

Sample Notes to the Financial Statements
Cost-Sharing Employer Plans – VRS State Employee Retirement Plan
and VaLORS Retirement Plan
For the Fiscal Year Ended June 30, 2026

Instructions: *The Sample Notes to the Financial Statements for the Cost-Sharing Employer Plans – VRS State Employee and VaLORS Retirement Plans are based on the data in Illustration 3 of GASB Statement No. 68 and the related information in the Implementation Guide. These are provided by the Virginia Retirement System as a guide for employers in the development of their GASB 68 note disclosures. Additional or substitute language for state agencies with VaLORS Retirement Plan members is shaded in gray. **State agencies without VaLORS covered employees should not include the VaLORS Retirement Plan data in their disclosures.** The GASB 68 schedules referenced in this document can be found in the “GASB Statement No. 68 Report for the Virginia Retirement System Prepared as of June 30, 2025” on the VRS Guidelines and Resources page of the VRS website at <https://employers.varetire.org/financial-reporting/vrs-guidelines-and-resources/>.*

Within the sample Notes to the Financial Statements, the sample Required Supplementary Information and the sample Journal Entries, there are a number of variable items which each employer must fill in using their own unique information. For each of these items, we have identified the source of the information.

We have also provided an analysis of the change in Net Pension Liability. This analysis includes the June 30, 2024, Net Pension Liability, the elements impacting the 2025 Net Change in Pension Liability, and the June 30, 2025, Net Pension Liability. Most of this data is also contained in the GASB 68 Report from the VRS actuary.

Note: *Disclosures required in GASB 68 paragraphs 80h and 81b are not included in the information provided below.*

The information in this document is provided as an additional resource for employers, but each employer is responsible for their own Notes to the Financial Statements. Employers should review the language and other information provided with their auditors.

If you have any questions concerning this information, please contact me at 804-697-6666 or send me an email at CDoughtie@varetire.org.

State Agency Name
Notes to the Financial Statements
For the Year Ended June 30, 2026

Summary of Significant Accounting Policies

Pensions

The Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS) Retirement Plan are single employer pension plans that are treated like cost-sharing plans. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the VRS State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS) Retirement Plan; and the additions to/deductions from the VRS State Employee Retirement Plan's and the VaLORS Retirement Plan's fiduciary net position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Retirement Plan or the VaLORS Retirement Plan upon employment. This plan is/These plans are administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees in the VRS State Employee Retirement Plan – Plan 1, Plan 2, and Hybrid; and two different benefit structures for covered employees in the VaLORS Retirement Plan – Plan 1 and Plan 2. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	About Plan 2 Same as Plan 1.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Eligible Members Members are in Plan 1 if their membership date is before July 1, 2010, they were vested as of January 1, 2013, and they have not taken a refund. Hybrid Opt-In Election VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	Eligible Members Members are in Plan 2 if their membership date is from July 1, 2010, to December 31, 2013, and they have not taken a refund, or their membership date is prior to July 1, 2010, and they were not vested as of January 1, 2013. Hybrid Opt-In Election Same as Plan 1.	Eligible Members Members are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Full-time permanent, salaried state employees.* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <i>*Non-Eligible Members</i> Some members are not eligible to participate in the Hybrid Retirement Plan. They include: • Members of the Virginia Law Officers' Retirement System (VaLORS) Those members eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Retirement Contributions State members, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pretax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payments.	Retirement Contributions Same as Plan 1.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Service Credit Same as Plan 1.	Service Credit <i>Defined Benefit Component:</i> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. <i>Defined Contributions Component:</i> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	Vesting Same as Plan 1.	Vesting <i>Defined Benefit Component:</i> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. <i>Defined Contributions Component:</i> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distributions not required, except as governed by law.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <i>Defined Benefit Component:</i> See definition under Plan 1 <i>Defined Contribution Component:</i> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. VaLORS: The retirement multiplier for VaLORS employees is 1.70% or 2.00%.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013. VaLORS: The retirement multiplier for VaLORS employees is 2.00% applied to hazardous duty service and 1.70% applied to non-hazardous duty service and no supplement.	Service Retirement Multiplier <i>Defined Benefit Component:</i> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. VaLORS: Not applicable. <i>Defined Contribution Component:</i> Not applicable.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Normal Retirement Age VRS: Age 65. VaLORS: Age 60.	Normal Retirement Age VRS: Normal Social Security retirement age. VaLORS: Same as Plan 1.	Normal Retirement Age <i>Defined Benefit Component:</i> VRS: Same as Plan 2. VaLORS: Not applicable. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit. VaLORS: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90. VaLORS: Same as Plan 1.	Earliest Unreduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Same as Plan 2. VaLORS: Not applicable. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit. VaLORS: Age 50 with at least five years of service credit.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit. VaLORS: Same as Plan 1.	Earliest Reduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Same as Plan 2. VaLORS: Not applicable. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. <i>Eligibility:</i> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. <i>Exceptions to COLA Effective Dates:</i> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit.	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. <i>Eligibility:</i> Same as Plan 1. <i>Exceptions to COLA Effective Dates:</i> Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement <i>Defined Benefit Component:</i> Same as Plan 2. <i>Defined Contribution Component:</i> Not applicable. <i>Eligibility:</i> Same as Plan 1. <i>Exceptions to COLA Effective Dates:</i> Same as Plan 1.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	Disability Coverage For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Disability Coverage State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <i>Defined Benefit Component:</i> Same as Plan 1, with the following exception: Hybrid Retirement Plan members are ineligible for ported service. <i>Defined Contribution Component:</i> Not applicable.

Contributions

The contribution requirement for active employees is governed by § 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each state agency's contractually required employer contribution rate for the fiscal year ended June 30, 2026, was 12.52% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 24.60% of covered employee compensation. This rate was/These rates were the final approved General Assembly rate which was/were based on an actuarially determined rate(s) from an

actuarial valuation as of June 30, 2023. The actuarially determined rates, when combined with employee contributions, was/were expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the state agency to the VRS State Employee Retirement Plan were \$ [Insert amount] and \$ [Insert amount] for the years ended June 30, 2026, and June 30, 2025, respectively. Contributions from the state agency to the VaLORS Retirement Plan were \$ [Insert amount] and \$ [Insert amount] for the years ended June 30, 2026 and June 30, 2025, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$ [Insert amount] for the year ended June 30, 2026. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require matching employer contributions of up to 2.5%. This additional employer mandatory contribution totaled \$ [Insert amount] for the year ended June 30, 2026. The total Hybrid plan participant covered payroll totaled \$ [Insert amount] for the year ended June 30, 2026.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2026, the state agency reported a liability of \$ [Appendix 4 – Net Pension Liability – State Employers, 6/30/2025 Net Pension Liability] for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of \$ [Appendix 12 – Net Pension Liability – VaLORS Employers, 6/30/2025 Net Pension Liability] for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2025, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2024, and rolled forward to the measurement date of June 30, 2025. The state agency's proportion of the Net Pension Liability was based on the state agency's actuarially determined employer contributions to the pension plans for the year ended June 30, 2025, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2025, the state agency's proportion of the VRS State Employee Retirement Plan was [Appendix 1 – Proportionate Share of Contributions – State Employers, 2025 Employer Allocation Percentage] % as compared to [Appendix 1 – Proportionate Share of Contributions – State Employers, 2024 Employer Allocation Percentage] % at June 30, 2024. At June 30, 2025, the state agency's proportion of the VaLORS Retirement Plan was [Appendix 9 – Proportionate Share of Contributions – VaLORS Employers, 2025 Employer Allocation Percentage] % as compared to [Appendix 9 – Proportionate Share of Contributions – VaLORS Employers, 2024 Employer Allocation Percentage] % at June 30, 2024.

For the year ended June 30, 2026, the state agency recognized pension expense of \$ [Appendix 2 – Deferred Inflows and Outflows and Pension Expense – State Employers, Total Employer Pension Expense] for the VRS State Employee Retirement Plan and \$ [Appendix 10 – Deferred Inflows and Outflows and Pension Expense – VaLORS Employers, Total Employer Pension Expense] for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2024, and June 30, 2025, a portion of the pension expense was related to deferred amounts from changes in proportion and differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

At June 30, 2026, the state agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$1	\$5
Net difference between projected and actual earnings on pension plan investments	2	6
Change in assumptions	3	7
Changes in proportion and differences between employer contributions and proportionate share of contributions	4	8
Employer contributions subsequent to the measurement date	[Insert Amount]	—
Total	\$ —	\$ —

Source of Data for Deferred Outflows and Deferred Inflows Schedule:

**Appendix 2 – Deferred Inflows and Outflows and Pension Expense –
State Employers**

- 1 – \$ [Deferred Outflows of Resources - Difference Between Expected and Actual Exp.]
- 2 – \$ [Deferred Outflows of Resources - Net Difference Between Projected and Actual Inv...]
- 3 – \$ [Deferred Outflows of Resources - Change of Assumptions.]
- 4 – \$ [Deferred Outflows of Resources - Changes in Proportionate Share and Differences Between..]
- 5 – \$ [Deferred Inflows of Resources - Difference Between Expected and Actual Exp.]
- 6 – \$ [Deferred Inflows of Resources - Net Difference Between Projected and Actual Inv...]
- 7 – \$ [Deferred Inflows of Resources - Change of Assumptions.]
- 8 – \$ [Deferred Inflows of Resources - Changes in Proportionate Share and Differences Between..]

For employers with VaLORS Plans, the data for this schedule will be found on Appendix 10 – Deferred Inflows and Outflows and Pension Expense – VaLORS Employers.

\$[Insert amount] reported as deferred outflows of resources related to pensions resulting from the state agency's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30

FY 2027	\$ [Appendix 3, Year 1]
FY 2028	\$ [Appendix 3, Year 2]
FY 2029	\$ [Appendix 3, Year 3]
FY 2030	\$ [Appendix 3, Year 4]
FY 2031	\$ [Appendix 3, Year 5]

Source of Data for Amortization of Deferred Outflows and Deferred Inflows Schedule:
Appendix 3 – Amortization of Deferred Inflows and Outflows – State Employers

For employers with VaLORS Plans, the data for this schedule will be found on Appendix 11 – Amortization of Deferred Inflows and Outflows – VaLORS Employers.

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2024, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2025.

Inflation	2.50%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:**Pre-retirement:**

Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally;
 females set forward 2 years

Post-retirement:

Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally;
 110% of rates for females

Post-disablement:

Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally;
 males and females set forward 3 years

Beneficiaries and Survivors:

Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; 110% of rates for males and females

Mortality Improvement:

Rates projected generationally with Modified MP-2021 Improvement Scale that is 75% of the standard rate

The actuarial assumptions used in the June 30, 2024, valuation were rolled forward to a measurement date of June 30, 2025 and were based on the results of an actuarial experience study for the period from July 1, 2020, through June 30, 2024. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Maintain PUB-2010 tables with adjustments, update to MP-2021 projection scale multiplied by 75%
Retirement Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis
Termination Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis
Disability Rates	Moved ~50% of the way to the observed experience, on a headcount-weighted basis, to maintain margin
Salary Scale	Increase Merit & Longevity 50 basis points
Discount Rate	No Change

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2024, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2025.

Inflation	2.50%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

Pre-retirement:

Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; 95% of rates for males, and 105% of rates for females set forward 2 years

Post-retirement:

Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; 110% of rates for males, and 105% of rates for females set forward 3 years

Post-disablement:

Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; 95% of rates for males set back 3 years, and 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; 110% of rates for males set forward 2 years; 110% of rates for females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2021 Improvement Scale that is 75% of the standard rates

The actuarial assumptions used in the June 30, 2024, valuation were rolled forward to a measurement date of June 30, 2025 and were based on the results of an actuarial experience study for the period from July 1, 2020, through June 30, 2024. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Maintain PUB-2010 tables with adjustments, update to MP-2021 projection scale multiplied by 75%
Retirement Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis
Termination Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis
Disability Rates	Moved ~50% of the way to the observed experience, on a headcount-weighted basis, to maintain margin
Salary Scale	Increase Merit & Longevity 50 basis points; use of 2.50% payroll growth assumption for purposes of amortizing any unfunded actuarial accrued liabilities
Discount Rate	No change

Net Pension Liability

The net pension liability (NPL) is calculated separately for each plan and represents that particular plan's total pension liability determined in accordance with GASB Statement No. 67, less that plan's fiduciary net position. As of June 30, 2025, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

	State Employee Retirement Plan	VaLORS Retirement Plan
Total Pension Liability	\$ 31,048,959	\$ 2,863,701
Plan Fiduciary Net Position	26,622,947	2,244,828
Employers' Net Pension Liability (Asset)	<u>\$ 4,426,012</u>	<u>\$ 618,873</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.75%	78.39%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	32.00%	6.60%	2.11%
Fixed Income	16.00%	5.09%	0.81%
Credit Strategies	16.00%	8.21%	1.31%
Real Assets	15.00%	7.10%	1.07%
Private Equity	15.00%	8.60%	1.29%
PIP – Private Investment Partnerships	1.00%	7.95%	0.08%
Diversifying Strategies	6.00%	6.82%	0.41%
Cash	2.00%	4.07%	0.08%
Leverage	(3.00%)	4.57%	(0.14%)
Total	100.00%		7.02%
* Expected arithmetic nominal return			7.02%

* The above allocation provides a one-year expected return of 7.02% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.06%, including expected inflation of 2.50%.

On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2025, the rate contributed by the state agency for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate for the VRS State plan and 108% of the actuarially determined contribution rate for the VaLORS plan. From July 1, 2025, on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the State Agency’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the state agency’s proportionate share of the VRS State Employee Retirement Plan net pension liability using the discount rate of 6.75%, as well as what the state agency’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
State agency's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	\$ [Appendix 4 - Net Pension Liability - State Employers, Net Pension Liability 1% Decrease (5.75%)]	\$ [Appendix 4 - Net Pension Liability - State Employers, 6/30/2025 Net Pension Liability]	\$ [Appendix 4 - Net Pension Liability - State Employers, Net Pension Liability 1% Increase (7.75%)]

The following presents the state agency’s proportionate share of the VaLORS Retirement Plan net pension liability using the discount rate of 6.75%, as well as what the state agency’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
State agency's proportionate share of the VaLORS Employee Retirement Plan Net Pension Liability	\$ [Appendix 4 - Net Pension Liability - VaLORS Employers, Net Pension Liability 1% Decrease (5.75%)]	\$ [Appendix 4 - Net Pension Liability - VaLORS Employers, 6/30/2025 Net Pension Liability]	\$ [Appendix 4 - Net Pension Liability - VaLORS Employers, Net Pension Liability 1% Increase (7.75%)]

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan’s Fiduciary Net Position or the VaLORS Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2025 Annual Report. A copy of the 2025 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/publications/?category=annual>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Pension Plan

[If the state agency reported payables to the VRS, it should disclose information required by paragraph 122 of GASB 68. It is the state agency’s responsibility to calculate this amount and complete the required disclosure.]

Required Supplementary Information (RSI) Template
Cost-Sharing Employer Plans – VRS State Employee Retirement Plan
and VaLORS Retirement Plan
For the Fiscal Year Ended June 30, 2026

Instructions: *This template includes two sample schedules and the language for Notes to RSI to be used as a guide in the development of the RSI section of your financial statements:*

- *Schedule of Employer's Share of Net Pension Liability*
- *Schedule of Employer Contributions*
- *Notes to Required Supplementary Information*

The sample schedules presented in this section will each show a 10-year history of data related to GASB 68. You may create your own tables based on the examples VRS has provided. Each year, VRS will update the data highlighted in accordance with the legend. However, the employer is responsible for providing the remainder of the information and calculation as indicated.

Each employer is responsible for maintaining its own schedules, retaining prior year data, and updating the schedules each year based on the new information.

Note: *Employer's Covered Payroll referenced in the GASB 68 schedules in the template represent the total pensionable payroll for employees covered under the pension plan. Both of these schedules will now have multiple years of data. The periods for the additions to the schedules for FY 2026 are as follows:*

- *Schedule of Employer's Share of Net Pension Liability for the Measurement Dates of June 30, 2016, through June 30, 2025. This schedule will now have ten years.*
- *Schedule of Employer Contributions – Covered Payroll is for the fiscal year ended June 30, 2026. This schedule should have 10 years.*

Sample Schedule of Employer's Share of Net Pension Liability

Schedule of Employer's Share of Net Pension Liability VRS State Employee Retirement Plan For the Measurement Dates of June 30, 2016 through 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Employer's Proportion of the Net Pension Liability (Asset)	[Appendix 1 - Proportionate Share of Contributions - State Employers, 2025 Employer Allocation Percentage] %	[Appendix 1 - Proportionate Share of Contributions - State Employers, 2024 Employer Allocation Percentage] %	[Appendix 1 - Proportionate Share of Contributions - State Employers, 2023 Employer Allocation Percentage] %	[Appendix 1 - Proportionate Share of Contributions - State Employers, 2022 Employer Allocation Percentage] %	[Schedule A - Proportionate Share of Contributions - State Employers, 2021 Employer Allocation Percentage] %	[Schedule A - Proportionate Share of Contributions - State Employers, 2020 Employer Allocation Percentage] %	[Schedule A - Proportionate Share of Contributions - State Employers, 2019 Employer Allocation Percentage] %	[Schedule A - Proportionate Share of Contributions - State Employers, 2018 Employer Allocation Percentage] %	[Schedule A - Proportionate Share of Contributions - State Employers, 2017 Employer Allocation Percentage] %	[Schedule A - Proportionate Share of Contributions - State Employers, 2016 Employer Allocation Percentage] %
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ [Appendix 4 - Net Pension Liability - State Employers, 6/30/2025 Net Pension Liability]	\$ [Appendix 4 - Net Pension Liability - State Employers, 6/30/2024 Net Pension Liability]	\$ [Appendix 4 - Net Pension Liability - State Employers, 6/30/2023 Net Pension Liability]	\$ [Appendix 4 - Net Pension Liability - State Employers, 6/30/2022 Net Pension Liability]	\$ [Schedule D - Net Pension Liability - State Employers, 6/30/2021 Net Pension Liability]	\$ [Schedule D - Net Pension Liability - State Employers, 6/30/2020 Net Pension Liability]	\$ [Schedule D - Net Pension Liability - State Employers, 6/30/2019 Net Pension Liability]	\$ [Schedule D - Net Pension Liability - State Employers, 6/30/2018 Net Pension Liability]	\$ [Schedule D - Net Pension Liability - State Employers, 6/30/2017 Net Pension Liability]	\$ [Schedule D - Net Pension Liability - State Employers, 6/30/2016 Net Pension Liability]
Employer's Covered Payroll	\$ [Insert Amount]	\$ [Insert Amount]	\$ [Insert Amount]	\$ [Insert Amount]	\$ [Insert Amount]	\$ [Insert Amount]	\$ [Insert Amount]	\$ [Insert Amount]	\$ [Insert Amount]	\$ [Insert Amount]
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	[Calculation: line 2 divided by Line 3]%	[Calculation: line 2 divided by Line 3]%	[Calculation: line 2 divided by Line 3]%	[Calculation: line 2 divided by Line 3]%	[Calculation: line 2 divided by Line 3]%	[Calculation: line 2 divided by Line 3]%	[Calculation: line 2 divided by Line 3]%	[Calculation: line 2 divided by Line 3]%	[Calculation: line 2 divided by Line 3]%	[Calculation: line 2 divided by Line 3]%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.75%	83.45%	82.19%	83.26%	86.44%	72.15%	75.13%	77.39%	75.33%	71.29%

For Reference Only: The Plan Fiduciary Net Position as a Percentage of the Total Pension Liability for the VRS State Employee Retirement Plan for each year is presented on pages 120 and 121 of the VRS 2025 Annual Report.

Sample Schedule of Employer's Share of Net Pension Liability

Schedule of Employer's Share of Net Pension Liability VaLORS Employee Retirement Plan For the Measurement Dates of June 30, 2016 through 2025										
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Employer's Proportion of the Net Pension Liability (Asset)	[Appendix 1 - Proportionate Share of Contributions - VaLORS Employers, 2025 Employer Allocation Percentage] %	[Appendix 1 - Proportionate Share of Contributions - VaLORS Employers, 2024 Employer Allocation Percentage] %	[Appendix 1 - Proportionate Share of Contributions - VaLORS Employers, 2023 Employer Allocation Percentage] %	[Appendix 1 - Proportionate Share of Contributions - VaLORS Employers, 2022 Employer Allocation Percentage] %	[Schedule A - Proportionate Share of Contributions - VaLORS Employers, 2021 Employer Allocation Percentage] %	[Schedule A - Proportionate Share of Contributions - VaLORS Employers, 2020 Employer Allocation Percentage] %	[Schedule A - Proportionate Share of Contributions - VaLORS Employers, 2019 Employer Allocation Percentage] %	[Schedule A - Proportionate Share of Contributions - VaLORS Employers, 2018 Employer Allocation Percentage] %	[Schedule A - Proportionate Share of Contributions - VaLORS Employers, 2017 Employer Allocation Percentage] %	[Schedule A - Proportionate Share of Contributions - VaLORS Employers, 2016 Employer Allocation Percentage] %
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ [Appendix 4 - Net Pension Liability - VaLORS Employers, 6/30/2025 Net Pension Liability]	\$ [Appendix 4 - Net Pension Liability - VaLORS Employers, 6/30/2024 Net Pension Liability]	\$ [Appendix 4 - Net Pension Liability - VaLORS Employers, 6/30/2023 Net Pension Liability]	\$ [Appendix 4 - Net Pension Liability - VaLORS Employers, 6/30/2022 Net Pension Liability]	\$ [Schedule D - Net Pension Liability - VaLORS Employers, 6/30/2021 Net Pension Liability]	\$ [Schedule D - Net Pension Liability - VaLORS Employers, 6/30/2020 Net Pension Liability]	\$ [Schedule D - Net Pension Liability - VaLORS Employers, 6/30/2019 Net Pension Liability]	\$ [Schedule D - Net Pension Liability - VaLORS Employers, 6/30/2018 Net Pension Liability]	\$ [Schedule D - Net Pension Liability - VaLORS Employers, 6/30/2017 Net Pension Liability]	\$ [Schedule D - Net Pension Liability - VaLORS Employers, 6/30/2016 Net Pension Liability]
Employer's Covered Payroll	\$ [Insert Amount]	\$ [Insert Amount]	\$ [Insert Amount]	\$ [Insert Amount]	\$ [Insert Amount]	\$ [Insert Amount]	\$ [Insert Amount]	\$ [Insert Amount]	\$ [Insert Amount]	\$ [Insert Amount]
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	[Calculation: line 2 divided by Line 3] %	[Calculation: line 2 divided by Line 3] %	[Calculation: line 2 divided by Line 3] %	[Calculation: line 2 divided by Line 3] %	[Calculation: line 2 divided by Line 3] %	[Calculation: line 2 divided by Line 3] %	[Calculation: line 2 divided by Line 3] %	[Calculation: line 2 divided by Line 3] %	[Calculation: line 2 divided by Line 3] %	[Calculation: line 2 divided by Line 3] %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.39%	75.70%	74.91%	74.41%	78.18%	65.74%	68.31%	69.56%	67.22%	61.01%

For Reference Only: The Plan Fiduciary Net Position as a Percentage of the Total Pension Liability for the VaLORS Retirement Plan for each year is presented on pages 128 and 129 of the VRS 2025 Annual Report.

Sample Schedule of Employer Contributions

Schedule of Employer Contributions VRS State Employee Retirement Plan For the Years Ended June 30, 2017 through 2026

Date	Contractually Required Contribution (1)*	Contribution in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2026	\$(Insert Amount)	\$(Insert Amount)	Col (1) -(2)	\$(Insert Amount)	Col (2) / (4)
2025	\$(Insert Amount)	\$(Insert Amount)	Col (1) -(2)	\$(Insert Amount)	Col (2) / (4)
2024	\$(Insert Amount)	\$(Insert Amount)	Col (1) -(2)	\$(Insert Amount)	Col (2) / (4)
2023	\$(Insert Amount)	\$(Insert Amount)	Col (1) -(2)	\$(Insert Amount)	Col (2) / (4)
2022	\$(Insert Amount)	\$(Insert Amount)	Col (1) -(2)	\$(Insert Amount)	Col (2) / (4)
2021	\$(Insert Amount)	\$(Insert Amount)	Col (1) -(2)	\$(Insert Amount)	Col (2) / (4)
2020	\$(Insert Amount)	\$(Insert Amount)	Col (1) -(2)	\$(Insert Amount)	Col (2) / (4)
2019	\$(Insert Amount)	\$(Insert Amount)	Col (1) -(2)	\$(Insert Amount)	Col (2) / (4)
2018	\$(Insert Amount)	\$(Insert Amount)	Col (1) -(2)	\$(Insert Amount)	Col (2) / (4)
2017	\$(Insert Amount)	\$(Insert Amount)	Col (1) -(2)	\$(Insert Amount)	Col (2) / (4)

* Includes contributions (mandatory and match on voluntary) to the defined contribution portion of the hybrid plan for fiscal years 2024-2017.

For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer's covered payroll.

Column 2 – Employer contributions as referenced in Covered Payroll & Contributions report on VRS website

Column 4 – Employer's covered payroll amount for the fiscal year.

Sample Schedule of Employer Contributions

Schedule of Employer Contributions VaLORS Employee Retirement Plan For the Years Ended June 30, 2017 through 2026					
Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2026	\$(Insert Amount)	\$(Insert Amount)	Col (1) -(2)	\$(Insert Amount)	Col (2) / (4)
2025	\$(Insert Amount)	\$(Insert Amount)	Col (1) -(2)	\$(Insert Amount)	Col (2) / (4)
2024	\$(Insert Amount)	\$(Insert Amount)	Col (1) -(2)	\$(Insert Amount)	Col (2) / (4)
2023	\$(Insert Amount)	\$(Insert Amount)	Col (1) -(2)	\$(Insert Amount)	Col (2) / (4)
2022	\$(Insert Amount)	\$(Insert Amount)	Col (1) -(2)	\$(Insert Amount)	Col (2) / (4)
2021	\$(Insert Amount)	\$(Insert Amount)	Col (1) -(2)	\$(Insert Amount)	Col (2) / (4)
2020	\$(Insert Amount)	\$(Insert Amount)	Col (1) -(2)	\$(Insert Amount)	Col (2) / (4)
2019	\$(Insert Amount)	\$(Insert Amount)	Col (1) -(2)	\$(Insert Amount)	Col (2) / (4)
2018	\$(Insert Amount)	\$(Insert Amount)	Col (1) -(2)	\$(Insert Amount)	Col (2) / (4)
2017	\$(Insert Amount)	\$(Insert Amount)	Col (1) -(2)	\$(Insert Amount)	Col (2) / (4)

For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer's covered payroll.

Column 2 – Employer contributions as referenced in Covered Payroll & Contributions report on VRS website.

Column 4 – Employer's covered payroll amount for the fiscal year.

Sample Notes to Required Supplementary Information

Notes to Required Supplementary Information For the Year Ended June 30, 2026

Changes of benefit terms: There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions: The actuarial assumptions used in the June 30, 2024, valuation were rolled forward to a measurement date of June 30, 2025 and were based on the results of an actuarial experience study for the period from July 1, 2020, through June 30, 2024. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Maintain PUB-2010 tables with adjustments, update to MP-2021 projection scale multiplied by 75%
Retirement Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis
Termination Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis
Disability Rates	Moved ~50% of the way to the observed experience, on a headcount-weighted basis, to maintain margin
Salary Scale	Increase Merit & Longevity 50 basis points
Discount Rate	No change

The actuarial assumptions used in the June 30, 2024, valuation were rolled forward to a measurement date of June 30, 2025 and were based on the results of an actuarial experience study for the period from July 1, 2020, through June 30, 2024. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Maintain PUB-2010 tables with adjustments, update to MP-2021 projection scale multiplied by 75%
Retirement Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis
Termination Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis
Disability Rates	Moved ~50% of the way to the observed experience, on a headcount-weighted basis, to maintain margin
Salary Scale	Increase Merit & Longevity 50 basis points; use of 2.50% payroll growth assumption for purposes of amortizing any unfunded actuarial accrued liabilities
Discount Rate	No change