



June 30, 2024 Annual Actuarial Valuation Results

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Agenda

- Big Picture – Pension & OPEB
- Highlights of 2024 Pension Valuations
- Highlights of 2024 OPEB Valuations
- Looking Ahead
- Appendix





BIG PICTURE

BIG PICTURE – PENSION/OPEB

Big Picture: October Meeting Content

Pension Valuations	Other Post-Employment Benefits (OPEB) Valuations
Virginia Retirement System <ul style="list-style-type: none"> • State Employees • Teachers 	Health Insurance Credit (HIC) <ul style="list-style-type: none"> • State Employees • Teachers
Virginia Law Officers (VaLORS)	Group Life Insurance
State Police Officers (SPORS)	Virginia Sickness and Disability Program
Judicial (JRS)	

November Meeting Content: Political Sub. Pension and OPEB; VLDP Results
 HIC – Constitutional Officers, Social Service Employees, Registrars;
 Line of Duty Act Fund



Big Picture: Actuarial Valuation Results

- June 30, 2024 Actuarial Valuations of VRS Pension and OPEB plans are informational
 - Measure funding progress as of June 30, 2024
 - Develop inputs for use in June 30, 2025 valuations

Odd year valuations determine contribution rates for 2 years



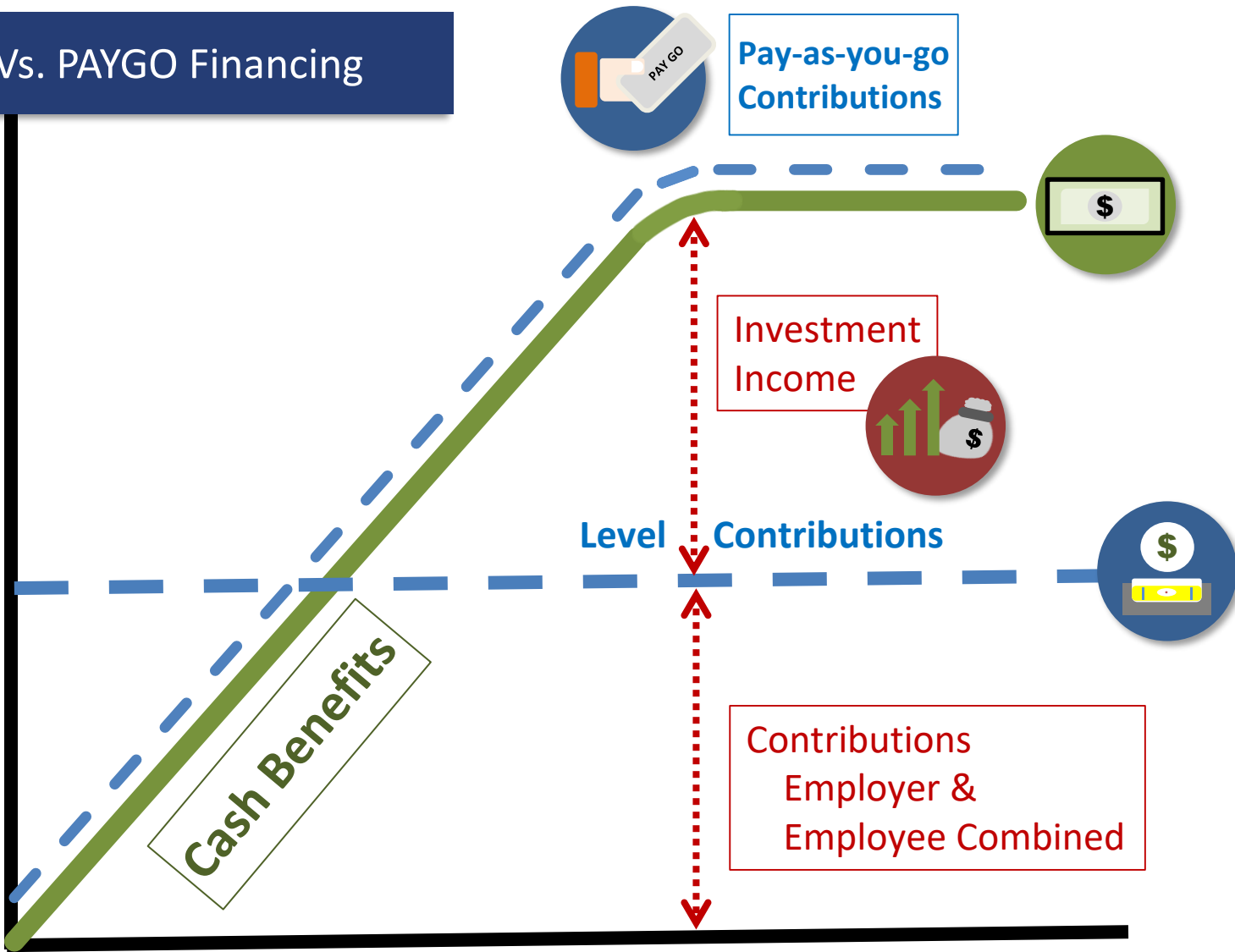
Big Picture: General Funding Objectives

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



Pre-funding Vs. PAYGO Financing

% of Active Employee Pays

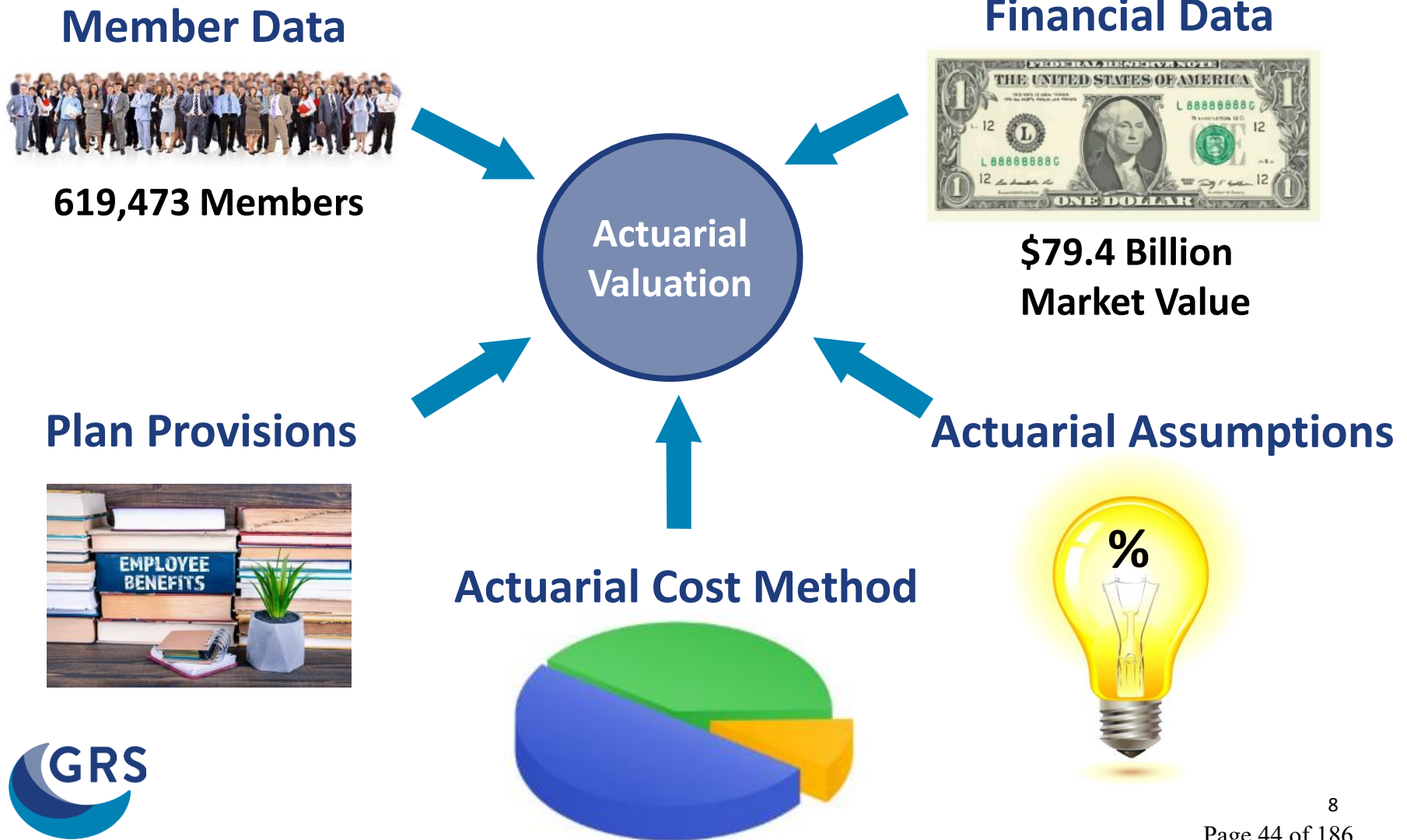



Start

50 Years of Time



Big Picture: Actuarial Valuation Process – (Statewide Pension Excluding Political Subdivisions)





JUNE 30, 2024
VALUATION RESULTS HIGHLIGHTS

Active Participants at June 30, 2024

System	Plan 1	Plan 2	Hybrid	Total 2024	Total 2023	Percent Change
State	22,908	12,305	44,804	80,017	76,876	4.1%
Teachers	51,441	25,981	79,082	156,504	153,107	2.2%
SPORS	869	1,021	-	1,890	1,882	0.4%
VaLORS	1,557	5,750	-	7,307	7,478	-2.3%
JRS	119	37	315	471	458	2.8%



Actives: Changes in Average Salary

System	2023	2024	Percent Change	% Change Continuing ¹
State	\$ 70,880	\$ 74,725	5.4%	3.4%
Teachers	63,137	67,096	6.3%	3.8%
SPORS	89,591	93,376	4.2%	2.9%
VaLORS	53,238	55,804	4.8%	2.2%
JRS	192,994	202,466	4.9%	1.2%

¹Actual pay increase over expected pay for continuing actives

Note: Return to Work Payroll for 251 positions (198 Teachers) = \$16 million



Actuarial Value Assets: State Employees Pension in \$ Millions – 9.9%/8.6% MVA/AVA Return

	2024	2025	2026	2027	2028
Actual Investment Return	2,238				
Assumed Investment Return	1,551				
Gain/(Loss) to be Phased-in	686				
Phased-in Recognition					
-Current year	137	?	?	?	?
-1 st prior year	(13)	137	?	?	?
-2 nd prior year	(313)	(13)	137	?	?
-3 rd prior year	762	(313)	(13)	137	?
-4 th prior year	(181)	762	(313)	(13)	137
Total Recognized Gain/(Loss)	392	573	(189)	124	137

2025-2028: Expect \$645 million in deferred asset GAINS
Other VRS Plans had similar asset experience

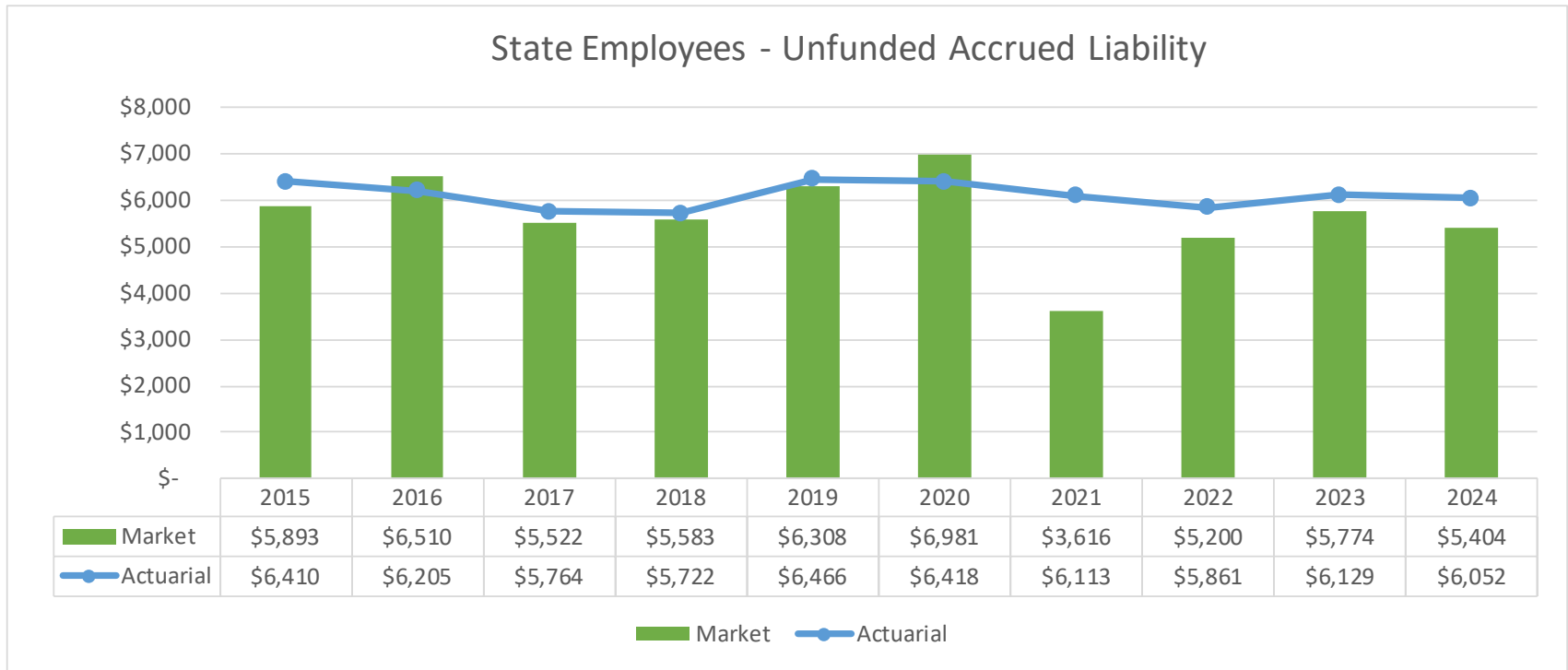


Why We Smooth Asset Returns

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.*

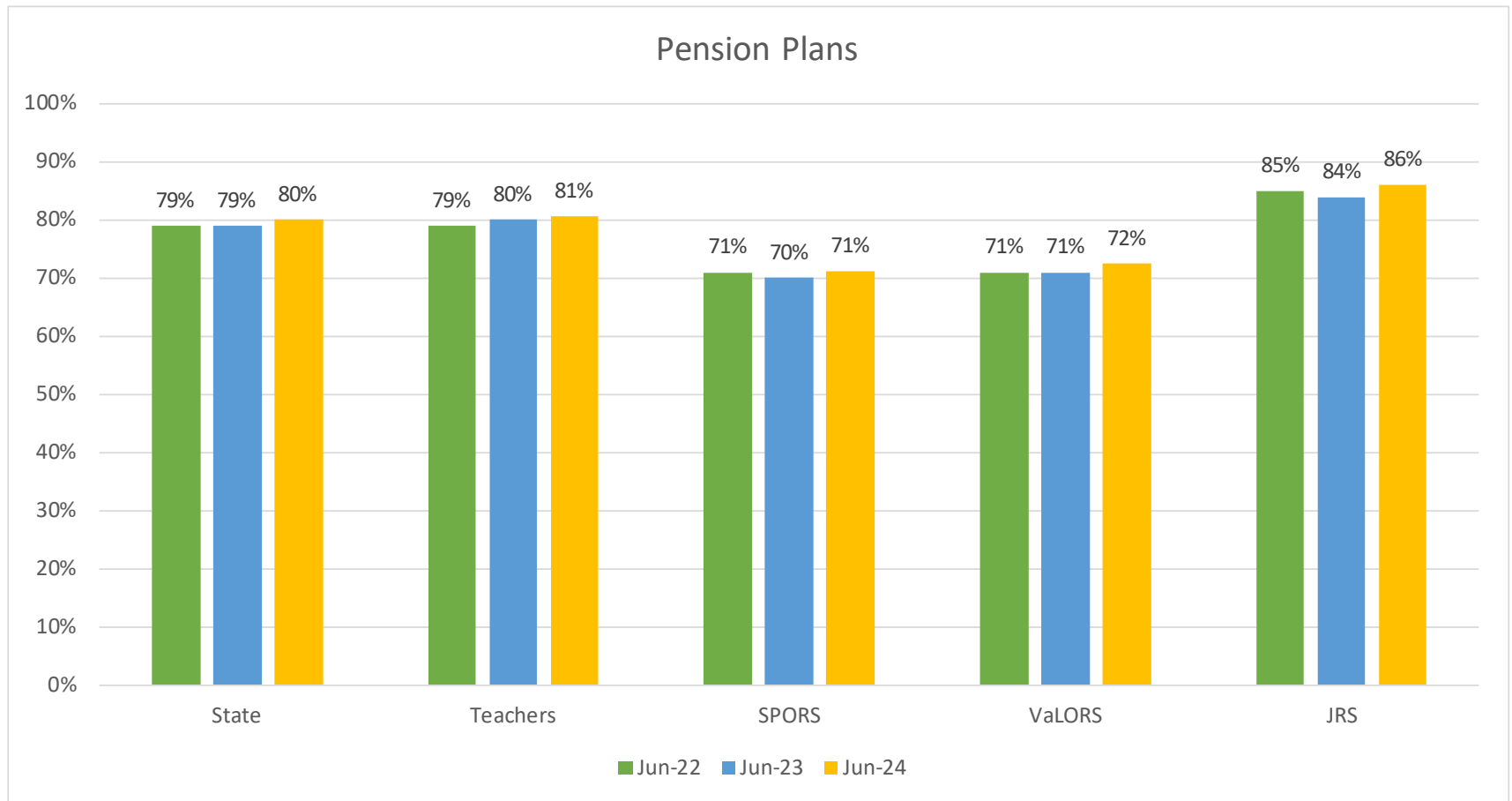
Why We Smooth Asset Returns



Unfunded liabilities will trend to Market Value basis over time
 - Other VRS Retirement Plans have similar patterns



Funded Status (AVA) – Pension Plans



Calculated Employer Contributions

- 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

- **HB 70/SB 458**- effective July 1, 2024, allows VRS members in any federally established branch of armed services¹ to purchase service credit for prior full-time active duty military service of at least 180 consecutive days

¹Prior law only included Army, Navy, Air Force, Marines, or Coast Guard

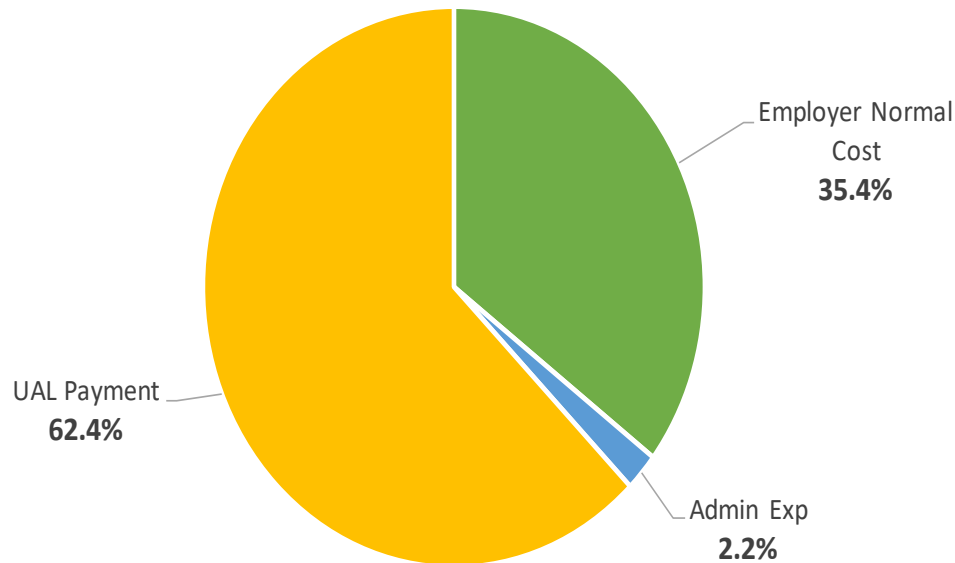


Legislative Updates

- **HB 1312 & 1401**- Adds VaLORS for DCR conservation officers & Dept of Military Affairs firefighters
 - For service earned on or after 7/1/2025
 - HB 1312 must pass again next session before becoming effective June 1, 2025

Calculated Defined Benefit Employer Pension Contributions – State Employees

State Employer Rate



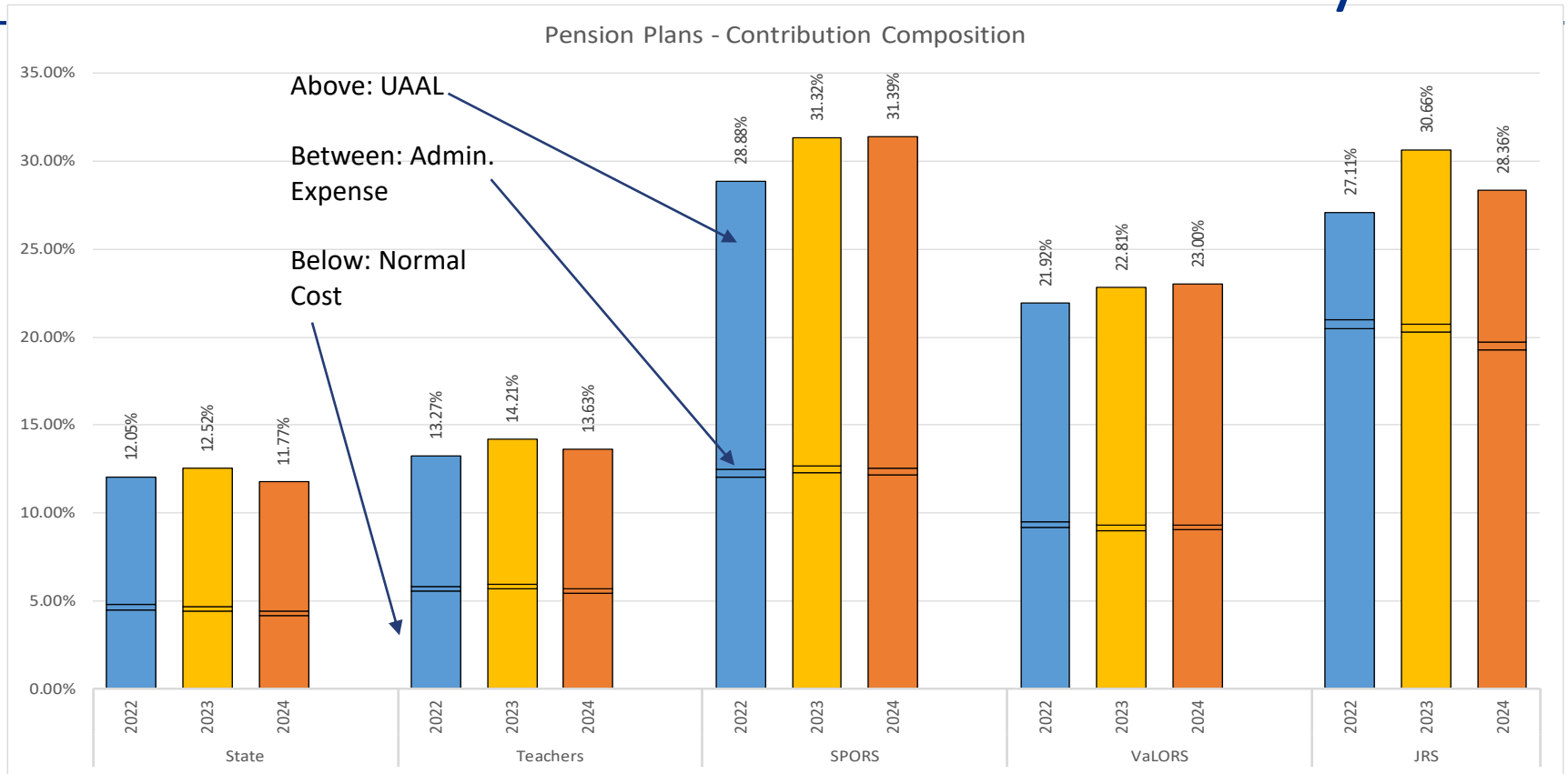
Normal Cost ultimately decreases to Plan 2/Hybrid level

Component	% of Pay
Employer NC	4.17%
Admin Exp	0.26%
UAL Payment	7.34%
Total	11.77%

UAL amortization payment = majority of the contribution for pension plans (other than JRS)



Actuarially Determined Employer Contribution Rates – Pension Plans Defined Benefit Only



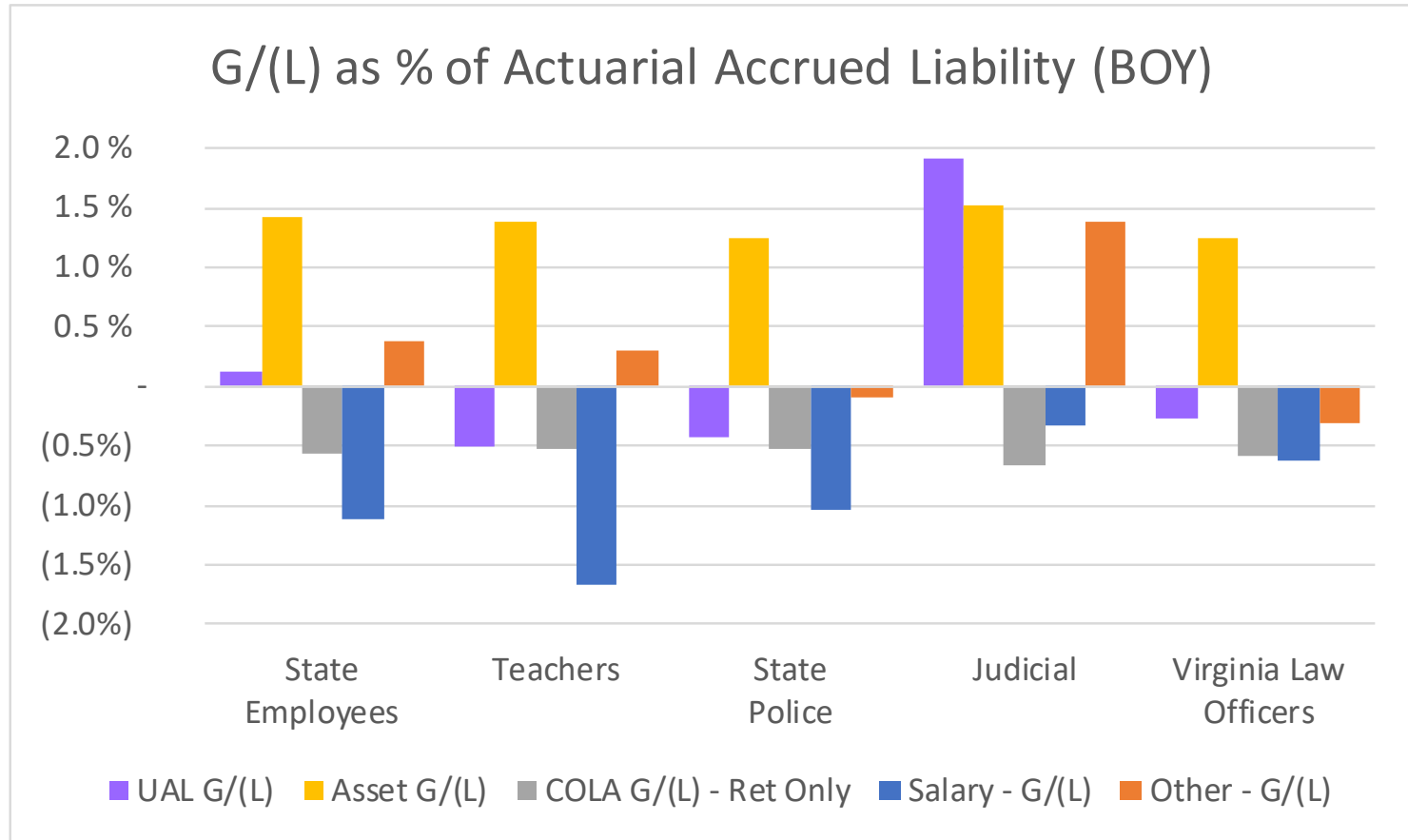
	State			Teachers			SPORS			VaLORS			JRS		
	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024
Normal Cost*	4.77%	4.65%	4.43%	5.82%	5.96%	5.71%	12.45%	12.64%	12.55%	9.49%	9.27%	9.33%	20.98%	20.74%	19.70%
Accrued Liability	7.28%	7.87%	7.34%	7.45%	8.25%	7.92%	16.43%	18.68%	18.84%	12.43%	13.54%	13.67%	6.13%	9.92%	8.66%
Total	12.05%	12.52%	11.77%	13.27%	14.21%	13.63%	28.88%	31.32%	31.39%	21.92%	22.81%	23.00%	27.11%	30.66%	28.36%



* Includes Administrative Expense

Additional contribution of 1.0%-3.5% of Hybrid payroll also required for Plans with Hybrid benefit tier

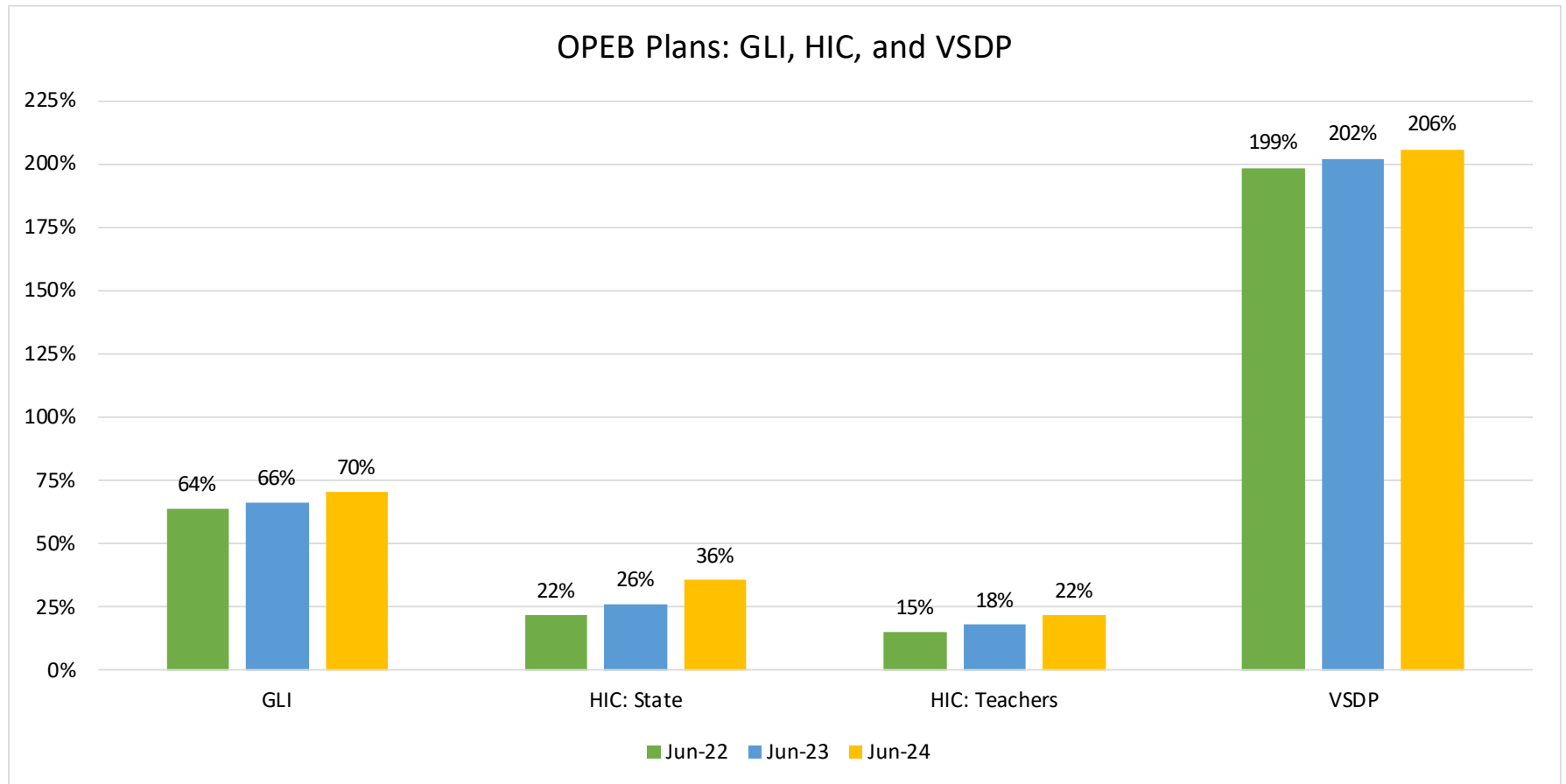
Pension Gain/Loss Commentary (%s)



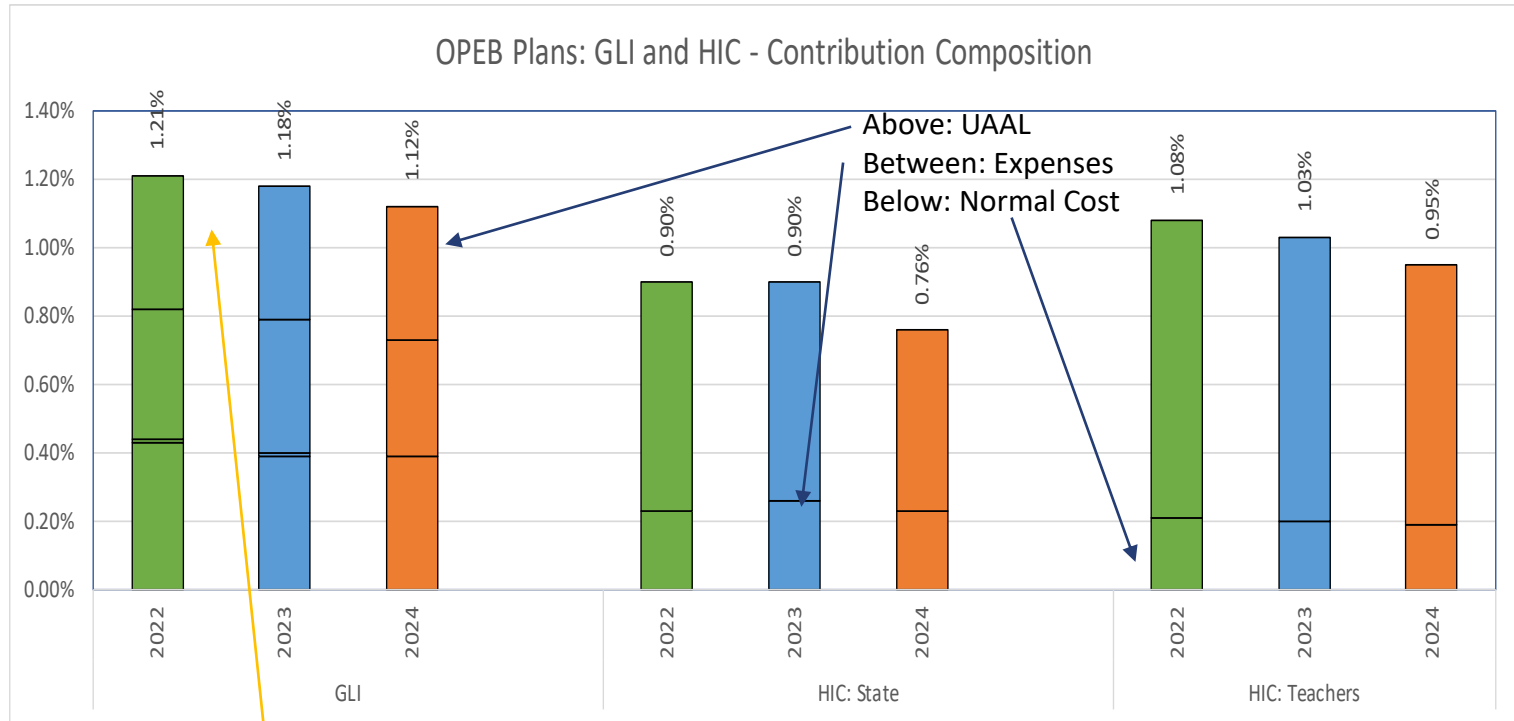
Actual COLA/Assumption: Plan 1 = 3.56%/2.5%
 Plan 2/Hybrid = 3.0%/2.25%



Funded Status (AVA) – OPEB Plans



Actuarially Determined Employer Contribution Rates – OPEB Plans



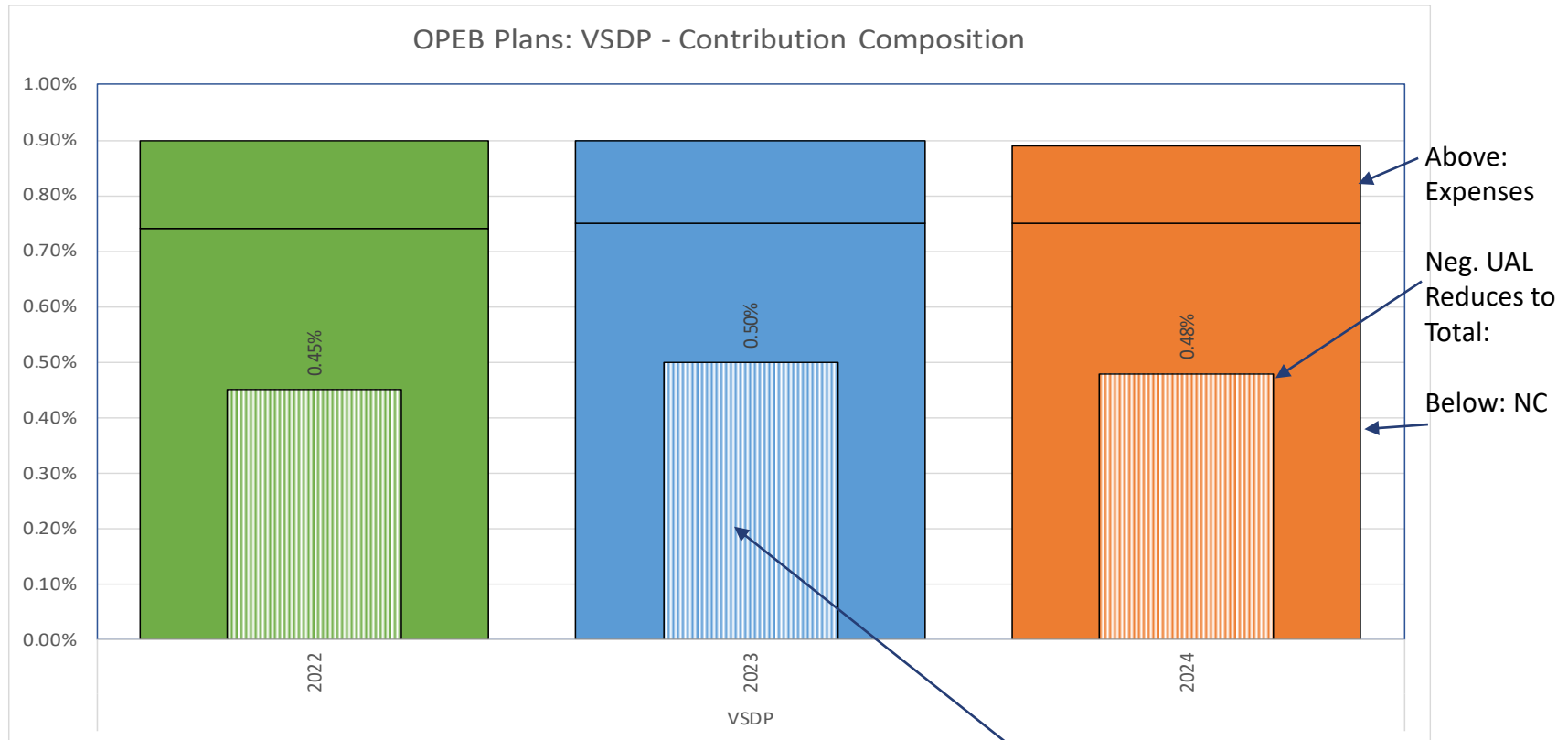
Note top 1/3 of GLI rate reflects active Life Insurance contribution

	GLI			HIC: State			HIC: Teachers		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
Normal Cost*	0.44%	0.40%	0.39%	0.23%	0.26%	0.23%	0.21%	0.20%	0.19%
Accrued Liability^	0.77%	0.78%	0.73%	0.67%	0.64%	0.53%	0.87%	0.83%	0.76%
Total	1.21%	1.18%	1.12%	0.90%	0.90%	0.76%	1.08%	1.03%	0.95%



* Includes Administrative Expense
 ^ Includes Active GLI Adjustment

Actuarially Determined Employer Contribution Rates – OPEB Plans: VSDP



	VSDP		
	2022	2023	2024
Normal Cost*	0.90%	0.90%	0.89%
Accrued Liability	-0.45%	-0.40%	-0.41%
Total	0.45%	0.50%	0.48%

Interior Column: Total Contribution Rate
(UAL credit exists when lower than other components)



* Includes Administrative Expense

VRS Additional Funding Provisions – OPEB

- Additional \$55.1 million contributed from the General Fund to Trust during FY 2024

OPEB Group	Add'l Contrib. 2024	Funded Status Impact	Contrib. Rate Impact
HIC: State	\$52,800,000	4.8%	-0.04%
HIC: C. Off.	\$1,576,017	3.9%	-0.01%
HIC: S. Svcs.	\$723,983	4.9%	-0.01%
TOTAL	\$55,100,000		

Important to get additional funds into OPEB Plans when possible --
Additional \$93.8 million contributed in 2022-2023 for all HIC Groups



Pension Projections

State Employees and Teachers

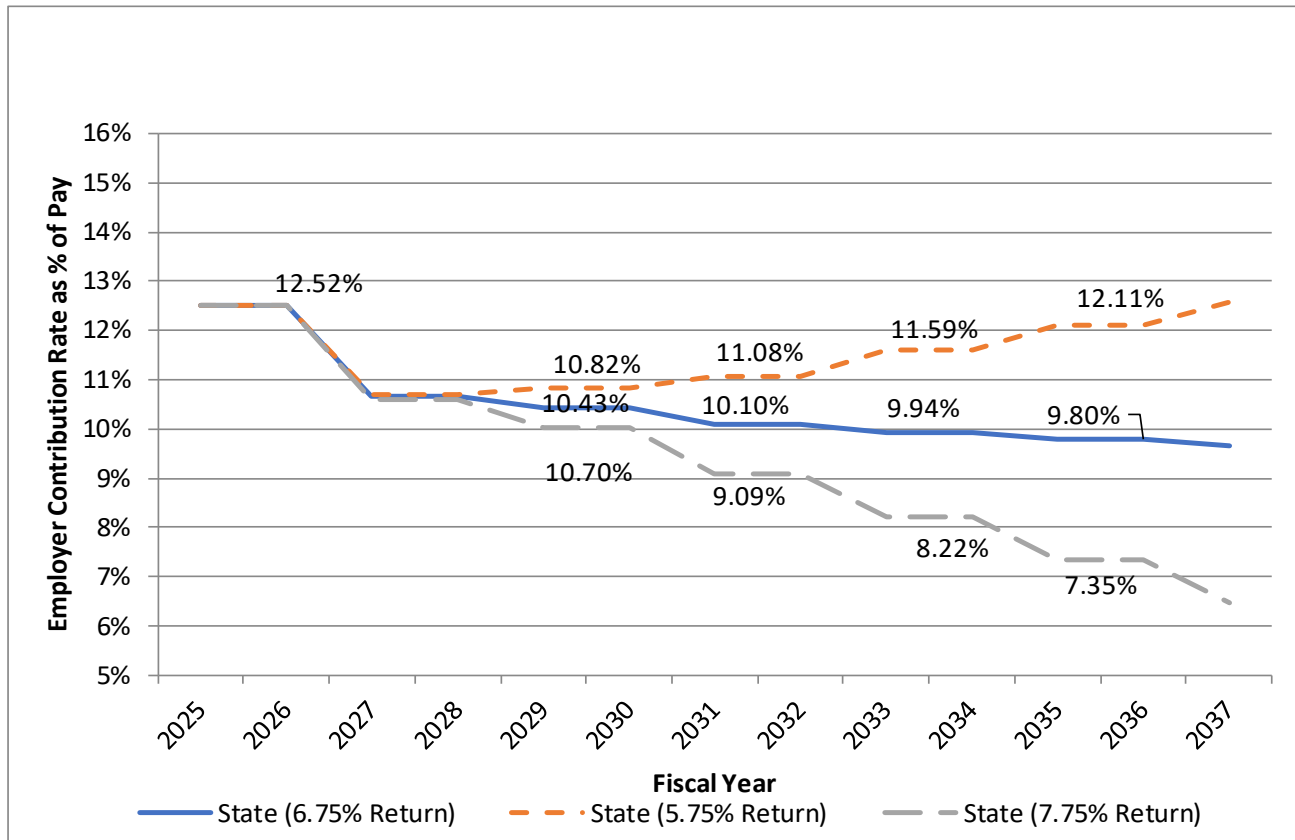
The following pages show projected pension contributions & funded status

- Liabilities are calculated at 6.75%
- Investment returns shown at assumed 6.75% rate and 5.75%/7.75% for sensitivity



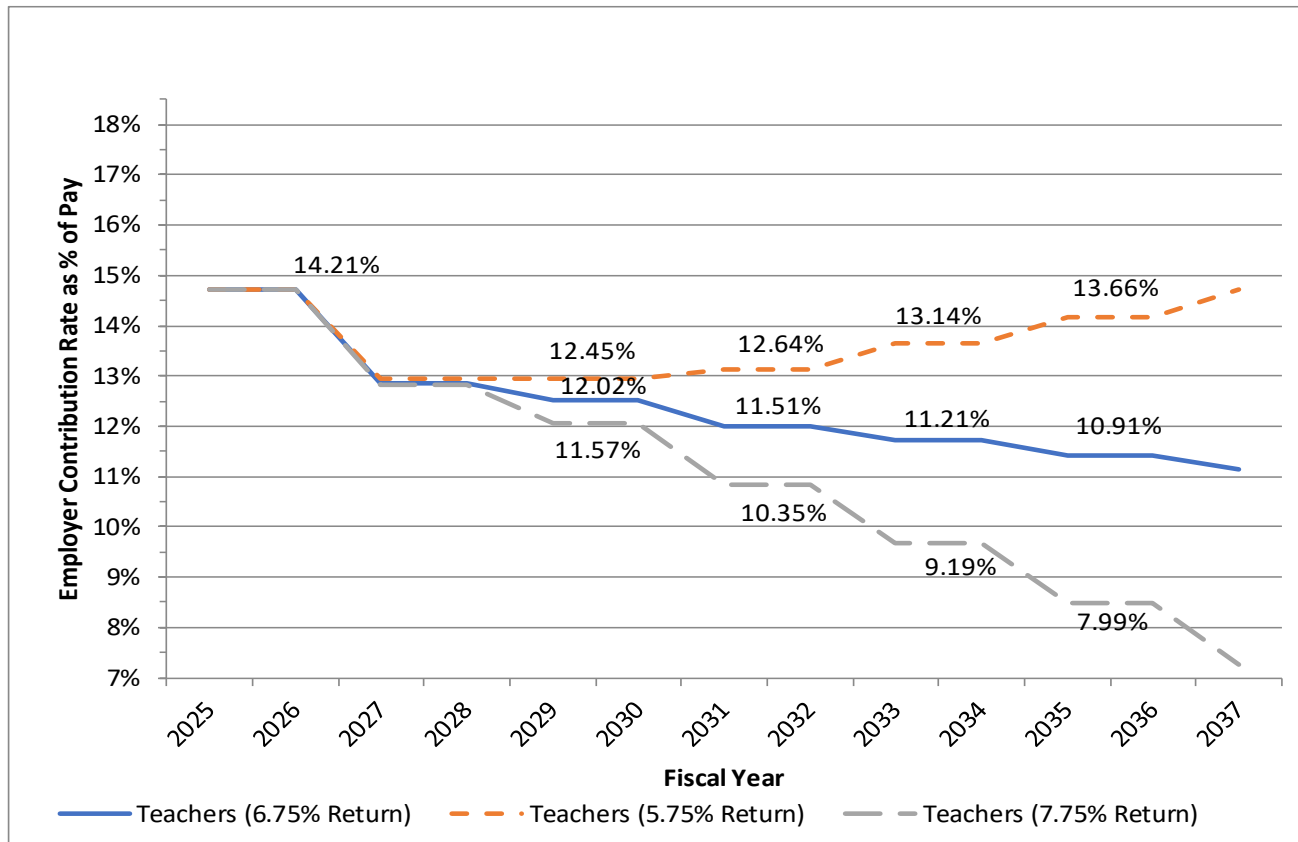
Projected Employer Contribution Rates (Fiscal Year) - Defined Benefit Only

State Employees



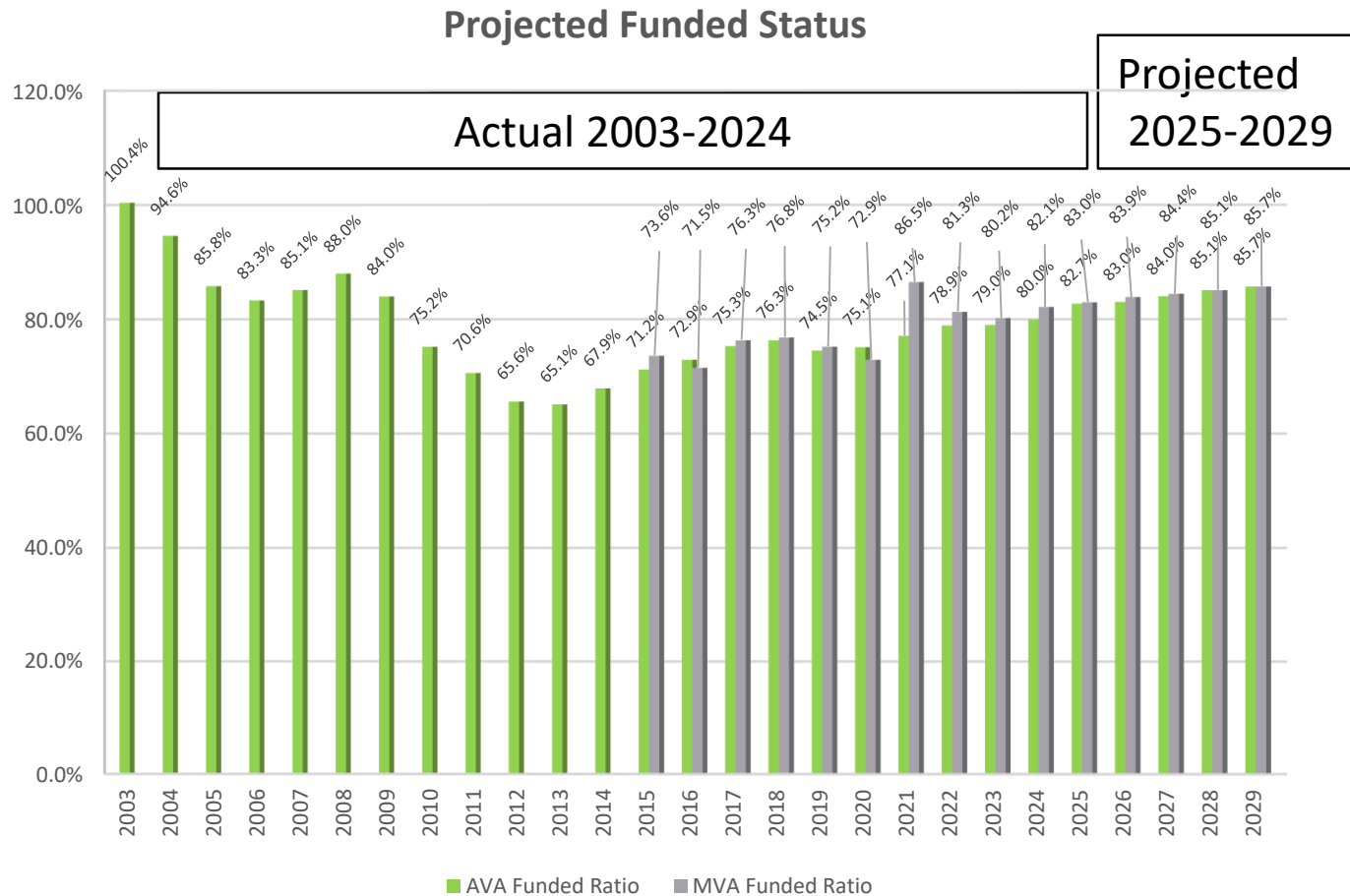
Projected Employer Contribution Rates (Fiscal Year) - Defined Benefit Only

Teachers



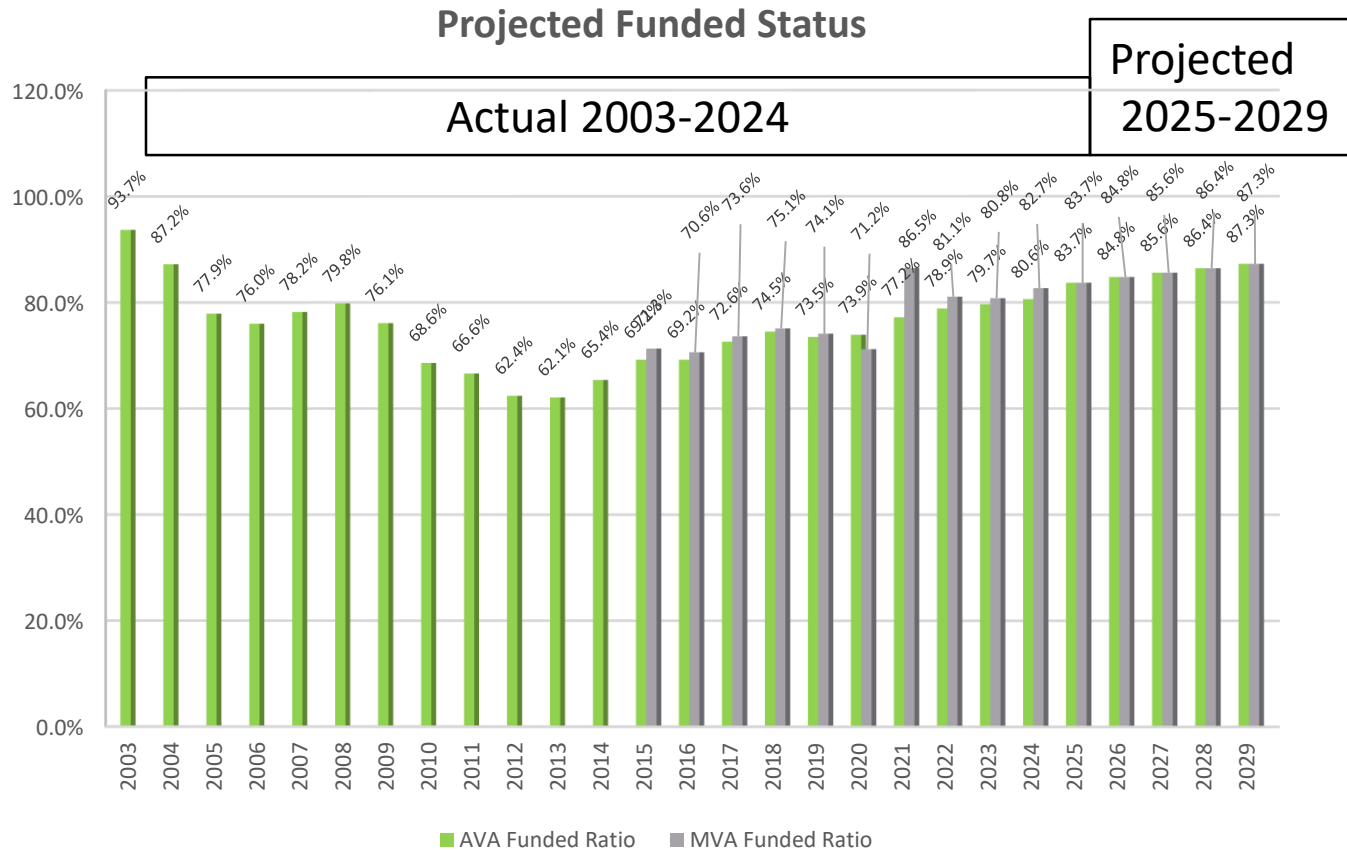
Projected Pension Funded Status

State Employees



Projected Pension Funded Status

Teachers



Conclusion



1. Increased Funded Status on Actuarial Asset Basis

- Higher than expected returns for 2024 valuations,
- Salary and COLA Losses

2. Contributions

- Pension & OPEB rates are mostly consistent with last year's valuation
- Generally, slightly lower rates than those currently being paid