



Virginia
Retirement
System

**VIRGINIA RETIREMENT SYSTEM
STATE HEALTH INSURANCE CREDIT PLAN**

GASB No. 75 Schedules

With Independent Auditor's Report Thereon

For the Plan Year Ended June 30, 2019

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July 28, 2020

Board of Trustees
Virginia Retirement System
1200 E. Main Street
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INDEPENDENT AUDITOR'S REPORT

Report on the Schedules

We have audited the accompanying schedule of employer allocations of the Virginia Retirement System State Health Insurance Credit (HIC) Plan, as of and for the year ended June 30, 2019, and the related notes. We have also audited the total for all state employers of the columns titled net HIC OPEB liability, total HIC OPEB expense, total deferred outflows of resources, and total deferred inflows of resources (specified column totals) included in the accompanying schedule of net HIC OPEB liability and total HIC OPEB expense and the schedule of deferred outflows and deferred inflows of resources by employer of the Virginia Retirement System State Health Insurance Credit Plan, as of and for the year ended June 30, 2019, and the related notes.

Management's Responsibility for the Schedule

The Virginia Retirement System's management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the schedule of employer allocations and the specified column totals included in the schedule of net HIC OPEB liability and total HIC OPEB expense and the schedule of deferred outflows and deferred inflows of resources by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and specified column totals included in the schedule of net HIC OPEB liability and total HIC OPEB expense and the schedule of deferred outflows and deferred inflows of resources by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and the specified column totals included in the schedule of net HIC OPEB liability and total HIC OPEB expense and the schedule of deferred outflows and deferred inflows of resources by employer. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and the specified column totals included in the schedule of net HIC OPEB liability and total HIC OPEB expense and the schedule of deferred outflows and deferred inflows of resources by employer, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of employer allocations and the specified column totals included in the schedule of net HIC OPEB liability and total HIC OPEB expense and the schedule of deferred outflows and deferred inflows of resources by employer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the Virginia Retirement System management, as well as evaluating the overall presentation of the schedule of employer allocations and the specified column totals included in the schedule of net HIC OPEB liability and total HIC OPEB expense and the schedule of deferred outflows and deferred inflows of resources by employer.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and the net HIC OPEB liability, total HIC OPEB expense, total deferred outflows of resources, and total deferred inflows of resources for the total of all participating state employers for the Virginia Retirement System State Health Insurance Credit Plan as of and for the year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Virginia Retirement System as of and for the year ended June 30, 2019, and our report thereon, dated December 13, 2019, expressed an unmodified opinion on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of the Virginia Retirement System management, the Virginia Retirement System Board of Trustees, the Commonwealth Joint Legislative Audit and Review Commission, and the Virginia Retirement System State Health Insurance Credit Plan employers and their auditors, and is not intended to be and should not be used by anyone other than these specified parties.

Martha S. Mavredes
AUDITOR OF PUBLIC ACCOUNTS

ZLB/clj

**Virginia Retirement System
VRS State Health Insurance Credit Plan
Schedule of Employer Allocations
For the Plan Year Ended and Measurement Date of June 30, 2019**

Employer Code	Employer	Employer Contributions	Employer Allocation Percentage
1XXXX	Judicial Retirement System Employees	\$ 799,464	1.00274 %
2XXXX	State Police Officers Retirement System Employees	1,479,846	1.85612 %
35885	Fort Monroe Federal Area Development Authority	17,286	0.02168 %
3XXXX	All Other State Agencies	73,336,459	91.98323 %
7XXXX	Virginia Law Officers' Retirement System Employees	4,095,016	5.13623 %
	Total for all State Employers	\$ 79,728,071	100.00000 %

The accompanying notes are an integral part of the Schedule of Employer Allocations.

**Virginia Retirement System
VRS State Health Insurance Credit Plan
Schedule of Net HIC OPEB Liability and Total HIC OPEB Expense
As of the Measurement Date and For the Plan Year Ended June 30, 2019**

(Dollars in Thousands)

Employer Code	Employer	Net HIC OPEB Liability June 30, 2019	Total HIC OPEB Expense 2019
1XXXX	Judicial Retirement System Employees	\$ 9,256	\$ 721
2XXXX	State Police Officers Retirement System Employees	17,133	1,545
35885	Fort Monroe Federal Area Development Authority	200	19
3XXXX	All Other State Agencies	849,071	74,100
7XXXX	Virginia Law Officers' Retirement System Employees	47,411	3,583
	Total for all State Employers	\$ 923,071	\$ 79,968

The accompanying notes are an integral part of the Schedule of Net HIC OPEB Liability and Total HIC OPEB Expense.

Virginia Retirement System
VRS State Health Insurance Credit Plan
Schedule of Deferred Outflows and Deferred Inflows of Resources by Employer
As of the Measurement Date of June 30, 2019

(Dollars in Thousands)

Employer Code	Employer	Deferred Outflows of Resources					Deferred Inflows of Resources				
		Difference Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	Change of Assumptions	Changes in Proportionate Share	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	Change of Assumptions	Changes in Proportionate Share	Total Deferred Inflows of Resources
1XXXX	Judicial Retirement System Employees	\$ 5	\$ —	\$ 190	\$ 17	\$ 212	\$ 112	\$ 3	\$ 63	\$ 338	\$ 516
2XXXX	State Police Officers Retirement System Employees	9	—	353	846	1,208	208	7	117	443	775
35885	Fort Monroe Federal Area Development Authority	—	—	4	23	27	2	—	1	16	19
3XXXX	All Other State Agencies	463	—	17,473	28,705	46,641	10,317	334	5,815	26,844	43,310
7XXXX	Virginia Law Officers' Retirement System Employees	26	—	976	966	1,968	576	19	325	2,916	3,836
	Total for all State Employers	\$ 503	\$ —	\$ 18,996	\$ 30,557	\$ 50,056	\$ 11,215	\$ 363	\$ 6,321	\$ 30,557	\$ 48,456

The accompanying notes are an integral part of the Schedule of Deferred Outflows and Deferred Inflows of Resources by Employer.

Virginia Retirement System
VRS State Health Insurance Credit Plan
Notes to GASB No. 75 Schedules
For the Plan Year Ended June 30, 2019

Note 1. Summary of Significant Accounting Policies

Description of the Entity

The Virginia Retirement System (the System) is an independent agency of the Commonwealth of Virginia. The System administers four separate pension trust funds – the Virginia Retirement System (VRS), the State Police Officers’ Retirement System (SPORS), the Virginia Law Officers’ Retirement System (VaLORS), and the Judicial Retirement System (JRS) as well as several Other Post-Employment Benefit trust funds – the Group Life Insurance Program, the Retiree Health Insurance Credit Program, the Disability Insurance Program for state employees, the Line of Duty Act Program and the Virginia Local Disability Program for participating schools systems and local governments. The VRS State Health Insurance Credit Plan is part of the Retiree Health Insurance Credit Program.

Administration and Management

The Board of Trustees (the Board) is responsible for the general administration and operation of the pension plans and the other employee benefit plans. The Board has full power to invest and reinvest the trust funds of the System through the adoption of investment policies and guidelines that fulfill the Board’s investment objective to maximize long-term investment returns while targeting an acceptable level of risk.

The Board consists of nine members. Five members are appointed by the Governor and four members are appointed by the Joint Rules Committee of the General Assembly subject to confirmation by the General Assembly. The Board appoints a Director to serve as the Chief Administrative Officer of the System and a Chief Investment Officer to direct, manage and administer the investment of the System’s funds.

The System issues a *Comprehensive Annual Financial Report* (CAFR) containing the financial statements and required supplementary information for all of the System’s pension and other employee benefit trust funds. The CAFR is publicly available through the About VRS link on the VRS website at varetire.org, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer, P.O. Box 2500, Richmond, VA 23218-2500. The pension and other employee benefit trust funds administered by the VRS are classified as fiduciary funds and are included in the basic financial statements of the Commonwealth of Virginia.

Other Post-Employment Benefits (OPEB) – Health Insurance Credit

The Virginia Retirement System (VRS) State Employee Health Insurance Credit Program is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The State Employee Health Insurance Credit Program was established pursuant to § 51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The State Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired state employees. For purposes of measuring the net HIC

OPEB liability, deferred outflows of resources and deferred inflows of resources related to the HIC OPEB, and HIC OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Health Insurance Credit Plan and the additions to/deductions from the VRS State Health Insurance Credit Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2. General Information About the HIC OPEB Plan

Plan Description

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Health Insurance Credit Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the State Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits, is set out in the following table:

STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS

Eligible Employees

The State Employee Retiree Health Insurance Credit Program was established January 1, 1990 for retired state employees covered under VRS, SPORS, VaLORS and JRS who retire with at least 15 years of service credit.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.

Benefit Amounts

The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

- **At Retirement:** For State employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.
- **Disability Retirement:** For State employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher.

For State police officer employees with a non-work-related disability who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP) the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher.

For State police officer employees with a work-related disability, there is no benefit provided under the State Employee Retiree Health Insurance Credit Program if the premiums are being paid under the Virginia Line of Duty Act. However, they may receive the credit for premiums paid for other qualified health plans.

Health Insurance Credit Program Notes:

- The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.
- Employees who retire after being on long-term disability under VSDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Contributions

The contribution requirement for active employees is governed by §51.1-1400(D) 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. Each state agency's contractually required employer contribution rate for the year ended June 30, 2019, was 1.17% of covered employee compensation for employees in the VRS State Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Actuarial Assumptions and Methods

The total State Employee HIC OPEB liability for the VRS State Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50 percent
Salary increases, including inflation –	
General state employees	3.50 percent – 5.35 percent
SPORS employees	3.50 percent – 4.75 percent
ValORS employees	3.50 percent – 4.75 percent
JRS employees	4.50 percent
Investment rate of return	6.75 percent, net of plan investment expenses, including inflation*

** Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.*

Mortality rates – General State Employees:

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. 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)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – SPORS Employees:

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. 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)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – ValORS Employees:

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. 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)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – JRS Employees:

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. 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)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Note 3. Net Health Insurance Credit OPEB Liability

The net Health Insurance Credit OPEB liability (NOL) is calculated separately for each plan and represents that particular plan’s total Health Insurance Credit OPEB liability determined in accordance with GASB Statement No. 74, less the System’s fiduciary net position for the plan. As of June 30, 2019, NOL amounts for the VRS State Health Insurance Credit Program are as follows (amounts expressed in thousands):

Total State HIC OPEB Liability	\$ 1,032,094
Plan Fiduciary Net Position	109,023
State HIC Net OPEB Liability (Asset)	<u>\$ 923,071</u>

Plan Fiduciary Net Position as a Percentage of the Total State HIC OPEB Liability	10.56 %
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The total State HIC OPEB 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 State HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

Discount Rate

The discount rate used to measure the total State HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each state agency for the VRS State HIC OPEB 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. From July 1, 2019 on, state agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the State HIC OPEB 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 State HIC OPEB liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on 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 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)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00 %	5.61 %	1.91 %
Fixed Income	15.00 %	0.88 %	0.13 %
Credit Strategies	14.00 %	5.13 %	0.72 %
Real Assets	14.00 %	5.27 %	0.74 %
Private Equity	14.00 %	8.77 %	1.23 %
MAPS - Multi-Asset Public Strategies	6.00 %	3.52 %	0.21 %
PIP - Private Investment Partnership	3.00 %	6.29 %	0.19 %
Total	100.00 %		5.13 %
	Inflation		2.50 %
	* Expected arithmetic nominal return		7.63 %

* The above allocation provides a one-year return of 7.63%. 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. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Sensitivity Analysis

The following table presents the collective net State HIC OPEB liability of the participating employers in the VRS State HIC OPEB Plan using the discount rate of 6.75%, as well as what the collective net State HIC OPEB liability of the participating employers 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 (amounts expressed in thousands):

Net State HIC OPEB Liability - 1.00% Decrease (5.75%)	\$	1,023,067
Net State HIC OPEB Liability - Current Discount Rate (6.75%)	\$	923,071
Net State HIC OPEB Liability - 1.00% Increase (7.75%)	\$	837,133

Note 4. Deferred Outflows / (Inflows) of Resources

The following schedule reflects the amortization of the net balance of remaining deferred outflows/ (inflows) of resources at June 30, 2019. The average remaining service lives of all employees provided with health insurance credit benefits through the VRS State HIC OPEB Plan at June 30, 2019, was 6.13 years. Deferred outflows of resources related to the health insurance credit resulting from the state agency's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in their financial statements for the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the health insurance credit will be recognized in the health insurance credit expense as follows (amounts expressed in thousands).

Measurement Period Ending June 30, 2020	\$	(689)
Measurement Period Ending June 30, 2021	\$	(688)
Measurement Period Ending June 30, 2022	\$	(132)
Measurement Period Ending June 30, 2023	\$	1,378
Measurement Period Ending June 30, 2024	\$	1,536
Thereafter	\$	196

Note 5. Employer Contributions

Employers' proportionate shares were calculated on the basis of historical employer contributions. Although GASB Statement No. 75 encourages the use of the employer's projected long-term contribution effort to the Other Post-Employment Benefit plan, allocating on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the VRS State HIC OPEB Plan that are not representative of future contribution effort are excluded in the determination of employers' proportionate shares. Examples of employer contributions not representative of future contribution effort are contributions for adjustments for prior periods.

The employer contributions used in the determination of employers' proportionate shares of collective Other Post-Employment Benefit amounts reported in the Schedule of Employer Allocations was based on the total employer contributions using the plan's contribution rates and the employer's covered payroll for FY 2019. This total was \$79,728,071. The employer contributions of \$79,926,000 reported in the VRS State HIC OPEB Program's Statement of Changes in Net Position (per the System's separately issued financial statements) reflects the calculated amount plus approximately \$197,929 in other employer contributions and adjustments that were not representative of future contribution efforts.

Note 6. Additional Financial and Actuarial Information

Information contained in the VRS State HIC OPEB Program Notes to the Schedule of Employer Allocations and Schedule of State HIC OPEB Program Amounts by Employer (Schedules) was extracted from the audited financial statements of the Virginia Retirement System for the fiscal year ended June 30, 2019. Additional financial information supporting the preparation of the VRS State HIC OPEB Program Schedules (including the financial statements and the unmodified audit opinion thereon, and required supplementary information) is presented in the separately issued VRS 2019 *Comprehensive Annual Financial Report* (CAFR). A copy of the 2019 VRS CAFR is publicly available through the About VRS link on the VRS website at varetire.org, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer, PO Box 2500, Richmond, VA 23218-2500.