



Virginia  
Retirement  
System

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

**GASB No. 75 Schedules**

**With Independent Auditor's Report Thereon**

**For the Plan Year Ended June 30, 2018**

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Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

July 26, 2019

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

## INDEPENDENT AUDITOR'S REPORT

### **Report on the Schedules**

We have audited the accompanying schedule of employer allocations of the Virginia Retirement System Teacher Health Insurance Credit (HIC) Plan, as of and for the year ended June 30, 2018, and the related notes. We have also audited the total for all teacher employers of the columns titled net HIC OPEB liability, total HIC OPEB expense, total deferred outflows of resources, and total deferred inflows of resources (specified column totals) included in the accompanying schedule of net HIC OPEB liability and total HIC OPEB expense and schedule of deferred outflows and deferred inflows of resources by employer of the Virginia Retirement System Teacher Health Insurance Credit Plan, as of and for the year ended June 30, 2018, and the related notes.

### *Management's Responsibility for the Schedule*

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

### *Auditor's Responsibility*

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

assurance about whether the schedule of employer allocations and specified column totals included in the schedule of net HIC OPEB liability and total HIC OPEB expense and the schedule of deferred outflows and deferred inflows of resources by employer are free from material misstatement.

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

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

### *Opinions*

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and the net HIC OPEB liability, total HIC OPEB expense, total deferred outflows of resources, and total deferred inflows of resources for the total of all participating teacher employers for the Virginia Retirement System Teacher Health Insurance Credit Plan as of and for the year ended June 30, 2018, 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, 2018, and our report thereon, dated December 14, 2018, expressed an unmodified opinion on those financial statements.

*Restriction on Use*

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

AUDITOR OF PUBLIC ACCOUNTS

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**Virginia Retirement System**  
**VRS Teacher Health Insurance Credit Plan**  
**Schedule of Employer Allocations – Page 1 of 5**  
**For the Plan Year Ended and Measurement Date of June 30, 2018**

<b>Employer Code</b>	<b>Employer</b>	<b>Employer Contributions</b>	<b>Employer Allocation Percentage</b>
40100	Accomack County School Board	\$ 344,237	0.34605%
40101	Albemarle County Schools	1,127,840	1.13379%
40102	Alleghany County School Board	139,401	0.14014%
40103	Amelia County School Board	103,743	0.10429%
40104	Amherst County School Board	281,860	0.28335%
40105	Appomattox County School Board	139,357	0.14009%
40106	Arlington Public Schools	3,705,388	3.72495%
40107	Augusta County School Board	709,551	0.71330%
40108	Bath County School Board	56,620	0.05692%
40109	Bedford County School Board	615,756	0.61901%
40110	Bland County School Board	44,634	0.04487%
40111	Botetourt County Schools	328,394	0.33013%
40112	Brunswick County Public Schools	114,311	0.11491%
40113	Buchanan County School Board	169,321	0.17021%
40114	Buckingham County School Board	131,261	0.13195%
40115	Campbell County School Board	471,703	0.47419%
40116	Caroline County School Board	259,792	0.26116%
40117	Carroll County School Board	262,295	0.26368%
40118	Charles City County School Board	54,766	0.05506%
40119	Charlotte County School Board	139,914	0.14065%
40120	Chesterfield County School Board	3,729,702	3.74939%
40121	Clarke County School Board	151,947	0.15275%
40122	Craig County School Board	42,819	0.04305%
40123	Culpeper County School Board	546,283	0.54917%
40124	Cumberland County School Board	95,174	0.09568%
40125	Dickenson County School Board	118,006	0.11863%
40126	Dinwiddie County School Board	283,314	0.28481%
40128	Essex County Public Schools	95,580	0.09608%
40129	Fairfax County School Board	18,089,758	18.18525%
40130	Fauquier County School Board	897,633	0.90237%
40131	Floyd County School Board	131,016	0.13171%

**Virginia Retirement System**  
**VRS Teacher Health Insurance Credit Plan**  
**Schedule of Employer Allocations – Page 2 of 5**  
**For the Plan Year Ended and Measurement Date of June 30, 2018**

<b>Employer Code</b>	<b>Employer</b>	<b>Employer Contributions</b>	<b>Employer Allocation Percentage</b>
40132	Fluvanna County Public Schools	297,962	0.29954%
40133	Franklin County Public Schools	528,957	0.53175%
40134	Frederick County School Board	1,084,266	1.08999%
40135	Giles County Schools	154,402	0.15522%
40136	Gloucester County School Board	367,996	0.36994%
40137	Goochland County School Board	188,710	0.18971%
40138	Grayson County School Board	110,347	0.11093%
40139	Greene County Public Schools	214,966	0.21610%
40140	Greensville County School Board	160,501	0.16135%
40141	Halifax County School Board	333,452	0.33521%
40142	Hanover County School Board	1,247,254	1.25384%
40143	Henrico County School Board	3,276,903	3.29420%
40144	Henry County Public Schools	451,914	0.45430%
40145	Highland County Public Schools	23,988	0.02411%
40146	Isle of Wight County Schools	364,272	0.36619%
40148	King George County School Board	280,815	0.28230%
40149	King & Queen County School Board	56,414	0.05671%
40150	King William County School Board	147,506	0.14828%
40151	Lancaster County Public Schools	95,621	0.09613%
40152	Lee County School Board	231,585	0.23281%
40153	Loudoun County School Board	7,145,959	7.18368%
40154	Louisa County Public Schools	351,964	0.35382%
40155	Lunenburg County School Board	95,990	0.09650%
40156	Madison County School Board	125,687	0.12635%
40157	Mathews County School Board	79,301	0.07972%
40158	Mecklenburg County School Board	282,122	0.28361%
40159	Middlesex County School Board	96,013	0.09652%
40160	Montgomery County School Board	633,912	0.63726%
40162	Nelson County Public Schools	143,762	0.14452%
40163	New Kent County School Board	201,504	0.20257%
40165	Northampton County Schools	114,023	0.11463%

**Virginia Retirement System**  
**VRS Teacher Health Insurance Credit Plan**  
**Schedule of Employer Allocations – Page 3 of 5**  
**For the Plan Year Ended and Measurement Date of June 30, 2018**

<b>Employer Code</b>	<b>Employer</b>	<b>Employer Contributions</b>	<b>Employer Allocation Percentage</b>
40166	Northumberland County School Board	102,151	0.10269%
40167	Nottoway County School Board	137,956	0.13868%
40168	Orange County Public Schools	330,092	0.33183%
40169	Page County Public Schools	226,504	0.22770%
40170	Patrick County School Board	161,811	0.16267%
40171	Pittsylvania County School Board	541,696	0.54456%
40172	Powhatan County School Board	289,675	0.29120%
40173	Prince Edward County School Board	147,508	0.14829%
40174	Prince George County School Board	401,623	0.40374%
40176	Prince William County School Board	6,669,490	6.70470%
40177	Pulaski County School Board	266,706	0.26811%
40178	Rappahannock County School Board	69,407	0.06977%
40179	Richmond County School Board	80,910	0.08134%
40180	Roanoke County School Board	947,395	0.95240%
40181	Rockbridge County School Board	202,114	0.20318%
40182	Rockingham County School Board	818,290	0.82261%
40183	Russell County School Board	225,953	0.22715%
40184	Scott County School Board	246,174	0.24747%
40185	Shenandoah County School Board	429,329	0.43160%
40186	Smyth County School Board	274,199	0.27565%
40187	Southampton County School Board	161,609	0.16246%
40188	Spotsylvania County School Board	1,554,413	1.56262%
40189	Stafford County School Board	1,884,866	1.89482%
40190	Surry County Schools	97,698	0.09821%
40191	Sussex County School Board	97,185	0.09770%
40192	Tazewell County Schools	316,659	0.31833%
40193	Warren County School Board	366,588	0.36852%
40195	Washington County School Board	433,884	0.43617%
40196	Westmoreland County School Board	120,306	0.12094%
40197	Wise County School Board	318,834	0.32052%
40198	Wythe County School Board	255,328	0.25668%

**Virginia Retirement System**  
**VRS Teacher Health Insurance Credit Plan**  
**Schedule of Employer Allocations – Page 4 of 5**  
**For the Plan Year Ended and Measurement Date of June 30, 2018**

<b>Employer Code</b>	<b>Employer</b>	<b>Employer Contributions</b>	<b>Employer Allocation Percentage</b>
40199	York County School Board	832,471	0.83687%
40200	Alexandria City School Board	1,843,517	1.85325%
40201	Bristol City School Board	148,727	0.14951%
40202	Buena Vista City Schools	64,279	0.06462%
40203	Charlottesville Public Schools	479,003	0.48153%
40205	Danville City Schools	386,235	0.38827%
40206	Fredericksburg City Schools	285,491	0.28700%
40207	Hampton City Schools	1,352,052	1.35919%
40208	Harrisonburg City School Board	488,888	0.49147%
40209	Hopewell City School Board	306,367	0.30798%
40210	Lynchburg Public Schools	688,453	0.69209%
40211	Newport News Public Schools	1,981,017	1.99148%
40212	Norfolk Public Schools	2,551,997	2.56547%
40213	Petersburg City Schools	281,539	0.28303%
40214	Portsmouth School Board	996,673	1.00193%
40215	Radford City School Board	107,885	0.10845%
40216	Richmond Public Schools	2,041,128	2.05190%
40217	Roanoke City School Board	986,943	0.99215%
40219	Staunton City Schools	212,608	0.21373%
40220	Suffolk City School Board	943,341	0.94832%
40222	Winchester Public Schools	363,971	0.36589%
40223	Martinsville City Schools	143,625	0.14438%
40224	Falls Church Public Schools	316,800	0.31847%
40225	Colonial Heights City Schools	233,356	0.23459%
40230	Covington City School Board	67,154	0.06751%
40231	Fairfax City School Board	1,170	0.00118%
40232	Franklin City Public Schools	86,765	0.08722%
40233	Chesapeake Public Schools	2,850,681	2.86573%
40234	Virginia Beach City School Board	5,023,021	5.04954%
40236	Manassas Park City Schools	268,825	0.27024%
40306	Town of West Point School Board	67,258	0.06761%

**Virginia Retirement System**  
**VRS Teacher Health Insurance Credit Plan**  
**Schedule of Employer Allocations – Page 5 of 5**  
**For the Plan Year Ended and Measurement Date of June 30, 2018**

<b>Employer Code</b>	<b>Employer</b>	<b>Employer Contributions</b>	<b>Employer Allocation Percentage</b>
40307	Lexington City School Board	35,228	0.03541%
40308	Waynesboro Public Schools	221,807	0.22298%
40309	Town of Colonial Beach Schools	44,716	0.04495%
40313	Galax City Schools	87,717	0.08818%
40314	Norton City Schools	43,889	0.04412%
40332	Manassas City Schools	659,758	0.66324%
40335	City of Salem Schools	277,314	0.27878%
40402	Williamsburg-James City County School Board	845,580	0.85004%
40403	Poquoson City Public Schools	142,095	0.14285%
40410	Valley Vocational Technical Center	23,950	0.02408%
40412	Charlottesville/Albemarle Vo-Tech Center	12,479	0.01255%
40412	The Pruden Center for Industry and Technology	0	0.00000%
40414	Jackson River Technical Center	7,463	0.00750%
40415	New Horizons Technical Center	107,622	0.10819%
40416	Northern Neck Regional Vocational Center	13,823	0.01390%
40417	Rowanty Vocational Technical Center	8,456	0.00850%
40418	Amelia-Nottoway Vocational Center	2,659	0.00267%
40421	Northern Neck Regional Special Education Program	10,465	0.01052%
40423	Maggie Walker Governor's School for Govt & Intl Studies	55,301	0.05559%
40424	Appomattox Region Governor's School	20,872	0.02098%
40425	Bridging Communities Regional Career and Tech Center	6,649	0.00668%
Total for all Teacher Employers		<u>\$ 99,474,880</u>	<u>100.00000%</u>

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

**Virginia Retirement System**  
**VRS Teacher Health Insurance Credit Plan**  
**Schedule of Net HIC OPEB Liability and Total HIC OPEB Expense – Page 1 of 5**  
**As of the Measurement Date and For the Plan Year Ended June 30, 2018**

(Dollars in Thousands)

<b>Employer</b>		<b>Net HIC OPEB Liability June 30, 2018</b>	<b>Total HIC OPEB Expense 2018</b>
<b>Code</b>	<b>Employer</b>		
40100	Accomack County School Board	\$ 4,394	\$ 366
40101	Albemarle County Schools	14,395	1,189
40102	Alleghany County School Board	1,780	120
40103	Amelia County School Board	1,325	101
40104	Amherst County School Board	3,598	249
40105	Appomattox County School Board	1,779	154
40106	Arlington Public Schools	47,295	4,155
40107	Augusta County School Board	9,057	717
40108	Bath County School Board	722	54
40109	Bedford County School Board	7,859	623
40110	Bland County School Board	570	40
40111	Botetourt County Schools	4,191	317
40112	Brunswick County Public Schools	1,459	103
40113	Buchanan County School Board	2,161	139
40114	Buckingham County School Board	1,676	123
40115	Campbell County School Board	6,021	462
40116	Caroline County School Board	3,315	276
40117	Carroll County School Board	3,348	269
40118	Charles City County School Board	700	50
40119	Charlotte County School Board	1,786	141
40120	Chesterfield County School Board	47,605	4,058
40121	Clarke County School Board	1,939	158
40122	Craig County School Board	547	40
40123	Culpeper County School Board	6,973	562
40124	Cumberland County School Board	1,215	88
40125	Dickenson County School Board	1,507	88
40126	Dinwiddie County School Board	3,616	285
40128	Essex County Public Schools	1,220	80
40129	Fairfax County School Board	230,889	19,212
40130	Fauquier County School Board	11,458	865
40131	Floyd County School Board	1,672	134

**Virginia Retirement System**  
**VRS Teacher Health Insurance Credit Plan**  
**Schedule of Net HIC OPEB Liability and Total HIC OPEB Expense – Page 2 of 5**  
**As of the Measurement Date and For the Plan Year Ended June 30, 2018**

(Dollars in Thousands)

<b>Employer</b>		<b>Net HIC OPEB Liability June 30, 2018</b>	<b>Total HIC OPEB Expense 2018</b>
<b>Code</b>	<b>Employer</b>		
40132	Fluvanna County Public Schools	3,804	299
40133	Franklin County Public Schools	6,751	582
40134	Frederick County School Board	13,839	1,107
40135	Giles County Schools	1,971	160
40136	Gloucester County School Board	4,697	381
40137	Goochland County School Board	2,408	199
40138	Grayson County School Board	1,408	117
40139	Greene County Public Schools	2,744	220
40140	Greensville County School Board	2,049	169
40141	Halifax County School Board	4,256	289
40142	Hanover County School Board	15,919	1,278
40143	Henrico County School Board	41,825	3,394
40144	Henry County Public Schools	5,768	459
40145	Highland County Public Schools	306	25
40146	Isle of Wight County Schools	4,649	370
40148	King George County School Board	3,584	319
40149	King & Queen County School Board	720	60
40150	King William County School Board	1,882	146
40151	Lancaster County Public Schools	1,221	98
40152	Lee County School Board	2,956	242
40153	Loudoun County School Board	91,209	8,391
40154	Louisa County Public Schools	4,492	379
40155	Lunenburg County School Board	1,225	79
40156	Madison County School Board	1,604	134
40157	Mathews County School Board	1,012	76
40158	Mecklenburg County School Board	3,601	282
40159	Middlesex County School Board	1,225	104
40160	Montgomery County School Board	8,092	687
40162	Nelson County Public Schools	1,835	144
40163	New Kent County School Board	2,572	221
40165	Northampton County Schools	1,455	112

**Virginia Retirement System**  
**VRS Teacher Health Insurance Credit Plan**  
**Schedule of Net HIC OPEB Liability and Total HIC OPEB Expense – Page 3 of 5**  
**As of the Measurement Date and For the Plan Year Ended June 30, 2018**

(Dollars in Thousands)

<b>Employer</b>		<b>Net HIC OPEB Liability June 30, 2018</b>	<b>Total HIC OPEB Expense 2018</b>
<b>Code</b>	<b>Employer</b>		
40166	Northumberland County School Board	1,303	114
40167	Nottoway County School Board	1,761	135
40168	Orange County Public Schools	4,214	328
40169	Page County Public Schools	2,891	216
40170	Patrick County School Board	2,065	156
40171	Pittsylvania County School Board	6,914	594
40172	Powhatan County School Board	3,697	281
40173	Prince Edward County School Board	1,882	143
40174	Prince George County School Board	5,126	388
40176	Prince William County School Board	85,128	7,275
40177	Pulaski County School Board	3,404	257
40178	Rappahannock County School Board	886	65
40179	Richmond County School Board	1,033	82
40180	Roanoke County School Board	12,093	993
40181	Rockbridge County School Board	2,580	206
40182	Rockingham County School Board	10,445	847
40183	Russell County School Board	2,884	222
40184	Scott County School Board	3,142	251
40185	Shenandoah County School Board	5,480	428
40186	Smyth County School Board	3,500	250
40187	Southampton County School Board	2,063	165
40188	Spotsylvania County School Board	19,841	1,511
40189	Stafford County School Board	24,058	1,977
40190	Surry County Schools	1,247	98
40191	Sussex County School Board	1,241	95
40192	Tazewell County Schools	4,042	282
40193	Warren County School Board	4,679	383
40195	Washington County School Board	5,538	420
40196	Westmoreland County School Board	1,536	136
40197	Wise County School Board	4,069	251
40198	Wythe County School Board	3,259	247

**Virginia Retirement System**  
**VRS Teacher Health Insurance Credit Plan**  
**Schedule of Net HIC OPEB Liability and Total HIC OPEB Expense – Page 4 of 5**  
**As of the Measurement Date and For the Plan Year Ended June 30, 2018**

(Dollars in Thousands)

<b>Employer</b>		<b>Net HIC OPEB Liability June 30, 2018</b>	<b>Total HIC OPEB Expense 2018</b>
<b>Code</b>	<b>Employer</b>		
40199	York County School Board	10,626	810
40200	Alexandria City School Board	23,530	1,918
40201	Bristol City School Board	1,898	136
40202	Buena Vista City Schools	821	60
40203	Charlottesville Public Schools	6,113	497
40205	Danville City Schools	4,930	359
40206	Fredericksburg City Schools	3,644	293
40207	Hampton City Schools	17,258	1,349
40208	Harrisonburg City School Board	6,240	567
40209	Hopewell City School Board	3,910	327
40210	Lynchburg Public Schools	8,787	655
40211	Newport News Public Schools	25,286	1,977
40212	Norfolk Public Schools	32,573	2,241
40213	Petersburg City Schools	3,594	249
40214	Portsmouth School Board	12,721	967
40215	Radford City School Board	1,377	113
40216	Richmond Public Schools	26,052	2,121
40217	Roanoke City School Board	12,597	999
40219	Staunton City Schools	2,713	210
40220	Suffolk City School Board	12,040	986
40222	Winchester Public Schools	4,646	358
40223	Martinsville City Schools	1,833	136
40224	Falls Church Public Schools	4,043	319
40225	Colonial Heights City Schools	2,978	233
40230	Covington City School Board	858	68
40231	Fairfax City School Board	15	1
40232	Franklin City Public Schools	1,108	68
40233	Chesapeake Public Schools	36,386	2,975
40234	Virginia Beach City School Board	64,113	5,105
40236	Manassas Park City Schools	3,431	266
40306	Town of West Point School Board	859	77

**Virginia Retirement System**  
**VRS Teacher Health Insurance Credit Plan**  
**Schedule of Net HIC OPEB Liability and Total HIC OPEB Expense – Page 5 of 5**  
**As of the Measurement Date and For the Plan Year Ended June 30, 2018**

(Dollars in Thousands)

<b>Employer</b>		<b>Net HIC OPEB Liability June 30, 2018</b>	<b>Total HIC OPEB Expense 2018</b>
<b>Code</b>	<b>Employer</b>		
40307	Lexington City School Board	449	41
40308	Waynesboro Public Schools	2,831	222
40309	Town of Colonial Beach Schools	571	47
40313	Galax City Schools	1,120	85
40314	Norton City Schools	560	36
40332	Manassas City Schools	8,421	592
40335	City of Salem Schools	3,540	287
40402	Williamsburg-James City County School Board	10,793	844
40403	Poquoson City Public Schools	1,814	144
40410	Valley Vocational Technical Center	306	23
40412	Charlottesville/Albemarle Vo-Tech Center	159	10
40413	The Pruden Center for Industry and Technology	0	(33)
40414	Jackson River Technical Center	96	3
40415	New Horizons Technical Center	1,373	121
40416	Northern Neck Regional Vocational Center	176	10
40417	Rowanty Vocational Technical Center	108	7
40418	Amelia-Nottoway Vocational Center	34	2
40421	Northern Neck Regional Special Education Program	133	13
40423	Maggie Walker Governor's School for Govt & Intl Studies	706	59
40424	Appomattox Region Governor's School	267	19
40425	Bridging Communities Regional Career and Tech Center	85	8
Total for all Teacher Employers		<u>\$ 1,269,674</u>	<u>\$ 103,517</u>

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

**Virginia Retirement System**  
**VRS Teacher Health Insurance Credit Plan**  
**Schedule of Deferred Outflows and Deferred Inflows of Resources by Employer – Page 1 of 5**  
**As of the Measurement Date of June 30, 2018**

(Dollars in Thousands)

Employer Code	Employer	Deferred Outflows of Resources					Deferred Inflows of Resources				
		Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	Change of Assumptions	Changes in Proportionate Share	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	Change of Assumptions	Changes in Proportionate Share	Total Deferred Inflows of Resources
40100	Accomack County School Board	\$ -	\$ -	\$ -	\$ -	50	\$ 22	\$ 3	\$ 38	\$ -	\$ 63
40101	Albemarle County Schools	-	-	-	-	102	71	11	125	-	207
40102	Alleghany County School Board	-	-	-	-	-	9	1	16	153	179
40103	Amelia County School Board	-	-	-	-	8	6	1	12	52	71
40104	Amherst County School Board	-	-	-	-	-	18	3	31	262	314
40105	Appomattox County School Board	-	-	-	-	47	9	1	16	-	26
40106	Arlington Public Schools	-	-	-	-	1,820	235	35	412	-	682
40107	Augusta County School Board	-	-	-	-	73	45	7	79	224	355
40108	Bath County School Board	-	-	-	-	-	4	1	6	31	42
40109	Bedford County School Board	-	-	-	-	100	39	6	68	185	298
40110	Bland County School Board	-	-	-	-	5	4	-	5	48	57
40111	Botetourt County Schools	-	-	-	-	-	20	3	37	153	213
40112	Brunswick County Public Schools	-	-	-	-	-	7	1	13	103	124
40113	Buchanan County School Board	-	-	-	-	-	10	2	19	216	247
40114	Buckingham County School Board	-	-	-	-	-	8	1	15	83	107
40115	Campbell County School Board	-	-	-	-	-	29	5	52	163	249
40116	Caroline County School Board	-	-	-	-	42	17	2	29	6	54
40117	Carroll County School Board	-	-	-	-	56	16	3	29	95	143
40118	Charles City County School Board	-	-	-	-	-	4	1	6	45	56
40119	Charlotte County School Board	-	-	-	-	-	9	1	16	40	66
40120	Chesterfield County School Board	-	-	-	-	1,101	235	36	415	-	686
40121	Clarke County School Board	-	-	-	-	10	10	1	17	10	38
40122	Craig County School Board	-	-	-	-	-	3	-	5	30	38
40123	Culpeper County School Board	-	-	-	-	-	35	5	61	34	135
40124	Cumberland County School Board	-	-	-	-	-	5	1	11	70	87
40125	Dickenson County School Board	-	-	-	-	-	8	1	13	198	220
40126	Dinwiddie County School Board	-	-	-	-	47	17	3	32	121	173
40128	Essex County Public Schools	-	-	-	-	-	5	1	11	115	132
40129	Fairfax County School Board	-	-	-	-	2,241	1,144	173	2,009	-	3,326
40130	Fauquier County School Board	-	-	-	-	-	56	9	100	416	581
40131	Floyd County School Board	-	-	-	-	30	8	1	15	42	66

**Virginia Retirement System**  
**VRS Teacher Health Insurance Credit Plan**  
**Schedule of Deferred Outflows and Deferred Inflows of Resources by Employer – Page 2 of 5**  
**As of the Measurement Date of June 30, 2018**

(Dollars in Thousands)

Employer Code	Employer	Deferred Outflows of Resources					Deferred Inflows of Resources				
		Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	Change of Assumptions	Changes in Proportionate Share	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	Change of Assumptions	Changes in Proportionate Share	Total Deferred Inflows of Resources
40132	Fluvanna County Public Schools	-	-	-	7	7	19	3	33	71	126
40133	Franklin County Public Schools	-	-	-	192	192	33	5	59	-	97
40134	Frederick County School Board	-	-	-	70	70	69	10	121	182	382
40135	Giles County Schools	-	-	-	16	16	11	1	17	24	53
40136	Gloucester County School Board	-	-	-	88	88	23	4	41	112	180
40137	Goochland County School Board	-	-	-	25	25	12	2	21	6	41
40138	Grayson County School Board	-	-	-	25	25	7	1	12	21	41
40139	Greene County Public Schools	-	-	-	-	-	13	2	24	21	60
40140	Greensville County School Board	-	-	-	50	50	10	2	18	30	60
40141	Halifax County School Board	-	-	-	-	-	21	3	37	358	419
40142	Hanover County School Board	-	-	-	-	-	78	12	139	130	359
40143	Henrico County School Board	-	-	-	118	118	207	31	365	193	796
40144	Henry County Public Schools	-	-	-	-	-	30	4	50	67	151
40145	Highland County Public Schools	-	-	-	8	8	2	-	3	-	5
40146	Isle of Wight County Schools	-	-	-	-	-	23	3	41	45	112
40148	King George County School Board	-	-	-	209	209	18	3	31	64	116
40149	King & Queen County School Board	-	-	-	6	6	4	1	6	-	11
40150	King William County School Board	-	-	-	-	-	10	1	16	44	71
40151	Lancaster County Public Schools	-	-	-	4	4	5	1	11	18	35
40152	Lee County School Board	-	-	-	5	5	14	2	26	-	42
40153	Loudoun County School Board	-	-	-	5,866	5,866	452	68	795	-	1,315
40154	Louisa County Public Schools	-	-	-	122	122	22	3	39	31	95
40155	Lunenburg County School Board	-	-	-	-	-	5	1	11	105	122
40156	Madison County School Board	-	-	-	21	21	8	1	14	10	33
40157	Mathews County School Board	-	-	-	-	-	4	1	9	46	60
40158	Mecklenburg County School Board	-	-	-	34	34	18	3	31	97	149
40159	Middlesex County School Board	-	-	-	37	37	5	1	11	9	26
40160	Montgomery County School Board	-	-	-	165	165	40	6	71	-	117
40162	Nelson County Public Schools	-	-	-	7	7	10	1	16	38	65
40163	New Kent County School Board	-	-	-	64	64	13	2	22	-	37
40165	Northampton County Schools	-	-	-	-	-	7	1	13	38	59

**Virginia Retirement System**  
**VRS Teacher Health Insurance Credit Plan**  
**Schedule of Deferred Outflows and Deferred Inflows of Resources by Employer – Page 3 of 5**  
**As of the Measurement Date of June 30, 2018**

(Dollars in Thousands)

		Deferred Outflows of Resources					Deferred Inflows of Resources				
Employer Code	Employer	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	Change of Assumptions	Changes in Proportionate Share	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	Change of Assumptions	Changes in Proportionate Share	Total Deferred Inflows of Resources
40166	Northumberland County School Board	-	-	-	45	45	7	1	11	-	19
40167	Nottoway County School Board	-	-	-	-	-	9	1	15	61	86
40168	Orange County Public Schools	-	-	-	-	-	20	3	37	91	151
40169	Page County Public Schools	-	-	-	-	-	14	2	25	119	160
40170	Patrick County School Board	-	-	-	-	-	10	2	18	82	112
40171	Pittsylvania County School Board	-	-	-	238	238	35	5	60	30	130
40172	Powhatan County School Board	-	-	-	-	-	19	3	32	128	182
40173	Prince Edward County School Board	-	-	-	15	15	10	1	16	71	98
40174	Prince George County School Board	-	-	-	-	-	25	4	45	173	247
40176	Prince William County School Board	-	-	-	2,049	2,049	422	64	742	-	1,228
40177	Pulaski County School Board	-	-	-	-	-	16	3	30	136	185
40178	Rappahannock County School Board	-	-	-	-	-	3	1	8	42	54
40179	Richmond County School Board	-	-	-	8	8	5	1	9	25	40
40180	Roanoke County School Board	-	-	-	232	232	61	9	105	223	398
40181	Rockbridge County School Board	-	-	-	-	-	13	2	22	22	59
40182	Rockingham County School Board	-	-	-	76	76	52	8	91	93	244
40183	Russell County School Board	-	-	-	-	-	14	2	25	73	114
40184	Scott County School Board	-	-	-	3	3	16	2	27	39	84
40185	Shenandoah County School Board	-	-	-	-	-	27	4	48	116	195
40186	Smyth County School Board	-	-	-	-	-	17	3	31	210	261
40187	Southampton County School Board	-	-	-	-	-	10	2	18	20	50
40188	Spotsylvania County School Board	-	-	-	-	-	98	15	173	654	940
40189	Stafford County School Board	-	-	-	373	373	118	18	210	330	676
40190	Surry County Schools	-	-	-	-	-	6	1	11	27	45
40191	Sussex County School Board	-	-	-	8	8	6	1	11	43	61
40192	Tazewell County Schools	-	-	-	-	-	21	3	35	294	353
40193	Warren County School Board	-	-	-	23	23	23	3	41	2	69
40195	Washington County School Board	-	-	-	-	-	28	4	48	202	282
40196	Westmoreland County School Board	-	-	-	82	82	8	1	13	27	49
40197	Wise County School Board	-	-	-	-	-	21	3	35	500	559
40198	Wythe County School Board	-	-	-	-	-	17	2	28	116	163

**Virginia Retirement System**  
**VRS Teacher Health Insurance Credit Plan**  
**Schedule of Deferred Outflows and Deferred Inflows of Resources by Employer – Page 4 of 5**  
**As of the Measurement Date of June 30, 2018**

(Dollars in Thousands)

		Deferred Outflows of Resources					Deferred Inflows of Resources				
Employer Code	Employer	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	Change of Assumptions	Changes in Proportionate Share	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	Change of Assumptions	Changes in Proportionate Share	Total Deferred Inflows of Resources
40199	York County School Board	-	-	-	-	-	53	8	93	332	486
40200	Alexandria City School Board	-	-	-	115	115	117	18	205	128	468
40201	Bristol City School Board	-	-	-	-	-	10	1	17	114	142
40202	Buena Vista City Schools	-	-	-	-	-	4	1	7	41	53
40203	Charlottesville Public Schools	-	-	-	-	-	30	5	53	6	94
40205	Danville City Schools	-	-	-	-	-	24	4	43	259	330
40206	Fredericksburg City Schools	-	-	-	-	-	18	3	32	24	77
40207	Hampton City Schools	-	-	-	-	-	86	13	150	380	629
40208	Harrisonburg City School Board	-	-	-	351	351	31	5	54	-	90
40209	Hopewell City School Board	-	-	-	81	81	20	3	34	45	102
40210	Lynchburg Public Schools	-	-	-	-	-	43	7	77	380	507
40211	Newport News Public Schools	-	-	-	-	-	126	19	220	524	889
40212	Norfolk Public Schools	-	-	-	-	-	161	24	284	2,554	3,023
40213	Petersburg City Schools	-	-	-	-	-	18	3	31	257	309
40214	Portsmouth School Board	-	-	-	-	-	62	10	111	397	580
40215	Radford City School Board	-	-	-	31	31	7	1	12	28	48
40216	Richmond Public Schools	-	-	-	515	515	129	19	227	460	835
40217	Roanoke City School Board	-	-	-	14	14	62	9	110	196	377
40219	Staunton City Schools	-	-	-	-	-	13	2	24	66	105
40220	Suffolk City School Board	-	-	-	167	167	60	9	105	116	290
40222	Winchester Public Schools	-	-	-	-	-	24	3	40	124	191
40223	Martinsville City Schools	-	-	-	-	-	10	1	16	78	105
40224	Falls Church Public Schools	-	-	-	-	-	21	3	35	63	122
40225	Colonial Heights City Schools	-	-	-	-	-	15	2	26	55	98
40230	Covington City School Board	-	-	-	30	30	4	1	7	43	55
40231	Fairfax City School Board	-	-	-	-	-	-	-	-	-	-
40232	Franklin City Public Schools	-	-	-	-	-	5	1	10	139	155
40233	Chesapeake Public Schools	-	-	-	105	105	181	27	317	42	567
40234	Virginia Beach City School Board	-	-	-	-	-	317	48	559	707	1,631
40236	Manassas Park City Schools	-	-	-	47	47	17	3	30	117	167
40306	Town of West Point School Board	-	-	-	45	45	4	1	7	4	16

**Virginia Retirement System**  
**VRS Teacher Health Insurance Credit Plan**  
**Schedule of Deferred Outflows and Deferred Inflows of Resources by Employer – Page 5 of 5**  
**As of the Measurement Date of June 30, 2018**

(Dollars in Thousands)

		Deferred Outflows of Resources					Deferred Inflows of Resources				
Employer Code	Employer	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on OPEB Plan	Change of Assumptions	Changes in Proportionate Share	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on OPEB Plan	Change of Assumptions	Changes in Proportionate Share	Total Deferred Inflows of Resources
40307	Lexington City School Board	-	-	-	8	8	3	-	4	-	7
40308	Waynesboro Public Schools	-	-	-	-	-	14	2	25	57	98
40309	Town of Colonial Beach Schools	-	-	-	11	11	4	-	5	11	20
40313	Galax City Schools	-	-	-	-	-	5	1	10	38	54
40314	Norton City Schools	-	-	-	-	-	3	-	5	61	69
40332	Manassas City Schools	-	-	-	-	-	43	6	73	601	723
40335	City of Salem Schools	-	-	-	26	26	17	3	31	37	88
40402	Williamsburg-James City County School Board	-	-	-	-	-	53	8	94	218	373
40403	Poquoson City Public Schools	-	-	-	-	-	9	1	16	29	55
40410	Valley Vocational Technical Center	-	-	-	-	-	2	-	3	14	19
40412	Charlottesville/Albemarle Vo-Tech Center	-	-	-	9	9	1	-	1	24	26
40413	The Pruden Center for Industry and Technology	-	-	-	-	-	-	-	-	210	210
40414	Jackson River Technical Center	-	-	-	5	5	-	-	1	36	37
40415	New Horizons Technical Center	-	-	-	59	59	7	1	12	-	20
40416	Northern Neck Regional Vocational Center	-	-	-	-	-	1	-	2	9	12
40417	Rowanty Vocational Technical Center	-	-	-	-	-	1	-	1	11	13
40418	Amelia-Nottoway Vocational Center	-	-	-	-	-	1	-	-	-	1
40421	Northern Neck Regional Special Education Program	-	-	-	8	8	1	-	1	-	2
40423	Maggie Walker Governor's School for Govt & Intl Studies	-	-	-	3	3	4	1	6	-	11
40424	Appomattox Region Governor's School	-	-	-	-	-	2	-	2	23	27
40425	Bridging Communities Regional Career and Tech Center	-	-	-	9	9	-	-	1	-	1
Total for all Teacher Employers		\$ -	\$ -	\$ -	\$ 17,662	\$ 17,662	\$ 6,295	\$ 949	\$ 11,065	\$ 17,662	\$ 35,971

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

**Virginia Retirement System**  
**VRS Teacher Health Insurance Credit Plan**  
**Notes to GASB No. 75 Schedules**  
**For the Plan Year Ended June 30, 2018**

**Note 1. Summary of Significant Accounting Policies**

***Description of the Entity***

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

***Administration and Management***

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

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

The System issues a Comprehensive Annual Financial Report (CAFR) containing the financial statements and required supplementary information for all of the System's pension and other employee benefit trust funds. The CAFR is publicly available through the About VRS link on the VRS website at [www.varetire.org](http://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 Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program is a multiple-employer, cost-sharing plan. The Teacher Employee Health Insurance Credit Program was established

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

**Note 2. General Information about the HIC OPEB Plan**

***Plan Description***

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

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

TEACHER HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
<p><b>Eligible Employees</b></p> <p>The Teacher Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> <li>• Full-time permanent (professional) salaried employees of public school divisions covered under VRS.</li> </ul>
<p><b>Benefit Amounts</b></p> <p>The Teacher Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> <li>• <b>At Retirement</b> – For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.</li> </ul>

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

#### **Health Insurance Credit Program Notes:**

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

### ***Contributions***

The contribution requirement for active employees is governed by §51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 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.

### ***Actuarial Assumptions and Methods***

The total Teacher Health Insurance Credit OPEB liability for the VRS Teacher Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.50 percent
Salary increases, including Inflation	3.50 percent – 5.95 percent
Investment rate of return	7.00 Percent, net of plan investment expenses, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% 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 7.00% to simplify preparation of the OPEB liabilities.

### **Mortality rates:**

#### **Pre-Retirement:**

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

#### **Post-Retirement:**

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

#### **Post-Disablement:**

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year 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)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

### **Note 3. Net Health Insurance Credit OPEB Liability**

The net Health Insurance Credit OPEB liability (NOL) is calculated separately for each plan and represents that particular plan's total Health Insurance Credit OPEB liability determined in accordance with GASB Statement No. 74, less the System's fiduciary net position for the plan. As of June 30, 2018, NOL amounts for the VRS Teacher Health Insurance Credit Program are as follows (amounts expressed in thousands):

Total Teacher HIC OPEB Liability	\$ 1,381,313
Plan Fiduciary Net Position	<u>111,639</u>
Teacher HIC Net OPEB Liability (Asset)	<u>\$ 1,269,674</u>

Plan Fiduciary Net Position as a Percentage of the Total Teacher HIC OPEB Liability	8.08%
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The total Teacher HIC OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net Teacher HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

### ***Discount Rate***

The discount rate used to measure the total Teacher HIC OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2018, the rate contributed by each school division for the VRS Teacher HIC OPEB Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher HIC OPEB liability.

### ***Long-Term Expected Rate of Return***

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

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
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	100.00%		4.80%
	Inflation		2.50%
* Expected arithmetic nominal return			7.30%

\* 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%.

### ***Sensitivity Analysis***

The following table presents the collective net Teacher HIC OPEB liability of the participating employers in the VRS Teacher HIC OPEB Plan using the discount rate of 7.00%, as well as what the collective net Teacher HIC OPEB liability of the participating employers would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (amounts expressed in thousands):

Net Teacher HIC OPEB Liability - 1.00% Decrease (6.00%)	\$ 1,418,120
Net Teacher HIC OPEB Liability - Current Discount Rate (7.00%)	\$ 1,269,674
Net Teacher HIC OPEB Liability - 1.00% Increase (8.00%)	\$ 1,143,421

### **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, 2018. The average remaining service lives of all employees provided with health insurance credit benefits through the VRS Teacher HIC OPEB Plan at June 30, 2018 was 7.56 years. Deferred outflows of resources related to the health insurance credit resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the financial statements for the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the health insurance credit will be recognized in the health insurance credit expense as follows (amounts expressed in thousands):

Measurement Period Ending June 30, 2019	\$ (3,310)
Measurement Period Ending June 30, 2020	\$ (3,310)
Measurement Period Ending June 30, 2021	\$ (3,308)
Measurement Period Ending June 30, 2022	\$ (2,737)
Measurement Period Ending June 30, 2023	\$ (2,929)
Thereafter	\$ (2,715)

### **Note 5. Employer Contributions**

Employers' proportionate shares were calculated on the basis of historical employer contributions. Although GASB Statement No. 75 encourages the use of the employer's projected long-term contribution effort to the Other Post-Employment Benefit plan, allocating on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the VRS Teacher HIC OPEB

Plan that are not representative of future contribution effort are excluded in the determination of employers' proportionate shares. Examples of employer contributions not representative of future contribution effort are contributions for adjustments for prior periods.

The employer contributions used in the determination of employers' proportionate shares of collective Other Post-Employment Benefit amounts reported in the Schedule of Employer Allocations was based on the total employer contributions using the plan's contribution rates and the employer's covered payroll for FY 2018. This total was \$99,474,880. The employer contributions of \$99,469,000 reported in the VRS Teacher HIC OPEB Program's Statement of Changes in Net Position (per the System's separately issued financial statements) reflects the calculated amount less approximately \$5,880 in other employer contributions and adjustments that were not representative of future contribution efforts.

**Note 6. Additional Financial and Actuarial Information**

Information contained in the VRS Teacher HIC OPEB Program Notes to the Schedule of Employer Allocations and Schedule of Teacher HIC OPEB Program Amounts by Employer (Schedules) was extracted from the audited financial statements of the Virginia Retirement System for the fiscal year ended June 30, 2018. Additional financial information supporting the preparation of the VRS Teacher HIC OPEB Program Schedules (including the financial statements and the unmodified audit opinion thereon, and required supplementary information) is presented in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR is publicly available through the About VRS link on the VRS website at [www.varetire.org](http://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.