Virginia Economic Development Partnership
Audited Basic Financial Statements
Fiscal Year 2023

Virginia Economic Development Partnership
Audited Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

- TABLE OF CONTENTS -

INTRODUCTORY SECTION

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
Richmond, Virginia

APPOINTED OFFICIALS
As of June 30, 2023

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President and Chief Executive Officer

Jason R. El Koubi

FINANCIAL SECTION

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

AS OF JUNE 30, 2023

The Virginia Economic Development Partnership (the Partnership) management offers the readers of the Partnership's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2023. We encourage the reader to consider this information presented here in conjunction with the financial statements and accompanying notes.

Overview of the Financial Statements

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Partnership in a manner similar to a private sector business.

The Statement of Net Position presents information on all of the Partnership's assets and liabilities, with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Partnership is improving or deteriorating.

The Statement of Activities presents information showing how the Partnership's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. For example, expenses that are accrued for the net pension liability in the current period are expected to be paid with future funding appropriations from the Commonwealth of Virginia (COV).

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Partnership, like other political subdivisions of the COV, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial activities of the Partnership are reported in *governmental funds.*

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Partnership's near-term financing requirements.

Reconciliations between Government-Wide and Fund Financial Statements

There are two reconciliations between the government-wide and the fund financial statements. The first is found on the Balance Sheet and explains the difference between the *fund balance* on the Balance Sheet and *net position* on the Statement of Net Position. The second is found on the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities, which reconciles the difference between the *net change in fund balances* on the fund-based statement and the *change in net position* on the government-wide based statement. Both statements describe in sufficient detail the amounts and the reasons for those differences.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an organization's financial position. At the close of the fiscal year ended June 30, 2023, the Partnership had a net position of $5,739,075 compared to a net position of $3,747,947 as of June 30, 2022. Following is an analysis of the changes in the net position of the Partnership.

Net Position

	2023	2022	Increase (Decrease)
Current and other assets	$22,042,515	$19,903,691	$ 2,138,824
Capital assets, net of depreciation and amortization	18,268,083	20,590,545*	(2,322,462)
Total assets	40,310,598	40,494,236	(183,638)
Deferred outflows of resources	6,596,878	6,281,662	315,216
Total assets and deferred outflows	46,907,476	46,775,898	131,578
Current and other liabilities	5,489,652	3,996,420*	1,493,232
Non-current liabilities	31,423,057	30,093,606*	1,329,451
Total liabilities	36,912,709	34,090,026	2,822,683
Deferred inflows of resources	4,255,692	8,937,925	(4,682,233)
Total liabilities and deferred inflows	41,168,401	43,027,951	(1,859,550)
Net position:			
Net investment in capital assets	1,205,521	1,071,771*	133,750
Restricted	901,425	954,220	(52,795)
Unrestricted	3,632,129	1,721,956	1,910,173
Total net position	$ 5,739,075	$ 3,747,947*	$ 1,991,128

*2022 amount for Capital assets, net of depreciation and amortization, Current and other liabilities, Non-current liabilities, Net investment in capital assets, and Total net position have been restated to include an additional year of lease term for a right to use intangible leased asset pursuant to GASB Statement 87, Leases (GASB 87). The impact on 2022 net position was a reduction of $6,837.

Total assets decreased this fiscal year by $183,638 when compared to last year due to a decrease of $2,322,462 in Capital assets, net of depreciation and amortization, offset by an increase of $2,138,824 in Current and other assets. The increase in Current and other assets consists of an increase in the Current asset, cash of $1,262,458 due to unspent FY2023 funding for the Talent Solutions – Talent Accelerator Program and the International Trade Plan, an increase of $829,850 in the Current asset, prepaid expenses due to the timing of various promotional activities, and an increase in Operating grants receivable of $114,749 due to the timing of reimbursement payments in connection with Federal and other grants. These increases were offset by a decrease of $52,795 in the Restricted net other postemployment asset recorded in compliance with GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension (GASB 75), related to the Partnership's participation in the Virginia Retirement System Disability Insurance Program, as well as a decrease in other current assets of $15,438.

The decrease of $2,322,462 in Capital assets, net of depreciation and amortization, is due primarily to the amortization of lease assets recorded in compliance with GASB 87, that requires the value of leases with non-cancellable terms in excess of twelve months be recorded on the statement of net position as a right to use intangible lease asset, as well as normal depreciation expense on leasehold improvements, furniture, and equipment at the Partnership's James Center headquarters location. These decreases were offset by additional lease assets recorded related to the Partnership's implementation of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The Partnership recorded $308,536 in additional lease assets along with the corresponding lease liability upon adoption of this new standard effective July 1, 2022. This increase in lease assets was offset by lease assets amortization of $102,333.

Deferred outflows of resources increased by $315,216. This increase is due primarily to changes in proportion and differences between employer contributions and proportionate share of contributions, and an increase in the Partnership's FY2023 employer contributions subsequent to the measurement date related to the Partnership's participation in the Virginia Retirement System pension and other postemployment benefit plans, recorded in compliance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and GASB 75.

Total liabilities increased by $2,822,683 due to an increase in Current and other liabilities of $1,493,232. This increase is due primarily to an increase of $925,126 in Accounts payable related to the timing of payment transactions at the end of the fiscal year, as well as a net increase of $568,106 in other current liabilities. Non-current liabilities increased $1,329,451 due primarily to an increase of $3,664,620 related to the Partnership's Net pension liability, offset by a decrease of $1,937,936 in Long-term lease liability related to payments on lease liabilities recorded in compliance with GASB 87 and GASB 96, along with a net decrease of $397,233 in other non-current liabilities.

Deferred inflows of resources decreased by $4,682,233. This decrease is due mainly to differences between projected and actual earnings on plan investments related to the Partnership's participation in the Virginia Retirement System pension and other postemployment benefit plans, recorded in compliance with GASB 68 and GASB 75.

Net investment in capital assets consists primarily of right to use intangible lease assets, leasehold improvements, furniture, computers, and technology equipment used to deliver program services to clients, net of long-term lease liability. The Partnership considers technology a vital asset in its efforts to market Virginia and will continue to invest in technology to ensure that its equipment and software are updated to take advantage of the latest data handling capabilities and increased processing speeds.

Restricted Net position represents the portion of fund balance related to the Restricted net other postemployment asset recorded in compliance with GASB 75 due to the Partnership's participation in the Virginia Retirement System Disability Insurance Program. The remaining *Net position* balance of $3,632,129 is classified as *unrestricted*. The Partnership has recorded $16,064,297 of net pension liability and net other postemployment benefits liabilities that are expected to be paid with future appropriations from the COV. The Partnership's Current and other assets exceed its Current and other liabilities by $16,552,863.

Changes in Net Position

	2023	2022	Increase (Decrease)
Revenues:			
Program revenues:			
Charges for services	$ 521,023	$ 429,388	$ 91,635
Operating grants	1,395,040	1,420,877	(25,837)
General revenues:			
General Fund appropriations	50,416,888	45,941,579	4,475,309
Other	1,052,929	168,165	884,764
Total revenues	53,385,880	47,960,009	5,425,871
Expenses:			
Talent Solutions - RTSBO	1,518,624	968,801	549,823
Talent Solutions - TAP	5,972,084	5,129,156	842,928
VOEE	2,253,357	741,623	1,511,734
Business Investment	6,940,742	6,080,516	860,226
International Trade	9,672,860	9,425,908*	246,952
Research	3,273,025	2,652,658	620,367
Marketing and Communications	4,670,802	4,408,323	262,479
Economic Competitiveness	1,314,043	938,420	375,623
Real Estate Solutions	1,241,368	463,789	777,579
Information Technology	1,840,574	1,760,515	80,059
Incentives	976,714	709,903	266,811
Administration	9,024,159	6,030,684	2,993,475
Pass-Through Payments	2,696,400	2,475,000	221,400
Total expenses	51,394,752	41,785,296	9,609,456
Increase (Decrease) in net position	1,991,128	6,174,713	(4,183,585)
Beginning net position	3,747,947	(2,426,766)	6,174,713
Ending net position	$ 5,739,075	$ 3,747,947*	$ 1,991,128

*2022 amount for International Trade Expenses has been restated to include an additional year of lease term for a right to use intangible leased asset pursuant to GASB 87. The impact on 2022 net position was a reduction of $6,837.

Net position for the Partnership increased by $1,991,128 during the current fiscal year. The total revenues increase of $5,425,871 is due primarily to a $4,475,309 increase in General Fund appropriations from the COV related to funding for new and existing programs, including Talent Solutions – Talent Accelerator, and the International Trade Plan, along with an increase of $884,764 in other revenues related primarily to interest income on the Partnership's cash deposits.

Total expenses for the Partnership increased by $9,609,456. This increase is due primarily to additional spending in Virginia Office of Education Economics (VOEE) related to two new grant programs in FY2023, continued expansion of the Talent Solutions – Talent Accelerator Program and the Business Investment division, as well as an increase in Administration related to an economic development strategy and roadmap project, and three economic development studies funded in the FY2023 COV appropriation.

Governmental Funds Analysis

The Partnership records all its financial activities in the General Fund, with the exception of International Trade and VOEE federal and other grant programs that are recorded in the Special Revenue Fund. The financial position of the Partnership improved by $1,026,205 in FY2023 primarily due to the increase in Cash and Prepaid expenses, offset by an increase in current liabilities, primarily in Accounts payable, resulting in a fund balance of $19,011,722 as of June 30, 2023. $2,419,339 of the fund balance consists of Prepaid expenses and Lease deposits and is nonspendable, with the remaining balance of $16,592,383 unassigned. The Special Revenue fund records revenues and expenditures related to federal and other grant programs and has a fund balance of $52,735 as of June 30, 2023. Expenses for the Special Revenue fund decreased from $1,420,877 in FY2022 to $1,342,305 in FY2023 due to the timing of payments for the VOEE Virginia Skills Initiative grant, National Governor's Association grant, and the International Trade STEP grant.

General and Special Revenue Fund Budgetary Highlights

The *Statement of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual-Cash Basis* is presented to provide information on the budget as originally prepared and the final budget on which the Partnership operated for the fiscal year. Also, the final budget is compared to the cash basis actual results by revenue source and expenditure activity. The Partnership's budget, as originally prepared, included revenue provided by the COV of approximately $48.5 million. This amount was increased by $1.0 million for economic development opportunity project funding, as well as $1.5 million for the administration of new and expanding programs, offset by a $.5 million reduction for marketing and trade mission funding.

Actual expenditures were below the final budget by approximately $19.1 million for the fiscal year. This underspending was primarily in the Talent Solutions – Talent Accelerator Program, International Trade and Pass-through Payments.

FY2024 Outlook

The Partnership received additional FY2024 COV funding related to the expansion of VOEE. The Partnership will continue to seek funding for other important initiatives critical to its success during the FY2025 – FY2026 biennial budget cycle, including the Innovative Framework for Economic Growth, continued expansion of VOEE, expansion of Real Estate Solutions, and funding for the VEDP office in Taiwan.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes describe the nature of the Partnership's reporting entity and the relationship to the COV as a whole, the basis on which the financial statements were prepared, and the methods used for presentation. Further, the notes provide explanations of specific accounts with significant balances.

Requests for Information

This financial report is designed to provide a general overview of the Partnership's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the President and Chief Executive Officer, Virginia Economic Development Partnership, P.O. Box 798, Richmond, Virginia, 23218-0798.

BASIC FINANCIAL STATEMENTS

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
STATEMENT OF NET POSITION
As of June 30, 2023

	Governmental Activities
Assets	
Cash and cash equivalents (Note 2)	$ 18,506,906
Operating grants receivable	214,845
Prepaid expenses	2,406,092
Lease deposits (Note 5)	13,247
Restricted net other postemployment asset (Note 13)	901,425
Capital assets, net of accumulated depreciation and amortization (Note 6)	
Leasehold improvements, furniture, and equipment	2,187,017
Right to use intangible lease assets	15,874,863
Right to use intangible SBITA assets	206,203
Total assets	40,310,598
Deferred outflows of resources (Notes 10, 11, 12, 13, and 14)	6,596,878
Total assets and deferred outflows of resources	46,907,476
Liabilities	
Accounts payable	1,425,349
Accrued payroll	525,519
Unearned revenue	178,500
Long-term liabilities due within one year	
Compensated absences (Note 9)	1,085,085
Long-term lease liability (Note 7)	2,003,117
Long-term SBITA liability (Note 8)	207,397
Net other postemployment liability (Note 14)	64,685
Long-term liabilities due in more than one year	
Compensated absences (Note 9)	506,712
Long-term lease liability (Note 7)	14,852,048
Net pension liability (Note 10)	13,177,756
Net other postemployment liability (Notes 11, 12, and 14)	2,886,541
Total liabilities	36,912,709
Deferred inflows of resources (Notes 10, 11, 12, 13, and 14)	4,255,692
Total liabilities and deferred inflows of resources	41,168,401
Net position	
Net investment in capital assets	1,205,521
Restricted for net other postemployment asset (Note 13)	901,425
Unrestricted	3,632,129
Total net position	$ 5,739,075

The accompanying notes are an integral part of the financial statements.

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2023

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Position
Governmental Activities				
Talent Solutions - RTSBO	$ 1,518,624			$ (1,518,624)
Talent Solutions - TAP	5,972,084	83,888		(5,888,196)
VOEE	2,253,357		1,169,018	(1,084,339)
Business Investment	6,940,742			(6,940,742)
International Trade	9,672,860	369,635	226,022	(9,077,203)
Research	3,273,025			(3,273,025)
Marketing and Communications	4,670,802	22,500		(4,648,302)
Economic Competitiveness	1,314,043			(1,314,043)
Real Estate Solutions	1,241,368			(1,241,368)
Information Technology	1,840,574			(1,840,574)
Incentives	976,714	45,000		(931,714)
Administration	9,024,159	-	-	(9,024,159)
Pass-through Payments	2,696,400			(2,696,400)
Total governmental activities	51,394,752	521,023	1,395,040	(49,478,689)
General Revenues				
Revenue provided by the General Fund of the Commonwealth (Note 4)				50,416,888
Interest revenue				887,320
Loss on disposal of capital assets				(1,156)
Other revenue				166,765
Total general revenues				51,469,817
Increase in net position				1,991,128
Net position, July 1, 2022, as restated (Note 1)				3,747,947
Net position, June 30, 2023				$ 5,739,075

The accompanying notes are an integral part of the financial statements.

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2023

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash and cash equivalents (Note 2)	$ 18,454,171	$ 52,735	$ 18,506,906
Due from the special revenue fund	214,845		
Operating grants receivable		214,845	214,845
Prepaid expenses	2,406,092		2,406,092
Lease deposits (Note 5)	13,247		13,247
Total assets	$ 21,088,355	$ 267,580	$ 21,141,090
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 1,425,349		$ 1,425,349
Accrued payroll	525,519		525,519
Due to the general fund		214,845	
Unearned revenue	178,500		178,500
Total liabilities	2,129,368	214,845	2,129,368
Fund Balances:			
Nonspendable	2,419,339		2,419,339
Unassigned fund balance	16,539,648	52,735	16,592,383
Total fund balances	18,958,987	52,735	19,011,722
Total liabilities and fund balances	$ 21,088,355	$ 267,580	$ 21,141,090

Amounts reported for governmental activities in the statement of net position are different because:

Fund balances, Governmental Funds	$ 19,011,722
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	18,268,083
Restricted net other postemployment asset is not a financial resource and, therefore, is not reported in the funds.	901,425
Deferred outflows and deferred inflows associated with pension and other postemployment benefit related costs are long-term in nature and, therefore, not reported in the funds.	2,341,186
Noncurrent liabilities (compensated absences, long-term lease liability, long-term SBITA liability, net pension liability and net other postemployment obligation) are not due and payable with current financial resources and, therefore, not reported in the funds.	(34,783,341)
Total net position of governmental activities	$ 5,739,075

The accompanying notes are an integral part of the financial statements.

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2023

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues			
Revenue provided by the General Fund of the Commonwealth (Note 4)	$ 50,416,888	$	$ 50,416,888
Participation fees	392,135		392,135
Operating grants		1,395,040	1,395,040
Interest revenue	887,320		887,320
Other revenue	295,653		295,653
Total revenues	51,991,996	1,395,040	53,387,036
Expenditures			
Talent Solutions - RTSBO	1,526,818		1,526,818
Talent Solutions - TAP	6,626,854		6,626,854
VOEE	1,169,459	1,116,283	2,285,742
Business Investment	6,964,918		6,964,918
International Trade	9,546,060	226,022	9,772,082
Research	3,329,269		3,329,269
Marketing and Communications	4,713,055		4,713,055
Economic Competitiveness	1,329,904		1,329,904
Real Estate Solutions	1,282,119		1,282,119
Information Technology	1,827,164		1,827,164
Incentives	998,179		998,179
Administration	8,955,592		8,955,592
Pass-through Payments	2,696,400		2,696,400
Total expenditures	50,965,791	1,342,305	52,308,096
Revenues over expenditures	1,026,205	52,735	1,078,940
Total Increase in Fund Balance	1,026,205	52,735	1,078,940
Fund balance, July 1, 2022	17,932,782		17,932,782
Fund balance, June 30, 2023	$ 18,958,987	$ 52,735	$ 19,011,722

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2023

Amounts reported for governmental activities in the statement of activities are different because:

Net increase (decrease) in fund balance of the governmental funds	$	1,078,940
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which depreciation and amortization expense exceeded capital outlays in the current period.		(2,322,462)
Some expenses reported in the statement of activities (compensated absences, long-term lease liability, long-term SBITA liability, net pension liability and net other post employment asset and obligation) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		3,234,650
Increase in net position of governmental activities	$	1,991,128

The accompanying notes are an integral part of the financial statements.

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CASH BASIS
GENERAL AND SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		General Fund	Special Revenue Fund	Variances with Final Budget- Positive
	Original	Final	Actual	Actual	(Negative)
Revenues					
Revenue provided by the General Fund of the Commonwealth (Note 4)	$ 48,504,192	$ 50,416,888	$ 50,416,888	$	$
Participation fees	475,000	400,000	392,135		(7,865)
Operating grants	1,200,000	1,300,000		1,280,291	(19,709)
Interest revenue	50,000	900,000	887,320		(12,680)
Other revenue	298,100	300,000	295,653		(4,347)
Total revenues	50,527,292	53,316,888	51,991,996	1,280,291	(44,601)
Expenditures					
Talent Solutions - RTSBO	1,641,768	1,641,768	1,535,610		106,158
Talent Solutions - TAP	14,860,000	14,945,000	6,704,511		8,240,489
VOEE	830,500	2,400,500	1,284,082	1,116,283	135
Business Investment	5,976,701	6,996,701	6,992,302		4,399
International Trade	11,756,814	12,426,511	9,761,981	226,022	2,438,508
Research	3,066,507	3,321,507	3,318,613		2,894
Marketing and Communications	4,559,844	4,819,844	4,814,732		5,112
Economic Competitiveness	1,075,198	1,335,198	1,325,885		9,313
Real Estate Solutions	1,343,000	1,343,000	1,297,017		45,983
Information Technology	1,110,227	1,870,227	1,858,779		11,448
Incentives	1,158,969	1,203,969	1,002,110		201,859
Administration	4,983,064	8,092,663	8,092,621		42
Pass-through Payments	11,302,166	10,702,166	2,696,400		8,005,766
Total expenditures	63,664,758	71,099,054	50,684,643	1,342,305	19,072,106
Revenues over (under) expenditures	(13,137,466)	(17,782,166)	1,307,353	(62,014)	19,027,505
Total Increase in Fund Balance			1,307,353	(62,014)	1,245,339
Fund balance, July 1, 2022	13,137,466	17,782,166	16,479,061	617,252	17,096,313
Fund balance, June 30, 2023 (Note 3)	$	$	$ 17,786,414	$ 555,238	$ 18,341,652

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Virginia Economic Development Partnership (the Partnership) was established on July 1, 1996, by Chapter 638 of the 1995 Acts of Assembly and operates as an authority in accordance with the provisions of Chapter 22 of Title 2.2 of the Code of Virginia. The Partnership's major activities are to encourage, stimulate, and support the development and expansion of the economy of the Commonwealth.

The Partnership is a component unit of the Commonwealth of Virginia. A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The Partnership is an integral part of the reporting entity of the Commonwealth of Virginia; accordingly, the Partnership's financial statements are included in the financial statements of the Commonwealth as a discretely presented component unit.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles. The Statement of Net Position and the Statement of Activities are referred to as "government-wide" financial statements and are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Interfund activity and balances between the General Fund and Special Revenue Fund have been eliminated in the government-wide financial statements. The Statement of Activities shows the extent that direct expenses of governmental functions are offset by program revenues. In cases where certain indirect costs have been allocated to the various divisions by headcount, program expenses will include both direct and indirect costs. Program revenues include charges for services and operating grants. Charges for services are comprised primarily of participation fees, sponsorship fees, and shared mission reimbursements. Operating grants are grants awarded to the Partnership from the federal government and other sources. Net investment in capital assets consists of leasehold improvements, furniture, computers and peripheral technology equipment used to deliver program services to clients, as well as right to use intangible lease assets recorded in accordance with GASB 87, Leases (GASB 87), and right to use intangible subscription assets recorded in accordance with GASB 96, Subscription-Based Information Technology Arrangements (GASB 96). Restricted Net position represents the portion of fund balance related to the restricted net other postemployment asset recorded in compliance with GASB 75 due to the Partnership's participation in the Virginia Retirement System Disability Insurance Program. The remaining Net position balance is classified as unrestricted.

The Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances are referred to as "governmental fund" financial statements and are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Partnership considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as in accrual accounting. However, debt service payments and expenditures related to compensated absences are only recorded when payment is due. The Partnership reports its activities in governmental funds. The general fund is used for its primary operating fund and accounts for all financial transactions not accounted for in the special revenue funds. The special revenue fund is used to account for grant revenues and related expenditures for operating grants awarded to the Partnership by the federal government and other sources. Both the General Fund and Special Revenue Fund are reported as major governmental funds.

Fund balances for the Partnership's governmental funds financial statements are classified in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Fund balances are classified as restricted, committed or assigned if the related resources reported in governmental funds have either externally or internally imposed restrictions on their usage. Nonspendable fund balances represent assets such as prepaid expenses and lease deposits that are unavailable to be spent on future operations. The unassigned fund balances represents the remainder of the fund balances funds.

C. <u>Operating Grants Receivable</u>

Operating grants receivable represents the amount due from the federal government for grants that are funded based on reimbursement of expenses paid by the Partnership.

D. <u>Prepaid Expenses</u>

The Partnership's prepaid expenses include amounts paid for promotional activities, other services and portions of insurance premiums for which the economic benefits had not been received as of June 30, 2023.

E. <u>Capital Assets</u>

Capital assets are defined by the Partnership as those assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are reported at acquisition value, measured at estimated market value at the date of donation. Capital assets are comprised of leasehold improvements, furniture, and equipment. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over useful lives of five to ten years.

F. Leases

The Partnership adopted GASB 87 on July 1, 2021. Beginning adjustments to record right to use intangible lease assets (lease asset) and lease liabilities had no effect on beginning net position. For new or modified contracts, the Partnership determines whether the contract is a lease. If the lease contains a non-cancellable term in excess of 12 months (including any options to extend or terminate the lease when exercise is reasonably certain), the Partnership records a lease asset and lease liability. The lease liability is measured at the present value of payments expected to be made during the lease term, and then is reduced by the principal portion of lease payments made. Lease payments are apportioned between interest expense and principal based on an amortization schedule. The lease asset is measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs, then amortized on a straight line basis over a period that is the shorter of the lease term or the useful life of the asset. The Partnership reports lease assets with a present value of $50,000 or greater and an expected useful life of more than one year.

The Partnership is a lessee for non-cancellable leases of certain office space. The Partnership has recorded a lease liability and lease asset on the Statement of Net Position. Leases with an initial, non-cancellable term of 12 months or less are not recorded on the Statement of Net Position and expense is recognized as incurred over the lease term.

Key estimates and judgments related to leases include how the Partnership determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. GASB 87 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be determined, its incremental borrowing rate. Since the Partnership cannot determine the interest rate implicit in its leases, the Partnership uses its estimated incremental borrowing rate as the discount rate for its leases.

The lease term for all the Partnership's leases includes the noncancellable period of the lease plus any additional periods covered by either the Partnership's option to extend the lease that the Partnership is reasonably certain to exercise, or an option to extend the lease controlled by the lessor.

The Partnership monitors changes in circumstances that would require remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

G. Subscription-Based Information Technology Arrangements

The Partnership adopted GASB 96 on July 1, 2022. Beginning adjustments to record right to use intangible subscription-based information technology arrangement (SBITA) assets and SBITA liabilities had no effect on beginning net position. For new or modified contracts, the Partnership determines whether the contract is a SBITA. If the SBITA contains a non-cancellable term in excess of 12 months (including any options to extend or terminate the lease when exercise is reasonably certain), the Partnership records a SBITA asset and SBITA liability. The SBITA liability is measured at the present value of payments expected to be made during the SBITA term, and then is reduced by the principal portion of SBITA payments made. SBITA payments are apportioned between interest expense and principal based on an amortization schedule. The SBITA asset is measured as the initial amount of the SBITA liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain initial direct costs, then amortized on a straight line basis over a period that is the SBITA term. The Partnership reports SBITA assets with a present value of $50,000 or greater and a subscription term of more than one year.

The Partnership has recorded a SBITA liability and SBITA asset on the Statement of Net Position. SBITAs with an initial, non-cancellable term of 12 months or less are not recorded on the Statement of Net Position and expense is recognized as incurred over the subscription term.

Key estimates and judgments related to SBITAs include how the Partnership determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments. GASB 96 requires a subscriber to discount its unpaid SBITA payments using the interest rate implicit in the agreement or, if that rate cannot be determined, its incremental borrowing rate. Since the Partnership cannot determine the interest rate implicit in its SBITAs, the Partnership uses its estimated incremental borrowing rate as the discount rate for its SBITAs.

The subscription term for all the Partnership's SBITAs includes the noncancellable period of the SBITA plus any additional periods covered by the Partnership's option to extend the SBITA that the Partnership is reasonably certain to exercise.

The Partnership monitors changes in circumstances that would require remeasurement of its SBITAs and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability.

H. Unearned Revenue

Unearned revenue includes amounts received for sponsorship and participation fees at June 30, 2023, for various events to be held in the next fiscal period.

I. Compensated Absences

Compensated absences represent the amounts of vacation, sick, and compensatory leave earned by the Partnership employees, but not taken at June 30, 2023. Compensated absences were calculated in accordance with GASB Statement No. 16, "Accounting for Compensated Absences." This statement requires the accrual of Social Security and Medicare taxes to be paid by the Partnership on all accrued compensated absences.

J. Pensions

The Virginia Retirement System (VRS) State Employee Retirement Plan is a single employer pension plan that is treated like a cost-sharing 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 VRS State Employee Retirement Plan; and the additions to/deductions from the VRS State Employee Retirement Plan's fiduciary net position have been determined on the same basis as they were reported by 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.

K. State Employee Health Insurance Credit Program

The VRS State Employee Health Insurance Credit Program is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The State 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 State Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired state employees. For purposes of measuring the net State Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the State Employee Health Insurance Credit Program OPEB, and the State Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the VRS State Employee Health Insurance Credit Program; and the additions to/deductions from the VRS State Employee Health Insurance Credit Program's fiduciary net 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.

L. Group Life Insurance Program

The VRS Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 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 Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance Program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Disability Insurance Program

The VRS Disability Insurance Program (Virginia Sickness and Disability Program) is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The Disability Insurance Program was established pursuant to §51.1-1100 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 Disability Insurance Program is a managed care program that provides sick, family and personal leave and short-term and long-term disability benefits for state employees. For purposes of measuring the net Disability Insurance Program OPEB asset, deferred outflows of resources and deferred inflows of resources related to the Disability Insurance Program OPEB, and Disability Insurance Program OPEB expense, information about the fiduciary net position of the VRS Disability Insurance Program OPEB Plan and the additions to/deductions from the VRS Disability Insurance Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Pre-Medicare Retiree Healthcare Plan

The Commonwealth of Virginia State Health Plans Program for Pre-Medicare Retirees (Pre-Medicare Retiree Healthcare Plan) is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes. This program was established by Title 2.2, Chapter 28 of the *Code of Virginia* for retirees who are not yet eligible to participate in Medicare. It is the same health insurance program offered to active employees and managed by the Virginia Department of Human Resource Management. After retirement, the Partnership no longer subsidizes the retiree's premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, retiree rates are effectively lower than what might otherwise be available outside of this benefit.

O. Deferred Inflows and Outflows of Resources

Deferred outflows of resources are defined as the consumption of net assets applicable to a future reporting period. The deferred outflows of resources have a positive effect on net position similar to assets.

Deferred inflows of resources are defined as the acquisition of net assets applicable to a future reporting period. The deferred inflows of resources have a negative effect on net position similar to liabilities.

P. Budgets and Budgetary Accounting

The Partnership's budget was primarily established by the Appropriation Act as enacted by the General Assembly of Virginia for the fiscal year ended June 30, 2023, which is the first year of the biennium ended June 30, 2024. No payments were made to the Partnership out of the state treasury except in pursuance of appropriations made by law. Payments from the state treasury were deposited into Partnership bank accounts in accordance with the provisions of Chapter 22 of Title 2.2 of the *Code of Virginia* and expended for purposes as stated in those provisions. The budget is prepared on the cash basis. The budget is prepared collectively to include both the General Fund and Special Revenue Fund

Q. Fiscal Year Ended June 30, 2022 Restatement

The fiscal year ended June 30, 2022 has been restated to include an additional year of lease term for a right to use intangible leased asset pursuant to GASB 87. The restatement is as follows:

Net Position June 30, 2022	$ 3,754,784
Right to use intangible lease assets	69,808
Long-term lease liability, current	(2,222)
Long-term lease liability, noncurrent	(74,423)
Adjusted Net Position June 30, 2022	$ 3,747,947

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent deposits not with the Treasurer of Virginia and cash in the Local Government Investment Pool (LGIP) with the Treasurer of Virginia. As of June 30, 2023, the Partnership's deposits with the LGIP were $18,351,267 and the Partnership's deposits not with the Treasurer of Virginia were $155,639. Cash on deposit is held in demand deposit accounts maintained for operating and payroll costs and is covered by federal depository insurance and carry no significant risk. Cash on deposit includes a deposit in European Union Euros used to pay the Partnership's international vendors and is valued in U.S. dollars at cost. As of June 30, 2023, the Partnership's holding in European Union Euros was valued at $26,469. The LGIP funds are held in pooled accounts, are considered cash equivalents and, accordingly, also carry no significant risk as defined by Statement 40 of the Governmental Accounting Standards Board. The LGIP enables governmental entities to maximize their return on investments by providing for a State administered fund where monies can be commingled for investment purposes in order to realize the economies of large-scale investing and professional funds management. The LGIP is managed in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 79. The LGIP is in compliance with all of the standards of GASB Statement No. 79 and elects to report its investments for financial reporting at amortized cost. Participants in the LGIP should also report their investments in the LGIP at amortized cost. The LGIP is rated AAAm by Standard & Poor's rating service. The Partnership deposits are secured in accordance with the provisions of the Virginia Security for Public Deposit Act § 2.2-4400 of the Code of Virginia.

3. RECONCILIATION OF BUDGETARY FUND BALANCE TO GAAP FUND BALANCE

The accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Cash Basis – General and Special Revenue Funds presents comparisons of the legally adopted budget prepared on the cash basis with actual data prepared on the cash basis. To enhance this comparison, actual data on the cash basis is reconciled to actual data on the GAAP basis as follows:

	Total all Funds
Fund balance, cash basis, June 30, 2023	$ 18,341,653
Add: Prepaid expenses and other accrued receivables	2,620,937
Less: Accrued expenses and unearned revenues	(1,950,868)
Fund balance, GAAP basis, June 30, 2023	$ 19,011,722

4. REVENUE PROVIDED BY THE GENERAL FUND OF THE COMMONWEALTH

The original appropriation from the General Fund of the Commonwealth has been adjusted as follows:

Original appropriation, Chapter 2	$ 48,504,192
Add: Economic Development Opportunity Funding	972,500
Central Appropriations Adjustments	940,196
Revenue provided by the General Fund of the Commonwealth	$ 50,416,888

5. LEASE DEPOSITS

The Partnership maintains offices in Virginia Beach, Virginia, Munich, Germany, and Tokyo, Japan. Each landlord requires a lease deposit as part of the lease agreement for those locations. The Virginia Beach lease deposit is held in U.S. dollars in a noninterest-bearing account and is valued at $400. The Munich lease deposit is held in a noninterest-bearing account in the amount of 3,720 European Union Euros and was valued at $4,254 at June 30, 2023. The Tokyo lease deposit is held in a noninterest-bearing account in the amount of 930,000 Japanese Yen and was valued at $8,593 at June 30, 2023.

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

Capital Assets Being Depreciated or Amortized	Balance July 1, 2022*	Increases	Decreases	Balance June 30, 2023
Leasehold improvements, furniture and equipment	$ 4,903,557	$ 148,194	$ (150,445)	$ 4,901,306
Right to use intangible leased assets	20,239,449	76,541	-	20,315,990
Right to use intangible SBITA assets	308,536	-	-	308,536
	25,451,542	224,735	(150,445)	25,525,832
Less accumulated depreciation and amortization for:				
Furniture and equipment	2,337,972	525,606	(149,289)	2,714,289
Right to use intangible leased assets	2,214,489	2,226,638	-	4,441,127
Right to use intangible SBITA assets	-	102,333	-	102,333
Total accumulated depreciation and amortization	4,552,461	2,854,577	(149,289)	7,257,749
Capital assets, net of accumulated depreciation and amortization	$ 20,899,081	$(2,629,842)	$ (1,156)	$ 18,268,083

*Capital Asset beginning balances as of July 1, 2022, have been restated to include additional year of lease term for a right to use intangible leased asset pursuant to GASB 87. In addition, Capital Asset beginning balances as of July 1, 2022 have been restated to record right to use intangible SBITA assets pursuant to GASB 96. In 2023, the Partnership recognized the value of subscription-based information technology arrangements under long-term contracts per implementation of GASB 96. These assets were previously accounted for as operating expenditures over the subscription terms and not recognized on the financial statements.

7. LONG-TERM LEASE LIABILITY

The Partnership is committed under leases for various office space through October 2030. A summary of changes in long-term lease liability for the fiscal year ended June 30, 2023 follows:

Balance July 1, 2022*	Increases	Decreases	Balance June 30, 2023
$ 18,673,861	$ 76,541	$ 1,895,236	$ 16,855,166
		Due Within One Year	(2,003,117)
		Due in More Than One Year	$ 14,852,049

Future principal and interest payments related to the long-term lease liability as of June 30, 2023 are as follows:

Years Ending June 30	Principal	Interest	Total
2024	$ 2,003,117	$ 478,334	$ 2,481,451
2025	2,042,382	417,616	2,459,998
2026	2,147,449	354,996	2,502,445
2027	2,263,188	288,991	2,552,179
2028	2,374,183	219,521	2,593,704
2029-2033	6,024,847	222,645	6,247,492
Total	$ 16,855,166	$ 1,982,103	$ 18,837,269

*Long-Term Lease Liability beginning balances as of July 1, 2022, have been restated to include additional year of lease term for a lease liability pursuant to GASB 87.

8. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

As a result of adopting GASB 96, the Partnership recognized SBITA liabilities of $308,536 with a corresponding right to use intangible SBITA asset for the same amount. A summary of changes in long-term SBITA liability for the fiscal year ended June 30, 2023 follows:

Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
$ 308,536	$ -	$ 101,139	$ 207,397
		Due Within One Year	(207,397)
		Due in More Than One Year	$ -

Future principal and interest payments related to the long-term SBITA liability as of June 30, 2023 are as follows:

Years Ending June 30	Principal	Interest	Total
2024	$ 207,397	$ 3,114	$ 210,511
Total	$ 207,397	$ 3,114	$ 210,511

9. COMPENSATED ABSENCES

Compensated absences activity for the fiscal year ended June 30, 2023, was as follows:

Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
$ 1,272,442	$ 1,258,260	$ 938,905	$ 1,591,797
		Due Within One Year	(1,085,085)
		Due in More Than One Year	$ 506,712

10. PENSION PLAN

General Information about the Pension Plan

Plan Description

All Partnership full-time, salaried permanent employees are automatically covered by the VRS State Employee 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 in the VRS State Employee Retirement Plan – 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:

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>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.</td><td>About Plan 2
Same as Plan 1.</td><td>About the Hybrid Retirement Plan
The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.
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.</td></tr>
<tr><td>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.</td><td>Eligible Members
Employees are in Plan 2 if their membership date is from July 1, 2010, to December 31, 2013, and they have not taken a refund, or their membership date is prior to July 1, 2010, and they were not vested as of January 1, 2013.</td><td>Eligible Members
Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
Full-time permanent, salaried state employees.*</td></tr>
</table>

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
		Eligible Members • 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 ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Members of the Virginia Law Officers' Retirement System (VaLORS)
Hybrid Opt-In Election VRS 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. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Hybrid Opt-In Election** Same as Plan 1.	**Eligible Members** 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 (as applicable) or ORP.

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax 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 payments.	**Retirement Contributions** Same as Plan 1.	**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.
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.	**Service Credit** Same as Plan 1.	**Service Credit** **<u>Defined Benefit Component:</u>** 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.

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
		Service Credit **<u>Defined Benefit Component:</u>** 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. **<u>Defined Contributions Component:</u>** Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.
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.	**Vesting** Same as Plan 1.	**Vesting** **<u>Defined Benefit Component:</u>** 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.

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting Members are always 100% vested in the contributions that they make.		**Vesting** **<u>Defined Contributions Component:</u>** 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. Members are always 100% vested in the contributions that they make. 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. • 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. Distributions not required, except as governed by law.

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1. **Defined Contribution Component:** 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.
Average Final Compensation A member's average final compensation is the average of their 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier 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%	**Service Retirement Multiplier** 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.	**Service Retirement Multiplier** **Defined Benefit Component:** The retirement multiplier for the defined benefit component is 1.00%. 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. **Defined Contribution Component:** Not applicable.

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Normal Retirement Age Age 65.	**Normal Retirement Age** Normal Social Security retirement age.	**Normal Retirement Age** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.	**Earliest Unreduced Retirement Eligibility** Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of creditable service.	**Earliest Reduced Retirement Eligibility** Age 60 with at least five years (60 months) of service credit.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement 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%. **Eligibility:** 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. 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. **Exceptions to COLA Effective Dates:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability.	**Cost-of-Living Adjustment (COLA) in Retirement** 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%. **Eligibility:** Same as Plan 1. **Exceptions to COLA Effective Dates:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2. **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement **<u>Exceptions to COLA Effective Dates:</u>** • 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.		
Disability Coverage For 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.	**Disability Coverage** For 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.	**Disability Coverage** State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
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.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exception: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component:** Not applicable.

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 provided to the Partnership by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. The Partnership's contractually required contribution rate for the year ended June 30, 2023, was 14.46% of covered employee compensation for employees in the VRS State Employee Retirement Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined 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 from the Partnership to the VRS State Employee Retirement Plan were $2,444,199 and $2,075,923 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately $219.1 million to the VRS State plan. This special payment was authorized by Chapter 1 of the 2022 Appropriation Act, and is classified as special employer contributions.

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

At June 30, 2023, the Partnership reported a liability of $13,177,756 for its proportionate share of the VRS State Employee Retirement Plan Net Pension. The Net Pension Liability was measured as of June 30, 2022, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The Partnership's proportion of the Net Pension Liability was based on the Partnership's actuarially determined employer contributions to the pension plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the Partnership's proportion of the VRS State Employee Retirement Plan was 0.29036% as compared to 0.26227% at June 30, 2021.

For the year ended June 30, 2023, the Partnership recognized pension expense of $2,130,940 for the VRS State Employee Retirement Plan. Since there was a change in proportionate share between June 30, 2021, and June 30, 2022, a portion of the pension expense was related to deferred amounts from changes in proportion and differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2023, the Partnership 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	$ -	$ 871,609
Net difference between projected and actual earnings on pension plan investments	-	1,920,667
Change in assumptions	528,706	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,005,661	6,770
Employer contribution subsequent to the measurement date	2,444,199	-
Total	$ 4,978,566	$ 2,799,046

$2,444,199 reported as deferred outflows of resources related to pensions resulting from the Partnership's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2024. 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

FY 2024	$ 252,970
FY 2025	$ (222,274)
FY 2026	$ (1,203,855)
FY 2027	$ 908,480
FY 2028	$ -

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

Mortality rates:

Pre-Retirement:
Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement ages from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Net Pension Liability

The net pension liability (NPL) is calculated separately for each plan and represents that particular plan's total pension liability determined in accordance with GASB Statement No. 67, less that plan's fiduciary net position. As of June 30, 2022, NPL amounts for the VRS State Employee Retirement Plan are as follows (amounts expressed in thousands):

	State Employee Retirement Plan
Total Pension Liability	$ 27,117,746
Plan Fiduciary Net Position	22,579,326
Employers' Net Pension Liability (Asset)	$ 4,538,420
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.26%

The total pension 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 pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

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 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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi -Asset Public Strategies	6.00%	3.73%	0.22%
PIP- Private Investment Partnership	3.00%	6.55%	0.20%
Total	**100.00%**		**5.33%**
	Inflation		2.50%
	Expected arithmetic nominal return *		**7.83%**

* The above allocation provides a one-year expected return of 7.83%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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. Through the fiscal year ending June 30, 2022, the rate contributed by the state agency for the VRS State Employee Retirement 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, 2022, on, all agencies 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.

Sensitivity of the Partnership's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Partnership's proportionate share of the VRS State Employee Retirement Plan net pension liability using the discount rate of 6.75%, as well as what the Partnership's proportionate share of the 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%
Partnership's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	$ 22,521,134	$ 13,177,756	$ 5,433,711

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Report. A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/ publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

11. STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM

General Information about the State Employee Health Insurance Credit Program

Plan Description

All Partnership full-time, salaried permanent employees are automatically covered by the VRS State 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 the Partnership 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 State Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out in the table below:

STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
Eligible Employees
The State Employee Retiree Health Insurance Credit Program was established January 1, 1990 for retired state employees covered under VRS, SPORS, VaLORS and JRS who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include: • Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.
Benefit Amounts
The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees: • **At Retirement** – For state employees who retire, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount. • **Disability Retirement** – For state employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is $120.00 or $4.00 per year of service, whichever is higher. For state police officer employees with a non-work-related disability who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP) the monthly benefit is $120.00 or $4.00 per year of service, whichever is higher. For state police officers with a work-related disability, there is no benefit provided under the State Employee Retiree Health Insurance Credit Program if the premiums are being paid under the Virginia Line of Duty Act. However, they may receive the credit for premiums paid for other qualified health plans.
Health Insurance Credit Program Notes: • The monthly Health Insurance Credit benefit cannot exceed the individual's premium amount. • Employees who retire after being on long-term disability under VSDP must have at least 15 years of service credit to qualify for the Health Insurance Credit as a retiree.

Contributions

The contribution requirement for active employees is governed by §51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to the Partnership by the Virginia General Assembly. The Partnership's contractually required employer contribution rate for the year ended June 30, 2023 was 1.12% of covered employee compensation for employees in the VRS State Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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. Contributions from the Partnership to the VRS State Employee Health Insurance Credit Program were $189,824 and $161,461 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately $8.5 million which was applied to the Health Insurance Credit Plan for state employees. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act.

State Employee Health Insurance Credit Program OPEB Liabilities, State Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to State Employee Health Insurance Credit Program OPEB

At June 30, 2023, the Partnership reported a liability of $1,558,558 for its proportionate share of the VRS State Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS State Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2022 and the total VRS State Employee Health Insurance Credit Program OPEB Liability used to calculate the Net VRS State Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The Partnership's proportion of the Net VRS State Employee Health Insurance Credit Program OPEB Liability was based on the Partnership's actuarially determined employer contributions to the VRS State Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the Partnership's proportion of the VRS State Employee Health Insurance Credit Program was 0.19026% as compared to 0.17065% at June 30, 2021.

For the year ended June 30, 2023, the Partnership recognized VRS State Employee Health Insurance Credit Program OPEB expense of $230,486. Since there was a change in proportionate share between measurement dates, a portion of the VRS State Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contributions.

At June 30, 2023, the Partnership reported deferred outflows of resources and deferred inflows of resources related to the VRS State Employee Health Insurance Credit Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 267	$ 94,196
Net difference between projected and actual earnings on State HIC OPEB program investments	-	846
Change in assumptions	52,140	787
Changes in proportionate share	337,995	732
Employer contributions subsequent to the measurement date	189,824	-
Total	$ 580,226	$ 96,561

$189,824 reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from the Partnership's contributions subsequent to the measurement date will be recognized as a reduction of the Net State Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the State Employee HIC OPEB will be recognized in the State Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30

FY 2024	$ 91,131
FY 2025	$ 72,247
FY 2026	$ 61,654
FY 2027	$ 46,016
FY 2028	$ 22,141
Thereafter	$ 652

Actuarial Assumptions

The total State Employee HIC OPEB liability for the VRS State Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.50%
Salary increases, including inflation -	
General state employees	3.50% – 5.35%
SPORS employees	3.50% – 4.75%
VaLORS employees	3.50% – 4.75%
JRS employees	4.00%
Investment rate of return	6.75%, net of plan investment expenses, including inflation

Mortality rates – General State Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – SPORS Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – VaLORS Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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 actions are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – JRS Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males and females set back 2 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rated projected generationally

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Decreased rates for ages 60-66 and 70-72
Withdrawal Rates	No change
Disability Rates	No change
Salary Scale	Reduce increases across all ages by 0.50%
Discount Rate	No change

Net State Employee HIC OPEB Liability

The net OPEB liability (NOL) for the State Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the VRS State Employee Health Insurance Credit Program are as follows (amounts expressed in thousands):

	State Employee HIC OPEB Plan
Total State Employee HIC OPEB Liability	$1,043,748
Plan Fiduciary Net Position	224,575
State Employee Net HIC OPEB Liability (Asset)	$ 819,173
Plan Fiduciary Net Position as a Percentage of the Total State Employee HIC OPEB Liability	21.52%

The total State Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net State Employee 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.

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS 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 VRS 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 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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS – Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP – Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
	Expected arithmetic nominal return *		7.83%

* The above allocation provides a one-year return of 7.83%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, 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 at that time, providing a median return of 7.11%, including expected inflation of 2.50% asset allocation.

Discount Rate

The discount rate used to measure the total State Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by the Partnership for the VRS State Employee Health Insurance Credit Program 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, 2022 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the State Employee 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 State Employee HIC OPEB liability.

Sensitivity of the Partnership's Proportionate Share of the State Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the Partnership's proportionate share of the VRS State Employee Health Insurance Credit Program net NIC OPEB liability using the discount rate of 6.75%, as well as what the Partnership's proportionate share of the net HIC OPEB 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%
Partnership's proportionate share of the VRS State Employee HIC OPEB Plan Net HIC OPEB Liability	$ 1,750,127	$ 1,558,558	$ 1,394,090

State Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS State Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at: https://www.varetire.org/pdf/publications/2022-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

12. GROUP LIFE INSURANCE PROGRAM

General Information about the Group Life Insurance Program

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City School Board

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- **Natural Death Benefit** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
    - Accidental dismemberment benefit
    - Seatbelt benefit
    - Repatriation benefit
    - Felonious assault benefit
    - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $8,984 as of June 30, 2023.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia,* as amended, but may be impacted as a result of funding provided to the Partnership by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. The Partnership's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Partnership to the Group Life Insurance Program were $91,547 and $78,144 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately $30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

Group Life Insurance Program OPEB Liabilities, Group Life Insurance Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2023, the Partnership reported a liability of $801,085 for its proportionate share of the Net Group Life Insurance Program OPEB Liability. The Net Group Life Insurance Program OPEB Liability was measured as of June 30, 2022 and the total Group Life Insurance Program OPEB Liability used to calculate the Net Group Life Insurance OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The Partnership's proportion of the Net Group Life Insurance Program OPEB Liability was based on the Partnership's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the Partnership's proportion was 0.06653 % as compared to 0. 05958% at June 30, 2021.

For the year ended June 30, 2023, the Partnership recognized Group Life Insurance Program OPEB expense of $84,581. Since there was a change in proportionate share between measurement dates, a portion of the Group Life Insurance Program OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the Partnership reported deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 63,436	$ 32,138
Net difference between projected and actual earnings on Group Life Insurance OPEB program investments	-	50,056
Change in assumptions	29,879	78,029
Changes in proportion	199,238	3,905
Employer contribution subsequent to the measurement date	91,547	-
Total	$ 384,100	$ 164,128

$91,547 reported as deferred outflows of resources related to the Group Life Insurance Program OPEB resulting from the Partnership's contributions subsequent to the measurement date will be recognized as a reduction of the Net Group Life Insurance Program OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB will be recognized in the Group Life Insurance Program OPEB expense in future reporting periods as follows:

Year Ended June 30

FY 2024	$ 44,587
FY 2025	$ 34,523
FY 2026	$ 2,064
FY 2027	$ 37,140
FY 2028	$ 10,111
Thereafter	$ -

Actuarial Assumptions

The total Group Life Insurance Program OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.50%
Salary increases, including inflation -	
General state employees	3.50% – 5.35%
Teachers	3.50% – 5.95%
SPORS employees	3.50% – 4.75%
VaLORS employees	3.50% – 4.75%
JRS employees	4.00%
Locality – General employees	3.50% – 5.35%
Locality – Hazardous Duty employees	3.50% – 4.75%
Investment rate of return	6.75%, net of plan investment expenses, including inflation

Mortality rates – General State Employees

Pre-Retirement:
Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – Teachers

Pre-Retirement:
Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:
Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:
Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Mortality rates – SPORS Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – VaLORS Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates a some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – JRS Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males and females set back 2 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Decreased rates for ages 60-66 and 70-72
Withdrawal Rates	No change
Disability Rates	No change
Salary Scale	Reduce increases across all ages by 0.50%
Discount Rate	No change

Mortality rates – Largest 10 Locality Employers – General Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rated projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – Non-Largest 10 Locality Employers – General Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – Largest 10 Locality Employers – Hazardous Duty Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – Non-Largest 10 Locality Employers – Hazardous Duty Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Net Group Life Insurance Program OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2022, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total Group Life Insurance Program OPEB Liability	$ 3,672,085
Plan Fiduciary Net Position	2,467,989
Group Life Insurance Program Net OPEB Liability (Asset)	$ 1,204,096
Plan Fiduciary Net Position as a Percentage of the Total Group Life Insurance Program OPEB Liability	67.21%

The total Group Life Insurance Program OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net Group Life Insurance Program OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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's 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 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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS – Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP – Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
Expected arithmetic nominal return *			7.83%

* The above allocation provides a one-year return of 7.83%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, 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 at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total Group Life Insurance Program OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by the Partnership for the Group Life Insurance Program OPEB 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, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Group Life Insurance Program OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Group Life Insurance Program OPEB liability.

Sensitivity of the Partnership's Proportionate Share of the Net Group Life Insurance Program OPEB Liability to Changes in the Discount Rate

The following presents the Partnership's proportionate share of the net Group Life Insurance Program OPEB liability using the discount rate of 6.75%, as well as what the Partnership's proportionate share of the net Group Life Insurance Program OPEB 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%
Partnership's proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 1,165,673	$ 801,085	$ 506,449

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at: https://www.varetire.org/pdf/publications/2022-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

13. DISABILITY INSURANCE PROGRAM

General Information about the VRS Disability Insurance Program

Plan Description

All Partnership full-time and part-time permanent salaried employees who are covered under the Virginia Retirement System (VRS) hired on or after January 1, 1999 are automatically covered by the Disability Insurance Program (VSDP) upon employment. The Disability Insurance Program also covers state employees hired before January 1, 1999 who elected to transfer to VSDP rather than retain their eligibility to be considered for disability retirement. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

DISABILITY INSURANCE PROGRAM (VSDP) PLAN PROVISIONS

Eligible Employees

The Virginia Sickness and Disability Program, also known as the Disability Insurance Trust Fund, was established January 1, 1999 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time and part-time permanent salaried state employees covered under VRS.
- State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement.
- Public college and university faculty members who elect the VRS defined benefit plan. They may participate in VSDP or their institution's disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.

Benefit Amounts

The Virginia Sickness and Disability Program provides the following benefits for eligible employees:

- **Leave** – Sick, family and personal leave. Eligible leave benefits are paid by the employer.
- **Short-Term Disability** – The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period for the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer.
- **Long-Term Disability** – The program provides a long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee's pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the Virginia Disability Insurance Program (VSDP) OPEB Plan.
- **Income Replacement Adjustment** – The program provides for an income replacement adjustment to 80% for catastrophic conditions.
- **VSDP Long-Term Care Plan** – The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.

DISABILITY INSURANCE PROGRAM (VSDP) PLAN PROVISIONS
Disability Insurance Program (VSDP) Plan Notes: • Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work-related short-term disability benefits and certain income-replacement levels. • A state employee who is approved for VSDP benefits on or after the date that is five years prior to his or her normal retirement date is eligible for up to five years of VSDP benefits. • Employees on work-related short-term disability receiving only a workers' compensation payment may be eligible to purchase service credit for this period if retirement contributions are not being withheld from the workers' compensation payment. The rate will be based on 5.00% of the employee's compensation.

Cost-of-Living Adjustment (COLA)
• During periods an employee receives long-term disability (LTD) benefits, the LTD benefit may be increased annually by an amount recommended by the actuary and approved by the Board.
  o Plan 1 employees vested as of 1/1/2013 – 100% of the VRS Plan 1 COLA (The first 3% increase in the Consumer Price Index for all Urban Consumers (CIP-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%).
  o Plan 1 employees non-vested as of 1/1/2013, Plan 2 and Hybrid Plan employees – 100% of the VRS Plan 2 and Hybrid COLA (The first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%).
• For participating full-time employees taking service retirement, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.
  o 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State Plan, with a maximum COLA of 4.00%.
• For participating full-time employees receiving supplemental (work-related) disability benefits, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.
  o 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State Plan, with a maximum COLA of 4.00%.

<u>Contributions</u>

The contribution requirements for the Disability Insurance Program are governed by §51.1-1140 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to the Partnership by the Virginia General Assembly. The Partnership's contractually required employer contribution rate for the Disability Insurance Program for the year ended June 30, 2023 was 0.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions from the Partnership to the

Disability Insurance Program were $101,060 and $85,751 for the years ended June 30, 2023 and June 30, 2022, respectively.

Disability Insurance Program (VSDP) OPEB Assets, VSDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the VSDP OPEB

At June 30, 2023, the Partnership reported an asset of $901,425 for its proportionate share of the Net VSDP OPEB Asset. The Net VSDP OPEB Asset was measured as of June 30, 2022 and the total VSDP OPEB Liability used to calculate the Net VRS VSDP OPEB Asset was determined by an actuarial valuation as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. The Partnership's proportion of the Net VSDP OPEB Asset was based on the Partnership's actuarially determined employer contributions to the VSDP OPEB plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the Partnership's proportion was 0.30541% as compared to 0.27681% at June 30, 2021.

For the year ended June 30, 2023, the Partnership recognized VSDP OPEB expense of ($22,794). Since there was a change in proportionate share between measurement dates, a portion of the VSDP OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the Partnership reported deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 90,742	$ 134,188
Net difference between projected and actual earnings on VSDP OPEB program investments	-	49,774
Change in assumptions	5,201	17,709
Changes in proportion	1,023	135,916
Employer contribution subsequent to the measurement date	101,060	-
Total	$ 198,026	$ 337,587

$101,060 reported as deferred outflows of resources related to the VSDP OPEB resulting from the Partnership's contributions subsequent to the measurement date will be recognized as a reduction of the Net VSDP OPEB Asset in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB will be recognized in VSDP OPEB expense in future reporting periods as follows:

Year Ended June 30

FY 2024	$ (70,796)
FY 2025	$ (68,734)
FY 2026	$ (73,828)
FY 2027	$ (15,476)
FY 2028	$ (10,411)
Thereafter	$ (1,375)

Actuarial Assumptions

The total VSDP OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.50%
Salary increases, including inflation -	
General state employees	3.50% – 5.35%
SPORS employees	3.50% – 4.75%
VaLORS employees	3.50% – 4.75%
Investment rate of return	6.75%, net of plan investment expenses, including inflation

Mortality rates – General State Employees

Pre-Retirement:
Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – SPORS Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – VaLORS Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

<u>Net VSDP OPEB Asset</u>

The net OPEB asset (NOA) for the VSDP represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2022, NOA amounts for the VSDP are as follows (amounts expressed in thousands):

	Virginia Sickness and Disability Program
Total VSDP OPEB Liability	$307,764
Plan Fiduciary Net Position	602,916
Employers' Net OPEB Liability (Asset)	($295,152)
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	195.90%

The total VSDP 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 OPEB asset 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.

<u>Long-Term Expected Rate of Return</u>

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 VRS 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 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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS – Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP – Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%
	Expected arithmetic nominal return *		7.83%

* The above allocation provides a one-year return of 7.83%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

On October 10, 2019, the VRS Board elected a long-term rate of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total VSDP OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by the Partnership to the VSDP OPEB Program 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, 2022 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VSDP OPEB Program'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 VSDP OPEB liability.

<u>Sensitivity of the Partnership's Proportionate Share of the Net VSDP OPEB Asset to Changes in the Discount Rate</u>

The following presents the Partnership's proportionate share of the net VSDP OPEB asset using the discount rate of 6.75%, as well as what the Partnership's proportionate share of the net VSDP OPEB asset 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%
Partnership's proportionate share of the total VSDP Net OPEB Asset	$ 829,681	$ 901,425	$ 964,463

<u>VSDP OPEB Fiduciary Net Position</u>

Detailed information about the VSDP Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at: https://www.varetire.org/pdf/publications/2022-annual- report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218- 2500.

14. PRE-MEDICARE RETIREE HEALTHCARE

<u>General Information about the Commonwealth of Virginia State Health Plans Program for Pre-Medicare Retirees</u>

<u>Plan Description</u>

The Commonwealth provides a healthcare plan established by Title 2.2, Chapter 28 of the *Code of Virginia* for retirees who are not yet eligible to participate in Medicare.

Following are eligibility requirements for Virginia Retirement System (VRS) retirees:

- You are a retiring state employee who is eligible for a monthly retirement benefit from VRS, and
- You start receiving (do not defer) your retirement benefit immediately upon retirement*, and
- Your last employer before retirement was the Commonwealth of Virginia, and
- You were eligible for (even if you were not enrolled) coverage as an active employee in the State Health Benefits Program until your retirement date (not including Extended Coverage/COBRA), and
- You enroll no later than 31 days from your retirement date.

*For VRS retirees, this means that your employing agency reported a retirement contribution or leave without pay status for retirement in the month immediately prior to your retirement date. Some faculty members may also be eligible if they are paid on an alternate pay cycle but maintain eligibility for active coverage until their retirement date.

Effective January 1, 2017**, following are eligibility requirements for Optional Retirement Plan retirees:

- You are a terminating state employee who participates in one of the qualified Optional Retirement Plans, and
- Your last employer before termination was the Commonwealth of Virginia, and
- You were eligible for (even if you were not enrolled) coverage in the State Employee Health Benefits Program for active employees at the time of your termination, and
- You meet the age and service requirements for an immediate retirement benefit under the non-ORP Virginia Retirement System plan that you would have been eligible for on your date of hire had you not elected the ORP, and
- You enroll in the State Retiree Health Benefits Program no later than 31 days for the date you lose coverage (or lose eligibility for coverage) in the State Health Benefits Program for active employees due to your termination of employment.

**This change applies to ORP terminations effective January 1, 2017 or later. Eligibility for those who terminated employment prior to January 1 should be determined based on the policy in place at the time of their termination.

The employer does not pay a portion of the retirees' healthcare premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, this generally results in a higher rate for active employees. Therefore, the employer effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of the premiums for active employees.

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes and is administered by the Department of Human Resource Management. There were approximately 3,647 retirees and 92,839 active employees in the program as of June 30, 2022. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

Pre-Medicare Retiree Healthcare OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2023, the Partnership reported a liability of $591,583 for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of $363.4 million. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2022. The Partnership's proportion of the Pre-Medicare Retiree Healthcare OPEB liability was based on the Partnership's calculated healthcare premium contributions, to include the December premium holiday amounts, as a percentage of the total employer's calculated healthcare premium contributions for all participating employers. At June 30, 2022, the Partnership's proportion was 0.16278% as compared to 0.14837% at June 30, 2021. For the year ended June 30, 2023, the Partnership recognized Pre-Medicare Retiree Healthcare OPEB expense of ($229,491).

At June 30, 2023, the Partnership reported deferred outflows of resources and deferred inflows of resources related to Pre-Medicare Retiree Healthcare from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 270,163
Change in assumptions	-	547,609
Changes in proportion	391,275	40,598
Amounts associated with transactions subsequent to the measurement date	64,685	-
Total	$ 455,960	$ 858,370

$64,685 reported as deferred outflows of resources related to the Pre-Medicare Retiree Healthcare OPEB resulting from amounts associated with transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pre-Medicare Retiree Healthcare OPEB will be recognized in the Pre-Medicare Retiree Healthcare OPEB expense as follows:

Year Ended June 30

FY 2024	$ (250,896)
FY 2025	$ (153,763)
FY 2026	$ (47,606)
FY 2027	$ (11,959)
FY 2028	$ (2,867)
Thereafter	$ -

Sensitivity of the Partnership's Proportionate Share of the OPEB Liability to Changes in the Discount Rate

The following presents the Partnership's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the discount rate of 3.54%, as well as what the Partnership's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current rate:

	1.00% Decrease 2.54%	Current Discount Rate 3.54%	1.00% Increase 4.54%
Partnership's proportionate share of the OPEB Liability	$ 624,503	$ 591,583	$ 559,355

Sensitivity of the Partnership's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trends Rates

The following presents the Partnership's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using a healthcare cost trend of 8.00% decreasing to 4.50%, as well as what the Partnership's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (7.00% decreasing to 3.50%) or one percentage point higher (9.00% decreasing to 5.50%) than the current rate:

	1.00% Decrease 7.00% decreasing to 3.50%	Trend Rate 8.00% decreasing to 4.50%	1.00% Increase 9.00% decreasing to 5.50%
Partnership's proportionate share of the OPEB Liability	$ 538,568	$ 591,583	$ 652,630

Actuarial Assumptions and Methods

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2022. The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 8.00 percent for medical and pharmacy and 4.0 percent for dental. The ultimate trend rates used were 4.50 percent for medical and pharmacy and 4.0 percent for dental.

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Measurement Date	June 30, 2022 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	5.86 years
Discount Rate	3.54%
Projected Salary Increases	5.35% to 3.50% based on years of service from 1 year to 20 years or more
Medical Trend Under 65	Medical & Rx: 8.00% to 4.50% Dental: 4.00%
Year of Ultimate Trend	2033
Mortality	Mortality rates vary by participant status and gender

Pre-Retirement:
Pub-2010 Benefits Weighted General Employee Rates projected generationally with a Modified MP-2021 Improvement Scale; females set forward 2 years

Post-Retirement:
Pub-2010 Benefits Weighted General Healthy Retiree Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for females

Post-Disablement:
Pub-2010 Benefits Weighted General Disabled Rates projected generationally with a Modified MP-2021 Improvement Scale; males and females set forward 3 years

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for males and females

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2022.

Changes of Assumptions

The following actuarial assumptions were updated since the June 30, 2021 valuation based on recent experience:

Retiree Participation	Reduced the rate from 40% to 35%

Retiree participation was based on a blend of recent experience and the prior year assumptions.

The trend rates were updated based on economic conditions as of June 30, 2022. Additionally, the discount rate was increased from 2.16% to 3.54% based on the Bond Buyers GO 20 Municipal Bond index as of June 30, 2023.

There were no plan changes in the valuation since the prior year.

15. DEFERRED COMPENSATION PLAN

Employees of the Partnership may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Partnership matching up to $20 per pay period. The dollar amount of the match can change depending on the funding available in the Partnership's budget. The Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. Employer contributions under the Deferred Compensation Plan were $35,991 for the year ended June 30, 2023.

16. RISK MANAGEMENT

The Partnership is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The Partnership is insured for these risks through commercial insurance policies. Further, the Partnership is insured for workers compensation and for loss from employee actions by an insurance policy issued by the Chubb Group and the Great Northern Insurance Company. Policy coverage for loss from employee actions is $50,000 per year with a $1,000 deductible for each loss.

The Partnership participates in the state health care insurance plan maintained by the Commonwealth of Virginia, which is administered by DHRM. The Partnership pays premiums to DHRM for health insurance coverage. Information relating to the Commonwealth's insurance plan is available at the statewide level in the Commonwealth of Virginia's Annual Comprehensive Financial Report.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

Schedule of Employer's Share of Net Pension Liability
VRS State Employee Retirement Plan
For the Measurement Dates of June 30, 2014 through 2022

Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.29036%	$13,177,756	$14,356,314	91.79%	83.26%
2021	0.26227%	$ 9,513,136	$12,192,249	78.03%	86.44%
2020	0.24079%	$17,444,893	$11,190,033	155.90%	72.15%
2019	0.21623%	$13,665,158	$9,408,574	145.24%	75.13%
2018	0.21507%	$11,643,000	$9,212,635	126.38%	77.39%
2017	0.19536%	$11,385,000	$7,937,681	143.43%	75.33%
2016	0.19429%	$12,805,000	$7,675,614	166.83%	71.29%
2015	0.20111%	$12,313,000	$7,745,983	158.96%	72.81%
2014	0.19015%	$10,646,000	$7,349,371	144.86%	74.28%

Schedule is intended to show information for 10 years. Since 2022 is the ninth year for this presentation, there are only nine years available. However, additional years will be included as they become available.

Required Supplementary Information

Schedule of Employer Contributions
VRS State Employee Retirement Plan
For the Years Ended June 30, 2014 through 2023

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2023	$2,444,199	$2,444,199	$ -	$16,903,174	14.46%
2022	$2,075,923	$2,075,923	$ -	$14,356,314	14.46%
2021	$1,762,999	$1,762,999	$ -	$12,192,249	14.46%
2020	$1,512,893	$1,512,893	$ -	$11,190,033	13.52%
2019	$1,272,040	$1,272,040	$ -	$9,408,574	13.52%
2018	$1,242,786	$1,242,786	$ -	$9,212,635	13.49%
2017	$1,070,793	$1,070,793	$ -	$7,937,681	13.49%
2016	$1,073,588	$1,073,588	$ -	$7,675,614	13.99%
2015	$955,080	$955,080	$ -	$7,745,983	12.33%
2014	$643,805	$643,805	$ -	$7,349,371	8.76%

VRS State Employee Retirement Plan

Notes to Required Supplementary Information for the Year Ended June 30, 2023

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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 for the VRS State Employee Retirement Plan as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement ages from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Required Supplementary Information

Schedule of Employer's Share of Net OPEB Liability
Health Insurance Credit Program (HIC)
For the Measurement Dates of June 30, 2017 through 2022

Date	Employer's Proportion of the Net HIC OPEB Liability (Asset)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability
2022	0.19026%	$1,558,558	$14,416,169	10.81%	21.52%
2021	0.17065%	$1,441,208	$12,297,449	11.72%	19.75%
2020	0.15667%	$1,438,240	$11,287,734	12.74%	12.02%
2019	0.13917%	$1,284,638	$9,483,774	13.55%	10.56%
2018	0.13799%	$1,259,000	$9,291,985	13.55%	9.51%
2017	0.12298%	$1,120,000	$7,937,681	14.11%	8.03%

Schedule is intended to show information for 10 years. Since 2022 is the sixth year for this presentation, there are only six years available. However, additional years will be included as they become available.

Required Supplementary Information

Schedule of Employer Contributions
Health Insurance Credit Program (HIC)
For the Years Ended June 30, 2014 through 2023

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2023	$189,824	$189,824	$ -	$16,948,529	1.12%
2022	$161,461	$161,461	$ -	$14,416,169	1.12%
2021	$137,731	$137,731	$ -	$12,297,449	1.12%
2020	$132,066	$132,066	$ -	$11,287,734	1.17%
2019	$110,961	$110,961	$ -	$9,483,774	1.17%
2018	$109,645	$109,645	$ -	$9,291,985	1.18%
2017	$93,665	$93,665	$ -	$7,937,681	1.18%
2016	$80,594	$80,594	$ -	$7,675,614	1.05%
2015	$81,333	$81,333	$ -	$7,745,983	1.05%
2014	$73,494	$73,494	$ -	$7,349,371	1.00%

Health Insurance Credit Program (HIC)

Notes to Required Supplementary Information for the Year Ended June 30, 2023

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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:

General State Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

SPORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Health Insurance Credit Program (HIC)

Notes to Required Supplementary Information for the Year Ended June 30, 2023

VaLORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

JRS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Decreased rates for ages 60-66 and 70-72
Withdrawal Rates	No change
Disability Rates	No change
Salary Scale	Reduce increases across all ages by 0.50%
Discount Rate	No change

Required Supplementary Information

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Program (GLI)
For the Measurement Dates of June 30, 2017 through 2022

Date	Employer's Proportion of the Net GLI OPEB Liability (Asset)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability
2022	0.06653%	$801,085	$14,471,169	5.54%	67.21%
2021	0.05958%	$693,673	$12,302,032	5.64%	67.45%
2020	0.05489%	$916,024	$11,296,900	8.11%	52.64%
2019	0.04875%	$793,292	$9,556,475	8.30%	52.00%
2018	0.04940%	$750,000	$9,394,198	7.98%	51.22%
2017	0.04314%	$649,000	$7,948,514	8.17%	48.86%

Schedule is intended to show information for 10 years. Since 2022 is the sixth year for this presentation, there are only six years available. However, additional years will be included as they become available.

Required Supplementary Information

Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2014 through 2023

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2023	$91,547	$91,547	$ -	$16,953,112	0.54%
2022	$78,144	$78,144	$ -	$14,471,169	0.54%
2021	$66,431	$66,431	$ -	$12,302,032	0.54%
2020	$58,744	$58,744	$ -	$11,296,900	0.52%
2019	$49,695	$49,695	$ -	$9,556,475	0.52%
2018	$48,850	$48,850	$ -	$9,394,198	0.52%
2017	$41,332	$41,332	$ -	$7,948,514	0.52%
2016	$36,876	$36,876	$ -	$7,682,448	0.48%
2015	$37,181	$37,181	$ -	$7,745,983	0.48%
2014	$35,277	$35,277	$ -	$7,349,371	0.48%

Group Life Insurance Program

Notes to Required Supplementary Information for the Year Ended June 30, 2023

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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:

General State Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Teachers:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

<u>Group Life Insurance Program</u>

<u>Notes to Required Supplementary Information for the Year Ended June 30, 2023</u>

SPORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

VaLORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

JRS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Decreased rates for ages 60-66 and 70-72
Withdrawal Rates	No change
Disability Rates	No change
Salary Scale	Reduce increases across all ages by 0.50%
Discount Rate	No change

Group Life Insurance Program

Notes to Required Supplementary Information for the Year Ended June 30, 2023

Largest Ten Locality Employers – General Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers – General Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Group Life Insurance Program

Notes to Required Supplementary Information for the Year Ended June 30, 2023

Largest Ten Locality Employers – Hazardous Duty Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers – Hazardous Duty Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Required Supplementary Information

Schedule of Employer's Share of Net OPEB Asset
Disability Insurance Program (VSDP)
For the Measurement Dates of June 30, 2017 through 2022

Date	Employer's Proportion of the Net VSDP OPEB Asset	Employer's Proportionate Share of the Net VSDP OPEB Asset	Employer's Covered Payroll	Employer's Proportionate Share of the Net VSDP OPEB Asset as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability
2022	0.30541%	$901,425	$14,057,482	6.41%	195.90%
2021	0.27681%	$954,220	$11,963,926	7.98%	229.01%
2020	0.25250%	$557,238	$10,941,815	5.09%	181.88%
2019	0.22412%	$439,713	$9,071,488	4.85%	167.18%
2018	0.22545%	$508,000	$8,891,622	5.71%	194.74%
2017	0.20066%	$412,000	$7,561,543	5.45%	186.63%

Schedule is intended to show information for 10 years. Since 2022 is the sixth year for this presentation, there are only six years available. However, additional years will be included as they become available.

Required Supplementary Information

Schedule of Employer Contributions
Disability Insurance Program (VSDP)
For the Years Ended June 30, 2014 through 2023

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2023	$101,060	$101,060	$ -	$16,567,206	0.61%
2022	$85,751	$85,751	$ -	$14,057,482	0.61%
2021	$72,980	$72,980	$ -	$11,963,926	0.61%
2020	$67,839	$67,839	$ -	$10,941,815	0.62%
2019	$56,243	$56,243	$ -	$9,071,488	0.62%
2018	$58,685	$58,685	$ -	$8,891,622	0.66%
2017	$49,907	$49,907	$ -	$7,561,543	0.66%
2016	$48,365	$48,365	$ -	$7,327,940	0.66%
2015	$48,911	$48,911	$ -	$7,410,796	0.66%
2014	$32,971	$32,971	$ -	$7,015,051	0.47%

Disability Insurance Program

Notes to Required Supplementary Information for the Year Ended June 30, 2023

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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:

General State Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

SPORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Disability Insurance Program

Notes to Required Supplementary Information for the Year Ended June 30, 2023

VaLORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Required Supplementary Information

Schedule of Employer's Share of Total OPEB Liability
Pre-Medicare Retiree Healthcare Program
For the Measurement Dates of June 30, 2017 through 2022

Date	Employer's Proportion of the collective total OPEB Liability	Employer's Proportionate Share of the collective total OPEB Liability	Employer's Covered-Employee Payroll	Employer's Proportionate Share of the collective total OPEB liability as a Percentage of its Covered-Employee Payroll
2022	0.16278%	$591,583	$15,212,663	3.89%
2021	0.14837%	$666,017	$13,090,628	5.09%
2020	0.13618%	$774,602	$11,832,283	6.55%
2019	0.12269%	$832,916	$10,095,487	8.25%
2018	0.12969%	$1,304,233	$9,358,038	13.94%
2017	0.11875%	$1,542,480	$7,945,015	19.41%

Schedule is intended to show information for 10 years. Since 2022 is the sixth year for this presentation, only six years of data is available. However, additional years will be included as they become available.

Pre-Medicare Retiree Healthcare Program

Notes to Required Supplementary Information for the Year Ended June 30, 2022

There are no assets accumulated in a trust to pay related benefits.

Changes of benefit terms – There have been no changes to the benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following actuarial assumptions were updated since the June 30, 2021 valuation based on recent experience:

Retiree Participation	Reduced the rate from 40% to 35%

Retiree participation was based on a blend of recent experience and the prior year assumptions.

The trend rates were updated based on economic conditions as of June 30, 2022. Additionally, the discount rate was decreased from 2.16% to 3.54% based on the Bond Buyers GO 20 Municipal Bond index as of June 30, 2023.

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

June 3, 2024

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Board of Directors
Virginia Economic Development Partnership

Jason El Koubi, President and CEO
Virginia Economic Development Partnership

INDEPENDENT AUDITOR'S REPORT

Report on Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the **Virginia Economic Development Partnership** (Partnership), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Partnership's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Partnership as of June 30, 2023, and the respective changes in financial position and the budgetary comparison for the General Fund and Special Revenue Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Partnership, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

Change in Accounting Principle

As discussed in Notes 1.G., 6, 7 and 8 of the accompanying financial statements, for the year ended June 30, 2023, the Partnership implemented Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements, related to accounting and financial reporting for subscription liabilities and right-to-use subscription assets. Our opinions are not modified with respect to this matter.

Correction of 2022 Financial Statements

As discussed in Notes 1.Q., 6 and 7 of the accompanying financial statements, the fiscal year 2022 financial statements have been restated to correct a misstatement. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Partnership's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements: Management's Discussion and Analysis on pages 3 through 7; the Schedule of Employer's Share of Net Pension Liability, the Schedule of Employer Contributions, and the Notes to Required Supplementary Information on pages 78 through 80; the Schedule of Employer's Share of Net OPEB Liability, the Schedule of Employer's Share of Net OPEB Asset, the Schedule of Employer Contributions, and the Notes to Required Supplementary Information for the Health Insurance Credit, Group Life Insurance, and Disability Insurance programs on pages 81 through 94; the Schedule of Employer's Share of Total OPEB Liability and the Notes to Required

Supplementary Information for the Pre-Medicare Retiree Healthcare program on pages 95 through 96. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the sections titled Who We Are, Our Partners, Leadership Message, Impact Metrics, Features, Project Case Studies, and Progress Reports, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 3, 2024, on our consideration of the Partnership's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Partnership's internal control over financial reporting and compliance.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

LCW/clj