



June 30, 2023 Annual Actuarial Valuation Results

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November 16, 2023

Agenda

- 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">• Political Subdivisions• Constitutional Officers• Social Services Employees• Registrars
	Virginia Local Disability Program <ul style="list-style-type: none">• Political Subdivisions• Teachers
	Line of Duty Act Fund LODA (separate presentation)

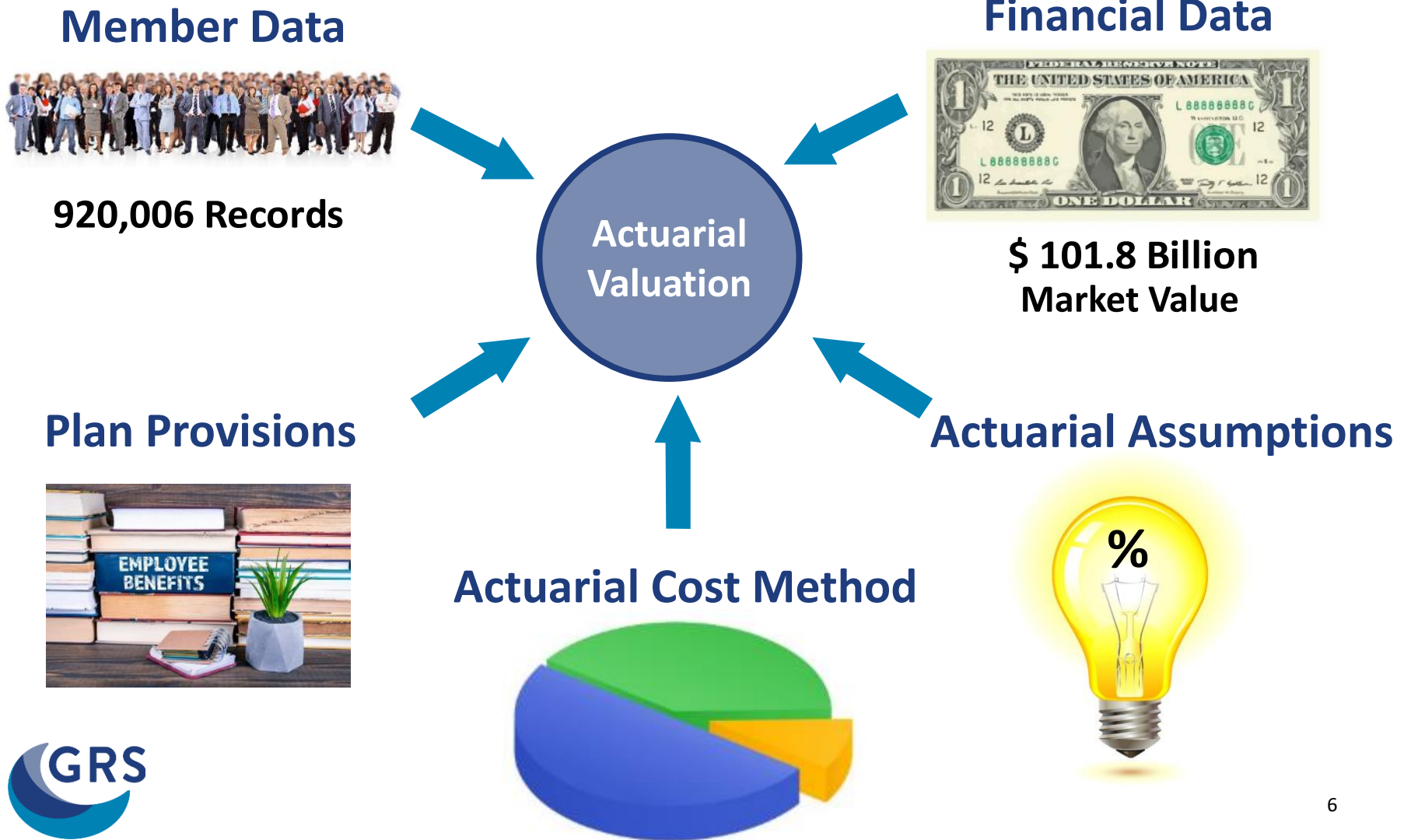
Big Picture: Actuarial Valuation Results


- 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



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

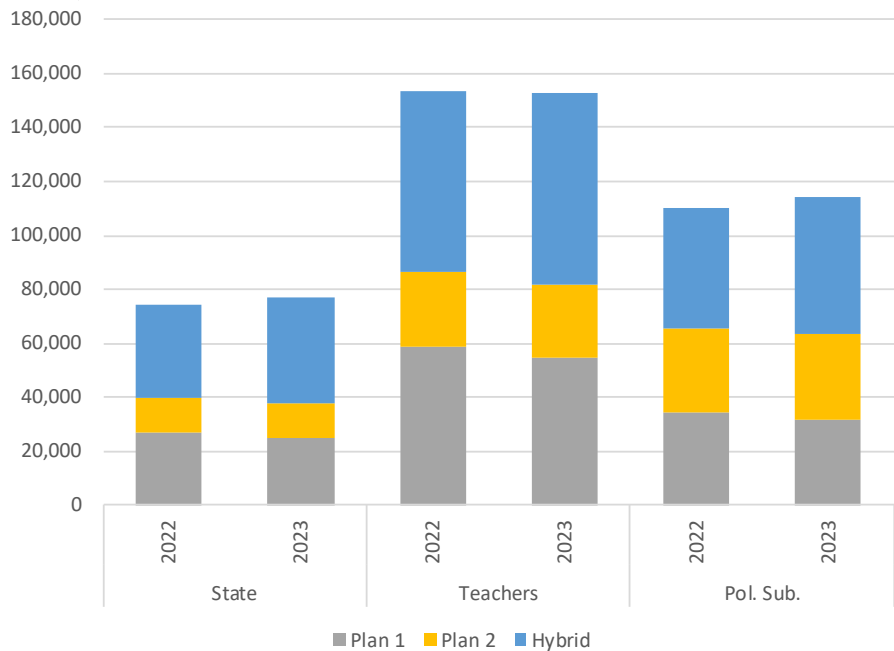
VALUATION RESULTS HIGHLIGHTS

Active Participants at June 30, 2023 (Pension)

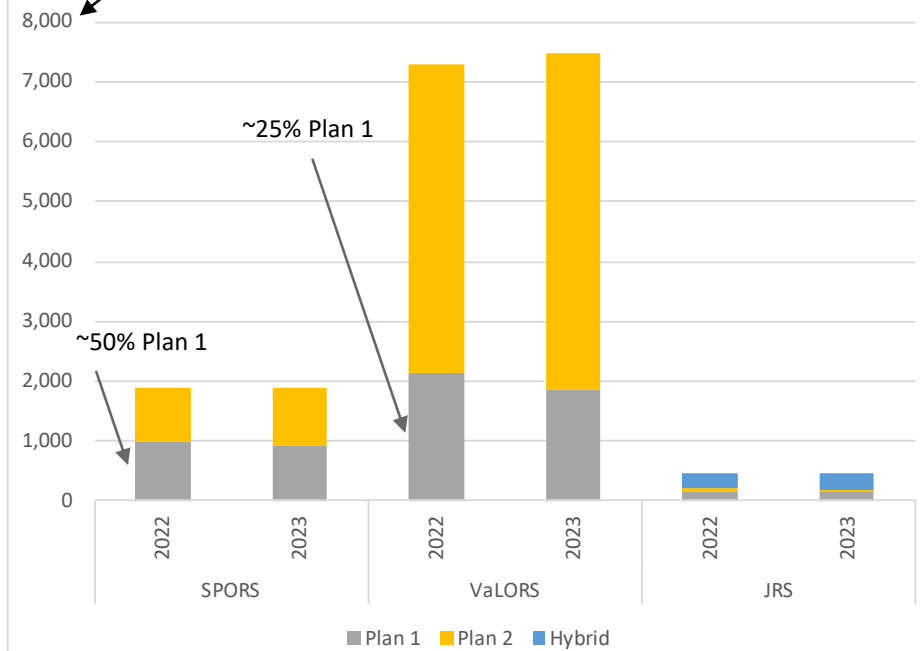
System	Plan 1	Plan 2	Hybrid	Total 2023	Total 2022	Percent Change
State	24,764	12,620	39,492	76,876	74,048	3.8%
Teachers	54,810	26,797	71,500	153,107	153,356	-0.2%
SPORS	922	960	-	1,882	1,885	-0.2%
VaLORS	1,843	5,635	-	7,478	7,289	2.6%
JRS	136	42	280	458	461	-0.7%
Pol. Sub.	31,784	31,367	51,128	114,279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

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



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%
TOTAL	\$51,378,360	\$42,435,122	\$93,813,482	+1.15%	-0.01%



Important to get additional funds into OPEB Plans when possible

Actuarial Value Assets 2023: 6.1% MVA Return

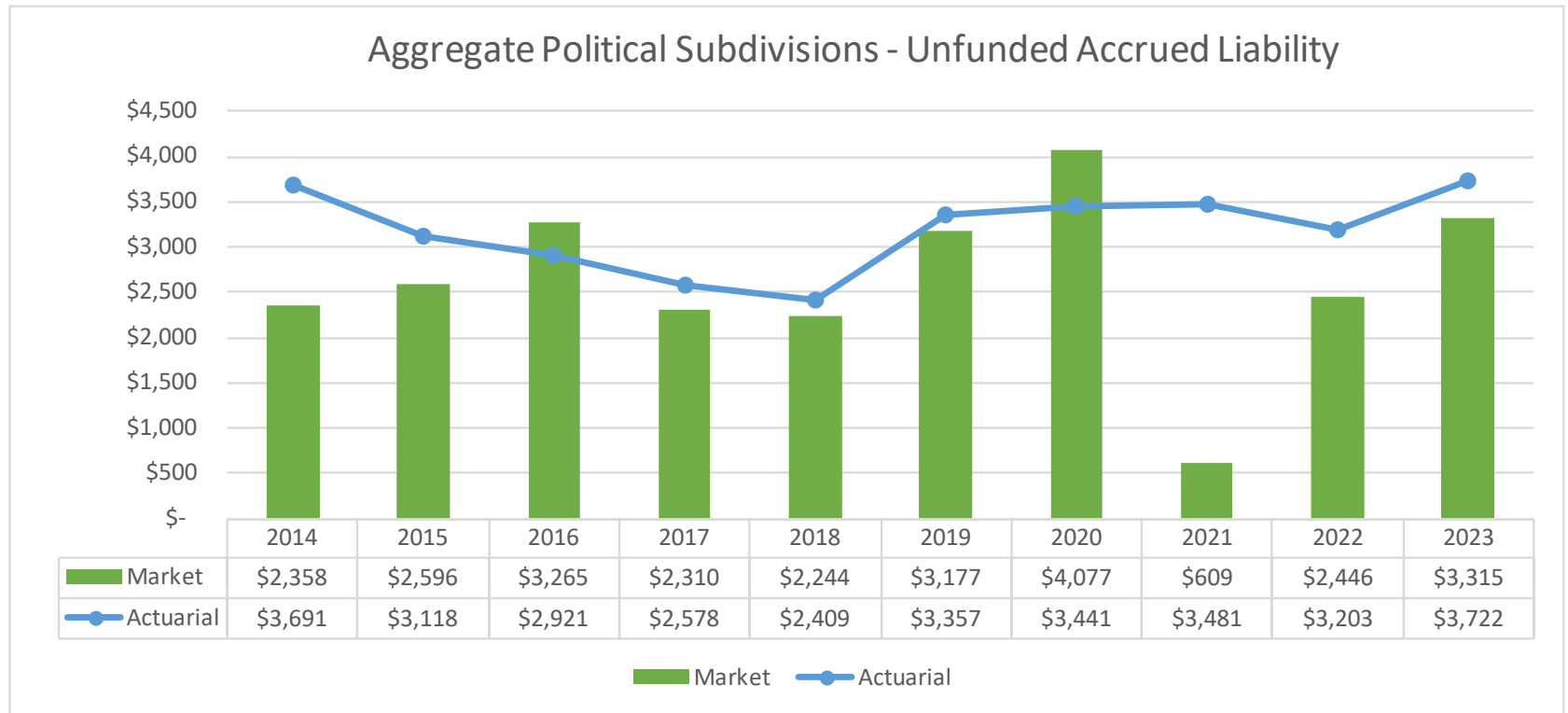
Political Subdivisions Pension – \$ Millions

	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 st prior year	(360)	(13)	?	?	?
-2 nd prior year	872	(360)	(13)	?	?
-3 rd prior year	(203)	872	(360)	(13)	?
-4 th 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



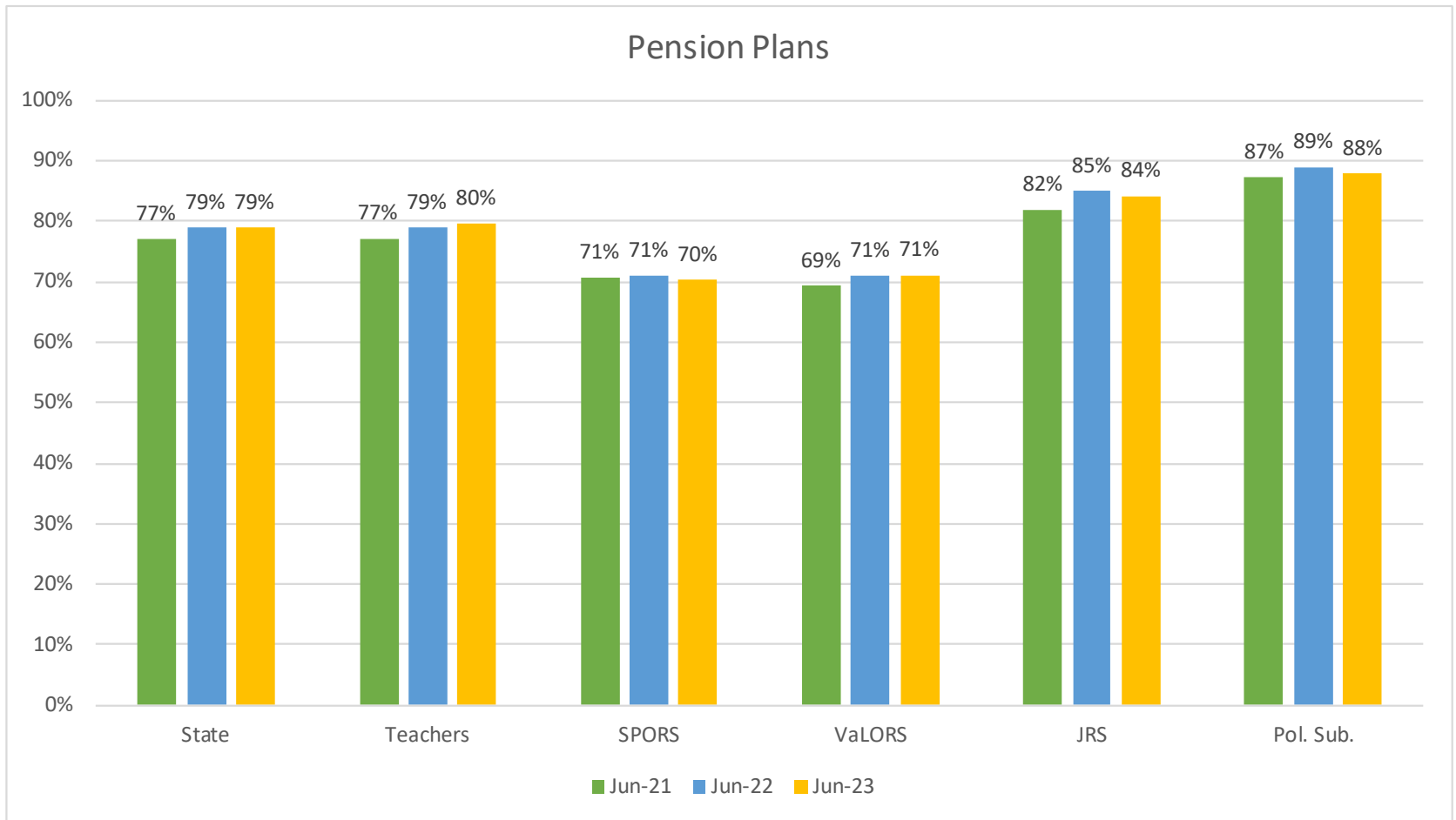
Why We Smooth Asset Returns



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

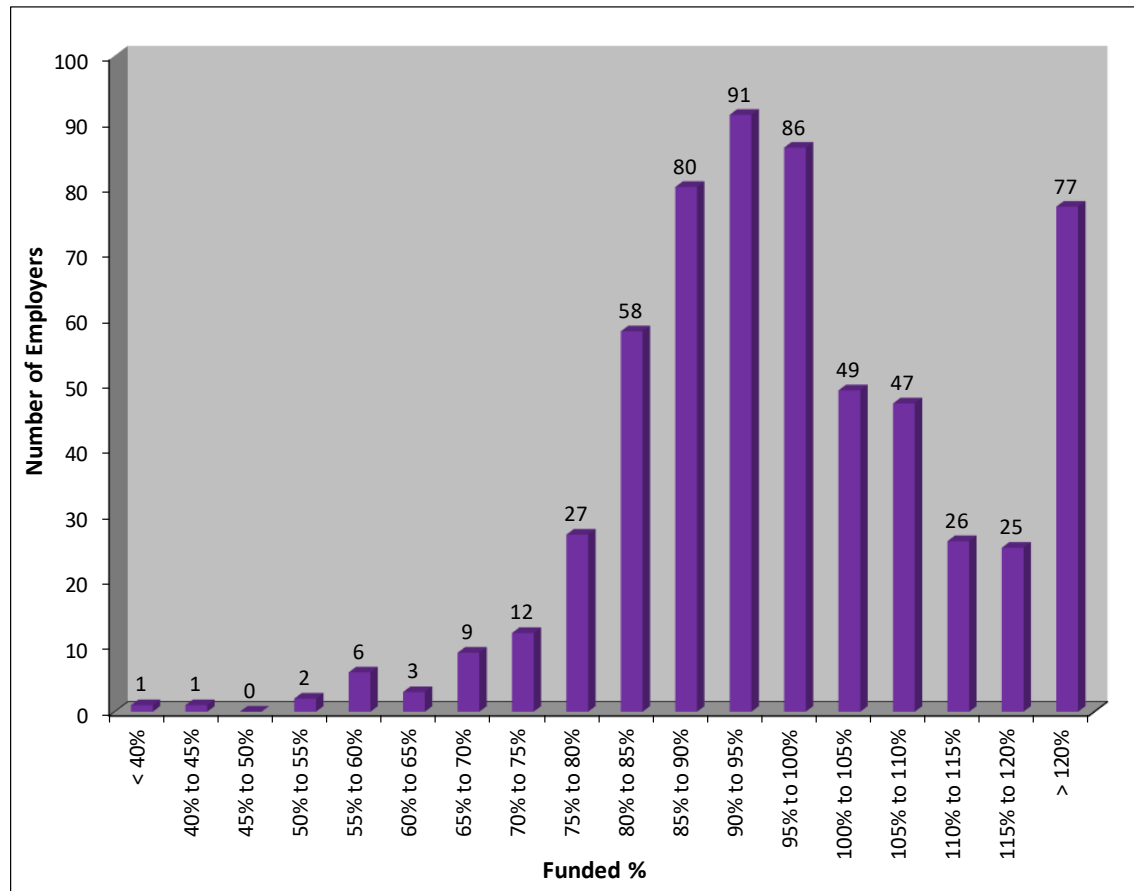


Chart shows Funded status distribution, 34 employers <75% to 224 employers > 100%

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



Calculated Employer Contributions

- 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

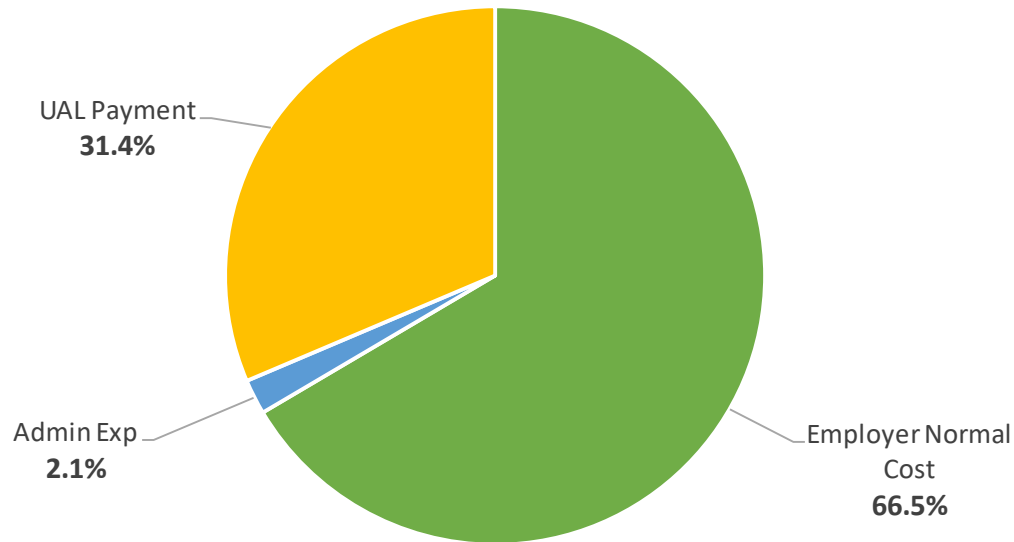
- HB 473 and SB 70 separate the employer contribution into Defined Benefit and Defined Contribution components effective for contribution rates beginning July 1, 2024
- HB 1630, SB 1289, SB 1479: Return to work
 - Required break in service reduced from 12 to 6 months for certain groups
 - Specifies that 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%

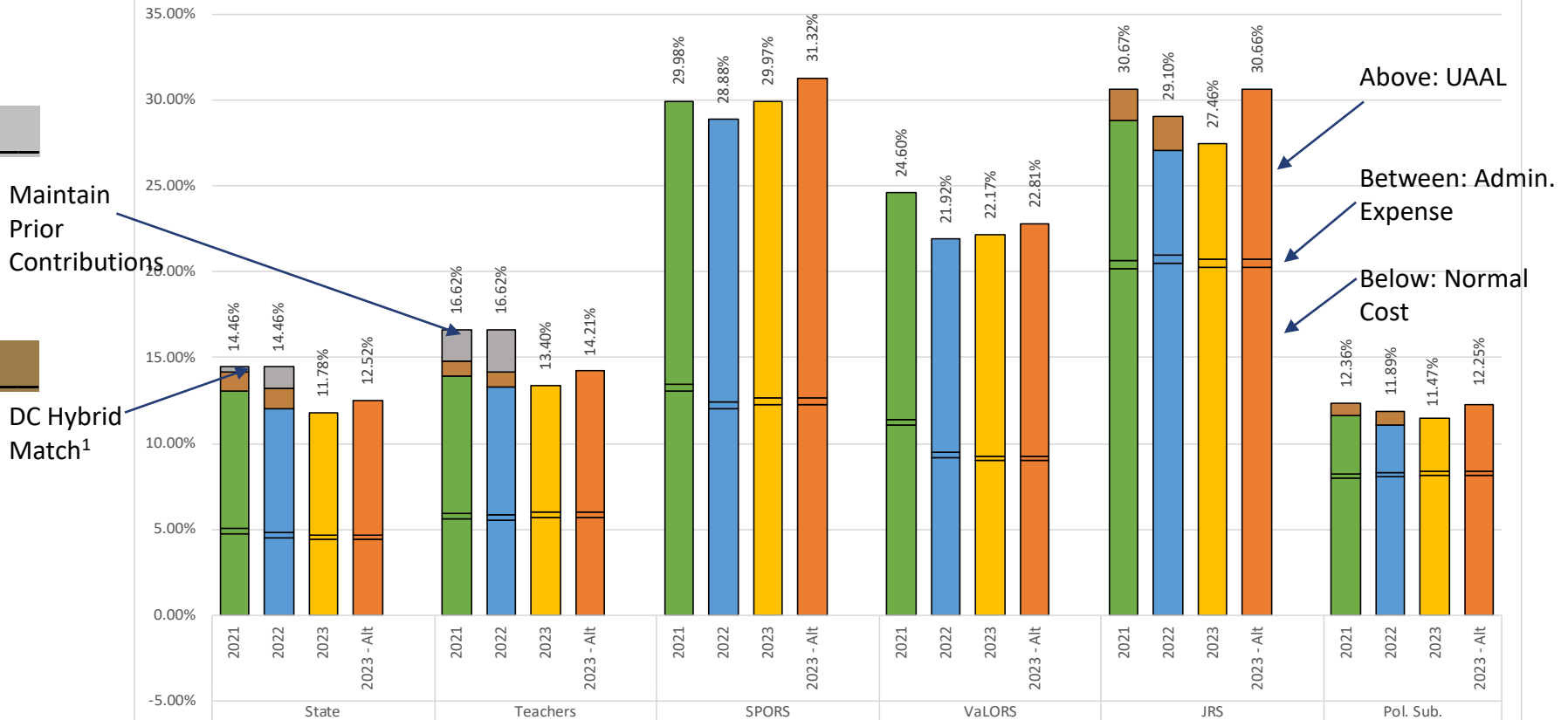
Note: 31.4% of aggregate Political Sub. Contribution is for UAL payment – vs. ~50% for Statewide pension plans (other than JRS)

Contribution Alternative Approved in October

- 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

¹ Hybrid DC Match decoupled beginning 2023

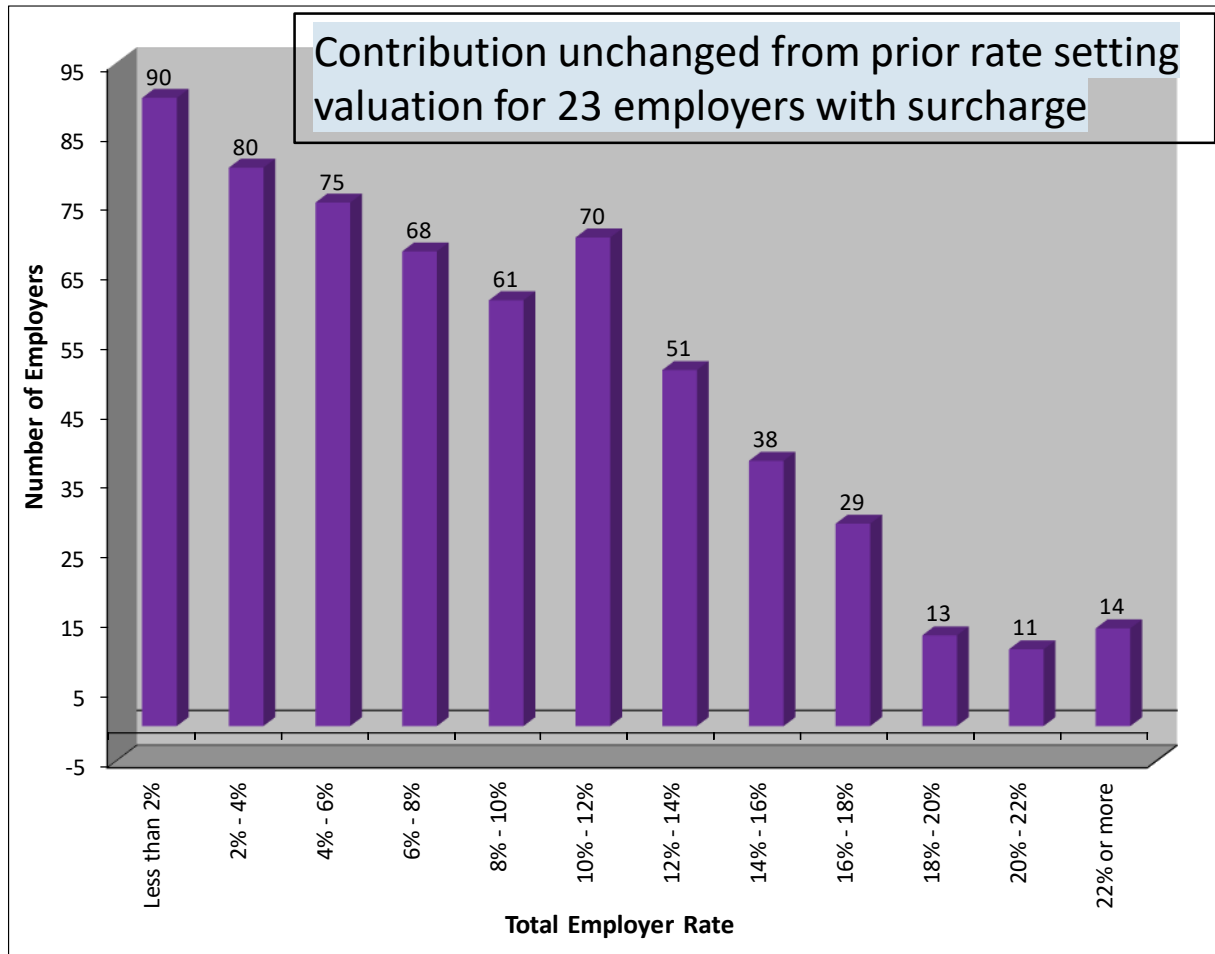
Actuarially Determined Employer Contribution (ADEC) Rates – Political Subdivisions Pension

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

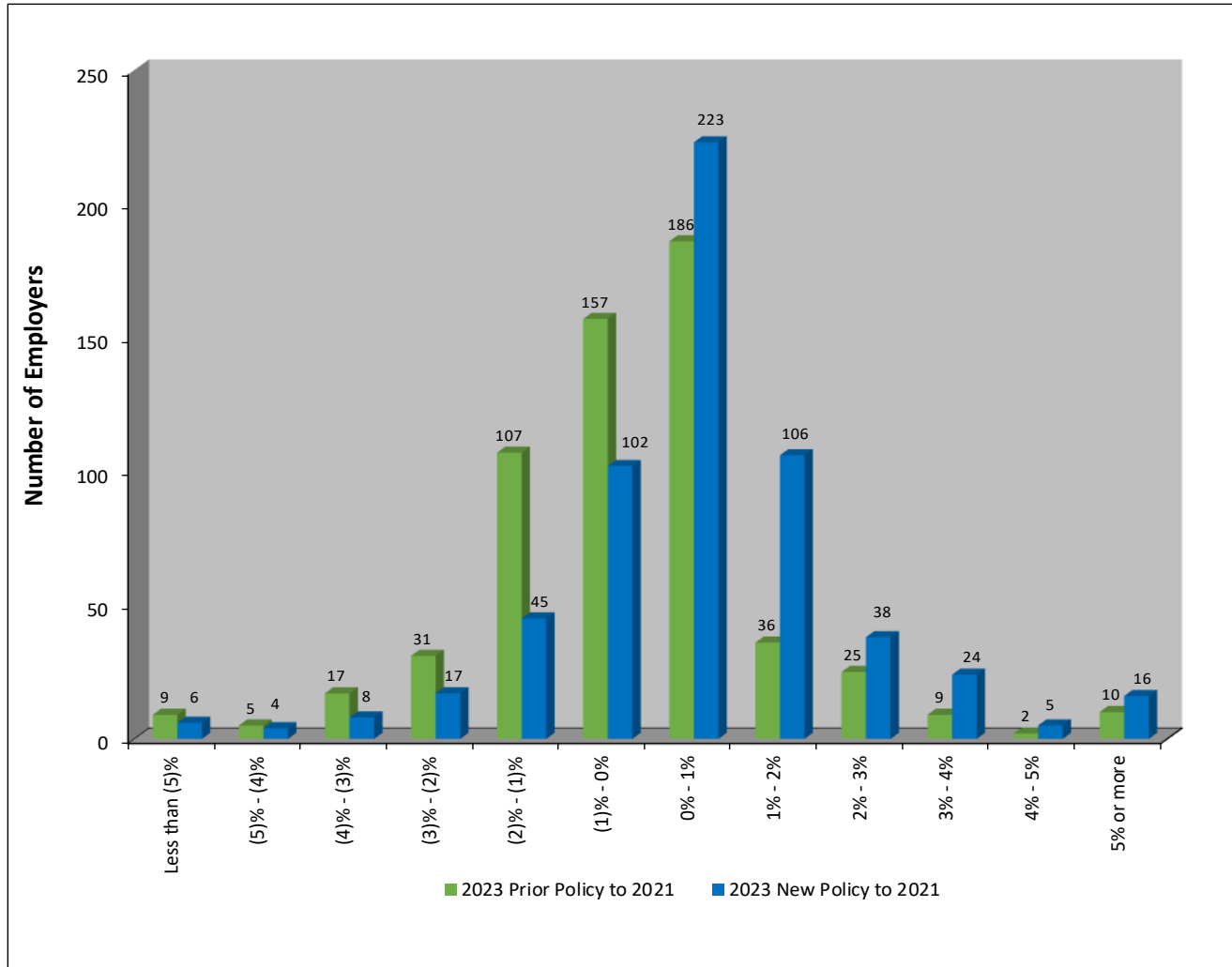
14.34%

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

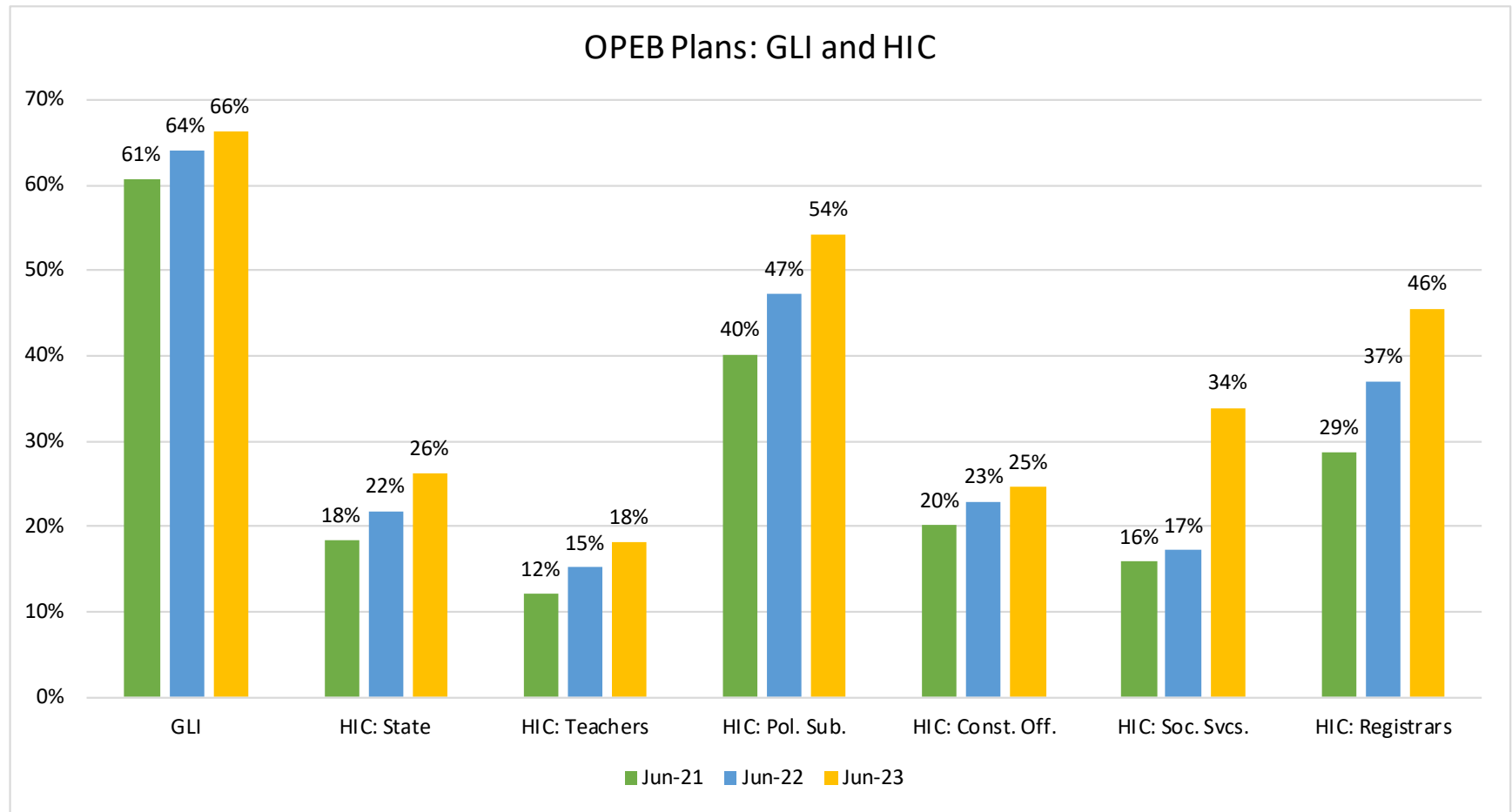
- Demographic changes vary by employer
 - Active population up for Political Subdivisions in total
 - 10 Employers account for 50% of the increase in total active population counts

OPEB: HIC Legislative Changes

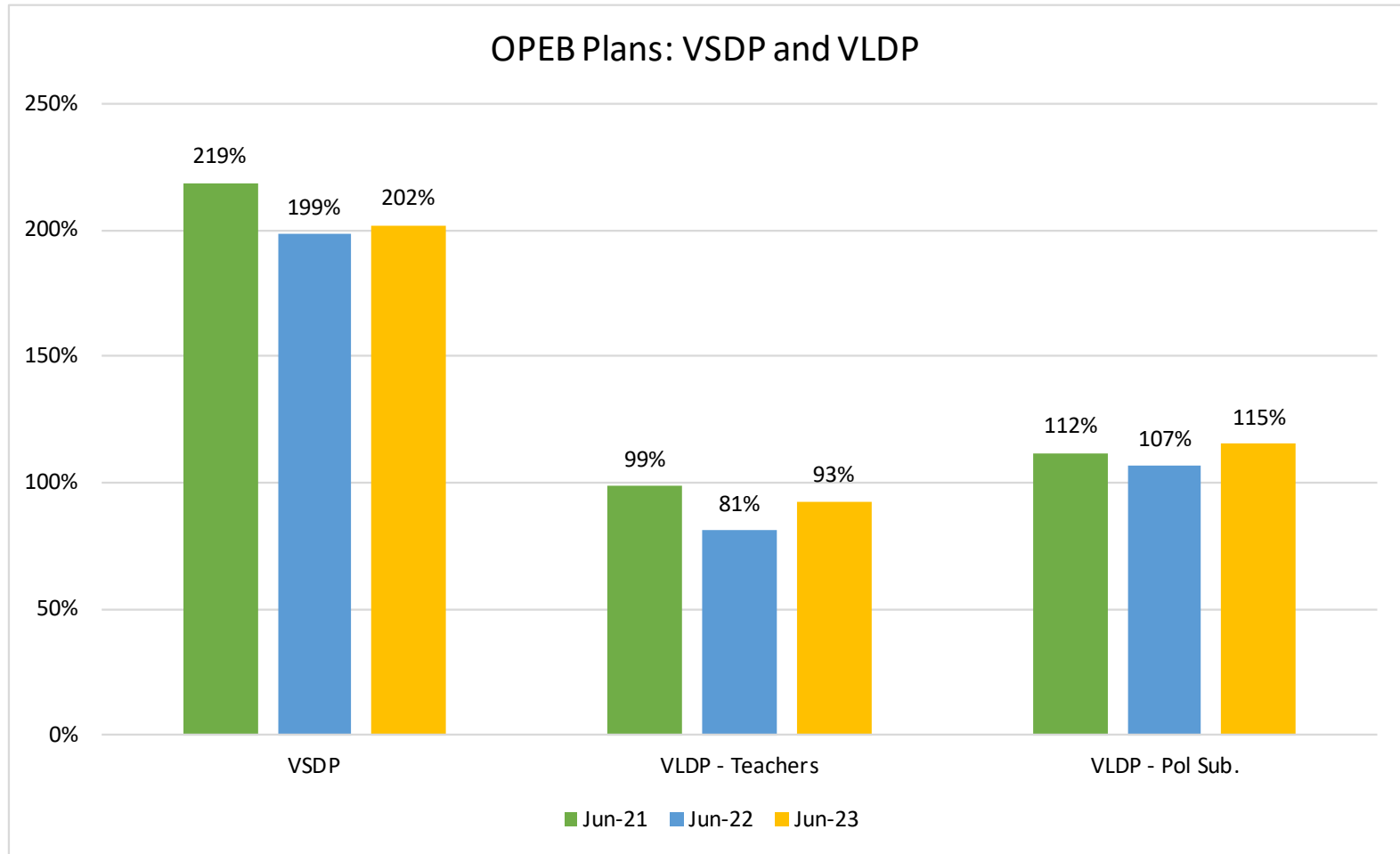
- Increases the amount of monthly health insurance credits for certain retirees beginning July 1, 2024

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

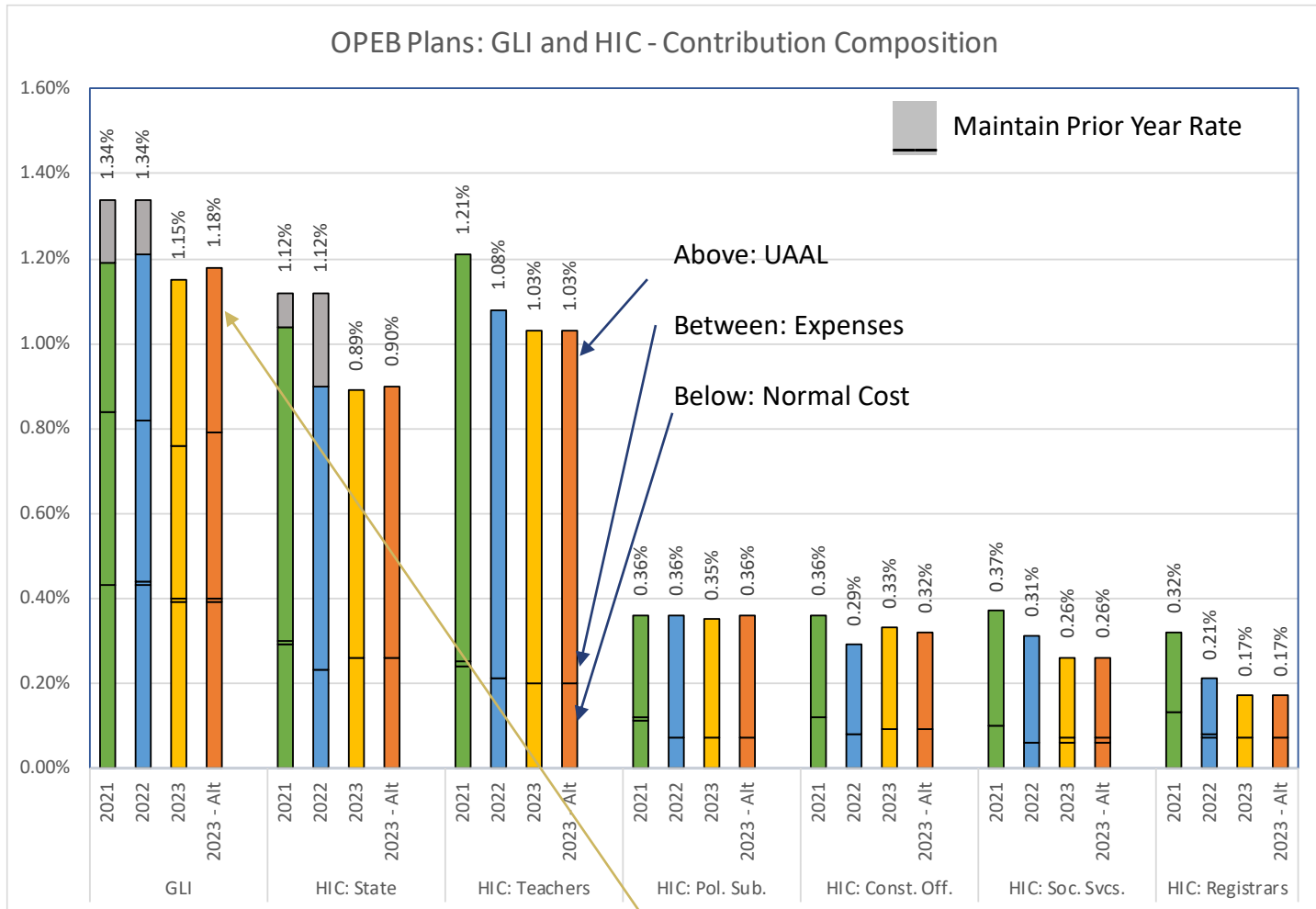
Funded Status (AVA) – OPEB Plans



Funded Status (AVA) – OPEB Plans



Actuarially Determined Employer Contribution Rates – OPEB Plans

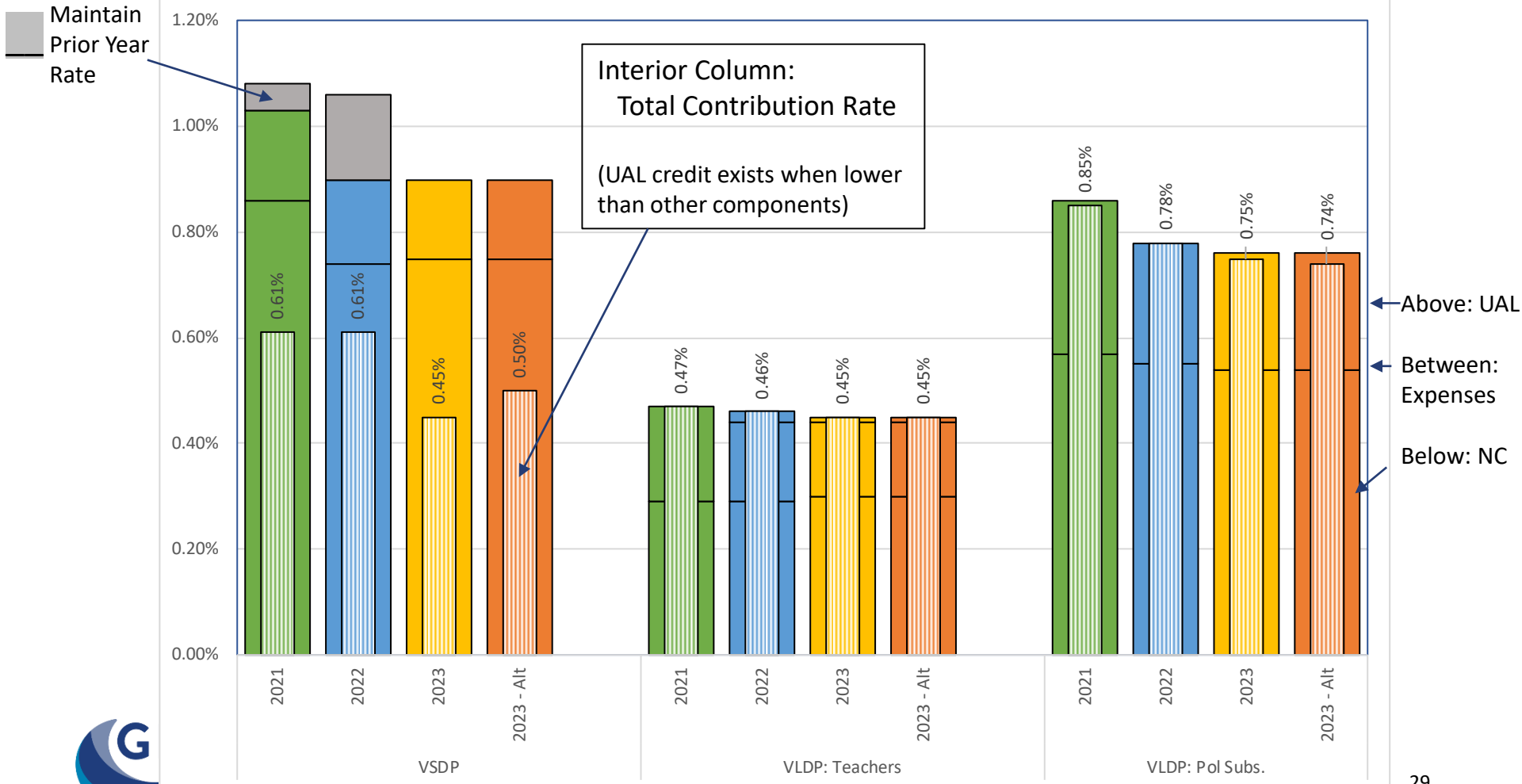


Note top 1/3 of GLI rate reflects active Life Insurance contribution



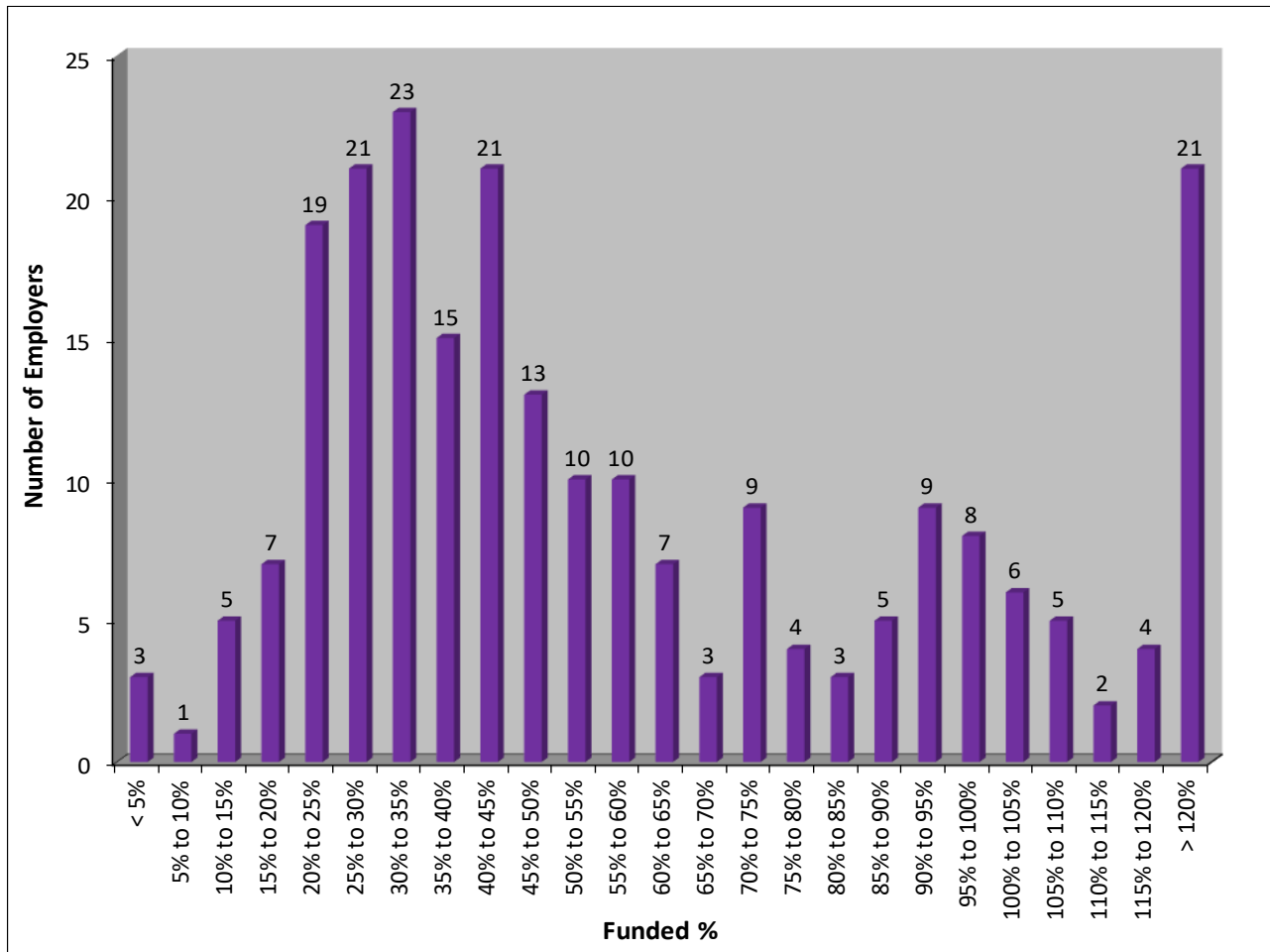
Actuarially Determined Employer Contribution Rates – OPEB Plans

OPEB Plans: VSDP and VLDP - Contribution Composition



Funded Status – OPEB HIC Political Subdivisions

Funded Status as of June 30, 2023 for 234 Employers

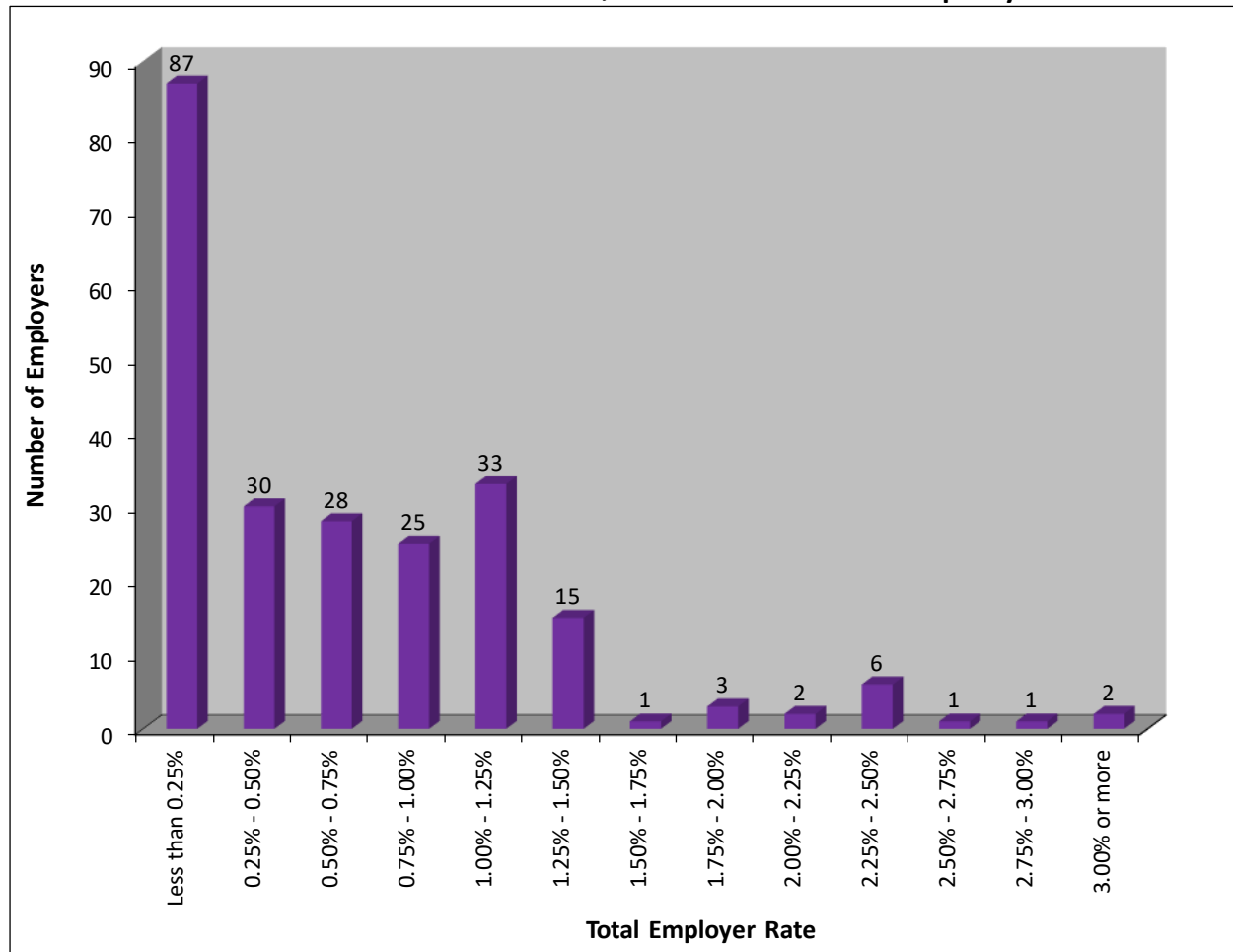


The chart above shows 234 employers; employers with 0 actives are excluded.



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

- 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

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