



Virginia
Retirement
System

**VIRGINIA RETIREMENT SYSTEM
POLITICAL SUBDIVISION
HEALTH INSURANCE CREDIT PLANS**

GASB No. 75 Schedules

With Independent Auditor's Report Thereon

For the Fiscal Year Ended June 30, 2017

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Auditor of Public Accounts

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September 5, 2018

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

Report on the Schedules

We have audited the fiduciary net position as of June 30, 2017, and the changes in fiduciary net position for the year then ended, included in the accompanying Schedule of Changes in Fiduciary Net Position by Employer (Schedule) of the Virginia Retirement System Political Subdivision Health Insurance Credit Plans, and the related notes. We have also audited the fiduciary net position of each individual employer as of June 30, 2017, and the changes in fiduciary net position of each individual employer for the year then ended, included in the accompanying Schedule.

Management's Responsibility for the Schedule

The Virginia Retirement System's management is responsible for the preparation and fair presentation of the Schedule 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 Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the fiduciary net position and the changes in fiduciary net position included in the Schedule, in total and for each individual 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 fiduciary net position and changes in fiduciary net position included in the Schedule are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of

the risks of material misstatement of the fiduciary net position and the changes in fiduciary net position included in the Schedule, 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 fiduciary net position and the changes in fiduciary net position included in the Schedule 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 fiduciary net position and the changes in fiduciary net position included in the Schedule.

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

Opinion

In our opinion, the Schedule referred to above presents fairly, in all material respects, the total fiduciary net position of the Virginia Retirement System Political Subdivision Health Insurance Credit Plans as of June 30, 2017, and the changes in fiduciary net position for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the Schedule referred to above presents fairly, in all material respects, the fiduciary net position of each individual employer as of June 30, 2017, and the changes in fiduciary net position for each individual employer for the year then ended, 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, 2017, and our report thereon, dated December 15, 2017, expressed an unmodified opinion on those financial statements.

Restriction on Use

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


AUDITOR OF PUBLIC ACCOUNTS

ZLB/clj

Virginia Retirement System
VRS Political Subdivision Health Insurance Credit Plans
Schedule of Changes in Fiduciary Net Position by Employer – Page 1 of 6
For the Fiscal Year Ended June 30, 2017

Employer Code	Entity	Employer Contributions	Employee Contributions	Net				Net	Fiduciary	Fiduciary
				Investment Income	Benefit Payments	Administrative Expenses	Other Changes	Change of Fiduciary Net Position	Net Position Beginning of Year	Net Position End of Year
55100	Accomack County	\$ 26,474	\$ -	\$ 1,503	\$ (12,257)	\$ (47)	\$ 32	\$ 15,705	\$ 5,956	\$ 21,661
55103	Amelia County	2,585	-	1,095	(2,236)	(18)	54	1,480	9,426	10,906
55104	Amherst County	8,839	-	12,748	(10,148)	(204)	650	11,885	111,179	123,064
55110	Bland County	3,765	-	397	(3,309)	(7)	19	865	3,415	4,280
55122	Craig County	99	-	4,009	(2,200)	(62)	212	2,058	35,799	37,857
55128	Essex County	6,959	-	704	(2,195)	(17)	18	5,469	3,478	8,947
55132	Fluvanna County	4,699	-	10,003	(3,205)	(164)	501	11,834	85,702	97,536
55136	Gloucester County	12,479	-	28,877	(9,197)	(472)	1,448	33,135	247,167	280,302
55139	Greene County	3,784	-	9,137	(4,586)	(147)	465	8,653	79,396	88,049
55140	Greensville County	3,436	-	8,370	(3,406)	(136)	424	8,688	72,216	80,904
55141	Halifax County	6,705	-	11,277	(8,948)	(182)	580	9,432	99,193	108,625
55142	Hanover County	81,864	-	49,782	(39,706)	(859)	2,349	93,430	409,951	503,381
55144	Henry County	3,853	-	33,654	(7,457)	(542)	1,718	31,226	292,376	323,602
55146	Isle of Wight County	10,645	-	18,362	(11,866)	(295)	934	17,780	159,403	177,183
55147	James City County	65,197	-	71,316	(53,124)	(1,170)	3,562	85,781	612,679	698,460
55154	Louisa County	9,335	-	9,433	(2,428)	(164)	452	16,628	77,594	94,222
55156	Madison County	1,632	-	6,718	(234)	(111)	335	8,340	57,190	65,530
55157	Mathews County	2,142	-	24	(1,629)	(1)	-	536	(277)	259
55163	New Kent County	9,547	-	586	78	(24)	-	10,187	-	10,187
55166	Northumberland County	212	-	4,984	(1,215)	(80)	256	4,157	43,540	47,697
55171	Pittsylvania County	27,160	-	40,026	(25,441)	(650)	2,018	43,113	345,465	388,578
55172	Powhatan County	8,147	-	1,341	(985)	(32)	42	8,513	7,648	16,161
55176	Prince William County	410,616	-	358,317	(336,736)	(5,856)	17,920	444,261	3,055,567	3,499,828
55177	Pulaski County	12,756	-	16,753	(10,451)	(274)	841	19,625	144,115	163,740

Virginia Retirement System
VRS Political Subdivision Health Insurance Credit Plans
Schedule of Changes in Fiduciary Net Position by Employer – Page 2 of 6
For the Fiscal Year Ended June 30, 2017

Employer Code	Entity	Employer Contributions	Employee Contributions	Net				Net	Fiduciary	Fiduciary
				Investment Income	Benefit Payments	Administrative Expenses	Other Changes	Change of Fiduciary Net Position	Net Position Beginning of Year	Net Position End of Year
55178	Rappahannock County	121	-	3,379	(789)	(54)	173	2,830	29,454	32,284
55180	Roanoke County	135,458	-	50,806	(81,531)	(905)	2,370	106,198	410,017	516,215
55183	Russell County	3,731	-	9,214	(4,926)	(148)	472	8,343	80,391	88,734
55185	Shenandoah County	8,841	-	22,932	(7,151)	(376)	1,155	25,401	197,015	222,416
55187	Southampton County	2,469	-	16,792	(10,495)	(262)	883	9,387	149,580	158,967
55189	Stafford County	37,726	-	79,178	(28,536)	(1,294)	3,977	91,051	677,364	768,415
55192	Tazewell County	6,559	-	30,132	(9,337)	(486)	1,538	28,406	261,637	290,043
55195	Washington County	2,128	-	24,215	(7,866)	(386)	1,248	19,339	212,168	231,507
55196	Westmoreland County	5,895	-	1,824	(2,062)	(35)	79	5,701	13,708	19,409
55197	Wise County	3,228	-	21,488	(5,584)	(346)	1,097	19,883	186,800	206,683
55198	Wythe County	2,132	-	14,595	(5,014)	(233)	751	12,231	127,546	139,777
55199	York County	73,420	-	90,253	(44,700)	(1,503)	4,438	121,908	762,861	884,769
55215	City of Radford	23,734	-	22,012	(29,086)	(352)	1,130	17,438	193,507	210,945
55217	City of Roanoke	22,904	-	9,633	(20,294)	(158)	480	12,565	83,168	95,733
55222	City of Winchester	25,909	-	42,836	(13,808)	(715)	2,116	56,338	362,595	418,933
55228	Town of Middletown	629	-	613	(601)	(10)	31	662	5,306	5,968
55230	City of Covington	17,332	-	10,903	(19,604)	(175)	565	9,021	95,783	104,804
55301	Town of Dumfries	1,071	-	3,081	(2,251)	(48)	161	2,014	26,907	28,921
55312	Town of Hamilton	1,162	-	55	(836)	(1)	2	382	358	740
55321	Town of Woodstock	8,556	-	6,674	(6,189)	(112)	330	9,259	56,021	65,280
55326	Town of Pearisburg	5,298	-	3,769	(4,782)	(62)	189	4,412	32,577	36,989
55332	City of Manassas	47,773	-	56,707	(49,915)	(915)	2,882	56,532	491,320	547,852
55342	Town of Lawrenceville	3,186	-	3,381	(1,916)	(57)	165	4,759	28,363	33,122
55344	Town of Stanley	1,554	-	2,320	(995)	(39)	115	2,955	19,687	22,642

Virginia Retirement System
VRS Political Subdivision Health Insurance Credit Plans
Schedule of Changes in Fiduciary Net Position by Employer – Page 3 of 6
For the Fiscal Year Ended June 30, 2017

Employer Code	Entity	Employer Contributions	Employee Contributions	Net				Net	Fiduciary	Fiduciary
				Investment Income	Benefit Payments	Administrative Expenses	Other Changes	Change of Fiduciary Net Position	Net Position Beginning of Year	Net Position End of Year
55357	Town of Strasburg	3,655	-	7,262	(1,909)	(121)	360	9,247	61,591	70,838
55365	City of Poquoson	14,537	-	14,538	(10,779)	(243)	719	18,772	123,240	142,012
55385	Town of Kenbridge	503	-	1,251	(833)	(20)	65	966	11,003	11,969
55393	Town of Shenandoah	1,593	-	2,520	(1,630)	(41)	128	2,570	21,854	24,424
55396	Town of Kilmarnock	888	-	2,783	238	(47)	136	3,998	23,381	27,379
55411	Hampton Roads Sanitation District	91,183	-	89,521	(93,319)	(1,443)	4,544	90,486	779,848	870,334
55425	Colonial Behavioral Health	14,989	-	19,056	(8,606)	(317)	940	26,062	161,355	187,417
55440	Shenandoah Valley Juvenile Detention Home Comm	4,860	-	6,141	(5,671)	(98)	315	5,547	53,895	59,442
55447	Rappahannock Area Community Services Board	17,229	-	29,448	(4,277)	(495)	1,437	43,342	247,219	290,561
55450	Meherrin Regional Library	1,580	-	1,385	136	(25)	62	3,138	10,830	13,968
55454	Greensville-Emporia Social Services	4,811	-	2,263	(6,338)	(34)	121	823	20,476	21,299
55455	James City County Service Authority	8,166	-	10,122	(3,508)	(170)	494	15,104	85,165	100,269
55472	District 19 Community Services Board	11,607	-	29,550	(7,435)	(485)	1,478	34,715	252,657	287,372
55477	Frederick County Sanitation Authority	4,652	-	6,878	(3,422)	(114)	343	8,337	58,582	66,919
55478	Western Tidewater Community Services Board	20,137	-	33,193	(4,202)	(560)	1,613	50,181	278,181	328,362
55487	Capital Regional Airport Commission	15,147	-	928	117	(35)	-	16,157	-	16,157
55489	Harrisonburg/Rockingham Community Services Board	12,013	-	18,819	(5,025)	(315)	924	26,416	158,925	185,341
55493	Planning District 1 Behavioral Health Services Board	589	-	217	(867)	(3)	12	(52)	2,050	1,998
55505	Appomattox County School Board	3,183	-	4,035	(2,127)	(66)	200	5,225	34,258	39,483
55508	Bath County School Board	5,930	-	1,193	(5,352)	(19)	59	1,811	10,189	12,000
55511	Botetourt County School Board	16,063	-	6,045	(11,081)	(104)	289	11,212	49,516	60,728
55517	Carroll County School Board	20,515	-	-	(21,428)	-	-	(913)	(21,628)	(22,541)
55522	Winchester Public Schools	5,614	-	8,159	(2,701)	(135)	401	11,338	68,905	80,243
55523	Culpeper County School Board	7,526	-	25,657	(6,119)	(417)	1,291	27,938	220,636	248,574

Virginia Retirement System
VRS Political Subdivision Health Insurance Credit Plans
Schedule of Changes in Fiduciary Net Position by Employer – Page 4 of 6
For the Fiscal Year Ended June 30, 2017

Employer Code	Entity	Employer Contributions	Employee Contributions	Net				Net Change of Fiduciary Net Position	Fiduciary Net Position Beginning of Year	Fiduciary Net Position End of Year
				Investment Income	Benefit Payments	Administrative Expenses	Other Changes	Net Position		
55530	Covington School Board	2,942	-	1,131	(5,093)	(15)	67	(968)	11,097	10,129
55536	Gloucester County School Board	18,508	-	14,450	(21,113)	(227)	747	12,365	128,023	140,388
55541	Halifax County School Board	12,990	-	11,933	(22,828)	(178)	647	2,564	109,621	112,185
55552	Lee County School Board	18,834	-	7,629	(22,902)	(114)	405	3,852	70,029	73,881
55553	Loudoun County School Board	107,353	-	163,092	(57,252)	(2,698)	8,051	218,546	1,385,442	1,603,988
55554	Louisa County Public Schools	16,711	-	23,683	(10,895)	(389)	1,178	30,288	202,829	233,117
55571	Pittsylvania County School Board	26,507	-	-	(21,078)	-	-	5,429	(15,182)	(9,753)
55576	Prince William County Schools	123,856	-	151,368	(69,750)	(2,506)	7,449	210,417	1,285,740	1,496,157
55578	Rappahannock County Schools	4,708	-	4,477	(3,271)	(73)	222	6,063	38,222	44,285
55582	Rockingham County School Board	51,835	-	43,842	(54,976)	(702)	2,239	42,238	381,566	423,804
55583	Russell County School Board	31,742	-	1	(33,861)	-	-	(2,118)	(33,377)	(35,495)
55589	Stafford County Schools	18,590	-	26,654	(16,000)	(435)	1,340	30,149	229,004	259,153
55595	Washington County School Board	21,732	-	1,117	(25,355)	(14)	80	(2,440)	12,841	10,401
55597	Wise County Schools	5,229	-	20,715	(16,886)	(320)	1,098	9,836	185,705	195,541
55598	Wythe County School Board	10,638	-	3,303	(15,688)	(44)	189	(1,602)	32,049	30,447
55606	Franklin City Public Schools	900	-	3,542	(1,720)	(56)	183	2,849	31,002	33,851
55612	Brunswick County Public Schools	6,445	-	4,960	(5,609)	(80)	247	5,963	42,479	48,442
55615	Campbell County School Board	19,733	-	19,471	(28,342)	(302)	1,027	11,587	173,901	185,488
55617	Roanoke City Schools	3,534	-	5,134	(358)	(88)	247	8,469	42,312	50,781
55619	Staunton City School Board	7,031	-	2,786	(8,899)	(41)	149	1,026	25,676	26,702
55632	City of Manassas School Board	9,073	-	19,367	(9,367)	(314)	982	19,741	167,373	187,114
55633	Franklin County Schools	24,510	-	33,456	(20,088)	(544)	1,685	39,019	287,359	326,378
55635	City of Salem Schools	8,704	-	6,952	(9,254)	(109)	359	6,652	61,059	67,711
55636	Manassas Park City Schools	1,788	-	4,908	(318)	(82)	243	6,539	41,701	48,240

Virginia Retirement System
VRS Political Subdivision Health Insurance Credit Plans
Schedule of Changes in Fiduciary Net Position by Employer – Page 5 of 6
For the Fiscal Year Ended June 30, 2017

Employer Code	Entity	Employer Contributions	Employee Contributions	Net				Net	Fiduciary	Fiduciary
				Investment Income	Benefit Payments	Administrative Expenses	Other Changes	Change of Fiduciary Net Position	Net Position Beginning of Year	Net Position End of Year
55637	Newport News Public Schools	14,096	-	2,045	368	(49)	53	16,513	10,577	27,090
55802	Williamsburg-James City County Schools	11,391	-	33,666	(6,674)	(552)	1,683	39,514	288,259	327,773
55803	Poquoson City School Board	4,476	-	1,372	(5,874)	(20)	76	30	12,858	12,888
55814	Jackson River Vocational Technical Center	455	-	16	(536)	-	1	(64)	194	130
55866	Hampton Roads Transportation Accountability Commission	318	-	33	5	(1)	-	355	110	465
55867	Pamunkey Regional Library	2,887	-	424	(128)	(11)	10	3,182	2,089	5,271
55868	Northern Virginia Transportation Authority	646	-	181	36	(4)	6	865	1,180	2,045
55874	Meherrin River Regional Jail Authority	8,921	-	5,486	1,077	(102)	234	15,616	41,702	57,318
55883	Western Virginia Regional Jail Authority	8,443	-	11,848	1,691	(208)	558	22,332	96,686	119,018
55886	Russell County Public Service Authority	736	-	1,201	(274)	(20)	58	1,701	10,129	11,830
55897	Prince William County Service Authority	40,004	-	33,703	(28,085)	(566)	1,635	46,691	284,172	330,863
55904	Appalachian Juvenile Commission	7,625	-	2,536	(7,691)	(42)	129	2,557	21,977	24,534
55909	Henry County Public Service Authority	7,090	-	4,912	(6,653)	(80)	246	5,515	42,525	48,040
55914	Rappahannock Juvenile Center	6,929	-	4,550	(6,361)	(76)	229	5,271	39,279	44,550
55918	Amherst County Service Authority	3,355	-	4,126	(3,145)	(67)	208	4,477	35,457	39,934
55919	Pepper's Ferry Regional Wastewater Authority	3,206	-	3,275	(1,980)	(54)	160	4,607	27,705	32,312
55927	New River Resource Authority	957	-	2,080	456	(36)	99	3,556	17,090	20,646
55929	Greensville County Water & Sewer Authority	2,687	-	4,201	(65)	(72)	202	6,953	34,684	41,637
55930	Petersburg Redevelopment & Housing Authority	2,984	-	2,708	(2,652)	(45)	136	3,131	23,169	26,300
55932	Virginia Coalfield Economic Development Authority	678	-	328	(450)	(6)	16	566	2,745	3,311
55940	Monacan Soil & Water Conservation District	451	-	688	150	(12)	32	1,309	5,576	6,885
55944	Central Virginia Waste Management Authority	946	-	834	(339)	(14)	40	1,467	6,843	8,310
55947	Tidewater Youth Services Commission	6,787	-	3,961	(4,411)	(68)	193	6,462	33,083	39,545
55957	Wise County Redevelopment & Housing Authority	2,755	-	1,634	(3,229)	(26)	86	1,220	14,409	15,629

Virginia Retirement System
VRS Political Subdivision Health Insurance Credit Plans
Schedule of Changes in Fiduciary Net Position by Employer – Page 6 of 6
For the Fiscal Year Ended June 30, 2017

Employer Code	Entity	Employer Contributions	Employee Contributions	Net Investment Income	Benefit Payments	Administrative Expenses	Other Changes	Net Change of Fiduciary Net Position	Fiduciary Net Position Beginning of Year	Fiduciary Net Position End of Year
55964	Virginia Biotechnology Research Park Authority	733	-	101	(751)	(2)	5	86	899	985
55977	Southside Regional Jail	4,603	-	4,392	(3,247)	(74)	217	5,891	37,078	42,969
55979	Roanoke Higher Education Authority	1,366	-	1,977	145	(34)	93	3,547	16,147	19,694
55983	Southside Community Services Board	14,397	-	19,054	(6,009)	(322)	931	28,051	159,340	187,391
Total Political Subdivision Plans		\$ 2,164,531	\$ -	\$ 2,272,475	\$ (1,682,816)	\$ (37,387)	\$ 113,278	\$ 2,830,081	\$ 19,336,872	\$ 22,166,953

The accompanying notes are an integral part of the Schedule of Changes in Fiduciary Net Position by Employer.

Virginia Retirement System
Political Subdivision Health Insurance Credit Plans
Notes to GASB No. 75 Schedules
For The Fiscal Year Ended June 30, 2017

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) and several Other Post-Employment Benefit trust funds – the Group Life Insurance Program, the Retiree Health Insurance Credit Program, the Disability Insurance Program for state employees, the Line of Duty Act Program and the Virginia Local Disability Program for participating schools systems and local governments. The VRS Political Subdivision Health Insurance Credit Plans are part of the agent, multi-employer component of the Retiree Health Insurance Credit Program.

Administration and Management

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

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

The System issues a Comprehensive Annual Financial Report (CAFR) containing the financial statements and required supplementary information for all of the System’s pension and other employee benefit trust funds. The CAFR is publically available through the About VRS link on the VRS website at www.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. The pension and other employee benefit trust funds administered by the VRS are classified as fiduciary funds and are included in the basic financial statements of the Commonwealth of Virginia.

Other Post-Employment Benefits – Health Insurance Credit

The Political Subdivision Health Insurance Credit Program is a multiple-employer, agent defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. The Political Subdivision Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net Political Subdivision HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision HIC OPEB, and Political Subdivision HIC OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision’s Health Insurance Credit Plan and the additions to/deductions from the VRS Political Subdivision’s Health Insurance Credit Plan net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2. General Information about the Political Subdivision HIC OPEB Plan

Plan Description

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

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

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
<p>Eligible Employees The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.</p> <p>Eligible employees of participating employers are enrolled automatically upon employment. They include:</p>

- Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.

Benefit Amounts

The political subdivision’s Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

- **At Retirement** – For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.
- **Disability Retirement** – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month

Health Insurance Credit Program Notes:

- The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.
- No health insurance credit for premiums paid and qualified under LODA, however, the employee may receive the credit for premiums paid for other qualified health plans.
- Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree.

Contributions

The contribution requirement for active employees is governed by §51.1-1402(E) 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. For the year ended June 30, 2018, the employer contribution rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Note 3. Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	* Expected arithmetic nominal return		<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%

Note 4. Additional Financial and Actuarial Information

Additional financial information supporting the preparation of the VRS Political Subdivision Plan Schedules (including the financial statements and the unmodified audit opinion thereon, and required supplementary information) is presented in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR is publicly available through the About VRS link on the VRS website at www.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.