



Virginia
Retirement
System

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

GASB No. 75 Schedules

With Independent Auditor's Report Thereon

For the Plan Year Ended June 30, 2018

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July 26, 2019

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

Report on the Schedule

We have audited the fiduciary net position as of June 30, 2018, and the changes in fiduciary net position for the year then ended, included in the accompanying Schedule of Changes in Fiduciary Net Position by Employer (Schedule) of the Virginia Retirement System Political Subdivision Health Insurance Credit Plans, and the related notes. We have also audited the fiduciary net position of each individual employer as of June 30, 2018, and the changes in fiduciary net position of each individual employer for the year then ended, included in the accompanying Schedule.

Management's Responsibility for the Schedule

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

Auditor's Responsibility

Our responsibility is to express opinions on the fiduciary net position and the changes in fiduciary net position included in the Schedule, in total and for each individual employer, based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fiduciary net position and changes in fiduciary net position included in the Schedule are free from material misstatement.

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

the risks of material misstatement of the fiduciary net position and the changes in fiduciary net position included in the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the fiduciary net position and the changes in fiduciary net position included in the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the Virginia Retirement System management, as well as evaluating the overall presentation of the fiduciary net position and the changes in fiduciary net position included in the Schedule.

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

Opinion

In our opinion, the Schedule referred to above presents fairly, in all material respects, the total fiduciary net position of the Virginia Retirement System Political Subdivision Health Insurance Credit Plans as of June 30, 2018, and the changes in fiduciary net position for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the Schedule referred to above presents fairly, in all material respects, the fiduciary net position of each individual employer as of June 30, 2018, and the changes in fiduciary net position for each individual employer for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Virginia Retirement System as of and for the year ended June 30, 2018, and our report thereon, dated December 14, 2018, expressed an unmodified opinion on those financial statements.

Restriction on Use

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

AUDITOR OF PUBLIC ACCOUNTS

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Virginia Retirement System
VRS Political Subdivision Health Insurance Credit Plans
Schedule of Changes in Fiduciary Net Position by Employer – Page 1 of 6
For the Plan Year Ended June 30, 2018

Employer Code	Entity	Employer Contributions	Employee Contributions	Net Investment Income	Benefit Payments	Administrative Expenses	Other Changes	Net Change of Fiduciary Net Position	Fiduciary Net Position Beginning of Year	Fiduciary Net Position End of Year
55100	Accomack County	\$ 27,514	\$ -	\$ 1,889	\$ (14,277)	\$ (57)	\$ (32)	\$ 15,037	\$ 21,661	\$ 36,698
55103	Amelia County	2,810	-	786	(1,985)	(20)	(54)	1,537	10,906	12,443
55104	Amherst County	9,237	-	8,582	(15,483)	(197)	(650)	1,489	123,064	124,553
55110	Bland County	4,456	-	306	(4,015)	(7)	(19)	721	4,280	5,001
55122	Craig County	127	-	2,595	(3,770)	(57)	(212)	(1,317)	37,857	36,540
55128	Essex County	7,299	-	756	(2,786)	(22)	(18)	5,229	8,947	14,176
55132	Fluvanna County	4,823	-	6,879	(6,797)	(161)	(501)	4,243	97,536	101,779
55136	Gloucester County	12,249	-	19,722	(22,036)	(457)	(1,448)	8,030	280,302	288,332
55139	Greene County	3,924	-	6,144	(8,429)	(140)	(465)	1,034	88,049	89,083
55140	Greensville County	3,711	-	5,709	(6,059)	(133)	(424)	2,804	80,904	83,708
55141	Halifax County	8,757	-	7,560	(13,907)	(173)	(580)	1,657	108,625	110,282
55142	Hanover County	86,037	-	36,348	(60,799)	(886)	(2,349)	58,351	503,381	561,732
55144	Henry County	3,940	-	22,604	(20,768)	(516)	(1,718)	3,542	323,602	327,144
55146	Isle of Wight County	11,235	-	12,396	(18,665)	(284)	(934)	3,748	177,183	180,931
55147	James City County	67,836	-	49,083	(87,727)	(1,138)	(3,562)	24,492	698,460	722,952
55154	Louisa County	9,726	-	6,785	(6,475)	(164)	(452)	9,420	94,222	103,642
55156	Madison County	1,683	-	4,655	(2,817)	(109)	(335)	3,077	65,530	68,607
55157	Mathews County	2,281	-	41	(1,497)	(2)	-	823	259	1,082
55163	New Kent County	10,039	-	1,003	(78)	(36)	-	10,928	10,187	21,115
55166	Northumberland County	220	-	3,326	(3,152)	(75)	(256)	63	47,697	47,760
55170	Patrick County	2,501	-	23	(240)	(3)	-	2,281	-	2,281
55171	Pittsylvania County	28,042	-	27,141	(44,133)	(624)	(2,018)	8,408	388,578	396,986
55172	Powhatan County	8,381	-	1,355	(1,604)	(40)	(42)	8,050	16,161	24,211
55176	Prince William County	437,022	-	248,484	(513,192)	(5,795)	(17,920)	148,599	3,499,828	3,648,427

Virginia Retirement System
VRS Political Subdivision Health Insurance Credit Plans
Schedule of Changes in Fiduciary Net Position by Employer – Page 2 of 6
For the Plan Year Ended June 30, 2018

Employer Code	Entity	Employer Contributions	Employee Contributions	Net			Other Changes	Net	Fiduciary Net Beginning of Year	Fiduciary Net End of Year
				Investment Income	Benefit Payments	Administrative Expenses		Change of Fiduciary Net Position		
55177	Pulaski County	13,542	-	11,559	(15,857)	(271)	(841)	8,132	163,740	171,872
55178	Rappahannock County	116	-	2,223	(2,873)	(50)	(173)	(757)	32,284	31,527
55180	Roanoke County	142,874	-	37,774	(107,448)	(941)	(2,370)	69,889	516,215	586,104
55183	Russell County	4,374	-	6,182	(9,286)	(141)	(472)	657	88,734	89,391
55185	Shenandoah County	8,953	-	15,683	(14,570)	(365)	(1,155)	8,546	222,416	230,962
55187	Southampton County	2,617	-	10,909	(16,738)	(242)	(883)	(4,337)	158,967	154,630
55189	Stafford County	39,175	-	54,252	(61,670)	(1,261)	(3,977)	26,519	768,415	794,934
55192	Tazewell County	6,661	-	20,256	(21,777)	(462)	(1,538)	3,140	290,043	293,183
55195	Washington County	2,195	-	16,035	(18,943)	(361)	(1,248)	(2,322)	231,507	229,185
55196	Westmoreland County	6,287	-	1,490	(2,738)	(39)	(79)	4,921	19,409	24,330
55197	Wise County	3,434	-	14,447	(13,496)	(331)	(1,097)	2,957	206,683	209,640
55198	Wythe County	2,080	-	9,724	(10,519)	(221)	(751)	313	139,777	140,090
55199	York County	77,571	-	62,659	(86,835)	(1,474)	(4,438)	47,483	884,769	932,252
55215	City of Radford	24,390	-	14,563	(39,229)	(330)	(1,130)	(1,736)	210,945	209,209
55217	City of Roanoke	22,982	-	6,618	(26,022)	(153)	(480)	2,945	95,733	98,678
55222	City of Winchester	25,179	-	29,758	(29,614)	(702)	(2,116)	22,505	418,933	441,438
55228	Town of Middletown	687	-	409	(838)	(9)	(31)	218	5,968	6,186
55230	City of Covington	17,319	-	7,271	(24,663)	(164)	(565)	(802)	104,804	104,002
55301	Town of Dumfries	1,530	-	2,007	(3,706)	(45)	(161)	(375)	28,921	28,546
55312	Town of Hamilton	1,188	-	57	(854)	(2)	(2)	387	740	1,127
55321	Town of Woodstock	9,161	-	4,663	(9,250)	(111)	(330)	4,133	65,280	69,413
55326	Town of Pearisburg	4,840	-	2,556	(6,678)	(58)	(189)	471	36,989	37,460
55332	City of Manassas	49,319	-	38,174	(75,077)	(873)	(2,882)	8,661	547,852	556,513
55342	Town of Lawrenceville	2,986	-	2,336	(3,570)	(55)	(165)	1,532	33,122	34,654

Virginia Retirement System
VRS Political Subdivision Health Insurance Credit Plans
Schedule of Changes in Fiduciary Net Position by Employer – Page 3 of 6
For the Plan Year Ended June 30, 2018

Employer Code	Entity	Employer Contributions	Employee Contributions	Net Investment Income	Benefit Payments	Administrative Expenses	Other Changes	Net Change of Fiduciary Net Position	Fiduciary Net Position Beginning of Year	Fiduciary Net Position End of Year
55344	Town of Stanley	1,706	-	1,611	(2,145)	(38)	(115)	1,019	22,642	23,661
55357	Town of Strasburg	3,653	-	5,035	(4,525)	(118)	(360)	3,685	70,838	74,523
55365	City of Poquoson	14,891	-	10,020	(18,707)	(232)	(719)	5,253	142,012	147,265
55385	Town of Kenbridge	529	-	829	(1,320)	(19)	(65)	(46)	11,969	11,923
55393	Town of Shenandoah	1,635	-	1,716	(2,336)	(40)	(128)	847	24,424	25,271
55396	Town of Kilmarnock	984	-	1,964	(828)	(47)	(136)	1,937	27,379	29,316
55411	Hampton Roads Sanitation District	94,824	-	60,533	(133,615)	(1,387)	(4,544)	15,811	870,334	886,145
55425	Colonial Behavioral Health	15,414	-	13,247	(17,419)	(311)	(940)	9,991	187,417	197,408
55440	Shenandoah Valley Juvenile Detention Home Comm	5,392	-	4,135	(8,056)	(95)	(315)	1,061	59,442	60,503
55447	Rappahannock Area Community Services Board	17,809	-	20,704	(17,046)	(491)	(1,437)	19,539	290,561	310,100
55450	Meherrin Regional Library	1,552	-	1,020	(707)	(25)	(62)	1,778	13,968	15,746
55454	Greensville-Emporia Social Services	4,798	-	1,428	(7,445)	(31)	(121)	(1,371)	21,299	19,928
55455	James City County Service Authority	8,467	-	7,150	(7,440)	(170)	(494)	7,513	100,269	107,782
55472	District 19 Community Services Board	12,183	-	20,288	(20,984)	(471)	(1,478)	9,538	287,372	296,910
55477	Frederick County Sanitation Authority	5,014	-	4,746	(6,102)	(111)	(343)	3,204	66,919	70,123
55478	Western Tidewater Community Services Board	25,450	-	23,532	(17,345)	(566)	(1,613)	29,458	328,362	357,820
55487	Capital Regional Airport Commission	17,946	-	1,611	(10,044)	(46)	-	9,467	16,157	25,624
55489	Harrisonburg/Rockingham Community Services Board	13,005	-	13,128	(14,182)	(310)	(924)	10,717	185,341	196,058
55493	Planning District 1 Behavioral Health Services Board	607	-	131	(954)	(3)	(12)	(231)	1,998	1,767
55502	Alleghany County School Board	11,107	-	277	(108)	(18)	-	11,258	-	11,258
55505	Appomattox County School Board	3,230	-	2,803	(3,946)	(66)	(200)	1,821	39,483	41,304
55508	Bath County School Board	5,664	-	795	(7,149)	(17)	(59)	(766)	12,000	11,234
55511	Botetourt County School Board	16,654	-	4,350	(14,888)	(104)	(289)	5,723	60,728	66,451
55517	Carroll County School Board	19,991	-	-	(22,554)	-	-	(2,563)	(22,541)	(25,104)

Virginia Retirement System
VRS Political Subdivision Health Insurance Credit Plans
Schedule of Changes in Fiduciary Net Position by Employer – Page 4 of 6
For the Plan Year Ended June 30, 2018

Employer Code	Entity	Employer Contributions	Employee Contributions	Net Investment Income	Benefit Payments	Administrative Expenses	Other Changes	Net	Fiduciary Net Position Beginning of Year	Fiduciary Net Position End of Year
								Change of Fiduciary Net Position		
55522	Winchester Public Schools	5,669	-	5,625	(7,819)	(131)	(401)	2,943	80,243	83,186
55523	Culpeper County School Board	7,812	-	17,469	(17,427)	(402)	(1,291)	6,161	248,574	254,735
55530	Covington School Board	2,753	-	645	(5,157)	(12)	(67)	(1,838)	10,129	8,291
55536	Gloucester County School Board	18,538	-	9,627	(28,591)	(214)	(747)	(1,387)	140,388	139,001
55541	Halifax County School Board	12,049	-	7,501	(26,709)	(160)	(647)	(7,966)	112,185	104,219
55552	Lee County School Board	19,589	-	4,941	(25,655)	(109)	(405)	(1,639)	73,881	72,242
55553	Loudoun County School Board	116,631	-	113,245	(129,029)	(2,667)	(8,051)	90,129	1,603,988	1,694,117
55554	Louisa County Public Schools	16,552	-	16,413	(19,442)	(385)	(1,178)	11,960	233,117	245,077
55571	Pittsylvania County School Board	26,449	-	1	(22,067)	-	-	4,383	(9,753)	(5,370)
55574	Prince George County School Board	17,292	-	268	(11,700)	(10)	-	5,850	-	5,850
55576	Prince William County Schools	126,680	-	105,718	(128,649)	(2,500)	(7,449)	93,800	1,496,157	1,589,957
55578	Rappahannock County Schools	4,683	-	3,113	(4,989)	(73)	(222)	2,512	44,285	46,797
55582	Rockingham County School Board	52,735	-	29,228	(72,469)	(667)	(2,239)	6,588	423,804	430,392
55583	Russell County School Board	31,329	-	-	(33,696)	-	-	(2,367)	(35,495)	(37,862)
55589	Stafford County Schools	19,152	-	18,142	(26,099)	(421)	(1,340)	9,434	259,153	268,587
55595	Washington County School Board	20,581	-	539	(25,889)	(8)	(80)	(4,857)	10,401	5,544
55597	Wise County Schools	4,882	-	13,331	(24,873)	(293)	(1,098)	(8,051)	195,541	187,490
55598	Wythe County School Board	10,847	-	1,919	(15,773)	(40)	(189)	(3,236)	30,447	27,211
55606	Franklin City Public Schools	868	-	2,346	(3,241)	(53)	(183)	(263)	33,851	33,588
55612	Brunswick County Public Schools	6,354	-	3,403	(7,579)	(79)	(247)	1,852	48,442	50,294
55615	Campbell County School Board	20,469	-	12,722	(34,373)	(285)	(1,027)	(2,494)	185,488	182,994
55617	Roanoke City Schools	4,036	-	3,664	(2,754)	(88)	(247)	4,611	50,781	55,392
55619	Staunton City School Board	7,334	-	1,774	(10,140)	(38)	(149)	(1,219)	26,702	25,483
55632	City of Manassas School Board	8,790	-	13,103	(16,752)	(300)	(982)	3,859	187,114	190,973

Virginia Retirement System
VRS Political Subdivision Health Insurance Credit Plans
Schedule of Changes in Fiduciary Net Position by Employer – Page 5 of 6
For the Plan Year Ended June 30, 2018

Employer Code	Entity	Employer Contributions	Employee Contributions	Net				Net	Fiduciary Position Beginning of Year	Fiduciary Net Position End of Year
				Investment Income	Benefit Payments	Administrative Expenses	Other Changes	Change of Fiduciary Net		
55633	Franklin County Schools	25,348	-	22,970	(34,226)	(535)	(1,685)	11,872	326,378	338,250
55635	City of Salem Schools	8,875	-	4,693	(11,482)	(108)	(359)	1,619	67,711	69,330
55636	Manassas Park City Schools	1,826	-	3,422	(2,096)	(81)	(243)	2,828	48,240	51,068
55637	Newport News Public Schools	17,419	-	2,298	(480)	(74)	(53)	19,110	27,090	46,200
55802	Williamsburg-James City County Schools	11,165	-	23,057	(20,665)	(535)	(1,683)	11,339	327,773	339,112
55803	Poquoson City School Board	4,269	-	822	(6,687)	(16)	(76)	(1,688)	12,888	11,200
55814	Jackson River Vocational Technical Center	425	-	6	(543)	-	(1)	(113)	130	17
55866	Hampton Roads Transportation Accountability Commission	326	-	41	(5)	(1)	-	361	465	826
55867	Pamunkey Regional Library	3,177	-	426	(1,313)	(12)	(10)	2,268	5,271	7,539
55868	Northern Virginia Transportation Authority	736	-	166	(28)	(5)	(6)	863	2,045	2,908
55874	Meherrin River Regional Jail Authority	8,872	-	4,288	(1,193)	(111)	(234)	11,622	57,318	68,940
55883	Western Virginia Regional Jail Authority	8,887	-	8,630	(4,003)	(210)	(558)	12,746	119,018	131,764
55886	Russell County Public Service Authority	766	-	844	(734)	(20)	(58)	798	11,830	12,628
55897	Prince William County Service Authority	43,908	-	23,616	(44,708)	(560)	(1,635)	20,621	330,863	351,484
55904	Appalachian Juvenile Commission	7,653	-	1,715	(8,477)	(40)	(129)	722	24,534	25,256
55909	Henry County Public Service Authority	7,222	-	3,329	(9,827)	(76)	(246)	402	48,040	48,442
55914	Rappahannock Juvenile Center	7,046	-	3,127	(9,300)	(72)	(229)	572	44,550	45,122
55918	Amherst County Service Authority	3,238	-	2,786	(5,307)	(63)	(208)	446	39,934	40,380
55919	Pepper's Ferry Regional Wastewater Authority	3,097	-	2,272	(3,904)	(54)	(160)	1,251	32,312	33,563
55927	New River Resource Authority	939	-	1,494	(335)	(36)	(99)	1,963	20,646	22,609
55929	Greensville County Water & Sewer Authority	2,628	-	2,992	(2,100)	(72)	(202)	3,246	41,637	44,883
55930	Petersburg Redevelopment & Housing Authority	3,014	-	1,855	(3,698)	(43)	(136)	992	26,300	27,292
55932	Virginia Coalfield Economic Development Authority	698	-	237	(575)	(6)	(16)	338	3,311	3,649
55940	Monacan Soil & Water Conservation District	472	-	503	(111)	(12)	(32)	820	6,885	7,705

Virginia Retirement System
VRS Political Subdivision Health Insurance Credit Plans
Schedule of Changes in Fiduciary Net Position by Employer – Page 6 of 6
For the Plan Year Ended June 30, 2018

Employer Code	Entity	Employer Contributions	Employee Contributions	Net			Other Changes	Net	Fiduciary Position Beginning of Year	Fiduciary Net Position End of Year
				Investment Income	Benefit Payments	Administrative Expenses		Change of Fiduciary Net Position		
55944	Central Virginia Waste Management Authority	952	-	603	(656)	(15)	(40)	844	8,310	9,154
55947	Tidewater Youth Services Commission	6,486	-	2,830	(6,905)	(67)	(193)	2,151	39,545	41,696
55957	Wise County Redevelopment & Housing Authority	2,805	-	1,082	(3,867)	(24)	(86)	(90)	15,629	15,539
55964	Virginia Biotechnology Research Park Authority	780	-	67	(790)	(2)	(5)	50	985	1,035
55977	Southside Regional Jail	4,682	-	3,054	(5,231)	(72)	(217)	2,216	42,969	45,185
55978	Evergreen Soil & Water Conservation District	12	-	-	-	-	-	12	-	12
55979	Roanoke Higher Education Authority	1,376	-	1,432	(606)	(35)	(93)	2,074	19,694	21,768
55983	Southside Community Services Board	14,347	-	13,421	(13,414)	(319)	(931)	13,104	187,391	200,495
Total Political Subdivision Plans		\$ 2,291,335	\$ -	\$ 1,569,645	\$ (2,706,925)	\$ (36,684)	\$ (113,278)	\$ 1,004,093	\$ 22,166,953	\$ 23,171,046

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

Virginia Retirement System
Political Subdivision Health Insurance Credit Plans
Notes to GASB No. 75 Schedules
For the Plan Year Ended June 30, 2018

Note 1. Summary of Significant Accounting Policies

Description of the Entity

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

Administration and Management

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

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

The System issues a Comprehensive Annual Financial Report (CAFR) containing the financial statements and required supplementary information for all of the System’s pension and other employee benefit trust funds. The CAFR is publicly available through the About VRS link on the VRS website at www.varetire.org, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer, PO Box 2500, Richmond, VA 23218-2500. The pension and other employee benefit trust funds administered by the VRS are classified as fiduciary funds and are included in the basic financial statements of the Commonwealth of Virginia.

Other Post-Employment Benefits (OPEB) – Health Insurance Credit (HIC)

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

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

Plan Description

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

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

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

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

Benefit Amounts

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

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

Health Insurance Credit Program Notes:

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

Contributions

The contribution requirement for active employees is governed by §51.1-1402(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. For the year ended June 30, 2018, the employer contribution rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Note 3. Long-Term Expected Rate of Return

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

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

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%

Note 4. Additional Financial and Actuarial Information

Additional financial information supporting the preparation of the VRS Political Subdivision Plan Schedules (including the financial statements and the unmodified audit opinion thereon, and required supplementary information) is presented in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR is publicly available through the About VRS link on the VRS website at www.varetire.org, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer, PO Box 2500, Richmond, VA 23218-2500.