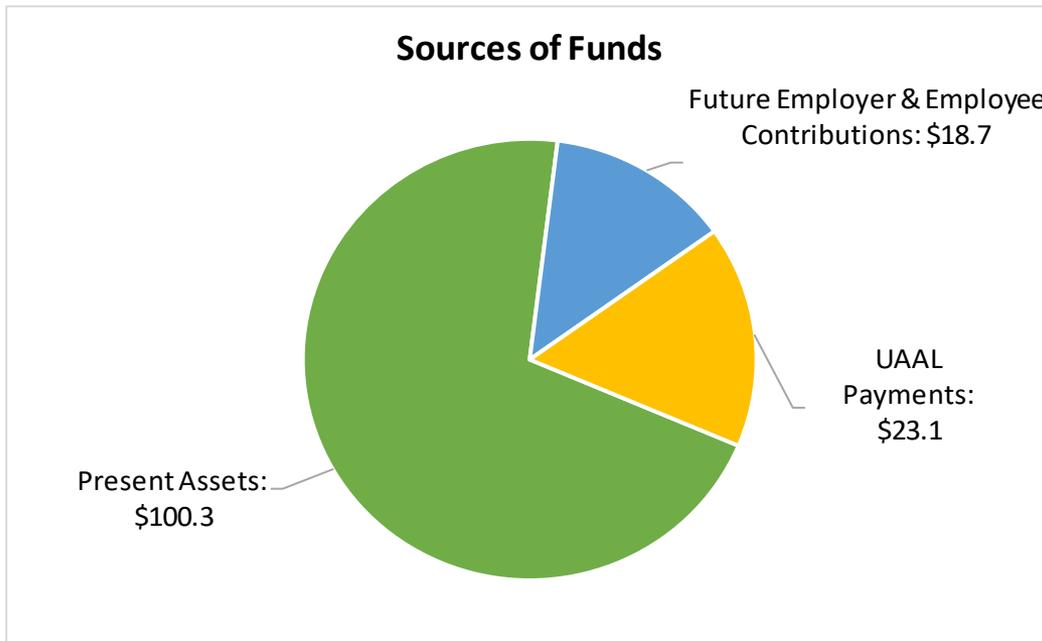
Uses of Funds



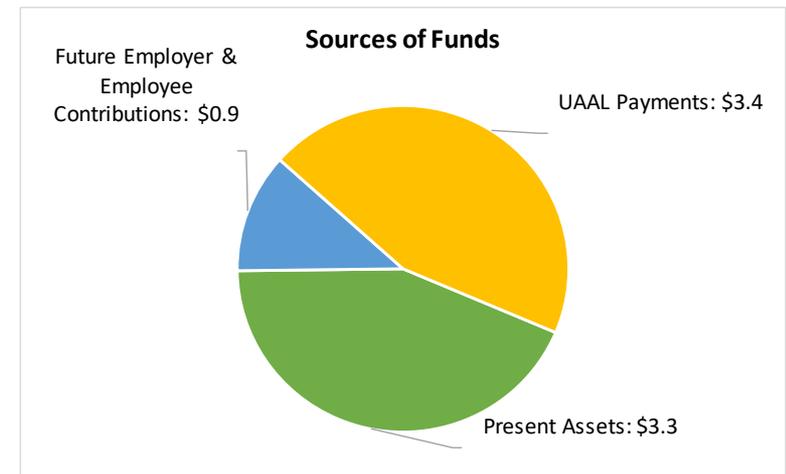
\* Excludes VS(L)DP & LODA

# Sources of Funds for Financing \$149.7 Billion of Benefit Promises to All Employees

## PENSION: \$142.1 Billion



## OPEB<sup>^</sup> (GLI+HIC): \$7.6 Billion



\*Unfunded Actuarial Accrued Liability

<sup>^</sup> Excludes VS(L)DP & LODA



# VRS Additional Funding Provisions – OPEB

- Additional \$93+ million contributed from the General Fund to the Trust in June 2022 & 2023

OPEB Group	Add'l Contrib. 2022	Add'l Contrib. 2023	Total Additional 2022-2023	Funded Status Impact	Contrib. Rate Impact
HIC: State	\$8,522,746	\$27,159,085	\$35,681,831	+3.60%	-0.04%
HIC: Teachers	\$12,013,013	\$4,004,338	\$16,017,351	+1.14%	-0.01%
GLI	\$30,438,378	\$10,146,126	\$40,584,504	+1.13%	-0.01%
HIC: C. Off.	\$275,975	\$91,992	\$367,967	+1.14%	-0.01%
HIC: S. Svcs.	\$121,754	\$1,031,416	\$1,153,170	+8.01%	-0.04%
HIC: Regis.	\$6,494	\$2,165	\$8,659	+1.64%	-0.00%
<b>TOTAL</b>	<b>\$51,378,360</b>	<b>\$42,435,122</b>	<b>\$93,813,482</b>	<b>+1.15%</b>	<b>-0.01%</b>



Important to get additional funds into OPEB Plans when possible

# Actuarial Value Assets 2023: 6.1% MVA Return Political Subdivisions Pension – \$ Millions

	2023	2024	2025	2026	2027
Actual Investment Return	1,678				
Assumed Investment Return	1,744				
Gain/(Loss) to be Phased-in	(66)				
Phased-in Recognition					
-Current year	(13)	?	?	?	?
-1 <sup>st</sup> prior year	(360)	(13)	?	?	?
-2 <sup>nd</sup> prior year	872	(360)	(13)	?	?
-3 <sup>rd</sup> prior year	(203)	872	(360)	(13)	?
-4 <sup>th</sup> prior year	(12)	(203)	872	(360)	(13)
Total Recognized Gain/(Loss)	284	296	499	(373)	(13)

**2024-2027: Expect \$0.4 billion in deferred asset GAINS**



# Why We Smooth Asset Returns

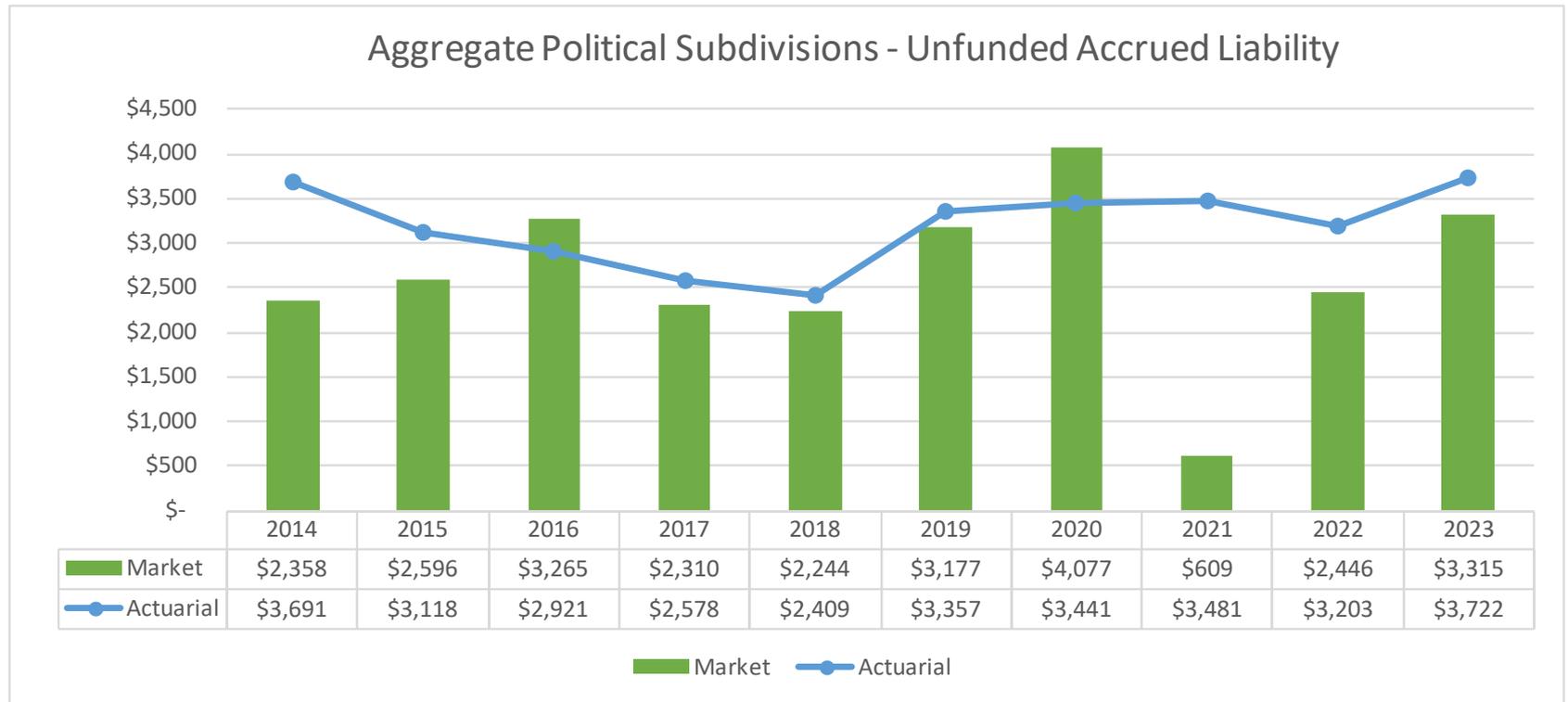
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## *VRS Code Section 51.1-145:*

- *The total annual defined benefit employer contribution for each employer, expressed as a percentage of the annual membership payroll, shall be determined in a manner so as to remain relatively level from year to year.*



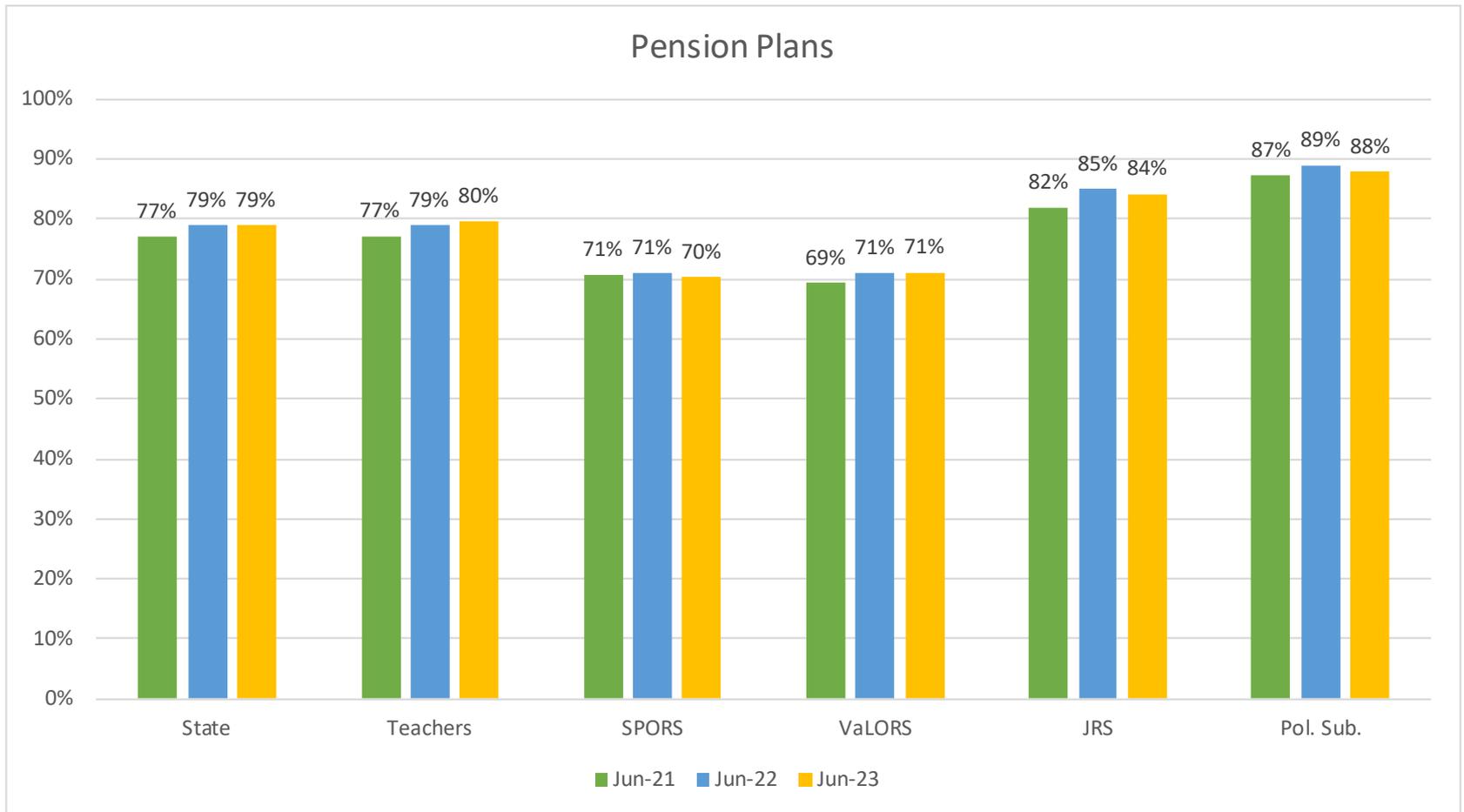
# Why We Smooth Asset Returns



If all assumptions are met, unfunded liabilities will trend to Market Value basis over time



# Funded Status (AVA) – Pension Plans



# Funded Status (AVA) – Pension Plans, Political Subdivisions

Funded Status as of June 30, 2023 for 600 Employers

Average Funded Status

**95.9%**

Pol. Sub. With no Enhanced Hazardous Duty

Average Funded Status

**86.0%**

Pol. Sub. With Enhanced Hazardous Duty

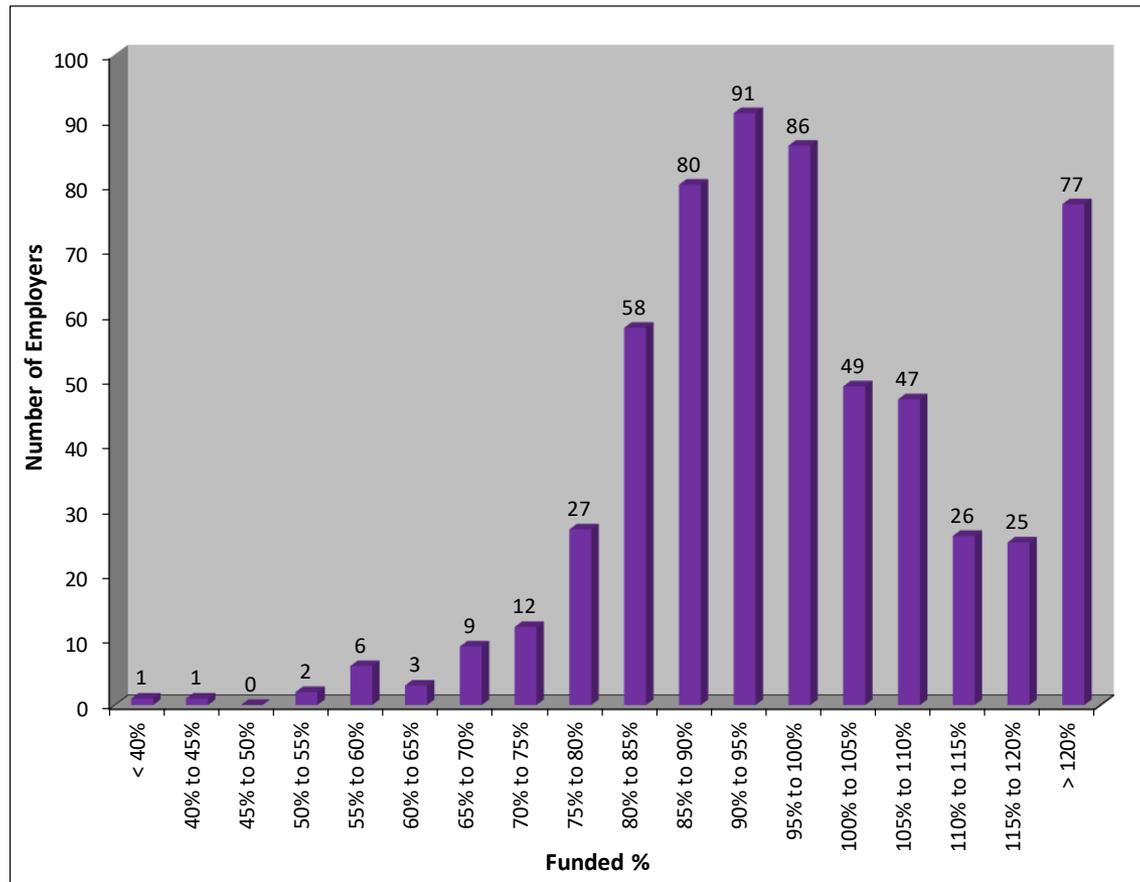


Chart shows Funded status distribution, 34 employers <75% to 224 employers > 100%

The chart above shows 600 employers; employers with 0 actives are excluded.



# Calculated Employer Contributions

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- Will vary significantly for System, Plan and Employer based on:

Benefit Features

Demographics

Funded Status



- Two Main Components:

Normal Cost – this represents the cost of the current year benefit earned by each active member

Amortization of Unfunded Liability – uses a systematic method (funding policy) to pay off the unfunded liability for each employer

# Legislative Updates

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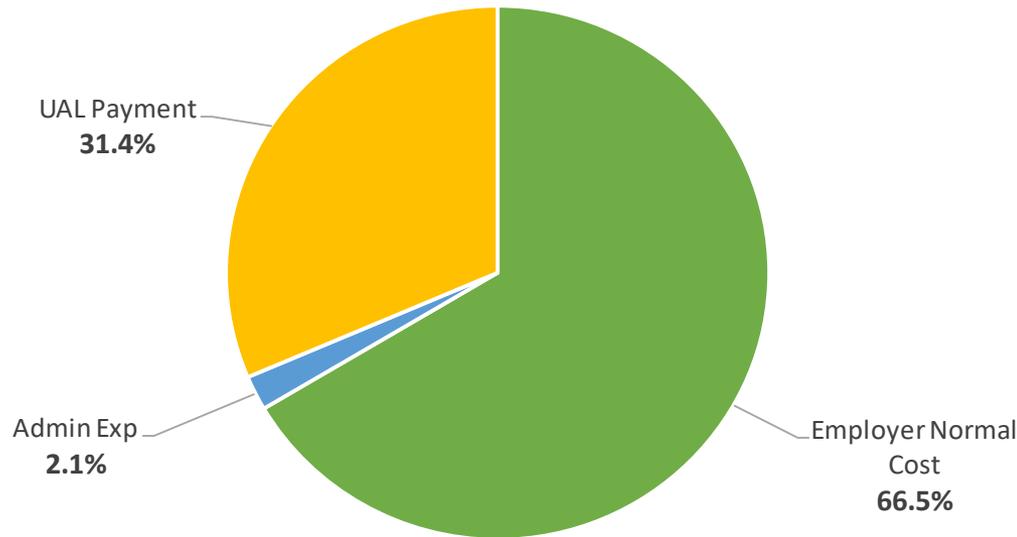
- HB 473 and SB 70 separate the employer contribution into Defined Benefit and Defined Contribution components effective for contribution rates beginning July 1, 2024
- HB 1630, SB 1289, SB 1479: Return to work
  - Required break in service reduced from 12 to 6 months for certain groups
  - Specifies that the employer shall include such employees' compensation in membership payroll for purposes of the employer contributions to VRS



Note: Political Subdivisions had 8 RTW (across 5 employers)

# Calculated Pension Contributions – Political Subdivisions Average Employer

Political Subdivision Employer Rate



Normal Cost ultimately decreases to Plan 2/Hybrid level

Component	% of Pay
Employer NC	8.14%
Admin Exp	0.26%
UAL Payment	3.85%
Total:	12.25%

Note: 31.4% of aggregate Political Sub. Contribution is for UAL payment – vs. ~50% for Statewide pension plans (other than JRS)



# Contribution Alternative Approved in October

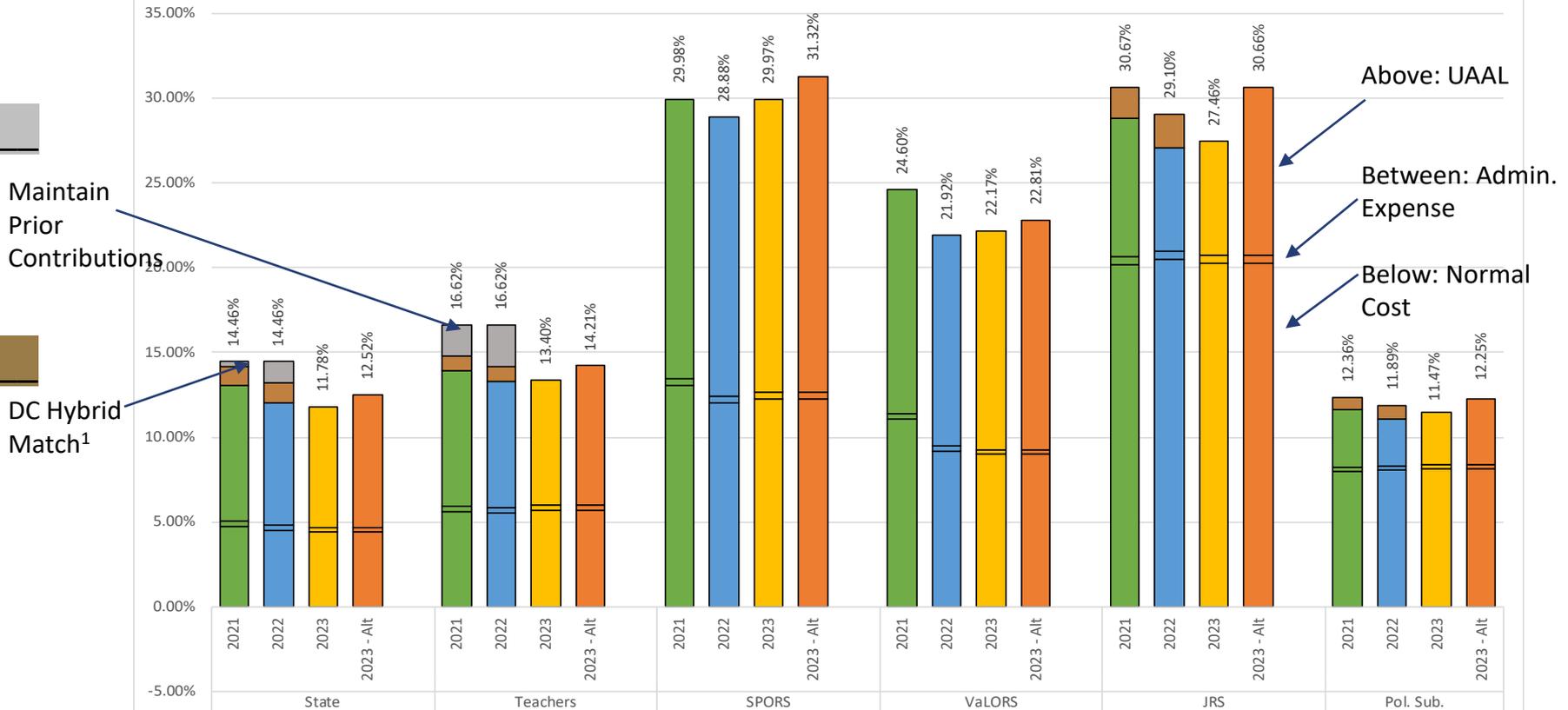
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- Amortize June 30, 2023 Unfunded Liabilities over a refreshed 20 year period
  - Add new amortization layers at June 30, 2024, 2025, 2026, etc
- Alternative amortization schedule slightly increases Statewide contribution rates in the short term but moderates rates in the long term and saves money over time
  - Impact on Political Subdivisions similar but varies by individual plan



# Actuarially Determined Employer Contribution Rates – Pension Plans

Pension Plans - Contribution Composition



	State				Teachers				SPORS				VaLORS				JRS				Pol. Sub.			
	2021	2022	2023	2023 - Alt	2021	2022	2023	2023 - Alt	2021	2022	2023	2023 - Alt	2021	2022	2023	2023 - Alt	2021	2022	2023	2023 - Alt	2021	2022	2023	2023 - Alt
Normal Cost*	5.05%	4.77%	4.65%	4.65%	5.91%	5.82%	5.96%	5.96%	13.43%	12.45%	12.64%	12.64%	11.38%	9.49%	9.27%	9.27%	20.67%	20.98%	20.74%	20.74%	8.23%	8.30%	8.40%	8.40%
Accrued Liability	8.02%	7.28%	7.13%	7.87%	8.04%	7.45%	7.44%	8.25%	16.55%	16.43%	17.33%	18.68%	13.22%	12.43%	12.90%	13.54%	8.14%	6.13%	6.72%	9.92%	3.39%	2.77%	3.07%	3.85%
Total DB Portion	13.07%	12.05%	11.78%	12.52%	13.95%	13.27%	13.40%	14.21%	29.98%	28.88%	29.97%	31.32%	24.60%	21.92%	22.17%	22.81%	28.81%	27.11%	27.46%	30.66%	11.62%	11.07%	11.47%	12.25%



\* Includes Administrative Expense

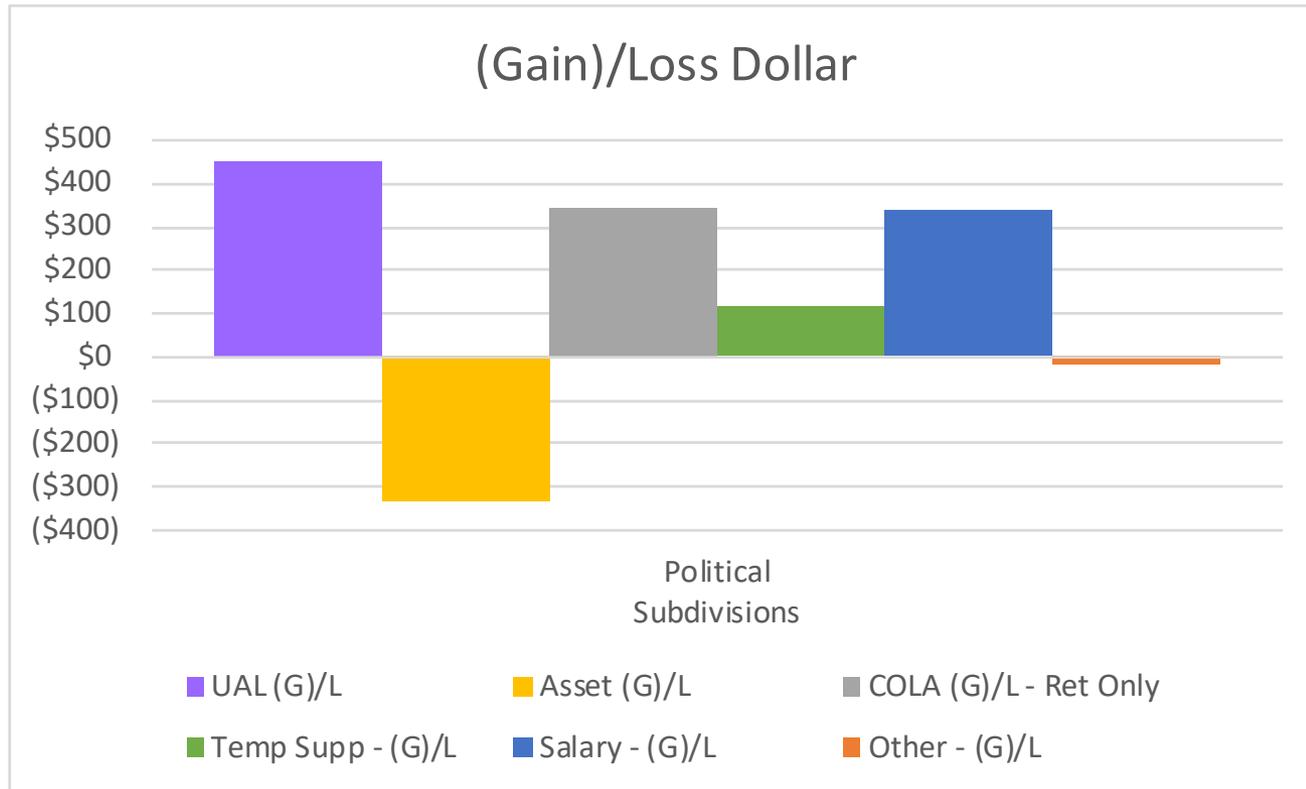
<sup>1</sup> Hybrid DC Match decoupled beginning 2023

# Experience 2022-2023: Pension Plans (in \$millions)

	State	Teachers	SPORS	VaLORS	JRS	Pol. Sub.
UAL Last Valuation	\$ 5,861.3	\$ 11,792.1	\$ 416.6	\$ 718.0	\$ 110.9	\$ 3,202.7
Prior Year (PY) Normal Cost	488.8	1,024.6	28.8	56.5	21.9	854.1
Actual PY Contributions	(903.1)	(2,013.4)	(54.2)	(108.2)	(27.6)	(1,023.4)
Extra Contributions	(73.1)	(147.5)	(3.7)	(6.6)	(2.1)	-
Interest	395.7	792.2	28.1	48.4	8.0	239.3
Expected UAL	5,769.6	11,447.9	415.6	708.2	111.0	3,272.6
UAL This Valuation	6,128.6	11,950.8	450.0	770.2	125.2	3,722.4
<b>Total (Gain)/Loss</b>	<b>\$ 359.0</b>	<b>\$ 502.9</b>	<b>\$ 34.4</b>	<b>\$ 62.0</b>	<b>\$ 14.2</b>	<b>\$ 449.8</b>
- Asset (Gain)/Loss	\$ (288.0)	\$ (552.2)	\$ (12.9)	\$ (22.8)	\$ (8.4)	\$ (334.2)
- Liability (Gain)/Loss	\$ 647.0	\$ 1,055.1	\$ 47.3	\$ 84.8	\$ 22.6	\$ 784.0



# Political Subdivisions Pension: (Gain)/Loss (\$Millions)

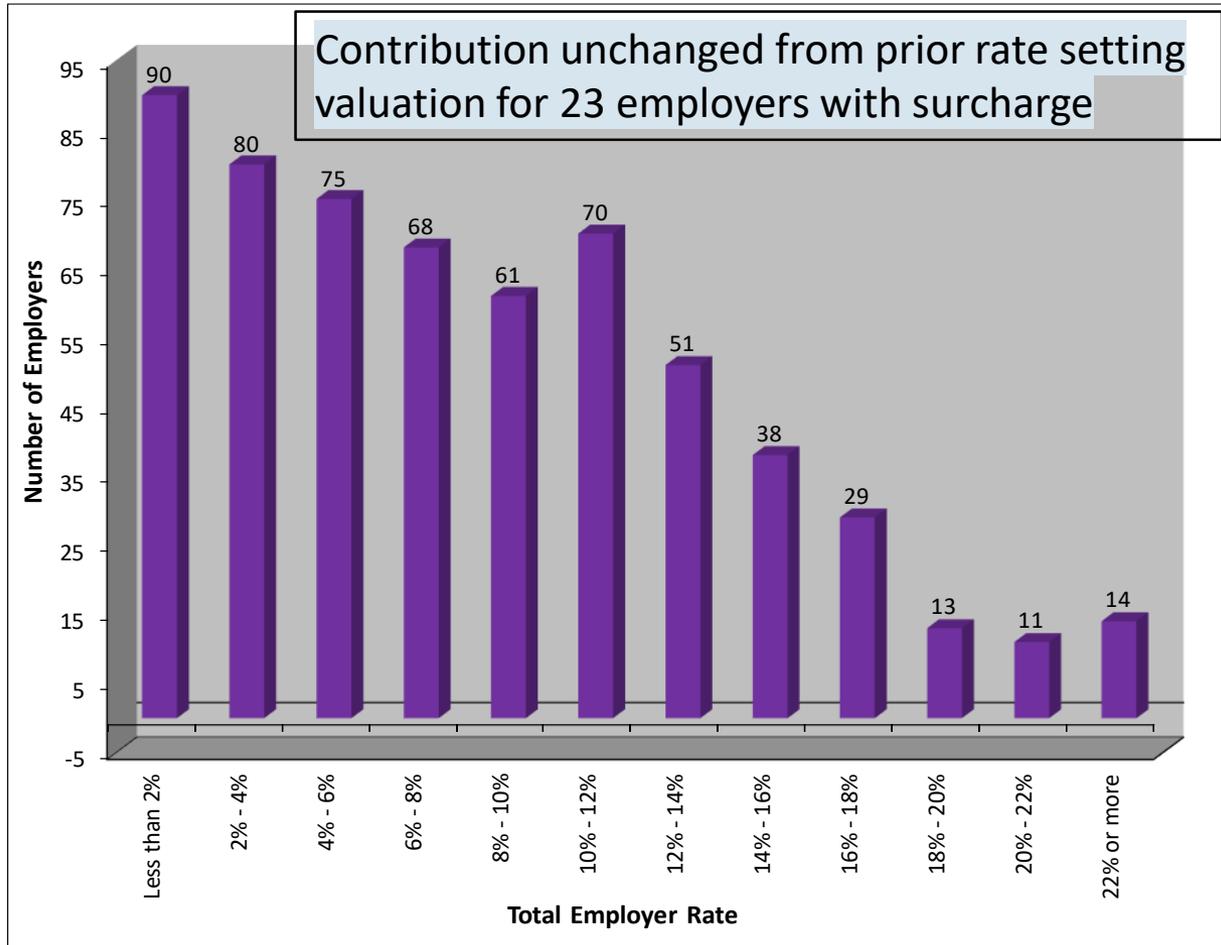


Other – (G)/L includes benefit change and new employer impacts



# Actuarially Determined Employer Contribution (ADEC) Rates – Political Subdivisions Pension

ADEC Rate as of June 30, 2023 for 600 Employers



Average  
ADEC Rate

**5.58%**

Pol. Sub. With  
no Enhanced  
Hazardous Duty

Average  
ADEC Rate

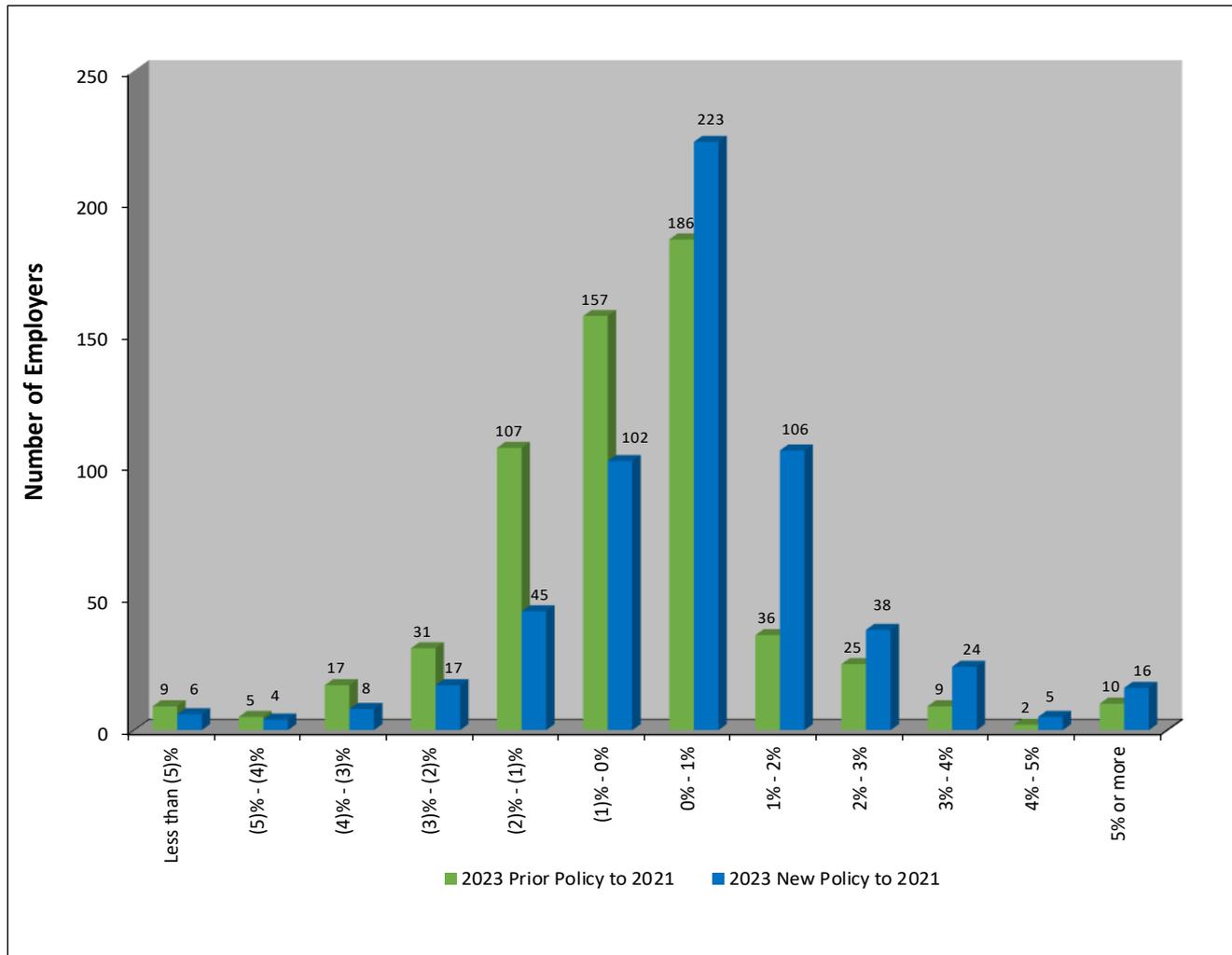
**14.34%**

Pol. Sub. With  
Enhanced  
Hazardous Duty



The chart above shows 600 employers; employers with 0 actives are excluded.

# Change In ADEC Rates – Political Subdivisions Pension



The chart above shows 594 employers; new employers and employers with 0 actives are excluded.



# Political Subdivisions: Pension Results Commentary

---

- Liability changes
  - 2 New Political Subdivisions for Pension
  - 23 Employers have surcharge
    - 10 Employers had surcharge in 2021 valuation
  - No Employers have additional funding charge
  - Changes in coverage
  - Salary, Temporary Supplement, and COLA experience

# Pension Results Commentary

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- Demographic changes vary by employer
  - Active population up for Political Subdivisions in total
    - 10 Employers account for 50% of the increase in total active population counts

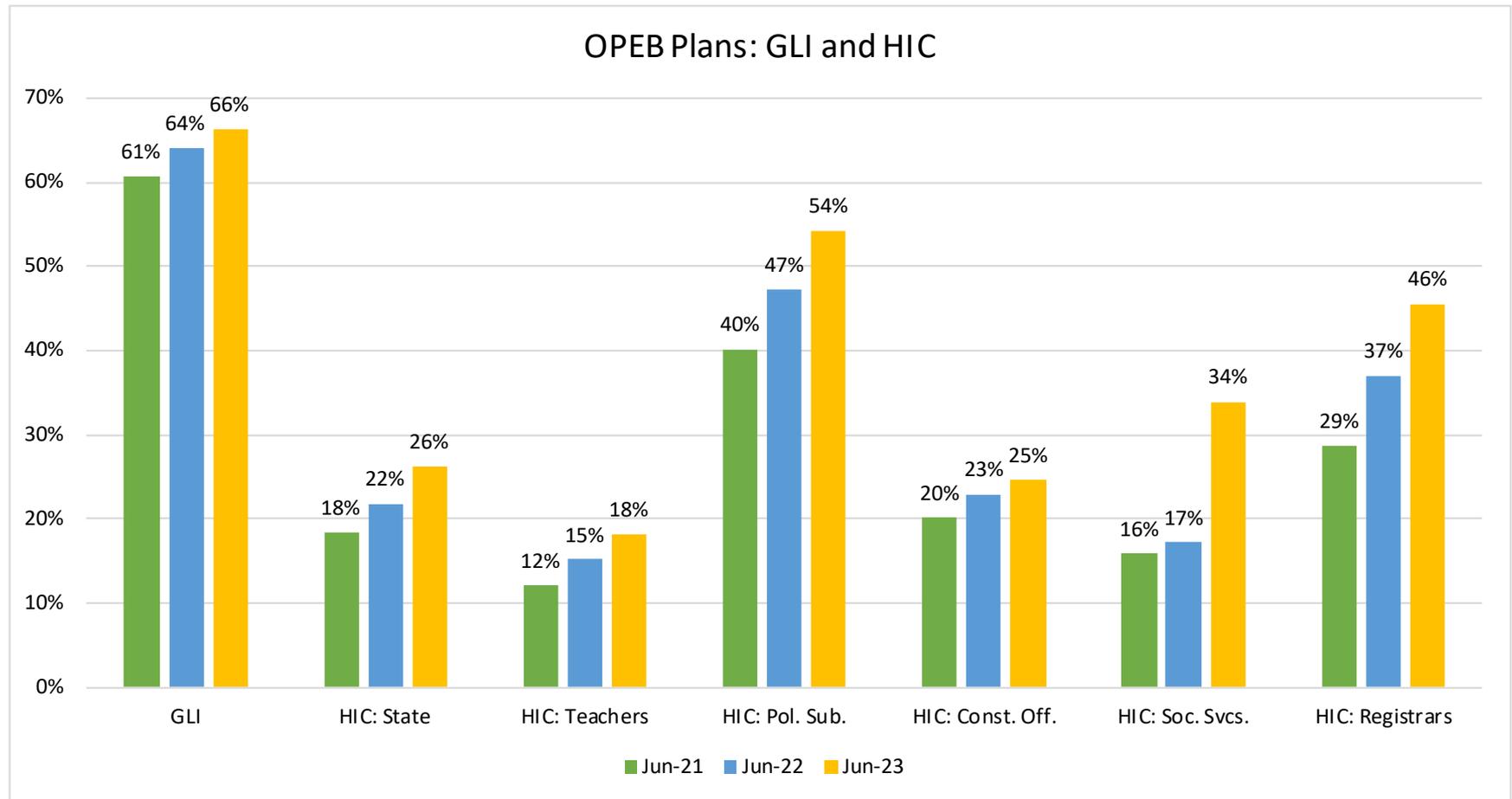
# OPEB: HIC Legislative Changes

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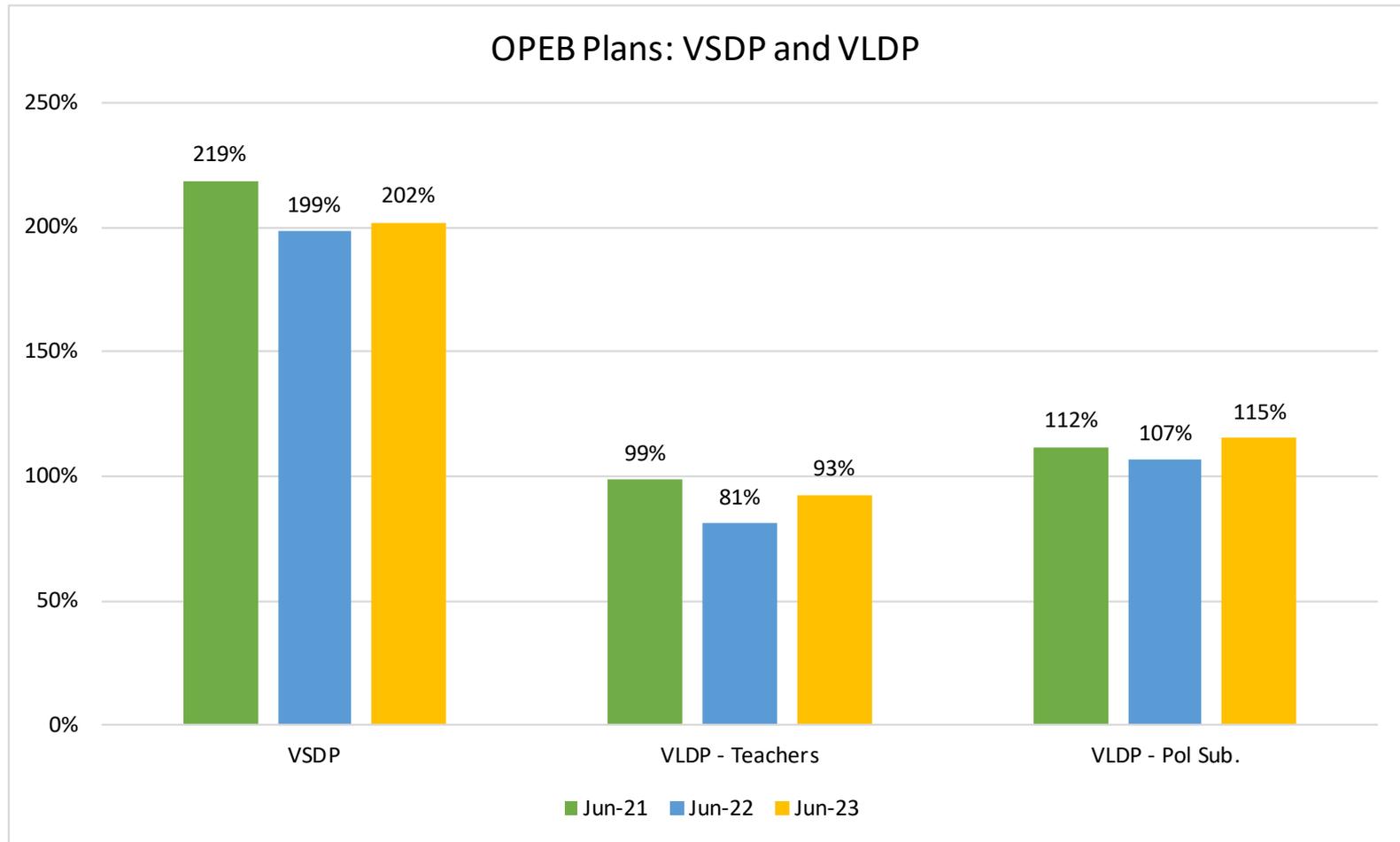
- Increases the amount of monthly health insurance credits for certain retirees beginning July 1, 2024

Retired Group	Monthly Credit Increase	Maximum
Constitutional Officers	\$1.50 to \$1.75	\$52.50
State Employees	\$4.00 to \$4.25	No change

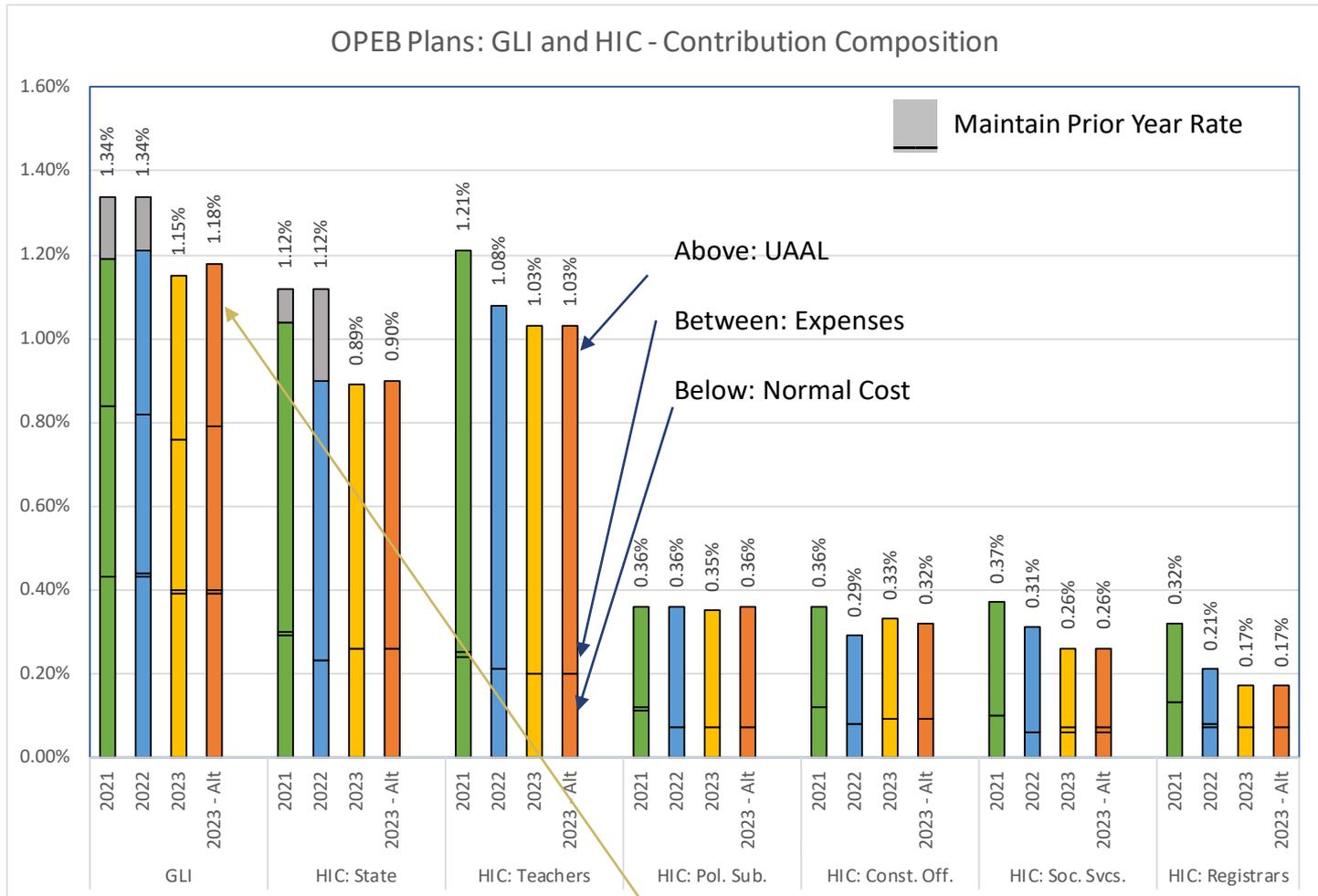
# Funded Status (AVA) – OPEB Plans



# Funded Status (AVA) – OPEB Plans



# Actuarially Determined Employer Contribution Rates – OPEB Plans

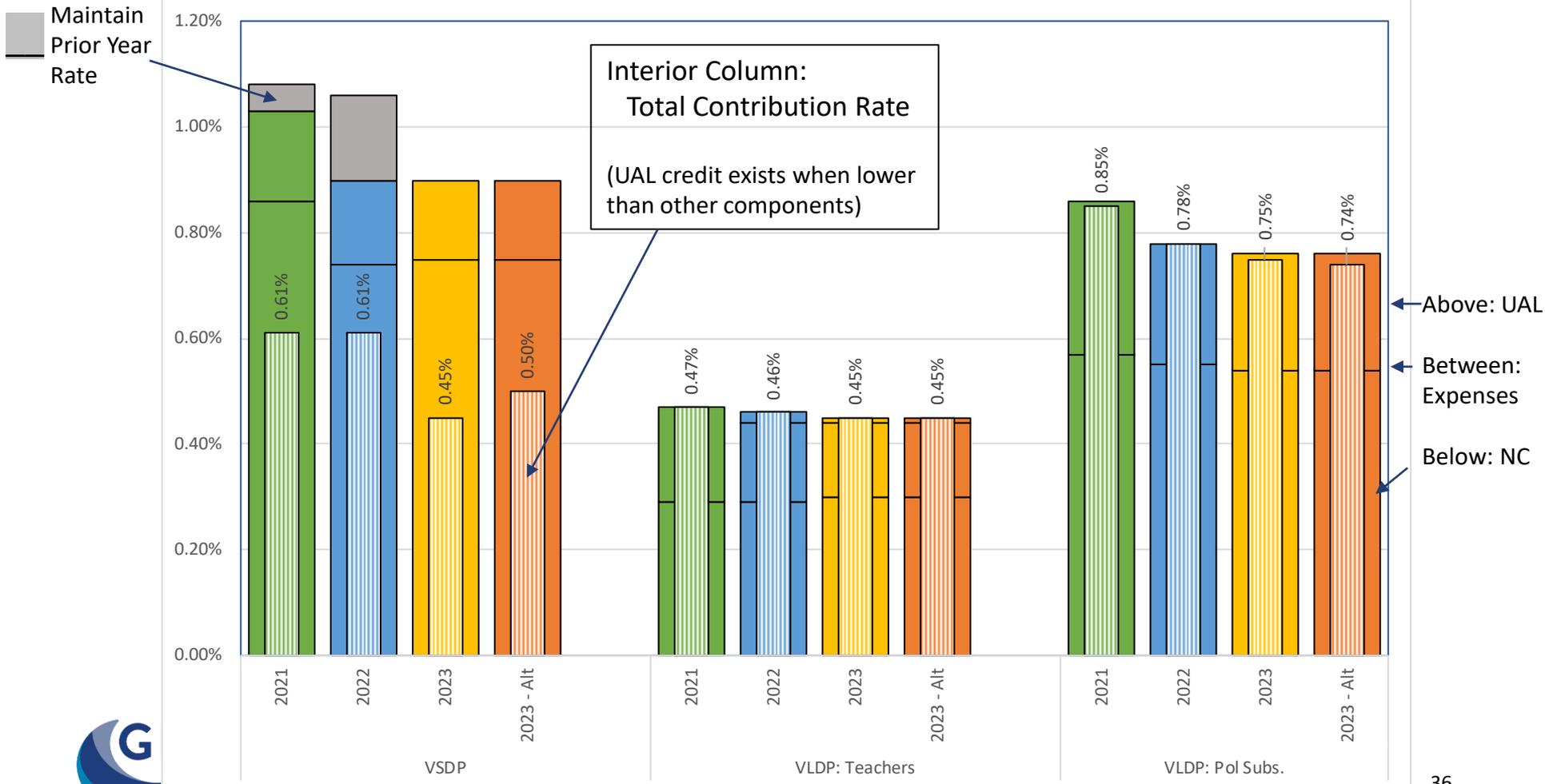


Note top 1/3 of GLI rate reflects active Life Insurance contribution



# Actuarially Determined Employer Contribution Rates – OPEB Plans

OPEB Plans: VSDP and VLDP - Contribution Composition



# Experience 2022-2023: OPEB – GLI & HIC (in \$millions)

	GLI	HIC: State	HIC: Teachers	HIC: Locals	HIC: Const. Off.	HIC: Soc. Svcs.	HIC: Registrars
UAL Last Valuation	\$ 1,349.0	\$ 802.2	\$ 1,237.0	\$ 39.7	\$ 25.6	\$ 12.3	\$ 0.3
Prior Year (PY) Normal Cost	88.5	17.1	18.2	1.1	0.6	0.2	-
Actual PY ER Contributions	(235.5)	(92.0)	(120.3)	(6.7)	(3.1)	(1.9)	(0.1)
Extra Contributions	(10.1)	(27.2)	(4.0)	0.2	(0.2)	(1.1)	-
Interest	157.9	100.1	101.0	3.0	2.6	2.8	0.1
Expected UAL	1,349.8	800.2	1,231.9	37.3	25.5	12.3	0.3
UAL This Valuation	1,357.7	797.4	1,196.3	33.9	30.0	10.0	0.3
<b>Total (Gain)/Loss</b>	<b>7.9</b>	<b>(2.8)</b>	<b>(35.6)</b>	<b>(3.4)</b>	<b>4.5</b>	<b>(2.3)</b>	<b>-</b>
-- Asset (Gain)/Loss	(102.3)	(49.1)	(21.1)	(0.2)	(1.3)	(2.5)	-
-- Plan Change (Gain)/Loss	-	68.3	-	-	6.0	-	-
-- Liability (Gain)/Loss	110.2	(22.1)	(14.5)	(3.3)	(0.3)	0.2	-



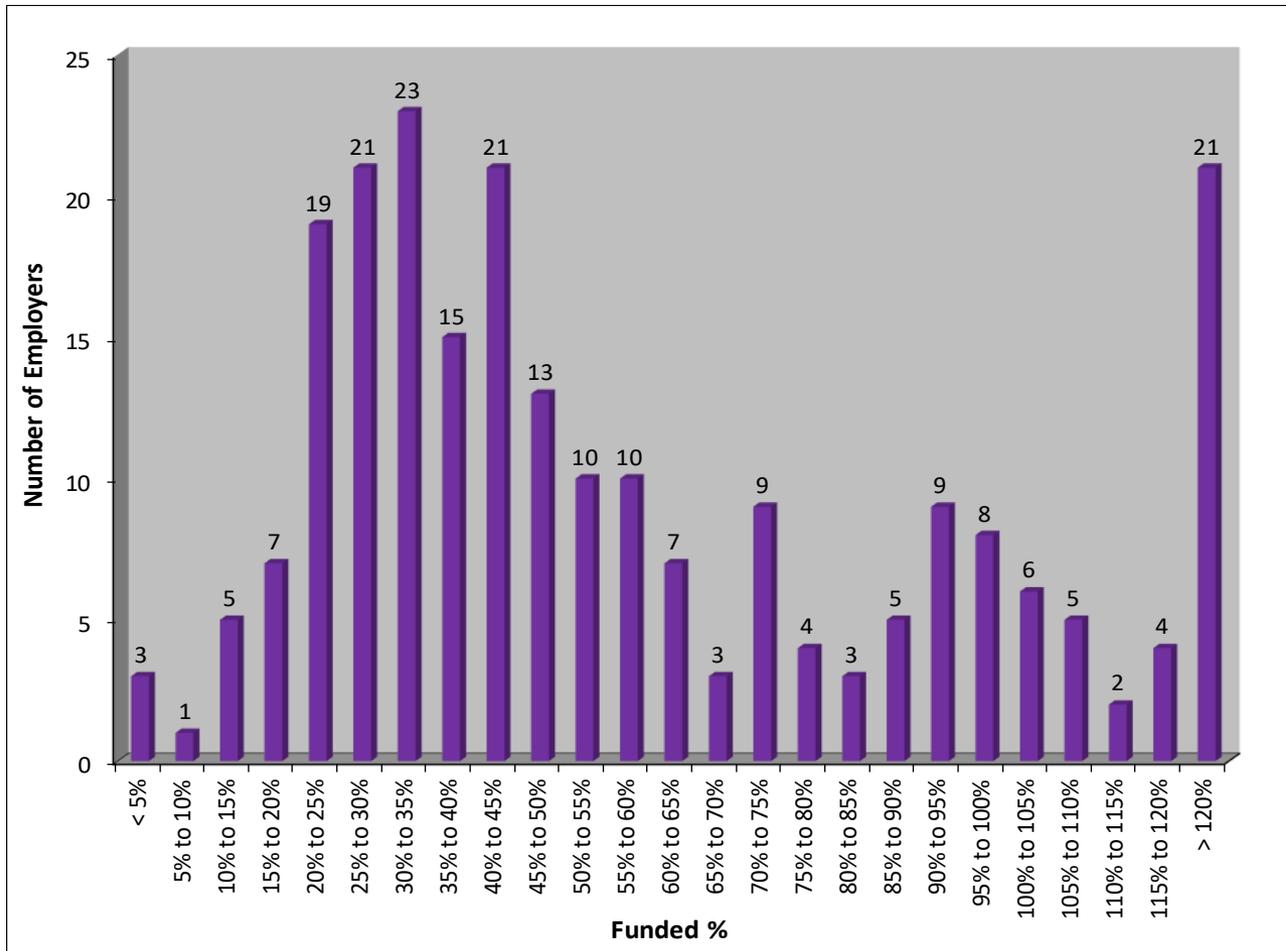
# Experience 2022-2023: OPEB – VSDP & VLDP (in \$millions)

	VSDP	VLDP Teachers	VLDP Locals
UAL Last Valuation	\$ (291.2)	\$ 1.7	\$ (0.5)
Prior Year (PY) Normal Cost	33.3	1.9	2.6
Actual PY ER Contributions	(24.1)	(3.1)	(3.7)
Extra Contributions	-	-	-
Interest	(5.8)	1.2	1.1
Expected UAL	(287.8)	1.7	(0.5)
UAL This Valuation	(316.5)	0.8	(1.5)
<b>Total (Gain)/Loss</b>	<b>(28.7)</b>	<b>(0.9)</b>	<b>(1.0)</b>
-- Asset (Gain)/Loss	(19.4)	(1.0)	(1.1)
-- Plan Change (Gain)/Loss	-	-	-
-- Liability (Gain)/Loss	(9.3)	0.1	0.1



# Funded Status – OPEB HIC Political Subdivisions

Funded Status as of June 30, 2023 for 234 Employers

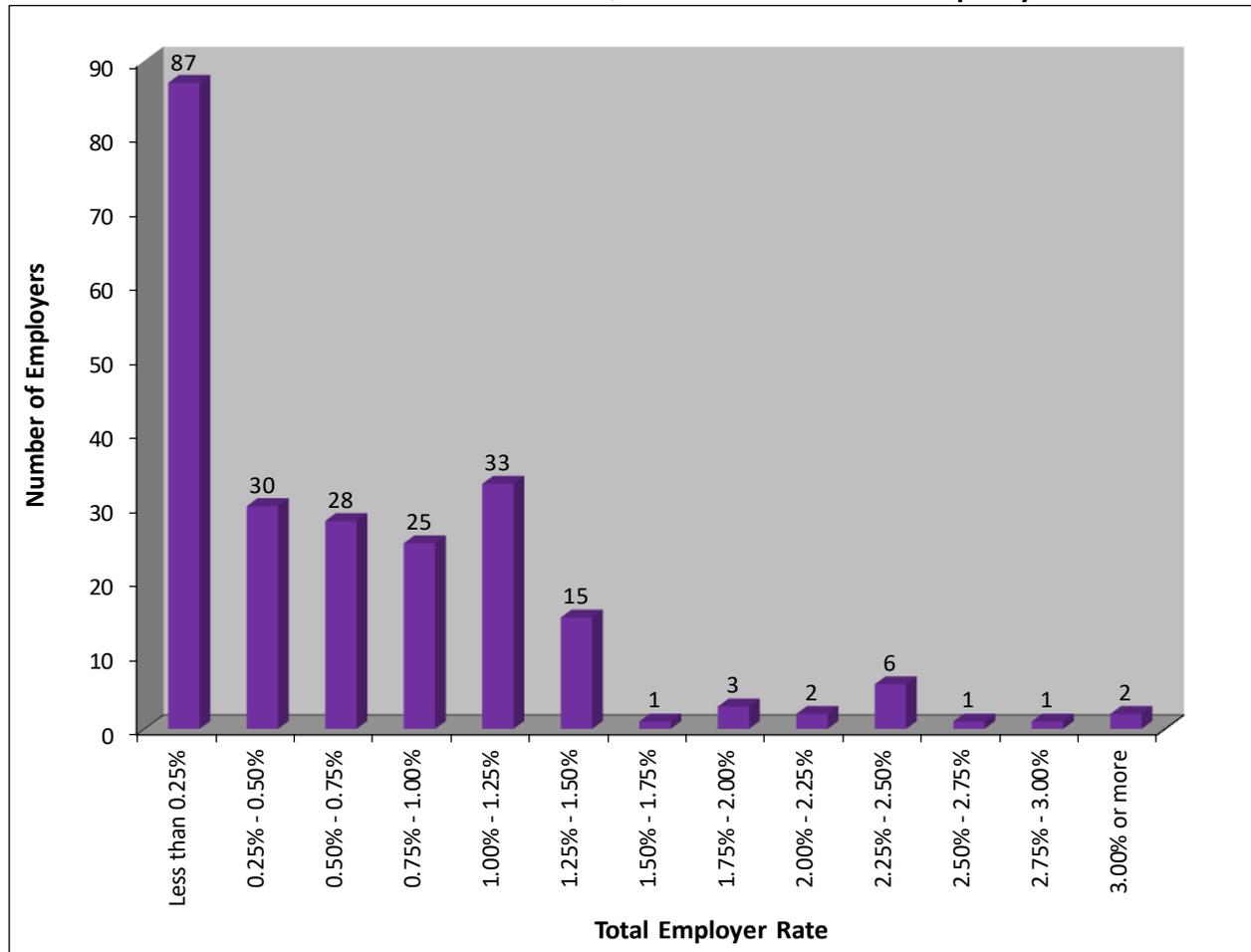


The chart above shows 234 employers; employers with 0 actives are excluded.



# Actuarially Determined Employer Contribution (ADEC) Rates – OPEB HIC Political Subdivisions

ADEC Rate as of June 30, 2023 for 234 Employers



Contribution unchanged from prior rate setting valuation for 160 employers with surcharge

# OPEB Results Commentary: HIC Political Subdivisions

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- Employers with additional funding charge or surcharge

	2023	2021
Additional Funding Charge	3	13
Surcharge	160	62

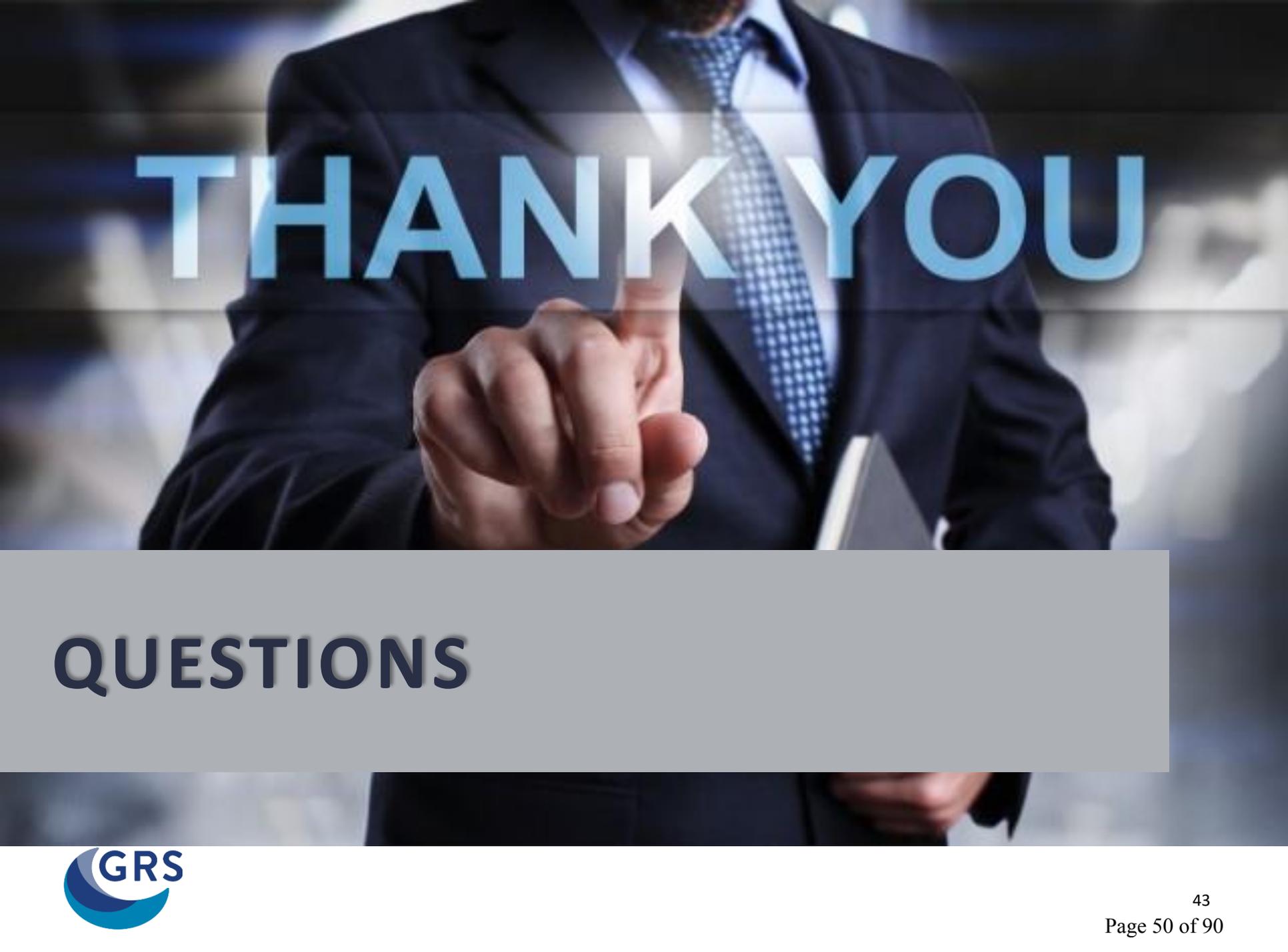
# Conclusion

## 1. Maintained Funded Status on Actuarial Asset Basis

- Despite lower than expected returns for fiscal years 2022-2023, recognition of prior asset gains resulted in small gains

## 2. Contributions

- Pension & OPEB rates are mostly consistent with last year
  - Statewide generally slightly lower rates than those currently being paid
  - Locals generally slightly higher rates than those currently being paid due to experience: salaries, COLA, supplement (where applicable)
- DC Hybrid estimates have been decoupled from the DB rates for State, Teachers JRS and Political Subdivisions
- Alternative amortization schedule slightly increases rates in the short term but moderates rates in the long term and saves money over time



# THANK YOU

## QUESTIONS



# APPENDIX



# Changes in Coverage Since Last Valuation (Pension)

Employer	Description of Change
Accomack County (55100)	Increase Enhanced Hazardous Duty multiplier to 1.85%
Caroline County (55116)	Increase Enhanced Hazardous Duty multiplier to 1.85%
Essex County (55128)	Enhanced Hazardous Duty for Fire
Grayson County (55138)	Enhanced Hazardous Duty for EMT
Mecklenburg County (55158)	Enhanced Hazardous Duty for EMT
Northampton County (55165)	Increase Enhanced Hazardous Duty multiplier to 1.85%
Rockingham County (55182)	Increase Enhanced Hazardous Duty multiplier to 1.85%
City of Hampton (55207)	Enhanced Hazardous Duty for EMT
City of Harrisonburg (55208)	Enhanced Hazardous Duty for EMT
City of Suffolk (5522)	Enhanced Hazardous Duty for EMT
City of Norton (55235)	Enhanced Hazardous Duty for Fire



EMT – Emergency Medical Technician; LEOs – Law Enforcement Officers

# Changes in Coverage Since Last Valuation (Pension)

Employer	Description of Change
Town of Rural Retreat (55243)	Add Enhanced Hazardous Duty for LEOs with 1.85% multiplier
Town of Blacksburg (55340)	Enhanced Hazardous Duty for EMT
Town of Middleburg (55361)	Increase Enhanced Hazardous Duty multiplier to 1.85%
Town of Louisa (55384)	Increase Enhanced Hazardous Duty multiplier to 1.85%
Town of Shenandoah (55393)	Add Enhanced Hazardous Duty for LEOs with 1.85% multiplier
Town of Gate City (55394)	Add Enhanced Hazardous Duty for LEOs with 1.85% multiplier
Colonial Heights City Schools (55625)	Add Transportation Employees
Peumansend Creek Regional Jail Authority (55858)	Increase Enhanced Hazardous Duty multiplier to 1.85%



EMT – Emergency Medical Technician; LEOs – Law Enforcement Officers

# New Political Subdivisions Since Last Valuation

(Pension)

Employer	New Employer Contribution Rate
Virginia Dare Soil and Water Conservation District (55852)	2.59%
Rapidan Service Authority (55851)	2.44%

(Health Insurance Credit)

Employer	New Employer Contribution Rate
Northern Neck Soil and Water Conservation District (55853)	0.06%
Potomac and Rappahannock Transportation Commission (55954)	0.11%



# Summary: Pension Plan Contribution Rates

	FY 2023/2024	Informational	FY 2025/2026	FY 2025/2026
	2021 Valuation	2022 Valuation	2023 Valuation	2023 Valuation Alternate
State	14.46%*	13.19%	11.78%	12.52%
Teachers	16.62%*	14.13%	13.40%	14.21%
SPORS	29.98%	28.88%	29.97%	31.32%
VaLORS	24.60%	21.92%	22.17%	22.81%
JRS	30.67%	29.10%	27.46%	30.66%
Pol. Sub (Weighted Avg)	12.36%	11.89%	11.47%	12.25%

\* State and Teachers contribution rates set at 2019 valuation level, increased from 14.13% and 14.76% respectively.

Note: Beginning with 2023 valuation the DC contribution for State, Teachers, JRS, and Political Subdivisions has been decoupled



# Summary: OPEB Contribution Rates

	FY 2023/2024	Informational	FY 2025/2026	FY 2025/2026
	2021 Valuation	2022 Valuation	2023 Valuation	2023 Valuation Alternative
Group Life Insurance	1.34%*	1.21%	1.15%	1.18%
Health Insurance Credit (HIC)				
-- State	1.12%*	0.90%	0.89%	0.90%
-- Teachers	1.21%	1.08%	1.03%	1.03%
-- Pol. Subs.	0.70%	0.68%	0.35%	0.36%
-- Const. Officers	0.36%	0.29%	0.33%	0.32%
-- Social Services EEs	0.37%	0.31%	0.26%	0.26%
-- Registrars	0.32%	0.21%	0.17%	0.17%
VSDP	0.61%*	0.45%	0.45%	0.50%
VLDP				
-- Teachers	0.47%	0.46%	0.45%	0.45%
-- Pol. Subs.	0.85%	0.78%	0.75%	0.74%

\* GLI, HIC-State, and VSDP contribution rates held at 2019 valuation level, computed contribution rate decreased to 1.19%, 1.04%, and 0.56% respectively.



# Summary: Unfunded Pension Plan Liabilities - (\$000)

## Unfunded Liability

### (AVA)

	2022	2023
State	\$ 5,861,321	\$ 6,128,594
Teachers	11,792,090	11,950,840
SPORS	416,642	449,999
VaLORS	718,017	770,210
JRS	110,861	125,232
Pol. Subs.	3,205,143	3,722,410
<b>Total</b>	<b>22,104,074</b>	<b>23,147,285</b>

### (MVA)

	2022	2023
State	\$ 5,199,844	\$ 5,774,483
Teachers	10,550,802	11,293,666
SPORS	387,081	434,126
VaLORS	666,103	742,651
JRS	91,593	114,836
Pol. Subs.	2,448,840	3,315,184
<b>Total</b>	<b>19,344,263</b>	<b>21,674,946</b>



# Summary: Unfunded OPEB Liabilities (\$000)

## Unfunded Liability

### (AVA)

	2022	2023
GLI	\$ 1,349,005	\$ 1,357,720
HIC - State	802,184	797,401
HIC - Teachers	1,237,047	1,196,302
HIC - Pol. Subs.	39,742	33,857
HIC - Const. Off.	25,605	29,956
HIC - Social Svc EEs	12,329	10,017
HIC - Registrars	345	306
VSDP	(291,190)	(316,522)
VLDP - Teachers	1,689	776
VLDP - Pol. Subs.	(508)	(1,490)
Total	\$ 3,176,247	\$ 3,108,323

### (MVA)

	2022	2023
GLI	\$ 1,273,766	\$ 1,309,524
HIC - State	801,741	799,546
HIC - Teachers	1,235,793	1,196,910
HIC - Pol. Subs.	39,742	33,857
HIC - Const. Off.	25,605	29,956
HIC - Social Svc EEs	12,329	10,017
HIC - Registrars	345	306
VSDP	(307,488)	(325,183)
VLDP - Teachers	1,656	795
VLDP - Pol. Subs.	(510)	(1,486)
Total	\$ 3,082,979	\$ 3,054,242



# Pension Inactive Participants at June 30, 2023 (Pension)

System	Plan 1	Plan 2	Hybrid	Total 2023	Total 2022	Percent Change
State	15,968	22,829	24,378	63,175	60,176	5.0%
Teachers	22,348	32,616	36,246	91,210	84,886	7.4%
SPORS	270	492	-	762	750	1.6%
VaLORS	2,609	10,516	-	13,125	12,273	6.9%
JRS	12	1	1	14	14	0.0%
Pol. Sub.	30,597	47,249	41,247	119,093	111,308	7.0%
Total	71,804	113,703	101,872	287,379	269,407	6.7%

*Includes counts for each plan from which members are entitled to deferred pension benefits. Members with benefits from more than one employer are counted more than once.*



# Pension Retired Participants at June 30, 2023 (Pension)

System	Plan 1	Plan 2	Hybrid	Total 2023	Total 2022	Percent Change
State	69,866	1,984	416	72,266	71,374	1.2%
Teachers	107,853	2,420	403	110,676	108,579	1.9%
SPORS	1,793	13	-	1,806	1,774	1.8%
VaLORS	6,575	235	-	6,810	6,545	4.0%
JRS	576	6	10	592	580	2.1%
Pol. Sub.	81,622	4,105	670	86,397	83,667	3.3%
Total	268,285	8,763	1,499	278,547	272,519	2.2%

*Includes counts for each plan from which members receive pension benefits.  
Members with benefits from more than one employer are counted more than once.*



# Disclaimers

- This presentation expresses the views of the authors and does not necessarily express the views of Gabriel, Roeder, Smith & Company.
- Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.



# Disclaimers

- This presentation is intended to be used in conjunction with the forthcoming actuarial valuation reports. This presentation should not be relied on for any purpose other than the purposes described in the valuation reports.
- This presentation shall not be construed to provide tax advice, legal advice or investment advice.
- Jim Anderson and Becky Stouffer are independent of the plan sponsor, are Members of the American Academy of Actuaries (MAAA), and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.





**June 30, 2023  
Annual Actuarial  
Valuation Results –  
Line Of Duty Act Fund**

**Presented by: Becky Stouffer, ASA, MAAA;  
Kurt Dosson, ASA, MAAA**



# Agenda

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- Big Picture – Line Of Duty Act Fund
- Valuation Highlights
- Appendix



# BIG PICTURE



## Line Of Duty Act Fund



# Big Picture: Actuarial Valuation Results

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June 30, 2023 LODA Actuarial Valuation develops

1. Pay-As-You-Go (PAYGO) rate per Full Time Equivalent (FTE) Employee
2. Actuarially Determined Employer Contribution (for accounting purposes only)

Historically, odd year valuations determine LODA PAYGO Rate for 2 years



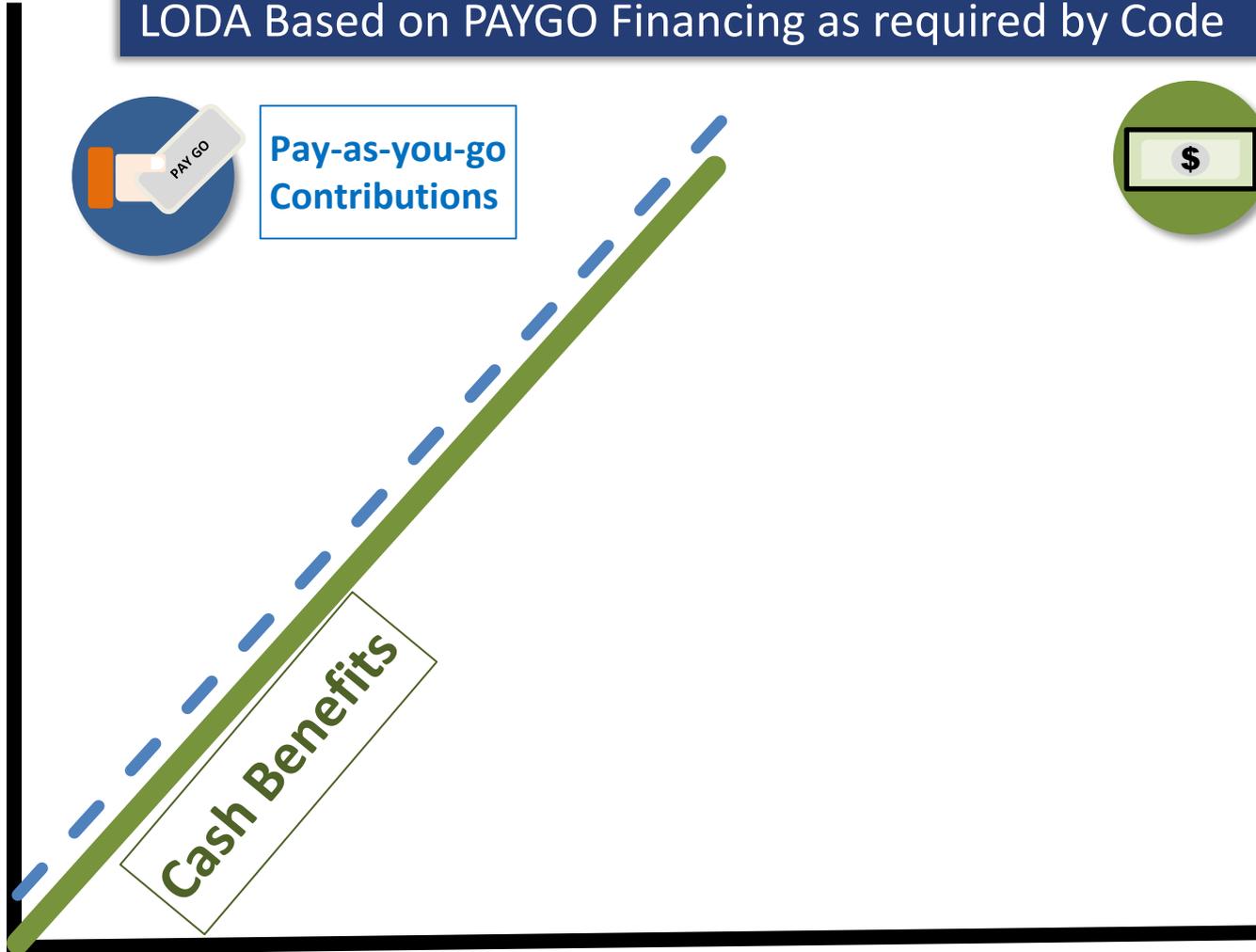
# A Different Approach: LODA Based on PAYGO Financing as required by Code



Pay-as-you-go  
Contributions



% of Active  
Employee  
Payroll



Years of Time

# Big Picture: Line Of Duty Act Fund (LODA)

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- Pay-As-You-Go Financing
  - Required for participating employer contributions by Section 9.1-400.1 of the *Code of Virginia*
  - Costs
    - Death benefit payments
    - Health care premium payments from Department of Human Resource Management (DHRM)
      - Health Insurance Credit (HIC) reimbursements (used to offset claims)
  - Administrative expenses



# Big Picture: Line Of Duty Act Fund (LODA)

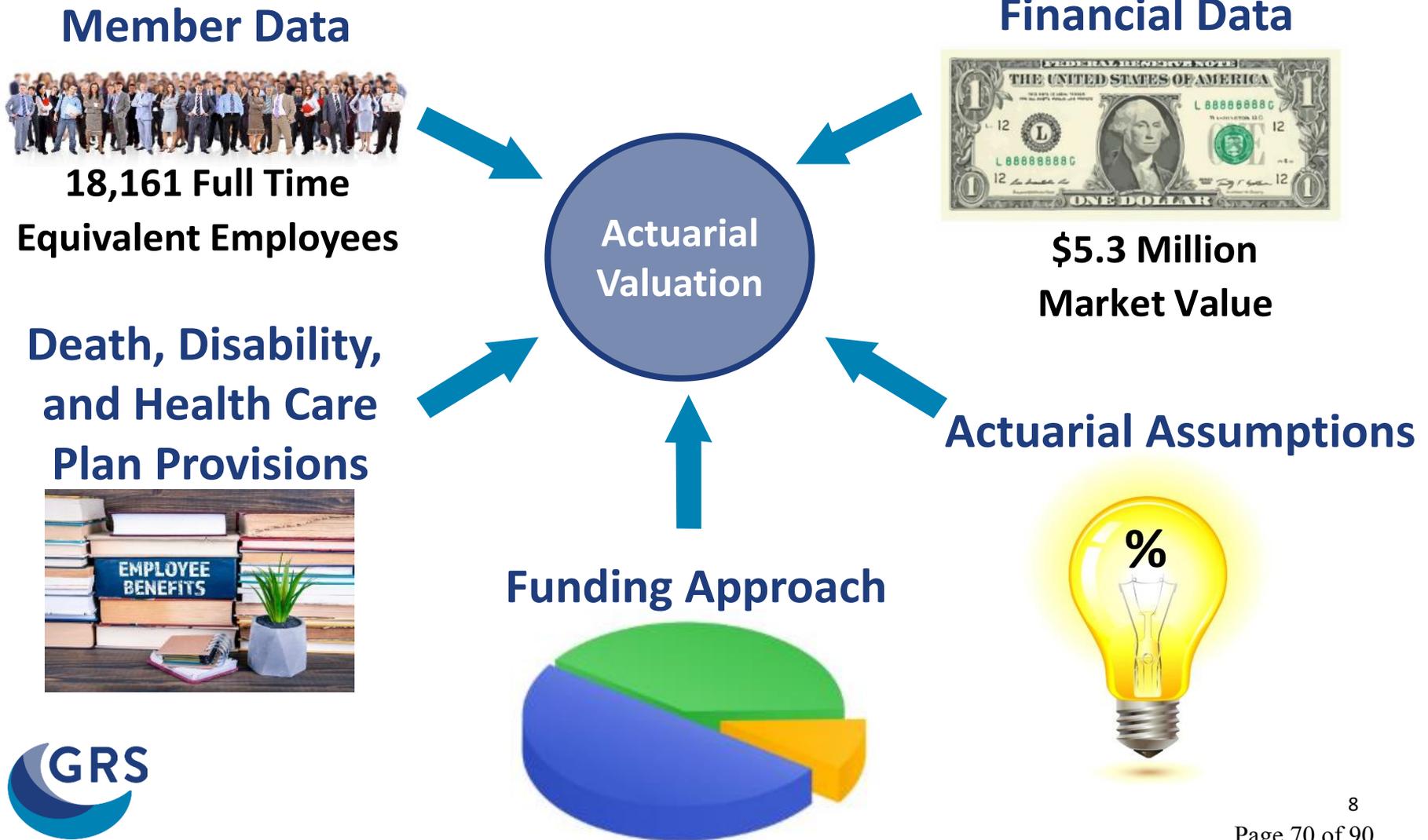
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- Project benefit payments for future years
  - Plan covers the cost of health care premiums for current beneficiaries
  - Cover the cost of any new claims that are expected to occur during the year (new health care premiums & death claims)
- Set Employer contributions per Full Time Equivalent (FTE) so that
  - Assets sufficient to cover costs for a two year period with allowance for potential overage



# Actuarial Valuation Process

## Line of Duty Act Fund





**JUNE 30, 2023**  
**VALUATION RESULTS HIGHLIGHTS**

# Active Participants

Employer Group	Weight	FY 2022 Counts	FY 2023 Counts
State/VaLORS/SPORS	100%	8,701	9,025
National Guard*			
Full-Time	100%	1,044	869
Part-Time	10%	752	761
<b><i>Total State &amp; National Guard</i></b>		10,497	10,655
Participating Political Subdivisions			
Full-Time	100%	6,875	7,018
Volunteers	25%	528	488
<b><i>Total Pol. Sub. Employees</i></b>		7,403	7,506
<b><i>Aggregated Total</i></b>		17,900	18,161

\* National Guard counts unchanged from 2021 to 2022;  
Dept. of Military Affairs did not provide 2022 data



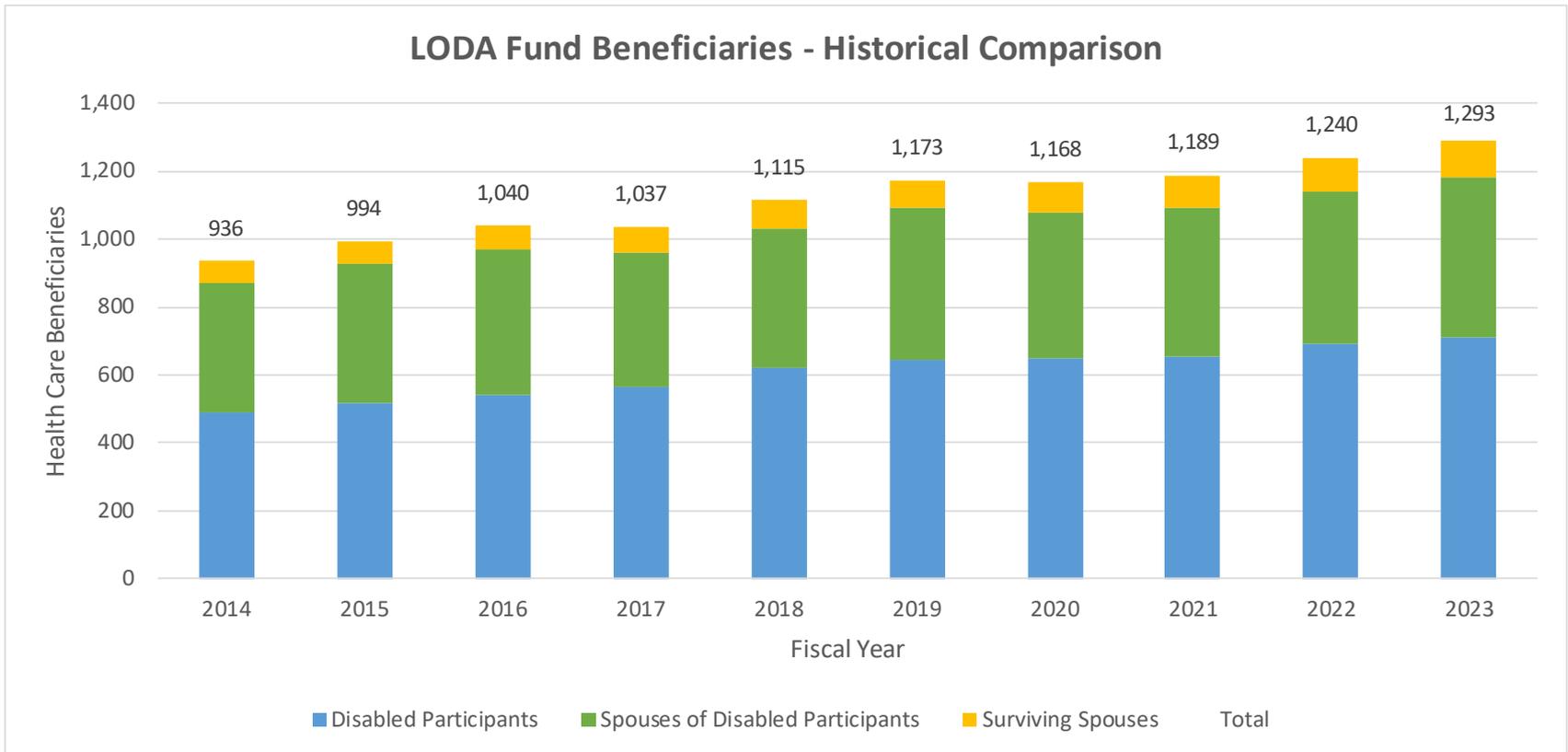
# Health Care Beneficiaries

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Beneficiary Type	2022	2023
Disabled Participants	691	713
Spouses of Currently Disabled Participants	449	471
Surviving Spouses	100	109
<b>Total</b>	<b>1,240</b>	<b>1,293</b>



# Health Care Beneficiaries: 10-year History



# Health Care Premiums

---

Health care costs based on premium amounts invoiced by DHRM for those receiving LODA benefits

- Premium amounts reflect recent claims experience of current LODA beneficiaries
- Assumed trend for future health care costs
  - Pre-65: 7.25% initially, decreasing over 9 years to a 4.25% ultimate rate
  - Post-65: 6.50% initially, decreasing over 9 years to a 4.25% ultimate rate



# Initial Monthly Per Capita Costs – Provided by DHRM

FY 2024				
Membership Level	LODA Plan Current LODA Employment	LODA Plan Former LODA Employment	Medicare Primary	Medicare Part B Premium
Single	\$1,084	\$1,119	\$302	\$174.70
Two Person	\$1,850	\$1,882	N/A	N/A
Family (3 or more family members)	\$2,623	\$2,653	N/A	N/A

FY 2023				
Membership Level	LODA Plan Current LODA Employment	LODA Plan Former LODA Employment	Medicare Primary	Medicare Part B Premium
Single	\$1,084	\$1,119	\$296	\$164.90
Two Person	\$1,850	\$1,882	N/A	N/A
Family (3 or more family members)	\$2,623	\$2,653	N/A	N/A

- For pre-Medicare members, premiums increased 0.0% vs. 7.0% expected.
- For Medicare eligible members, premiums increased 2.0% vs. 5.25% expected.
- The projected 2024 Medicare Part B premium reflects an increase of 5.9% from 2023.



# Initial Monthly Per Capita Costs

---

Valuation Date	Under Age 65	Over Age 65 Including Medicare Part B
June 30, 2018	\$1,186.01	\$506.50
June 30, 2019	\$1,137.63	\$406.60
June 30, 2020	\$1,222.51	\$431.50
June 30, 2021	\$1,319.01	\$463.10
June 30, 2022	\$1,413.08	\$460.90
June 30, 2023	\$1,418.67	\$476.70

Under Age 65: Includes the additional cost for coverage of dependent children



# Market Value Assets: Year Ending June 30, 2023

<b>Line of Duty Act:</b>	
Beginning balance	7,213,739
Additions:	
Member contributions	-
Employer contributions	13,270,553
Health Insurance Credit Offset	488,531
Administrative expenses - Non-Participating	172,750
Total additions	<u>13,931,834</u>
Deductions:	
Line of Duty Act reimbursements	
Health Care Benefits	15,507,744
Death Benefits	208,333
Administrative expenses - Participating	528,776
Administrative expenses - Non-Participating	172,750
Other expenses	-
Total deductions	<u>16,417,603</u>
Investment Income (Net)	583,486
<b>Ending balance</b>	<b><u>5,311,456</u></b>

LODA fund assets expected to earn 6.75% return



# Actual vs. Expected Benefit Payments

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FY 2023		
Type of Benefit	Expected	Actual
Health Insurance Benefits	\$15,293,427	\$15,507,744
Death Benefits	\$398,822	\$208,333
HIC Offsets	(\$480,360)	(\$488,531)
Total	\$15,211,889	\$15,227,546



# Legislation – Workers Compensation

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- **HB 1408; SB 906** - presumption of compensability for bladder and thyroid cancers
- **HB 1410; SB 1038** - Department of State Police; State Police Officers' Retirement System; presumption for arson, bomb, and hazardous materials investigators
- **HB 1775; SB 904** - post-traumatic stress disorder, anxiety disorder, or depressive disorder; law-enforcement officers and firefighters
  - All 3 bills effective prospectively beginning July 1, 2023



# Putting It All Together: Development of LODA Employer Costs Per FTE

---

- Combine
  - Demographics of group as of June 30, 2023
  - Health care premium rates as of June 30, 2023
  - Health care trend and other actuarial assumptions
  - Health Insurance Credit (HIC) Program Reimbursements
  - A margin as a result of new legislation
    - 10% load to active participant benefit payments
  - Administrative Expenses
    - Net fiscal year 2023 amount is \$528,776, assumed to increase at 3% per annum for future years



# Putting It All Together: Fiscal Years 2024-2026

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	FY 2024	FY 2025	FY 2026
FTE Employees	18,161	18,161	18,161
Employer Contributions*	\$ 15,092,607	\$ 17,987,735	\$ 17,987,735
Benefit Costs	(15,840,344)	(17,979,648)	(19,952,796)
Administrative Expenses	(544,639)	(560,978)	(577,807)
Investment Income	314,906	273,884	187,889
Net Cash Flow	(977,470)	(279,007)	(2,354,979)
End of Year Position	4,333,986	4,054,979	1,700,000

\*Results in \$995/FTE for FY 2025 and 2026 while achieving a projected 1-month benefit reserve at the end of the 2-year projection period

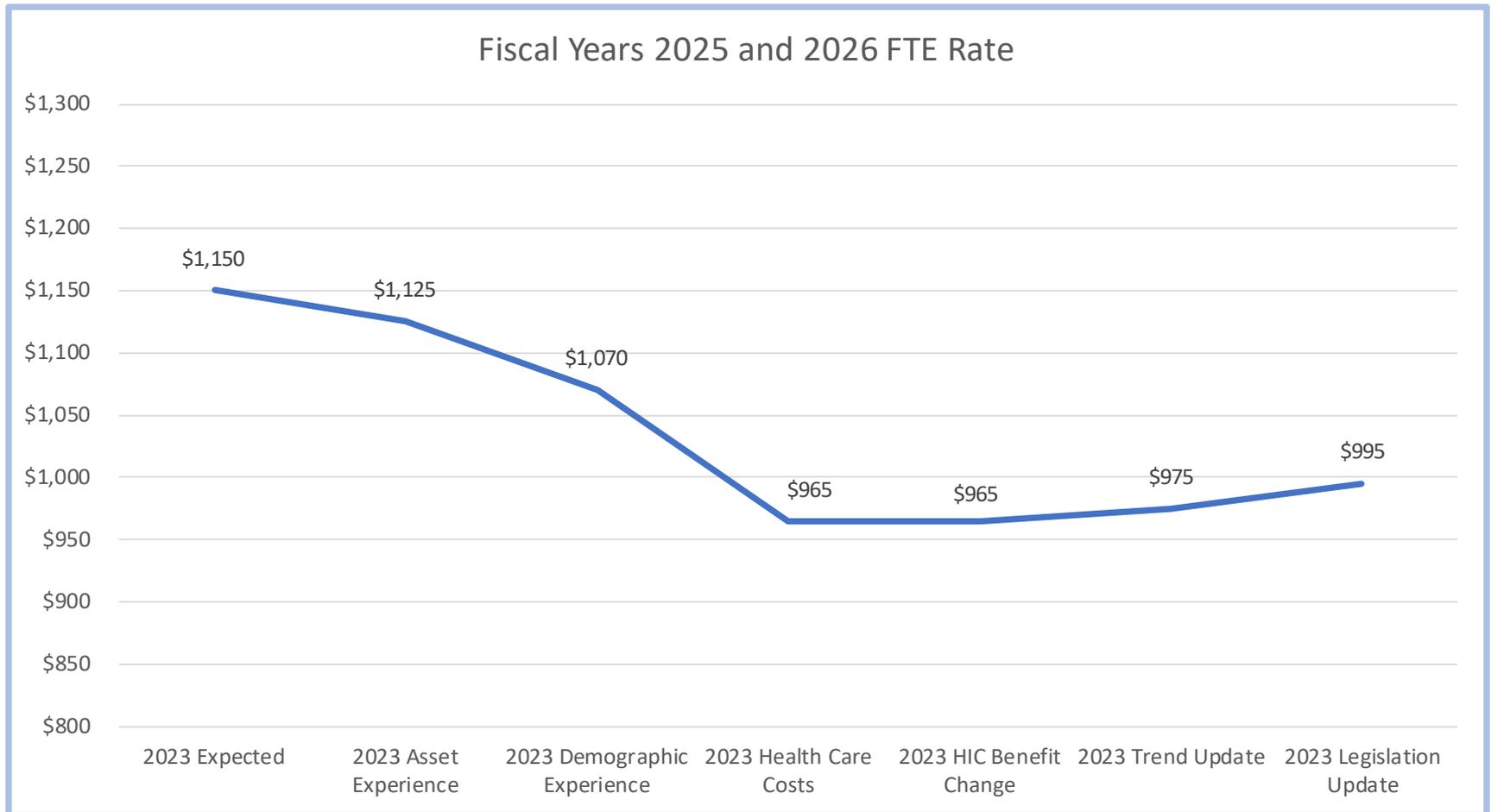


# Putting It All Together: LODA Rate History

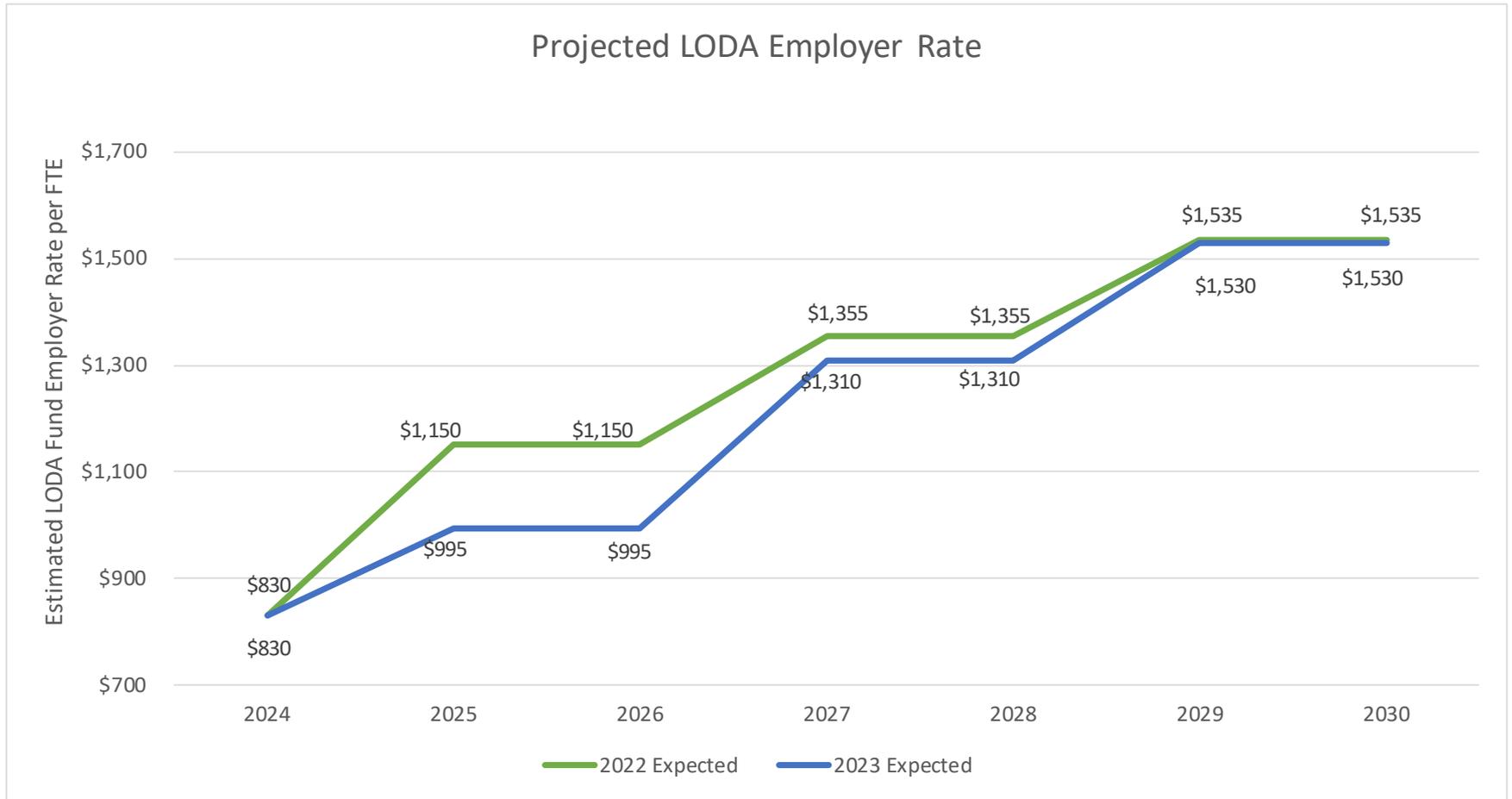
Valuation Date	Fiscal Year	Board Certified Rate	Adjusted Rate	Informational Rate
6/30/2023	2026	\$995.00	N/A	N/A
6/30/2023	2025	\$995.00	N/A	N/A
6/30/2022	2024	\$681.84	\$830.00	\$732.57
6/30/2021	2023	\$681.84	N/A	N/A
6/30/2020	2022	\$695.18	\$722.55	\$758.03
6/30/2019	2021	\$695.18	\$717.31	N/A



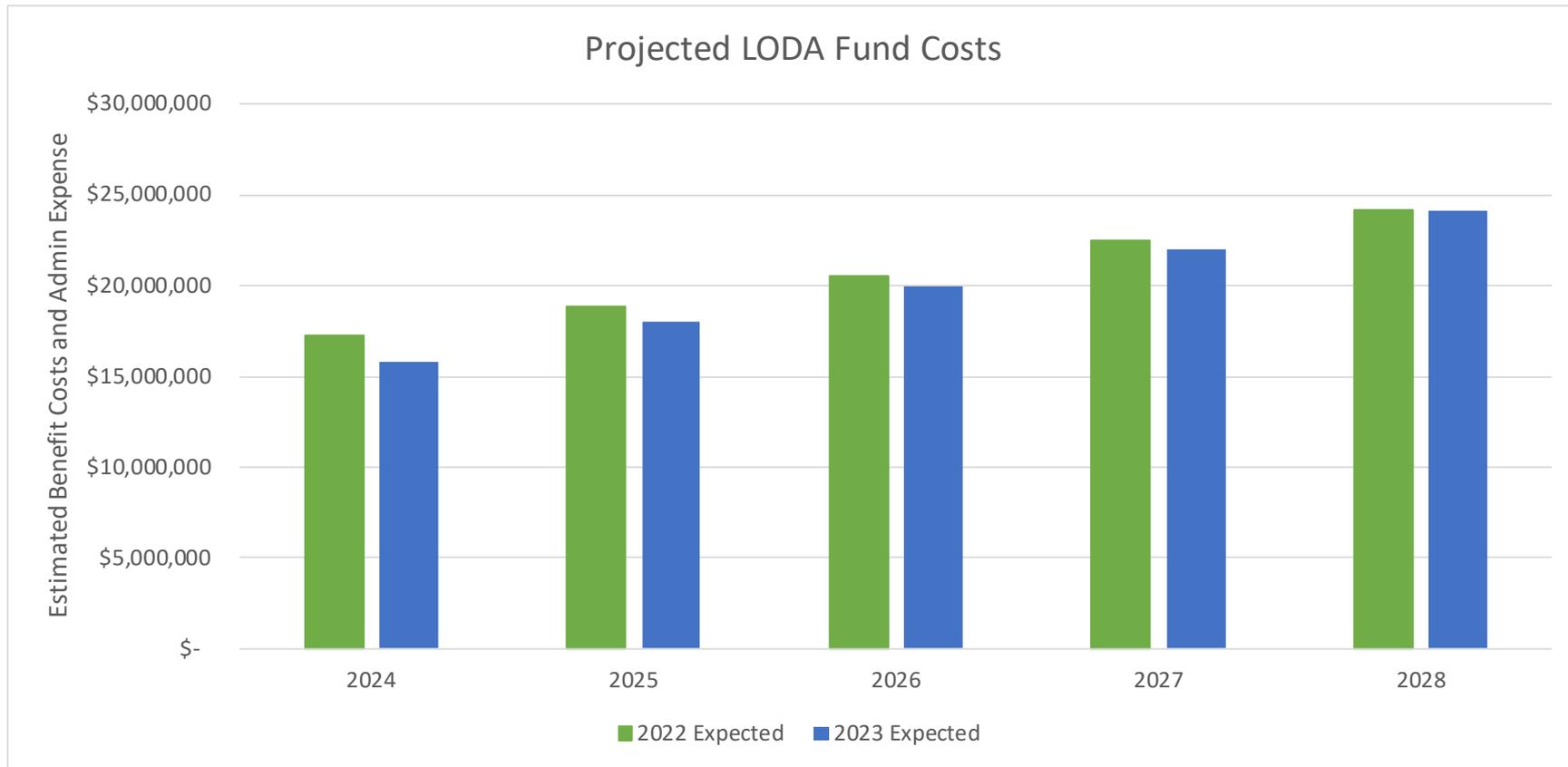
# Putting it All Together: Reflecting Fiscal Year 2023 Experience



# Putting It All Together



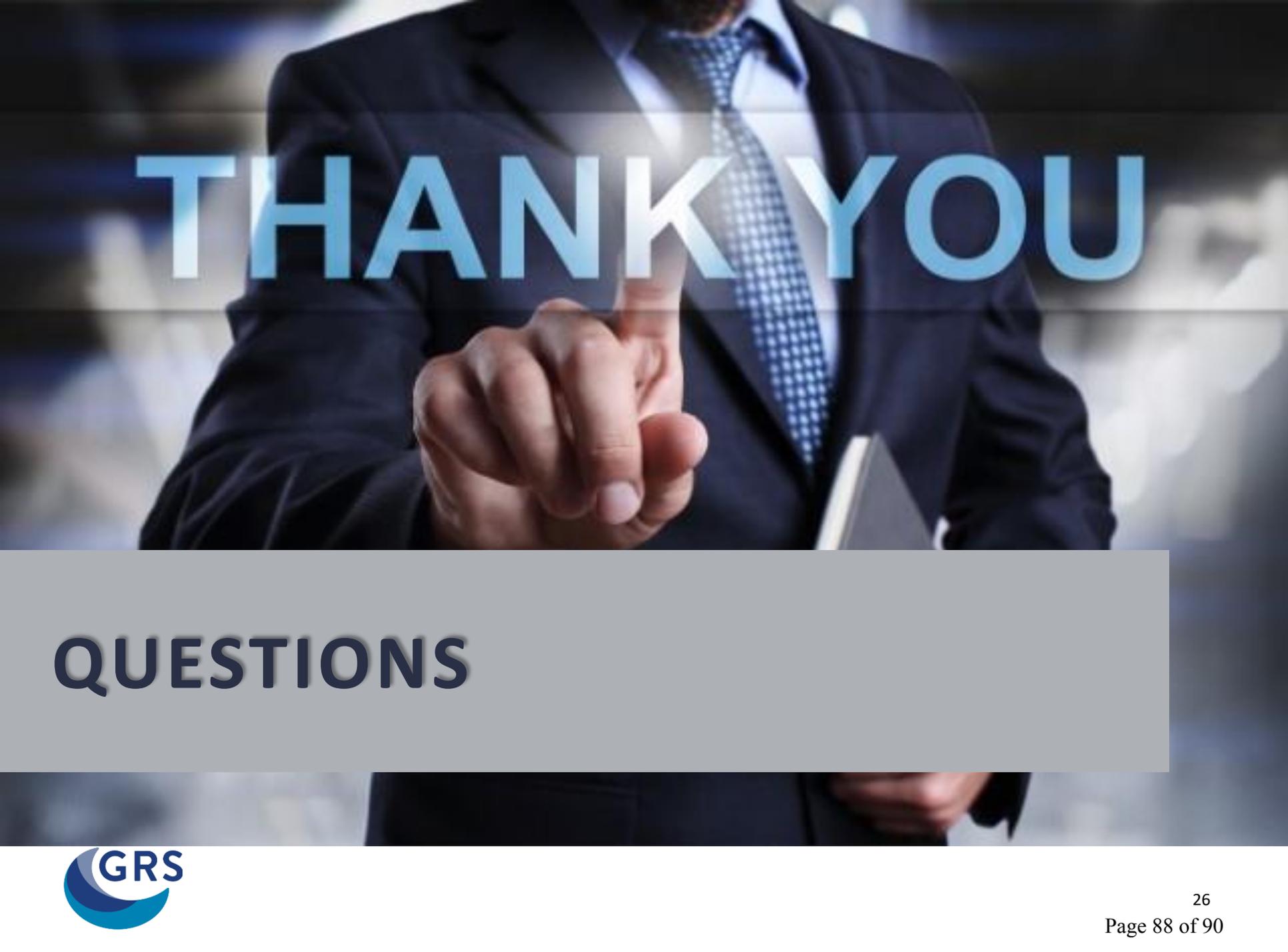
# Putting It All Together: Projected Benefit Payments



# LODA: Conclusions

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- LODA Fund contributions are likely to increase, due to:
  - PAYGO financing approach
  - Health care inflation
  - Increasing number of beneficiaries
  - Static/Decreasing FTE employee count



# THANK YOU

## QUESTIONS

# Disclaimers

- This presentation expresses the views of the authors and does not necessarily express the views of Gabriel, Roeder, Smith & Company.
- Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.



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