



Virginia
Retirement
System

**VIRGINIA RETIREMENT SYSTEM
LINE OF DUTY ACT PROGRAM**

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
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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 Line of Duty Act (LODA) Program, as of and for the year ended June 30, 2019, and the related notes. We have also audited the total for all employers of the columns titled net LODA OPEB liability, total LODA OPEB expense, total deferred outflows of resources, and total deferred inflows of resources (specified column totals) included in the accompanying schedule of net LODA OPEB liability and total LODA OPEB expense and the schedule of deferred outflows and deferred inflows of resources by employer of the Virginia Retirement System Line of Duty Act Program, 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 LODA OPEB liability and total LODA 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 LODA OPEB liability and

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total LODA 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 LODA OPEB liability and total LODA 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 LODA OPEB liability and total LODA 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 LODA OPEB liability and total LODA 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 OPEB LODA liability and total LODA 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 LODA OPEB liability, total LODA OPEB expense, total deferred outflows of resources, and total deferred inflows of resources for the total of all participating employers for the Virginia Retirement System Line of Duty Act Program 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 Virginia Retirement System Line of Duty Act Program 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
VRS Line of Duty Act Program (LODA)
Schedule of Employer Allocations
For the Plan Year Ended and Measurement Date of June 30, 2019

Employer Code	Employer	Employer Contributions	Employer Allocation Percentage
State:			
2XXXX	State Police Officers' Retirement System Employees	\$ 1,306,380	9.73369 %
3XXXX	All Other State Employees	1,372,321	10.22501 %
7XXXX	Virginia Law Officers' Retirement System Employees	5,363,146	39.96020 %
	Sub-total State	<u>\$ 8,041,847</u>	<u>59.91890 %</u>
Political Subdivisions:			
50001	Arlington County	\$ 595,670	4.43826 %
50005	Appalachia, Town of	2,823	0.02103 %
50025	Boones Mill, Town of	1,764	0.01315 %
50026	Pocahontas, Town of	706	0.00526 %
55113	Buchanan County	56,814	0.42332 %
55136	Gloucester County	103,924	0.77433 %
55139	Greene County	49,756	0.37073 %
55152	Lee County	61,754	0.46012 %
55167	Nottoway County	27,349	0.20377 %
55183	Russell County	72,164	0.53769 %
55197	Wise County	66,342	0.49430 %
55201	City of Bristol	121,039	0.90185 %
55213	City of Petersburg	175,031	1.30413 %
55214	City of Portsmouth	406,171	3.02633 %
55215	City of Radford	57,344	0.42726 %
55220	City of Suffolk	352,885	2.62930 %
55221	City of Williamsburg	56,814	0.42332 %
55222	City of Winchester	124,039	0.92420 %
55224	City of Falls Church	40,405	0.30105 %
55226	Front Royal, Town of	26,819	0.19983 %
55232	City of Franklin	45,169	0.33655 %
55233	City of Chesapeake	876,919	6.53382 %
55234	City of Virginia Beach	1,378,367	10.27005 %
55235	City of Norton	22,232	0.16565 %
55236	City of Manassas Park	39,523	0.29448 %
55238	Pound, Town of	4,588	0.03418 %

Virginia Retirement System
VRS Line of Duty Act Program (LODA)
Schedule of Employer Allocations
For the Plan Year Ended and Measurement Date of June 30, 2019

Employer Code	Employer	Employer Contributions	Employer Allocation Percentage
55245	Scottsville, Town of	1,412	0.01052 %
55249	Lacrosse, Town of	706	0.00526 %
55255	Brodnax, Town of	706	0.00526 %
55259	Richlands, Town of	38,817	0.28923 %
55300	Abington, Town of	17,644	0.13147 %
55301	Dumfries, Town of	9,881	0.07362 %
55304	South Boston, Town of	26,113	0.19457 %
55306	Remington, Town of	2,117	0.01578 %
55310	Smithfield, Town of	12,704	0.09466 %
55314	Jonesville, Town of	2,823	0.02103 %
55315	Wytheville, Town of	24,349	0.18142 %
55317	Vienna, Town of	28,231	0.21035 %
55321	Woodstock, Town of	11,292	0.08414 %
55327	Christiansburg, Town of	73,223	0.54558 %
55330	Chatham, Town of	2,117	0.01578 %
55332	City of Manassas	115,040	0.85715 %
55334	Boydton, Town of	706	0.00526 %
55338	Quantico, Town of	1,235	0.00920 %
55354	Big Stone Gap, Town of	8,469	0.06310 %
55355	Luray, Town of	16,233	0.12095 %
55369	Tazewell, Town of	21,526	0.16039 %
55372	Weber City, Town of	2,823	0.02103 %
55374	Hurt Town of	2,117	0.01578 %
55375	Waverly, Town of	4,411	0.03287 %
55378	Courtland, Town of	1,412	0.01052 %
55380	Independence, Town of	4,235	0.03155 %
55382	Grundy, Town of	4,940	0.03681 %
55389	Pembroke, Town of	2,823	0.02103 %
55397	Orange, Town of	11,645	0.08677 %
55417	Norfolk Airport Authority	42,346	0.31552 %
55487	Capital Region Airport Commission	33,877	0.25241 %
55869	RSW Regional Jail	—	— %
55899	Shenandoah Valley Regional Airport Commission	8,646	0.06442 %

**Virginia Retirement System
VRS Line of Duty Act Program (LODA)
Schedule of Employer Allocations
For the Plan Year Ended and Measurement Date of June 30, 2019**

Employer Code	Employer	Employer Contributions	Employer Allocation Percentage
55922	Piedmont Regional Jail	78,340	0.58371 %
	Sub-total Political Subdivisions	\$ 5,379,370	40.08110 %
Grand Total		\$ 13,421,217	100.00000 %

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

Virginia Retirement System
VRS Line of Duty Act Program (LODA)
Schedule of Net LODA OPEB Liability and Total LODA OPEB Expense
As of the Measurement Date and For the Plan Year Ended June 30, 2019

(Dollars in Thousands)

Employer Code	Employer	Net LODA OPEB Liability June 30, 2019	Total LODA OPEB Expense 2019
State:			
2XXXX	State Police Officers' Retirement System Employees	\$ 34,924	\$ 2,624
3XXXX	All Other State Employees	36,685	3,185
7XXXX	Virginia Law Officers' Retirement System Employees	143,373	11,840
	Sub-total State	<u>\$ 214,982</u>	<u>\$ 17,649</u>
Political Subdivision:			
50001	Arlington County	\$ 15,924	\$ 1,370
50005	Appalachia, Town of	75	3
50025	Boones Mill, Town of	48	11
50026	Pocahontas, Town of	19	4
55113	Buchanan County	1,519	120
55136	Gloucester County	2,778	213
55139	Greene County	1,330	121
55152	Lee County	1,651	135
55167	Nottoway County	731	80
55183	Russell County	1,929	175
55197	Wise County	1,774	163
55201	City of Bristol	3,235	263
55213	City of Petersburg	4,679	376
55214	City of Portsmouth	10,858	700
55215	City of Radford	1,533	165
55220	City of Suffolk	9,433	731
55221	City of Williamsburg	1,519	133
55222	City of Winchester	3,316	264
55224	City of Falls Church	1,080	97
55226	Front Royal, Town of	717	57
55232	City of Franklin	1,207	99
55233	City of Chesapeake	23,443	2,116
55234	City of Virginia Beach	36,846	3,189
55235	City of Norton	594	51
55236	City of Manassas Park	1,057	82

Virginia Retirement System
VRS Line of Duty Act Program (LODA)
Schedule of Net LODA OPEB Liability and Total LODA OPEB Expense
As of the Measurement Date and For the Plan Year Ended June 30, 2019

(Dollars in Thousands)

Employer		Net LODA OPEB Liability June 30, 2019	Total LODA OPEB Expense 2019
Code	Employer		
55238	Pound, Town of	123	14
55245	Scottsville, Town of	38	1
55249	Lacrosse, Town of	19	(3)
55255	Brodnax, Town of	19	—
55259	Richlands, Town of	1,038	89
55300	Abington, Town of	471	38
55301	Dumfries, Town of	264	32
55304	South Boston, Town of	698	59
55306	Remington, Town of	57	7
55310	Smithfield, Town of	339	23
55314	Jonesville, Town of	75	7
55315	Wytheville, Town of	651	45
55317	Vienna, Town of	755	60
55321	Woodstock, Town of	302	25
55327	Christiansburg, Town of	1,958	176
55330	Chatham, Town of	57	4
55332	City of Manassas	3,076	239
55334	Boydton, Town of	19	4
55338	Quantico, Town of	33	—
55354	Big Stone Gap, Town of	226	13
55355	Luray, Town of	434	43
55369	Tazewell, Town of	575	73
55372	Weber City, Town of	75	4
55374	Hurt Town of	57	4
55375	Waverly, Town of	118	8
55378	Courtland, Town of	38	3
55380	Independence, Town of	113	10
55382	Grundy, Town of	132	9
55389	Pembroke, Town of	75	5
55397	Orange, Town of	312	29
55417	Norfolk Airport Authority	1,132	92
55487	Capital Region Airport Commission	906	81

Virginia Retirement System
VRS Line of Duty Act Program (LODA)
Schedule of Net LODA OPEB Liability and Total LODA OPEB Expense
As of the Measurement Date and For the Plan Year Ended June 30, 2019

(Dollars in Thousands)

Employer		Net	Total
Code	Employer	LODA OPEB	LODA OPEB
		Liability	Expense
		June 30, 2019	2019
55869	RSW Regional Jail	—	(185)
55899	Shenandoah Valley Regional Airport Commission	231	10
55922	Piedmont Regional Jail	2,094	202
	Sub-total Political Subdivision	<u>\$ 143,805</u>	<u>\$ 11,939</u>
Grand Total		<u>\$ 358,787</u>	<u>\$ 29,588</u>

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

Virginia Retirement System
VRS Line of Duty Act Program (LODA)
Schedule of Deferred Outflows and Deferred Inflows of Resources by Employer
As of the Measurement Date of June 30, 2019

(Dollars in Thousands)

		Deferred Outflows of Resources					Deferred Inflows of Resources				
Employer	Difference Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	Change of Assumptions	Change of Proportionate Share	Total of Deferred Outflows of Resources	Difference Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	Change of Assumptions	Change of Proportionate Share	Total of Deferred Inflows of Resources	
State:											
2XXXX	State Police Officers' Retirement System Employees	\$ 5,076	\$ —	\$ 1,639	\$ —	\$ 6,715	\$ 1	\$ 69	\$ 3,027	\$ 1,735	\$ 4,832
3XXXX	All Other State Employees	5,332	—	1,722	2,330	9,384	(1)	72	3,182	1,114	4,367
7XXXX	Virginia Law Officers' Retirement System Employees	20,834	—	6,734	7,451	35,019	5	283	12,427	7,455	20,170
	Sub-total State	<u>\$ 31,242</u>	<u>\$ —</u>	<u>\$ 10,095</u>	<u>\$ 9,781</u>	<u>\$ 51,118</u>	<u>\$ 5</u>	<u>\$ 424</u>	<u>\$ 18,636</u>	<u>\$ 10,304</u>	<u>\$ 29,369</u>
Political Subdivision:											
50001	Arlington County	\$ 2,315	\$ —	\$ 747	\$ 898	\$ 3,960	\$ —	\$ 32	\$ 1,380	\$ 353	\$ 1,765
50005	Appalachia, Town of	11	—	4	—	15	—	—	7	9	16
50025	Boones Mill, Town of	7	—	2	27	36	—	—	4	—	4
50026	Pocahontas, Town of	3	—	1	11	15	—	—	2	—	2
55113	Buchanan County	221	—	71	55	347	—	3	132	84	219
55136	Gloucester County	404	—	130	—	534	(1)	6	241	98	344
55139	Greene County	193	—	62	98	353	(1)	3	115	15	132
55152	Lee County	240	—	77	36	353	—	3	143	41	187
55167	Nottoway County	106	—	34	147	287	—	1	63	—	64
55183	Russell County	280	—	91	116	487	—	4	167	—	171

Virginia Retirement System
VRS Line of Duty Act Program (LODA)
Schedule of Deferred Outflows and Deferred Inflows of Resources by Employer
As of the Measurement Date of June 30, 2019

(Dollars in Thousands)

		Deferred Outflows of Resources					Deferred Inflows of Resources				
Employer	Difference Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	Change of Assumptions	Change of Proportionate Share	Total of Deferred Outflows of Resources	Difference Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	Change of Assumptions	Change of Proportionate Share	Total of Deferred Inflows of Resources	
55197	Wise County	258	—	83	113	454	(1)	4	154	4	161
55201	City of Bristol	470	—	152	—	622	1	6	280	32	319
55213	City of Petersburg	680	—	220	366	1,266	—	9	406	365	780
55214	City of Portsmouth	1,578	—	509	31	2,118	(1)	22	941	1,571	2,533
55215	City of Radford	223	—	72	303	598	—	3	133	—	136
55220	City of Suffolk	1,371	—	443	218	2,032	(1)	19	818	646	1,482
55221	City of Williamsburg	221	—	71	62	354	—	3	132	—	135
55222	City of Winchester	482	—	156	87	725	—	7	287	157	451
55224	City of Falls Church	157	—	51	82	290	—	2	94	39	135
55226	Front Royal, Town of	104	—	34	53	191	1	1	62	74	138
55232	City of Franklin	176	—	57	45	278	1	2	105	59	167
55233	City of Chesapeake	3,407	—	1,100	1,350	5,857	—	47	2,032	—	2,079
55234	City of Virginia Beach	5,360	—	1,716	1,844	8,920	(5)	78	3,189	933	4,195
55235	City of Norton	86	—	28	74	188	—	1	52	76	129
55236	City of Manassas Park	154	—	50	23	227	1	2	92	68	163
55238	Pound, Town of	18	—	6	40	64	—	—	11	22	33
55245	Scottsville, Town of	5	—	2	—	7	—	—	3	15	18
55249	Lacrosse, Town of	3	—	1	—	4	—	—	2	32	34
55255	Brodnax, Town of	3	—	1	—	4	—	—	2	9	11
55259	Richlands, Town of	151	—	49	62	262	—	2	90	34	126

Virginia Retirement System
VRS Line of Duty Act Program (LODA)
Schedule of Deferred Outflows and Deferred Inflows of Resources by Employer
As of the Measurement Date of June 30, 2019

(Dollars in Thousands)

		Deferred Outflows of Resources					Deferred Inflows of Resources				
Employer	Difference Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	Change of Assumptions	Change of Proportionate Share	Total of Deferred Outflows of Resources	Difference Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	Change of Assumptions	Change of Proportionate Share	Total of Deferred Inflows of Resources	
55300	Abington, Town of	69	—	22	8	99	—	1	41	12	54
55301	Dumfries, Town of	38	—	12	74	124	(2)	1	23	—	22
55304	South Boston, Town of	101	—	33	27	161	—	1	61	18	80
55306	Remington, Town of	8	—	3	14	25	—	—	5	—	5
55310	Smithfield, Town of	49	—	16	—	65	—	1	29	40	70
55314	Jonesville, Town of	11	—	4	13	28	—	—	7	—	7
55315	Wytheville, Town of	95	—	31	34	160	2	1	56	117	176
55317	Vienna, Town of	110	—	35	9	154	1	1	65	23	90
55321	Woodstock, Town of	44	—	14	12	70	—	1	26	10	37
55327	Christiansburg, Town of	285	—	92	108	485	1	4	170	8	183
55330	Chatham, Town of	8	—	3	—	11	—	—	5	—	5
55332	City of Manassas	447	—	144	16	607	—	6	267	107	380
55334	Boydton, Town of	3	—	1	11	15	—	—	2	—	2
55338	Quantico, Town of	5	—	2	—	7	1	—	3	22	26
55354	Big Stone Gap, Town of	33	—	11	14	58	—	—	20	56	76
55355	Luray, Town of	63	—	20	48	131	(1)	1	38	—	38
55369	Tazewell, Town of	84	—	27	235	346	—	1	50	85	136
55372	Weber City, Town of	11	—	4	—	15	—	—	7	15	22
55374	Hurt Town of	8	—	3	—	11	—	—	5	—	5
55375	Waverly, Town of	17	—	6	—	23	—	—	10	9	19

Virginia Retirement System
VRS Line of Duty Act Program (LODA)
Schedule of Deferred Outflows and Deferred Inflows of Resources by Employer
As of the Measurement Date of June 30, 2019

(Dollars in Thousands)

	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	Change of Proportionate Share	Total of Deferred Outflows of Resources	Difference Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	Change of Assumptions	Change of Proportionate Share	Total of Deferred Inflows of Resources
55378	Courtland, Town of	5	—	2	—	7	—	—	3	—	3
55380	Independence, Town of	16	—	5	19	40	(1)	—	10	15	24
55382	Grundy, Town of	19	—	6	—	25	1	—	11	15	27
55389	Pembroke, Town of	11	—	4	—	15	—	—	7	—	7
55397	Orange, Town of	45	—	15	14	74	—	1	27	—	28
55417	Norfolk Airport Authority	165	—	53	21	239	—	2	98	33	133
55487	Capital Region Airport Commission	132	—	42	115	289	(1)	2	79	65	145
55869	RSW Regional Jail	—	—	—	—	—	—	—	—	1,132	1,132
55899	Shenandoah Valley Regional Airport Commission	34	—	11	—	45	1	—	20	58	79
55922	Piedmont Regional Jail	304	—	98	244	646	(1)	4	182	78	263
	Sub-total Political Subdivision	\$ 20,907	\$ —	\$ 6,739	\$ 7,177	\$ 34,823	\$ (5)	\$ 288	\$ 12,466	\$ 6,654	\$ 19,403
Grand Total		\$ 52,149	\$ —	\$ 16,834	\$ 16,958	\$ 85,941	\$ —	\$ 712	\$ 31,102	\$ 16,958	\$ 48,772

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

**Virginia Retirement System
VRS Line of Duty Act Program (LODA)
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.

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 System are classified as fiduciary funds and are included in the basic financial statements of the Commonwealth of Virginia.

Other Post-Employment Benefits (OPEB) – LODA

The LODA Program is a multiple-employer, cost-sharing plan. The LODA Program was established pursuant to § 9.1-400 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 LODA Program provides death

and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net LODA OPEB liability, deferred outflows of resources and deferred inflows of resources related to the LODA OPEB; LODA Program OPEB expense; information about the fiduciary net position of the LODA Program; and the additions to/ deductions from the LODA Program's net fiduciary position have been determined on the same basis as they were reported by the System. 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 LODA OPEB Plan

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the LODA Program. As required by statute, the System is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for LODA Program OPEB, including eligibility, coverage, and benefits is set out in the following table :

LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS

Eligible Employees

The eligible employees of the LODA Program are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under VRS, SPORS or VaLORS.

Benefit Amounts

The LODA Program provides death and health insurance benefits for eligible individuals:

- **Death:** The LODA Program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows
 - \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.
 - \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.
 - An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.
 - **Health Insurance:** The LODA Program provides health insurance benefits.
 - Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program
 - Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.
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Contributions

The contribution requirements for the LODA Program are governed by § 9.1-400.1 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 employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2019, was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017, and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year.

Actuarial Assumptions and Methods

The total LODA Program OPEB liability 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 –	
General state employees	N/A
SPORS employees	N/A
VaLORS employees	N/A
Locality employees	N/A
Medical cost trend rates assumption –	
Under age 65	7.25% – 4.75%
Ages 65 and older	5.50% – 4.75%
Year of ultimate trend rate	
Post - 65	Fiscal year ended 2023
Pre - 65	Fiscal year ended 2028
Investment rate of return	3.50%, 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 market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.50%. However, since the difference was minimal, a more conservative 3.50% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return.

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. Changes to the actuarial assumptions as a result of the experience study 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%

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. Changes to the actuarial assumptions as a result of the experience study 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%

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. Changes to the actuarial assumptions as a result of the experience study 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%

Mortality rates – Largest 10 Locality Employers With Public Safety 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. Changes to the actuarial assumptions as a result of the experience study 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 retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality rates – Non-Largest 10 Locality Employers With Public Safety 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. Changes to the actuarial assumptions as a result of the experience study 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	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Note 3. Net LODA Program OPEB Liability

The net OPEB liability (NOL) for the LODA Program represents the total LODA Program's OPEB liability determined in accordance with GASB Statement No. 74, less its fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the LODA Program's OPEB liability are as follows (amounts expressed in thousands):

Total LODA OPEB Liability	\$	361,626
Plan Fiduciary Net Position		2,839
LODA Net OPEB Liability (Asset)	\$	<u>358,787</u>

Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability 0.79 %

The total LODA Program 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 LODA Program 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 LODA Program OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the Statutes, and that they will be made in accordance with the System's 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 participating employers to the LODA Program OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA Program OPEB investments was set at 3.50% for this valuation. Since LODA Program is funded on a current-disbursement basis, it is not able to use the System's Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2019.

Sensitivity Analysis – Investment Rate of Return

The following table presents the collective net LODA Program liability of the participating employers in the LODA Program using the discount rate of 3.50%, as well as what the collective net LODA Program liability of the participating employers would be if it were calculated using a discount rate that is one percentage point lower (2.50)% or one percentage point higher (4.50)% than the current rate (amounts expressed in thousands):

Net LODA OPEB Liability – 1.00% Decrease (2.50%)	\$	416,220
Net LODA OPEB Liability – Current Discount Rate (3.50%)	\$	358,787
Net LODA OPEB Liability – 1.00% Increase (4.50%)	\$	313,363

Sensitivity Analysis – Health Care Trend Rate

The following table presents the collective net LODA Program liability of the participating employers in the LODA Program using the Healthcare Cost Trend rate of 7.75% decreasing to 4.75%, as well as what the collective net LODA Program liability of the participating employers would be if it were calculated using a Healthcare Cost Trend rate that is one percentage point lower (6.75% decreasing to 3.75%) or one percentage point higher (8.75% decreasing to 5.75%) than the current rate (amounts expressed in thousands):

Net LODA OPEB Liability - 1.00% Decrease (6.75% decreasing to 3.75%)	\$	303,352
Net LODA OPEB Liability - Current Discount Rate (7.75% decreasing to 4.75%)	\$	358,787
Net LODA OPEB Liability - 1.00% Increase (8.75% decreasing to 5.75%)	\$	428,698

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 benefits through the LODA Program at June 30, 2019 was 8.99 years. Deferred outflows of resources related to the LODA Program resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA Program 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 LODA Program will be recognized in the LODA Program expense as follows (amounts expressed in thousands):

Measurement Period Ending June 30, 2020	\$	4,533
Measurement Period Ending June 30, 2021	\$	4,531
Measurement Period Ending June 30, 2022	\$	4,641
Measurement Period Ending June 30, 2023	\$	4,759
Measurement Period Ending June 30, 2024	\$	4,794
Thereafter	\$	13,911

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 LODA Program 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 OPEB 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 participants for FY 2019. This total was \$13,421,220. The employer contributions of \$13,377,000 reported in the LODA Program's Statement of Changes in Net Position (per the System's separately issued financial statements) reflects the calculated amount less approximately \$44,220 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 LODA Program OPEB Notes to the Schedule of Employer Allocations and Schedule of LODA Program OPEB Amounts by Employer (Schedules) was extracted from the audited financial statements of the System for the fiscal year ended June 30, 2019. Additional financial information supporting the preparation of the LODA Program OPEB 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 System's 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.