

Sample Notes to the Financial Statements Single Plan – Political Subdivision Retirement For the Fiscal Year Ended June 30, 2021

Instructions: *The Sample Notes to the Financial Statements for the Single Employer Plan – Political Subdivision Retirement Plan are based on the data in Illustration 1 of GASB Statement No. 68 and the related information in the Implementation Guide. These are provided by the Virginia Retirement System as a guide for employers in the development of their GASB 68 note disclosures. The GASB 68 schedules referenced in this document can be found in the “GASB Statement No. 68 Report for the Virginia Retirement System Prepared as of June 30, 2020” on the VRS Guidelines and Resources page of the VRS website at: employers.varetire.org/financial-reporting/vrs-guidlines-and-resources.php*

Within the sample Notes to the Financial Statements, the sample Required Supplementary Information and the sample Journal Entries there are a number of variable items which each employer must fill in using their own unique information. For each of these items, we have identified the source of the information. Employers that offer Hazardous Duty Benefits for their Public Safety Employees will have additional disclosures. These are highlighted in gray text in this document. Where the "Largest 10" and "All Others" are referenced under changes in assumptions, select which one applies to the employer. These are highlighted in orange text in this document.

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

If you have any questions concerning this information, please contact me at 804-344-3128 or send me an email at bfaison@varetire.org.

[Employer Name Here]
Notes to the Financial Statements
For the Year Ended June 30, 2021

Summary of Significant Accounting Policies

Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision Retirement Plan and the additions to/deductions from the Political Subdivision Retirement Plan's fiduciary net position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note: *If the Political Subdivision has component units whose employees were provided with pensions through this pension plan, the Political Subdivision should apply the requirements of paragraph 39 of GASB Statement No. 68 when presenting financial statements of the reporting entity.*

Plan Description

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

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

RETIREMENT PLAN PROVISIONS

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p><i>Hybrid Opt-In Election</i> VRS non-hazardous duty-covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan, and remain as Plan 1 or ORP.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><i>Hybrid Opt-In Election</i> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan, and remain as Plan 2 or ORP.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p><i>*Non-Eligible Members</i> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>

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

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <i>Defined Benefit Component:</i> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><i>Defined Contributions Component:</i> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distributions not required, except as governed by law.</p>

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <i>Defined Benefit Component:</i> See definition under Plan 1.</p> <p><i>Defined Contribution Component:</i> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <i>Defined Benefit Component:</i> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><i>Defined Contribution Component:</i> Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivision hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <i>Defined Benefit Component:</i> VRS: Same as Plan 2.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

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

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><i>Eligibility:</i> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><i>Exceptions to COLA Effective Dates:</i> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. • The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><i>Eligibility:</i> Same as Plan 1.</p> <p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p><i>Defined Benefit Component:</i> Same as Plan 2.</p> <p><i>Defined Contribution Component:</i> Not applicable.</p> <p><i>Eligibility:</i> Same as Plan 1 and Plan 2.</p> <p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1 and Plan 2.</p>

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <i>Defined Benefit Component:</i> Same as Plan 1, with the following exception:</p> <ul style="list-style-type: none"> Hybrid Retirement Plan members are ineligible for ported service. <p><i>Defined Contribution Component:</i> Not applicable.</p>

Employees Covered by Benefit Terms

As of the June 30, 2019, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	Political Subdivision's GASB 68 Report Membership Table, Page 3, Line 1
Inactive members:	
Vested inactive members	Political Subdivision's GASB 68 Report Membership Table, Page 3, Line 2
Non-vested Inactive members	Political Subdivision's GASB 68 Report Membership Table, Page 3, Line 3
LTD	Political Subdivision's GASB 68 Report Membership Table, Page 3, Line 4
Inactive members active elsewhere in VRS	Political Subdivision's GASB 68 Report Membership Table, Page 3, Line 5
Total inactive members	Political Subdivision's GASB 68 Report Membership Table, Page 3, Line 6
Active members	Political Subdivision's GASB 68 Report Membership Table, Page 3, Line 7
Total covered employees	Political Subdivision's GASB 68 Report Membership Table, Page 3, Line 8

Contributions

The contribution requirement for active employees is governed by § 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

If the employer used less than the certified rate: The [Employer Name Here] contractually required employer contribution rate for the year ended June 30, 2021, was [Insert contributed rate] % of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarial rate for the [Employer Name Here] plan was [Insert certified rate] %.

If the employer used the certified rate: The [Employer Name Here] contractually required employer contribution rate for the year ended June 30, 2021, was [Insert certified rate] % of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the [Employer Name Here] were \$ [Insert amount] and \$ [Insert amount] for the years ended June 30, 2021, and June 30, 2020, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. For [Employer Name Here], the net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision’s Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, net of pension 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 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 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 pension liabilities.*

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service-related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

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 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non-10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service-related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

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 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019, 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:

Largest 10 – Non-Hazardous Duty:

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	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

All Others (Non-10 Largest) – Non-Hazardous Duty:

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	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020:

Inflation	2.50%
Salary increases, including inflation	3.50% – 4.75%
Investment rate of return	6.75%, net of pension 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 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 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 pension liabilities.

Mortality rates:

Largest 10 – Hazardous Duty: 70% of deaths are assumed to be service-related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 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, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

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

All Others (Non-10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service-related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 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, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019, 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:

Largest 10 – Hazardous Duty:

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
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 60% to 70%
Discount Rate	Decrease rate from 7.00% to 6.75%

All Others (Non-10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update 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 year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi -Asset Public Strategies	6.00%	3.04%	0.18%
PIP- Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
	Inflation		2.50%
	Expected arithmetic nominal return *		7.14%

* The above allocation provides a one-year return of 7.14%. 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%. On October 10, 2019, 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. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2020, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 24,206,763,285	\$ 21,259,033,978	\$ 2,947,729,307
Changes for the year:			
Service Cost	603,765,952	—	603,765,952
Interest	1,593,594,255	—	1,593,594,255
Benefit Changes	19,656,740	—	19,656,740
Differences between expected and actual experiences	221,364,304	—	221,364,304
Assumption Changes	—	—	—
Contributions - employer	—	521,612,593	(521,612,593)
Contributions - employee	—	258,396,037	(258,396,037)
Net investment income	—	405,050,849	(405,050,849)
Benefit payments, including refunds	(1,157,505,005)	(1,157,505,005)	—
Refunds of employee contributions	(38,323,304)	(38,323,304)	—
Administrative expenses	—	(13,841,782)	13,841,782
Other changes	—	(332,801)	332,801
Net changes	1,242,552,942	(24,943,413)	1,267,496,355
Balances at June 30, 2020	\$ 25,449,316,227	\$ 21,234,090,565	\$ 4,215,225,662

Totals are from Schedule E Total Pension Liability and Fiduciary Net Position on pages 107-130 of the GASB Statement No. 68 Report. ***(Individual employer data is provided in the Political Subdivision's GASB 68 Report in the Schedule of Changes in the Net Pension Liability on page 5.)***

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the [Employer Name Here] using the discount rate of 6.75%, as well as what the [Employer Name Here] net pension liability would be if it were calculated using a discount rate that is one percentage point lower 5.75% or one percentage point higher 7.75% than the current rate:

	1.00% Decrease 5.75%	Current Discount Rate 6.75%	1.00% Increase 7.75%
Political Subdivision's Net Pension Liability	\$ [Schedule D - Net Pension Liability - Political Subdivision's GASB 68 Report Page 3, Net Pension Liability 1% Decrease (5.75%)]	\$ [Schedule D - Net Pension Liability - Political Subdivision's GASB 68 Report Page 3, 6/30/2020 Net Pension Liability]	\$ [Schedule D - Net Pension Liability - Political Subdivision's GASB 68 Report Page 3, Net Pension Liability 1% Increase (7.75%)]

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

For the year ended June 30, 2021, the [Employer Name Here] recognized pension expense of \$ [Pension Expense, Page 7 of the Political Subdivision's GASB 68 report]. At June 30, 2021, the [Employer Name Here] reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ [Deferred Outflows, Page 6, Column 2]	\$ [Deferred Inflows, Page 6, Column 3]
Change in assumptions	\$ [Deferred Outflows, Page 6, Column 2]	\$ [Deferred Inflows, Page 6, Column 3]
Net difference between projected and actual earnings on pension plan investments	\$ [Deferred Outflows, Page 6, Column 2]	\$ [Deferred Inflows, Page 6, Column 3]
Employer contribution subsequent to the measurement date	[Insert Amount]	—
Total	\$ —	\$ —

(Data for this table is taken from the Summary of Deferred Inflows and Outflows of Resources table on page 6 of the Political Subdivision's GASB 68 Report.)

\$ [Insert amount] reported as deferred outflows of resources related to pensions resulting from the [Employer Name Here] contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30

Year 1 2022	\$ [Amortization of Deferred Outflows & Inflows, Page 6]
Year 2 2023	\$ [Amortization of Deferred Outflows & Inflows, Page 6]
Year 3 2024	\$ [Amortization of Deferred Outflows & Inflows, Page 6]
Year 4 2025	\$ [Amortization of Deferred Outflows & Inflows, Page 6]
Year 5 2026	\$ [Amortization of Deferred Outflows & Inflows, Page 6]

(Data for this table is taken from the Schedule of Amortization of Deferred Inflows and Outflows of Resources table on page 6 of the Political Subdivision’s GASB 68 Report.)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2020-annual-report.pdf, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Pension Plan

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

Required Supplementary Information (RSI) Template VRS Political Subdivision Retirement Plan For the Fiscal Year Ended June 30, 2021

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

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

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

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

Note: *Employer's Covered Payroll referenced in the GASB 68 schedules in the template represent the total pensionable payroll for employees covered under the pension plan. Both of these schedules will now have multiple years of data. The periods for the additions to the schedules for FY 2021 are as follows:*

- *Schedule of Employer's Net Pension Liability and Related Ratios for the Plan Years Ended June 30, 2014, through June 30, 2020. This schedule will now have seven years.*
- *Schedule of Employer Contributions – Covered Payroll is for the fiscal year ended June 30, 2021. This schedule should have 10 years. Pre-GASB Statement No. 68 information can be taken from the RSI data previously required under GASB Statement No. 27.*

Sample Schedule of Employer's Net Pension Liability and Related Ratios

**Schedule of Changes in the Political Subdivision's Net Pension Liability and Related Ratios
For the Plan Years Ended June 30**

	2020	2019	2018	2017	2016	2015	2014
Total pension liability:							
Service cost	\$603,765,952	\$556,149,437	\$544,762,066	\$541,593,844	\$535,322,111	\$530,944,597	\$524,758,455
Interest	1,593,594,255	1,535,532,384	1,472,680,232	1,422,754,924	1,362,868,825	1,309,485,013	1,243,385,827
Changes in benefit terms	19,656,740	3,948,465	10,811,391	36,652,242	2,053,319	1,135,143	—
Difference between actual and expected experience	221,364,302	45,031,955	(43,178,522)	(205,649,409)	(87,268,237)	(185,394,067)	—
Changes of assumptions	\$ —	691,407,023	—	(64,510,282)	—	—	—
Benefit payments	(1,195,828,307)	(1,123,040,483)	(1,051,345,009)	(983,924,693)	(930,965,560)	(856,101,009)	(791,582,482)
Net change in total pension liability	\$1,242,552,942	\$1,709,028,781	\$933,730,158	\$746,916,626	\$882,010,458	\$800,069,677	\$976,561,800
Total pension liability - beginning	\$24,206,763,285	\$22,497,734,504	\$21,564,004,346	\$20,817,087,720	\$19,935,077,262	\$19,135,007,585	\$18,158,445,785
Total pension liability - ending (a)	\$25,449,316,227	\$24,206,763,285	\$22,497,734,504	\$21,564,004,346	\$20,817,087,720	\$19,935,077,262	\$19,135,007,585
Plan fiduciary net position:							
Contributions - employer	521,543,157	499,292,259	490,285,730	477,563,307	543,946,660	533,876,864	539,366,697
Contributions - employee	258,408,142	248,421,683	241,338,859	238,626,442	231,933,521	227,059,805	225,554,797
Net investment income	405,050,874	1,345,759,237	1,415,455,743	2,113,967,672	300,998,904	761,165,466	2,272,284,047
Benefit payments	(1,195,828,307)	(1,123,040,483)	(1,051,345,009)	(983,924,693)	(930,965,560)	(856,101,009)	(791,582,482)
Administrator charges	(13,841,789)	(13,368,662)	(12,235,799)	(12,221,134)	(10,696,457)	(10,357,446)	(12,152,639)
Other	(275,471)	(852,608)	(30,923,754)	(1,886,358)	(127,496)	(161,059)	119,754
Net change in plan fiduciary net position	\$ (24,943,394)	\$956,211,426	\$1,052,575,770	\$1,832,125,236	\$135,089,572	\$655,482,621	\$2,233,590,174
Plan fiduciary net position - beginning	\$21,259,023,978	\$20,302,812,552	\$19,250,236,782	\$17,418,111,546	\$17,283,021,974	\$16,627,539,353	\$14,393,949,179
Plan fiduciary net position - ending (b)	\$21,234,080,584	\$21,259,023,978	\$20,302,812,552	\$19,250,236,782	\$17,418,111,546	\$17,283,021,974	\$16,627,539,353
Political Subdivision's net pension liability - ending (a-b)	\$4,215,235,643	\$2,947,739,307	\$2,194,921,952	\$2,313,767,564	\$3,398,976,174	\$2,652,055,288	\$2,507,468,232
Plan fiduciary net position as a percentage of the total pension liability	83.44 %	87.82 %	90.24 %	89.27 %	83.67 %	86.70 %	86.90 %
Covered payroll	\$5,368,250,421	\$5,118,622,000	\$4,935,343,508	\$4,765,841,660	\$4,628,805,559	\$4,513,334,541	\$4,434,763,925
Political Subdivision's net pension liability as a percentage of covered payroll	78.52%	57.59%	44.47%	48.55%	73.43%	58.76%	56.54%

Totals, with the exception of the covered payroll are from Schedule E – Total Pension Liability and Fiduciary Net Position on pages 107-130 and the Summary of Collective Amounts on page 3 of the GASB Statement No. 68 Report.

(Employer-specific data, with the exception of the covered payroll and ratios, is provided in the Political Subdivision's GASB 68 Report in the Schedule of Changes in the Net Pension Liability on page 5)

Sample Schedule of Employer Contributions

**Schedule of Employer Contributions
Political Subdivisions Retirement Plan
For the Years Ended June 30, 2012 through 2021**

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2021	[\$Insert Amount]	[\$Insert Amount]	Col (1) -(2)	[\$Insert Amount]	Col (2) / (4)
2020	[\$Insert Amount]	[\$Insert Amount]	Col (1) -(2)	[\$Insert Amount]	Col (2) / (4)
2019	[\$Insert Amount]	[\$Insert Amount]	Col (1) -(2)	[\$Insert Amount]	Col (2) / (4)
2018	[\$Insert Amount]	[\$Insert Amount]	Col (1) -(2)	[\$Insert Amount]	Col (2) / (4)
2017	[\$Insert Amount]	[\$Insert Amount]	Col (1) -(2)	[\$Insert Amount]	Col (2) / (4)
2016	[\$Insert Amount]	[\$Insert Amount]	Col (1) -(2)	[\$Insert Amount]	Col (2) / (4)
2015	[\$Insert Amount]	[\$Insert Amount]	Col (1) -(2)	[\$Insert Amount]	Col (2) / (4)
2014	[\$Insert Amount]	[\$Insert Amount]	Col (1) -(2)	[\$Insert Amount]	Col (2) / (4)
2013	[\$Insert Amount]	[\$Insert Amount]	Col (1) -(2)	[\$Insert Amount]	Col (2) / (4)
2012	[\$Insert Amount]	[\$Insert Amount]	Col (1) -(2)	[\$Insert Amount]	Col (2) / (4)

For Reference Only:

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

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

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

Sample Notes to Required Supplementary Information

**Notes to Required Supplemental Information
For the Year Ended June 30, 2021**

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

Changes of assumptions: The actuarial assumptions used in the June 30, 2019, 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:

Largest 10 – Non-Hazardous Duty:

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	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

All Others (Non-10 Largest) – Non-Hazardous Duty:

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	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Largest 10 – Hazardous Duty:

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
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 60% to 70%
Discount Rate	Decrease rate from 7.00% to 6.75%

All Others (Non-10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update 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 year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%