



Virginia
Retirement
System

**VIRGINIA RETIREMENT SYSTEM
TEACHER 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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Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

July 28, 2020

Board of Trustees
Virginia Retirement System
1200 E. Main Street
Richmond, VA 23219

INDEPENDENT AUDITOR'S REPORT

Report on the Schedules

We have audited the accompanying schedule of employer allocations of the Virginia Retirement System Teacher 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 teacher 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 schedule of deferred outflows and deferred inflows of resources by employer of the Virginia Retirement System Teacher 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

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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 teacher employers for the Virginia Retirement System Teacher 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 Teacher 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

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

Employer Code	Employer	Employer Contributions	Employer Allocation Percentage
40100	Accomack County School Board	\$ 338,793	0.33660 %
40101	Albemarle County Schools	1,166,705	1.15914 %
40102	Alleghany County School Board	136,875	0.13599 %
40103	Amelia County School Board	98,265	0.09763 %
40104	Amherst County School Board	282,685	0.28085 %
40105	Appomattox County School Board	136,627	0.13574 %
40106	Arlington Public Schools	3,734,369	3.71017 %
40107	Augusta County School Board	710,876	0.70627 %
40108	Bath County School Board	54,764	0.05441 %
40109	Bedford County School Board	623,541	0.61950 %
40110	Bland County School Board	42,298	0.04202 %
40111	Botetourt County Schools	331,493	0.32934 %
40112	Brunswick County Public Schools	107,997	0.10730 %
40113	Buchanan County School Board	163,139	0.16208 %
40114	Buckingham County School Board	128,927	0.12809 %
40115	Campbell County School Board	477,591	0.47450 %
40116	Caroline County School Board	257,761	0.25609 %
40117	Carroll County School Board	253,144	0.25150 %
40118	Charles City County School Board	50,958	0.05063 %
40119	Charlotte County School Board	132,973	0.13211 %
40120	Chesterfield County School Board	3,753,555	3.72923 %
40121	Clarke County School Board	150,987	0.15001 %
40122	Craig County School Board	42,991	0.04271 %
40123	Culpeper County School Board	550,712	0.54714 %
40124	Cumberland County School Board	96,011	0.09539 %
40125	Dickenson County School Board	114,044	0.11331 %
40126	Dinwiddie County School Board	283,782	0.28194 %
40128	Essex County Public Schools	94,393	0.09378 %
40129	Fairfax County School Board	18,590,218	18.46972 %
40130	Fauquier County School Board	906,889	0.90101 %
40131	Floyd County School Board	133,754	0.13289 %
40132	Fluvanna County Public Schools	294,941	0.29303 %
40133	Franklin County Public Schools	521,035	0.51766 %
40134	Frederick County School Board	1,113,235	1.10602 %

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

Employer Code	Employer	Employer Contributions	Employer Allocation Percentage
40135	Giles County Schools	151,657	0.15067 %
40136	Gloucester County School Board	375,569	0.37314 %
40137	Goochland County School Board	189,045	0.18782 %
40138	Grayson County School Board	104,425	0.10375 %
40139	Greene County Public Schools	212,679	0.21130 %
40140	Greensville County School Board	161,626	0.16058 %
40141	Halifax County School Board	329,265	0.32713 %
40142	Hanover County School Board	1,239,468	1.23144 %
40143	Henrico County School Board	3,333,265	3.31167 %
40144	Henry County Public Schools	449,035	0.44613 %
40145	Highland County Public Schools	22,838	0.02269 %
40146	Isle of Wight County Schools	372,275	0.36986 %
40148	King George County School Board	286,090	0.28424 %
40149	King & Queen County School Board	55,758	0.05540 %
40150	King William County School Board	146,604	0.14565 %
40151	Lancaster County Public Schools	93,089	0.09249 %
40152	Lee County School Board	222,645	0.22120 %
40153	Loudoun County School Board	7,518,031	7.46932 %
40154	Louisa County Public Schools	351,183	0.34891 %
40155	Lunenburg County School Board	97,821	0.09719 %
40156	Madison County School Board	122,122	0.12133 %
40157	Mathews County School Board	78,978	0.07847 %
40158	Mecklenburg County School Board	276,549	0.27476 %
40159	Middlesex County School Board	107,651	0.10695 %
40160	Montgomery County School Board	637,766	0.63363 %
40162	Nelson County Public Schools	142,260	0.14134 %
40163	New Kent County School Board	204,142	0.20282 %
40165	Northampton County Schools	115,259	0.11451 %
40166	Northumberland County School Board	99,384	0.09874 %
40167	Nottoway County School Board	132,471	0.13161 %
40168	Orange County Public Schools	324,250	0.32215 %
40169	Page County Public Schools	223,375	0.22193 %
40170	Patrick County School Board	152,497	0.15151 %
40171	Pittsylvania County School Board	534,622	0.53116 %
40172	Powhatan County School Board	293,757	0.29185 %

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

Employer Code	Employer	Employer Contributions	Employer Allocation Percentage
40173	Prince Edward County School Board	140,781	0.13987 %
40174	Prince George County School Board	392,593	0.39005 %
40176	Prince William County School Board	6,680,391	6.63710 %
40177	Pulaski County School Board	259,913	0.25823 %
40178	Rappahannock County School Board	69,612	0.06916 %
40179	Richmond County School Board	83,888	0.08334 %
40180	Roanoke County School Board	931,426	0.92539 %
40181	Rockbridge County School Board	208,029	0.20668 %
40182	Rockingham County School Board	812,949	0.80768 %
40183	Russell County School Board	222,228	0.22079 %
40184	Scott County School Board	244,162	0.24258 %
40185	Shenandoah County School Board	450,303	0.44739 %
40186	Smyth County School Board	269,389	0.26764 %
40187	Southampton County School Board	163,127	0.16207 %
40188	Spotsylvania County School Board	1,588,130	1.57784 %
40189	Stafford County School Board	1,932,439	1.91992 %
40190	Surry County Schools	93,551	0.09294 %
40191	Sussex County School Board	95,434	0.09482 %
40192	Tazewell County Schools	297,475	0.29555 %
40193	Warren County School Board	363,956	0.36160 %
40195	Washington County School Board	427,002	0.42424 %
40196	Westmoreland County School Board	114,699	0.11396 %
40197	Wise County School Board	333,453	0.33129 %
40198	Wythe County School Board	251,877	0.25024 %
40199	York County School Board	852,109	0.84659 %
40200	Alexandria City School Board	1,889,030	1.87679 %
40201	Bristol City School Board	148,136	0.14718 %
40202	Buena Vista City Schools	63,576	0.06316 %
40203	Charlottesville Public Schools	486,028	0.48288 %
40205	Danville City Schools	429,835	0.42705 %
40206	Fredericksburg City Schools	284,013	0.28217 %
40207	Hampton City Schools	1,305,003	1.29655 %
40208	Harrisonburg City School Board	498,390	0.49516 %
40209	Hopewell City School Board	314,433	0.31240 %
40210	Lynchburg Public Schools	659,131	0.65486 %

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

Employer Code	Employer	Employer Contributions	Employer Allocation Percentage
40211	Newport News Public Schools	1,977,510	1.96470 %
40212	Norfolk Public Schools	2,556,432	2.53987 %
40213	Petersburg City Schools	287,179	0.28532 %
40214	Portsmouth School Board	994,856	0.98841 %
40215	Radford City School Board	107,884	0.10718 %
40216	Richmond Public Schools	2,062,647	2.04928 %
40217	Roanoke City School Board	993,298	0.98686 %
40219	Staunton City Schools	208,798	0.20745 %
40220	Suffolk City School Board	981,928	0.97557 %
40222	Winchester Public Schools	356,681	0.35437 %
40223	Martinsville City Schools	144,134	0.14320 %
40224	Falls Church Public Schools	333,740	0.33158 %
40225	Colonial Heights City Schools	233,562	0.23205 %
40230	Covington City School Board	65,638	0.06521 %
40231	Fairfax City School Board	1,142	0.00113 %
40232	Franklin City Public Schools	80,962	0.08044 %
40233	Chesapeake Public Schools	2,867,808	2.84923 %
40234	Virginia Beach City School Board	5,000,014	4.96761 %
40236	Manassas Park City Schools	270,352	0.26860 %
40306	Town of West Point School Board	67,639	0.06720 %
40307	Lexington City School Board	36,695	0.03646 %
40308	Waynesboro Public Schools	218,095	0.21668 %
40309	Town of Colonial Beach Schools	43,369	0.04309 %
40313	Galax City Schools	88,494	0.08792 %
40314	Norton City Schools	42,061	0.04179 %
40332	Manassas City Schools	684,190	0.67976 %
40335	City of Salem Schools	275,589	0.27380 %
40402	Williamsburg-James City County School Board	868,602	0.86297 %
40403	Poquoson City Public Schools	141,665	0.14075 %
40410	Valley Vocational Technical Center	24,373	0.02422 %
40412	Charlottesville/Albemarle Vo-Tech Center	14,507	0.01441 %
40413	The Pruden Center for Industry and Technology	—	— %
40414	Jackson River Technical Center	7,264	0.00722 %
40415	New Horizons Technical Center	107,109	0.10641 %
40416	Northern Neck Regional Vocational Center	14,192	0.01410 %

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

Employer Code	Employer	Employer Contributions	Employer Allocation Percentage
40417	Rowanty Vocational Technical Center	9,353	0.00929 %
40418	Amelia-Nottoway Vocational Center	3,238	0.00322 %
40421	Northern Neck Regional Special Education Program	10,078	0.01001 %
40423	Maggie Walker Governor's School for Govt & Intl Studies	52,293	0.05195 %
40424	Appomattox Region Governor's School	22,572	0.02243 %
40425	Bridging Communities Regional Career and Tech Center	5,994	0.00596 %
Total for all Teacher Employers		\$ 100,652,207	100.00000 %

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

Virginia Retirement System
VRS Teacher 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
40100	Accomack County School Board	\$ 4,407	\$ 355
40101	Albemarle County Schools	15,175	1,308
40102	Alleghany County School Board	1,781	114
40103	Amelia County School Board	1,278	87
40104	Amherst County School Board	3,677	255
40105	Appomattox County School Board	1,777	148
40106	Arlington Public Schools	48,569	4,270
40107	Augusta County School Board	9,246	728
40108	Bath County School Board	712	50
40109	Bedford County School Board	8,110	650
40110	Bland County School Board	550	34
40111	Botetourt County Schools	4,311	329
40112	Brunswick County Public Schools	1,405	87
40113	Buchanan County School Board	2,122	124
40114	Buckingham County School Board	1,677	117
40115	Campbell County School Board	6,212	483
40116	Caroline County School Board	3,353	273
40117	Carroll County School Board	3,293	246
40118	Charles City County School Board	663	40
40119	Charlotte County School Board	1,730	120
40120	Chesterfield County School Board	48,820	4,159
40121	Clarke County School Board	1,963	157
40122	Craig County School Board	559	40
40123	Culpeper County School Board	7,162	580
40124	Cumberland County School Board	1,249	91
40125	Dickenson County School Board	1,484	78
40126	Dinwiddie County School Board	3,691	289
40128	Essex County Public Schools	1,228	78
40129	Fairfax County School Board	241,777	20,769
40130	Fauquier County School Board	11,796	900
40131	Floyd County School Board	1,740	143

Virginia Retirement System
VRS Teacher 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		Net HIC OPEB Liability June 30, 2019	Total HIC OPEB Expense 2019
Code	Employer		
40132	Fluvanna County Public Schools	3,836	294
40133	Franklin County Public Schools	6,777	566
40134	Frederick County School Board	14,479	1,198
40135	Giles County Schools	1,973	153
40136	Gloucester County School Board	4,885	406
40137	Goochland County School Board	2,459	202
40138	Grayson County School Board	1,358	102
40139	Greene County Public Schools	2,766	216
40140	Greensville County School Board	2,102	174
40141	Halifax County School Board	4,283	280
40142	Hanover County School Board	16,121	1,268
40143	Henrico County School Board	43,353	3,581
40144	Henry County Public Schools	5,840	456
40145	Highland County Public Schools	297	23
40146	Isle of Wight County Schools	4,842	396
40148	King George County School Board	3,721	336
40149	King & Queen County School Board	726	59
40150	King William County School Board	1,907	145
40151	Lancaster County Public Schools	1,211	92
40152	Lee County School Board	2,896	219
40153	Loudoun County School Board	97,780	9,491
40154	Louisa County Public Schools	4,568	381
40155	Lunenburg County School Board	1,273	87
40156	Madison County School Board	1,588	125
40157	Mathews County School Board	1,027	76
40158	Mecklenburg County School Board	3,597	269
40159	Middlesex County School Board	1,400	137
40160	Montgomery County School Board	8,295	704
40162	Nelson County Public Schools	1,851	141
40163	New Kent County School Board	2,655	232
40165	Northampton County Schools	1,499	114
40166	Northumberland County School Board	1,293	107

Virginia Retirement System
VRS Teacher 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		Net HIC OPEB Liability June 30, 2019	Total HIC OPEB Expense 2019
Code	Employer		
40167	Nottoway County School Board	1,723	121
40168	Orange County Public Schools	4,217	314
40169	Page County Public Schools	2,906	209
40170	Patrick County School Board	1,984	132
40171	Pittsylvania County School Board	6,954	579
40172	Powhatan County School Board	3,820	295
40173	Prince Edward County School Board	1,831	125
40174	Prince George County School Board	5,106	366
40176	Prince William County School Board	86,886	7,367
40177	Pulaski County School Board	3,381	240
40178	Rappahannock County School Board	906	66
40179	Richmond County School Board	1,091	91
40180	Roanoke County School Board	12,114	958
40181	Rockbridge County School Board	2,705	225
40182	Rockingham County School Board	10,573	839
40183	Russell County School Board	2,890	214
40184	Scott County School Board	3,176	248
40185	Shenandoah County School Board	5,857	490
40186	Smyth County School Board	3,504	239
40187	Southampton County School Board	2,122	171
40188	Spotsylvania County School Board	20,655	1,619
40189	Stafford County School Board	25,134	2,127
40190	Surry County Schools	1,217	87
40191	Sussex County School Board	1,242	91
40192	Tazewell County Schools	3,869	231
40193	Warren County School Board	4,733	379
40195	Washington County School Board	5,554	405
40196	Westmoreland County School Board	1,492	122
40197	Wise County School Board	4,337	295
40198	Wythe County School Board	3,276	240
40199	York County School Board	11,083	873
40200	Alexandria City School Board	24,569	2,062

Virginia Retirement System
VRS Teacher 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		Net HIC OPEB Liability June 30, 2019	Total HIC OPEB Expense 2019
Code	Employer		
40201	Bristol City School Board	1,927	136
40202	Buena Vista City Schools	827	58
40203	Charlottesville Public Schools	6,321	521
40205	Danville City Schools	5,590	483
40206	Fredericksburg City Schools	3,694	292
40207	Hampton City Schools	16,973	1,232
40208	Harrisonburg City School Board	6,482	597
40209	Hopewell City School Board	4,090	352
40210	Lynchburg Public Schools	8,573	580
40211	Newport News Public Schools	25,720	1,985
40212	Norfolk Public Schools	33,249	2,277
40213	Petersburg City Schools	3,735	267
40214	Portsmouth School Board	12,939	972
40215	Radford City School Board	1,403	114
40216	Richmond Public Schools	26,827	2,200
40217	Roanoke City School Board	12,919	1,026
40219	Staunton City Schools	2,715	201
40220	Suffolk City School Board	12,771	1,102
40222	Winchester Public Schools	4,639	341
40223	Martinsville City Schools	1,874	139
40224	Falls Church Public Schools	4,340	369
40225	Colonial Heights City Schools	3,038	236
40230	Covington City School Board	854	64
40231	Fairfax City School Board	15	—
40232	Franklin City Public Schools	1,053	53
40233	Chesapeake Public Schools	37,299	3,049
40234	Virginia Beach City School Board	65,031	5,089
40236	Manassas Park City Schools	3,516	272
40306	Town of West Point School Board	879	78
40307	Lexington City School Board	477	42
40308	Waynesboro Public Schools	2,836	213
40309	Town of Colonial Beach Schools	564	43

Virginia Retirement System
VRS Teacher 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
40313	Galax City Schools	1,151	86
40314	Norton City Schools	547	31
40332	Manassas City Schools	8,899	665
40335	City of Salem Schools	3,585	284
40402	Williamsburg-James City County School Board	11,297	916
40403	Poquoson City Public Schools	1,842	144
40410	Valley Vocational Technical Center	317	26
40412	Charlottesville/Albemarle Vo-Tech Center	188	16
40413	The Pruden Center for Industry and Technology	—	(33)
40414	Jackson River Technical Center	95	2
40415	New Horizons Technical Center	1,393	121
40416	Northern Neck Regional Vocational Center	185	16
40417	Rowanty Vocational Technical Center	122	9
40418	Amelia-Nottoway Vocational Center	42	4
40421	Northern Neck Regional Special Education Program	131	12
40423	Maggie Walker Governor's School for Govt & Intl Studies	680	51
40424	Appomattox Region Governor's School	294	23
40425	Bridging Communities Regional Career and Tech Center	78	6
Total for all Teacher Employers		<u>\$ 1,309,098</u>	<u>\$ 107,714</u>

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

Virginia Retirement System
VRS Teacher 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				
		Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on OPEB Plan	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	Change of Assumptions	Changes in Proportionate Share	Total Deferred Inflows of Resources
40100	Accomack County School Board	\$ —	\$ —	\$ 103	\$ 42	\$ 145	\$ 24	\$ —	\$ 31	\$ 106	\$ 161
40101	Albemarle County Schools	—	1	353	370	724	87	—	105	—	192
40102	Alleghany County School Board	—	—	41	—	41	10	—	12	175	197
40103	Amelia County School Board	—	—	30	7	37	7	—	9	119	135
40104	Amherst County School Board	—	—	86	—	86	21	—	26	246	293
40105	Appomattox County School Board	—	—	41	38	79	10	—	12	49	71
40106	Arlington Public Schools	—	3	1,130	1,521	2,654	275	—	337	166	778
40107	Augusta County School Board	—	1	215	60	276	53	—	64	268	385
40108	Bath County School Board	—	—	17	—	17	5	—	5	54	64
40109	Bedford County School Board	—	1	189	90	280	47	—	56	152	255
40110	Bland County School Board	—	—	13	4	17	3	—	4	73	80
40111	Botetourt County Schools	—	—	100	—	100	24	—	30	137	191
40112	Brunswick County Public Schools	—	—	33	—	33	8	—	10	172	190
40113	Buchanan County School Board	—	—	49	—	49	12	—	15	270	297

Virginia Retirement System
VRS Teacher 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				
		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 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
40114	Buckingham County School Board	—	—	39	—	39	9	—	12	112	133
40115	Campbell County School Board	—	—	145	3	148	36	—	43	134	213
40116	Caroline County School Board	—	—	78	35	113	19	—	23	61	103
40117	Carroll County School Board	—	—	77	46	123	18	—	23	217	258
40118	Charles City County School Board	—	—	15	—	15	3	—	5	87	95
40119	Charlotte County School Board	—	—	40	—	40	9	—	12	128	149
40120	Chesterfield County School Board	—	3	1,136	924	2,063	276	—	339	225	840
40121	Clarke County School Board	—	—	46	8	54	10	—	14	39	63
40122	Craig County School Board	—	—	13	—	13	3	—	4	28	35
40123	Culpeper County School Board	—	—	167	—	167	41	—	50	51	142
40124	Cumberland County School Board	—	—	29	—	29	7	—	9	62	78
40125	Dickenson County School Board	—	—	35	—	35	9	—	10	223	242
40126	Dinwiddie County School Board	—	—	86	39	125	21	—	26	135	182
40128	Essex County Public Schools	—	—	29	—	29	7	—	9	121	137
40129	Fairfax County School Board	—	30	5,624	5,033	10,687	1,382	—	1,677	—	3,059

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As of the Measurement Date of June 30, 2019

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		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 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
40130	Fauquier County School Board	—	1	275	—	276	67	—	82	362	511
40131	Floyd County School Board	—	—	40	38	78	9	—	12	35	56
40132	Fluvanna County Public Schools	—	—	89	6	95	21	—	27	132	180
40133	Franklin County Public Schools	—	—	158	160	318	38	—	47	158	243
40134	Frederick County School Board	—	1	337	238	576	81	—	101	150	332
40135	Giles County Schools	—	—	46	13	59	11	—	14	71	96
40136	Gloucester County School Board	—	—	114	109	223	28	—	34	95	157
40137	Goochland County School Board	—	—	57	21	78	13	—	17	26	56
40138	Grayson County School Board	—	—	32	20	52	8	—	9	98	115
40139	Greene County Public Schools	—	—	64	—	64	15	—	19	71	105
40140	Greensville County School Board	—	—	49	42	91	11	—	15	33	59
40141	Halifax County School Board	—	—	100	—	100	24	—	30	391	445
40142	Hanover County School Board	—	1	375	—	376	91	—	112	360	563
40143	Henrico County School Board	—	3	1,009	295	1,307	246	—	301	159	706
40144	Henry County Public Schools	—	—	136	—	136	33	—	41	148	222

Virginia Retirement System
VRS Teacher 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				
		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 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
40145	Highland County Public Schools	—	—	7	7	14	2	—	2	16	20
40146	Isle of Wight County Schools	—	—	113	42	155	27	—	34	37	98
40148	King George County School Board	—	—	87	194	281	21	—	26	54	101
40149	King & Queen County School Board	—	—	17	5	22	4	—	5	15	24
40150	King William County School Board	—	—	44	—	44	11	—	13	66	90
40151	Lancaster County Public Schools	—	—	28	3	31	7	—	8	56	71
40152	Lee County School Board	—	—	67	4	71	16	—	20	129	165
40153	Loudoun County School Board	—	6	2,276	8,100	10,382	554	—	679	—	1,233
40154	Louisa County Public Schools	—	—	106	103	209	25	—	32	80	137
40155	Lunenburg County School Board	—	—	30	8	38	7	—	9	86	102
40156	Madison County School Board	—	—	37	17	54	9	—	11	65	85
40157	Mathews County School Board	—	—	24	—	24	6	—	7	53	66
40158	Mecklenburg County School Board	—	—	84	29	113	21	—	25	179	225
40159	Middlesex County School Board	—	—	33	147	180	8	—	10	7	25
40160	Montgomery County School Board	—	1	193	138	332	47	—	58	41	146

Virginia Retirement System
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(Dollars in Thousands)

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		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 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
40162	Nelson County Public Schools	—	—	43	6	49	10	—	13	67	90
40163	New Kent County School Board	—	—	62	53	115	16	—	18	—	34
40165	Northampton County Schools	—	—	35	—	35	9	—	10	31	50
40166	Northumberland County School Board	—	—	30	37	67	7	—	9	44	60
40167	Nottoway County School Board	—	—	40	—	40	9	—	12	131	152
40168	Orange County Public Schools	—	—	98	—	98	24	—	29	183	236
40169	Page County Public Schools	—	—	68	—	68	17	—	20	163	200
40170	Patrick County School Board	—	—	46	—	46	11	—	14	195	220
40171	Pittsylvania County School Board	—	—	162	202	364	40	—	48	174	262
40172	Powhatan County School Board	—	—	89	7	96	21	—	27	108	156
40173	Prince Edward County School Board	—	—	43	13	56	11	—	13	152	176
40174	Prince George County School Board	—	—	119	—	119	29	—	35	296	360
40176	Prince William County School Board	—	6	2,022	1,715	3,743	492	—	604	754	1,850
40177	Pulaski County School Board	—	—	79	—	79	20	—	23	225	268
40178	Rappahannock County School Board	—	—	21	—	21	5	—	6	42	53

Virginia Retirement System
VRS Teacher Health Insurance Credit Plan
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(Dollars in Thousands)

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		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 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
40179	Richmond County School Board	—	—	25	28	53	6	—	8	21	35
40180	Roanoke County School Board	—	1	282	191	474	69	—	84	491	644
40181	Rockbridge County School Board	—	—	63	39	102	14	—	19	18	51
40182	Rockingham County School Board	—	1	246	64	311	61	—	73	243	377
40183	Russell County School Board	—	—	67	—	67	16	—	20	131	167
40184	Scott County School Board	—	—	74	2	76	18	—	22	88	128
40185	Shenandoah County School Board	—	—	136	176	312	32	—	41	97	170
40186	Smyth County School Board	—	—	82	—	82	20	—	24	265	309
40187	Southampton County School Board	—	—	49	—	49	12	—	15	21	48
40188	Spotsylvania County School Board	—	1	481	170	652	117	—	144	547	808
40189	Stafford County School Board	—	2	585	588	1,175	142	—	175	280	597
40190	Surry County Schools	—	—	28	—	28	7	—	8	82	97
40191	Sussex County School Board	—	—	29	7	36	7	—	9	69	85
40192	Tazewell County Schools	—	—	90	—	90	21	—	27	500	548
40193	Warren County School Board	—	—	110	20	130	26	—	33	78	137

Virginia Retirement System
VRS Teacher Health Insurance Credit Plan
Schedule of Deferred Outflows and Deferred Inflows of Resources by Employer
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(Dollars in Thousands)

Employer Code	Employer	Deferred Outflows of Resources					Deferred Inflows 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 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
40195	Washington County School Board	—	—	129	—	129	31	—	39	303	373
40196	Westmoreland County School Board	—	—	35	67	102	9	—	10	101	120
40197	Wise County School Board	—	—	101	120	221	24	—	30	419	473
40198	Wythe County School Board	—	—	76	—	76	18	—	23	169	210
40199	York County School Board	—	1	258	108	367	63	—	77	276	416
40200	Alexandria City School Board	—	2	572	358	932	139	—	171	108	418
40201	Bristol City School Board	—	—	45	—	45	11	—	13	121	145
40202	Buena Vista City Schools	—	—	19	—	19	4	—	6	50	60
40203	Charlottesville Public Schools	—	—	147	15	162	35	—	44	5	84
40205	Danville City Schools	—	—	130	433	563	31	—	39	216	286
40206	Fredericksburg City Schools	—	—	86	—	86	21	—	26	74	121
40207	Hampton City Schools	—	1	395	—	396	96	—	118	1,022	1,236
40208	Harrisonburg City School Board	—	—	151	335	486	36	—	45	—	81
40209	Hopewell City School Board	—	—	95	115	210	23	—	28	38	89
40210	Lynchburg Public Schools	—	1	200	—	201	49	—	60	735	844

Virginia Retirement System
VRS Teacher Health Insurance Credit Plan
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		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 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
40211	Newport News Public Schools	—	2	599	—	601	146	—	179	738	1,063
40212	Norfolk Public Schools	—	2	774	—	776	188	—	231	2,425	2,844
40213	Petersburg City Schools	—	—	87	25	112	21	—	26	213	260
40214	Portsmouth School Board	—	1	301	—	302	73	—	90	479	642
40215	Radford City School Board	—	—	33	26	59	8	—	10	38	56
40216	Richmond Public Schools	—	2	624	436	1,062	152	—	186	407	745
40217	Roanoke City School Board	—	1	301	12	314	73	—	90	225	388
40219	Staunton City Schools	—	—	63	—	63	15	—	19	125	159
40220	Suffolk City School Board	—	1	297	446	744	72	—	89	95	256
40222	Winchester Public Schools	—	—	108	—	108	27	—	32	231	290
40223	Martinsville City Schools	—	—	44	—	44	11	—	13	78	102
40224	Falls Church Public Schools	—	—	101	146	247	25	—	30	52	107
40225	Colonial Heights City Schools	—	—	71	—	71	17	—	21	73	111
40230	Covington City School Board	—	—	20	25	45	5	—	6	61	72
40231	Fairfax City School Board	—	—	—	—	—	—	—	—	—	—

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

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		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 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
40232	Franklin City Public Schools	—	—	25	—	25	7	—	7	192	206
40233	Chesapeake Public Schools	—	2	868	89	959	211	—	259	218	688
40234	Virginia Beach City School Board	—	4	1,514	—	1,518	368	—	452	1,500	2,320
40236	Manassas Park City Schools	—	—	82	40	122	20	—	24	114	158
40306	Town of West Point School Board	—	—	20	37	57	5	—	6	7	18
40307	Lexington City School Board	—	—	11	18	29	2	—	3	—	5
40308	Waynesboro Public Schools	—	—	66	—	66	15	—	20	118	153
40309	Town of Colonial Beach Schools	—	—	13	9	22	3	—	4	30	37
40313	Galax City Schools	—	—	27	—	27	7	—	8	32	47
40314	Norton City Schools	—	—	13	—	13	3	—	4	77	84
40332	Manassas City Schools	—	1	207	185	393	51	—	62	506	619
40335	City of Salem Schools	—	—	83	22	105	19	—	25	86	130
40402	Williamsburg-James City County School Board	—	1	263	144	408	64	—	78	182	324
40403	Poquoson City Public Schools	—	—	43	—	43	10	—	13	48	71
40410	Valley Vocational Technical Center	—	—	7	—	7	1	—	2	12	15

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

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		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 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
40412	Charlottesville/Albemarle Vo-Tech Center	—	—	4	29	33	1	—	1	20	22
40413	The Pruden Center for Industry and Technology	—	—	—	—	—	—	—	—	177	177
40414	Jackson River Technical Center	—	—	2	4	6	—	—	1	33	34
40415	New Horizons Technical Center	—	—	32	50	82	7	—	10	20	37
40416	Northern Neck Regional Vocational Center	—	—	4	—	4	1	—	1	7	9
40417	Rowanty Vocational Technical Center	—	—	3	9	12	1	—	1	9	11
40418	Amelia-Nottoway Vocational Center	—	—	1	6	7	1	—	—	—	1
40421	Northern Neck Regional Special Education Program	—	—	3	6	9	1	—	1	5	7
40423	Maggie Walker Governor's School for Govt & Intl Studies	—	—	16	2	18	4	—	5	41	50
40424	Appomattox Region Governor's School	—	—	7	16	23	2	—	2	20	24
40425	Bridging Communities Regional Career and Tech Center	—	—	2	8	10	—	—	1	8	9
Total for all Teacher Employers		\$ —	\$ 85	\$ 30,468	\$ 24,618	\$ 55,171	\$ 7,413	\$ —	\$ 9,096	\$ 24,618	\$ 41,127

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

Virginia Retirement System
VRS Teacher 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 Teacher 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 – Health Insurance Credit

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program is a multiple-employer, cost-sharing plan. The Teacher 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 Teacher Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. 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) Teacher Health Insurance Credit Plan and the additions to/deductions from the VRS Teacher 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 (professional) employees of public school divisions are automatically covered by the VRS Teacher 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 for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS

Eligible Employees

The Teacher Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time permanent (professional) salaried employees of public school divisions covered under VRS.

Benefit Amounts

The Teacher Health Insurance Credit Program provides the following benefits for eligible employees:

- **At Retirement:** For Teacher and other professional school 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 Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:
 - \$4.00 per month multiplied by twice the amount of service credit, or
 - \$4.00 per month multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

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 VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree.

Contributions

The contribution requirement for active employees is governed by § 51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher 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 Teacher Health Insurance Credit OPEB liability for the VRS Teacher 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%
Salary increases, including inflation – Teacher Employees	3.50% – 5.95%
Investment rate of return	6.75%, 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:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

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

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)	Update 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
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 Teacher Health Insurance Credit Program are as follows (amounts expressed in thousands):

Total Teacher HIC OPEB Liability	\$	1,438,114
Plan Fiduciary Net Position		129,016
Teacher HIC Net OPEB Liability (Asset)	\$	<u>1,309,098</u>

Plan Fiduciary Net Position as a Percentage of the Total Teacher HIC OPEB Liability 8.97 %

The total Teacher 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 Teacher 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 Teacher 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 school division for the VRS Teacher 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, school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher 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 Teacher 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	Weighted Average
		Long-Term Expected Rate of Return	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 Teacher HIC OPEB liability of the participating employers in the VRS Teacher HIC OPEB Plan using the discount rate of 6.75%, as well as what the collective net Teacher 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 Teacher HIC OPEB Liability – 1.00% Decrease (5.75%)	\$1,465,102
Net Teacher HIC OPEB Liability – Current Discount Rate (6.75%)	\$1,309,098
Net Teacher HIC OPEB Liability – 1.00% Increase (7.75%)	\$1,176,571

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 Teacher HIC OPEB Plan at June 30, 2019, was 7.51 years. Deferred outflows of resources related to the health insurance credit resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the 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	\$1,214
Measurement Period Ending June 30, 2021	\$1,216
Measurement Period Ending June 30, 2022	\$1,787
Measurement Period Ending June 30, 2023	\$1,596
Measurement Period Ending June 30, 2024	\$2,181
Thereafter	\$6,050

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 Teacher 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 \$100,652,207. The employer contributions of \$100,643,000 reported in the VRS Teacher HIC OPEB Program's Statement of Changes in Net Position (per the System's separately issued financial statements) reflects the calculated amount less approximately \$9,207 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 Teacher HIC OPEB Program Notes to the Schedule of Employer Allocations and Schedule of Teacher 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 Teacher 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.