



**Department of Human Resource Management**

**Commonwealth of Virginia State Health Plans Program  
For Pre-Medicare Retirees**

**GASB No. 75 Schedules**

**For the Fiscal Year Ending June 30, 2024  
with Select Information for Fiscal Year 2025  
Measurement Date June 30, 2024**

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Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
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September 9, 2025

The Honorable Glenn Youngkin  
Governor of Virginia

Joint Legislative Audit  
and Review Commission

Janet L. Lawson, Director  
Department of Human Resource Management

## INDEPENDENT AUDITOR'S REPORT

### **Report on the Schedules**

#### *Opinions*

We have audited the Schedule of Employer Allocations of the Department of Human Resource Management State Health Plans Program for Pre-Medicare Retirees as of and for the year ended June 30, 2024, and the related notes. We have also audited the total for all state employers of the columns titled OPEB Liability, Total OPEB Expense, Total Deferred Outflows of Resources, and Total Deferred Inflows of Resources (specified column totals) included in the accompanying Schedule of OPEB Liability and OPEB Expense and Schedule of Deferred Outflows and Deferred Inflows of Resources of the Department of Human Resource Management State Health Plans Program for Pre-Medicare Retirees (schedules of OPEB amounts) as of and for the year ended June 30, 2024, and the related notes. In addition, we have audited the accompanying Schedule of Benefit Payments of the Department of Human Resource Management State Health Plans Program for Pre-Medicare Retirees as of and for the year ended June 30, 2025, and the related notes.

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations, OPEB liability, total OPEB expense, total deferred outflows of resources, and total deferred inflows of resources for the total of all participating state employers for the Department of Human Resource Management State Health Plan Program for Pre-Medicare Retirees as of and for the year ended June 30, 2024, and benefit payments as of and for the year ended June 30, 2025, 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). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedules section of our report. We are required to be independent of the Department of Human Resource Management, 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.

### *Responsibilities of Management for the Schedules*

Management is responsible for the preparation and fair presentation of the schedules 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 schedules that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibilities for the Audit of the Schedules*

Our objectives are to obtain reasonable assurance about whether the Schedule of Employer Allocations, Schedule of Benefit Payments, and the specified column totals included in the schedules of OPEB amounts 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 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 Schedule of Employer Allocations, Schedule of Benefit Payments, and the specified column totals included in the schedules of OPEB amounts.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedule of Employer Allocations, Schedule of Benefit Payments, and the specified column totals included in the schedules of OPEB amounts, 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 Schedule of Employer Allocations, Schedule of Benefit Payments, and the specified column totals included in the schedules of OPEB amounts.

- 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 Department of Human Resource Management'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 Schedule of Employer Allocations, Schedule of Benefit Payments, and the specified column totals included in the schedules of OPEB amounts.

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.

*Restriction on Use*

Our report is intended solely for the information and use of the Governor, the Joint Legislative Audit and Review Commission, Department of Human Resource Management, and Department of Human Resource Management State Health Plans Program for Pre-Medicare Retirees employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Staci A. Henshaw  
AUDITOR OF PUBLIC ACCOUNTS

SDB/clj

**Department of Human Resource Management  
State Health Plans Program for Pre-Medicare Retirees  
Schedule of Employer Allocations**

**For the Plan Year Ended and Measurement Date of June 30, 2024**

Employer Code	Employer Name	June 30, 2024	
		Employer Contributions	Employee Allocation Percentage
20600	VCU Health System Authority	2,384,465	0.1867%
36000	Fort Monroe Authority	285,676	0.0224%
40700	Virginia Port Authority	-	0.0000%
	All Other State Agencies	\$ 1,274,636,387	99.7909%
	Total for All State Employers	1,277,306,528	100.0000%

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

**Department of Human Resource Management  
State Health Plans Program for Pre-Medicare Retirees  
Schedule of OPEB Liability and OPEB Expense**

**For the Plan Year Ended and Measurement Date of June 30, 2024**

Employer Code	Employer Name	OPEB Liability	Total OPEB Expense
20600	VCU Health System Authority	\$ 665,511	\$ (700,977)
36000	Fort Monroe Authority	79,733	(37,443)
40700	Virginia Port Authority	-	(7,952)
	All Other State Agencies	355,754,944	(104,056,565)
	Total for All State Employers	\$ 356,500,188	\$ (104,802,937)

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

**Department of Human Resource Management**  
**State Health Plans Program for Pre-Medicare Retirees**  
**Schedule Of Deferred Outflows and Deferred Inflows of Resources**  
**For the Plan Year Ended and Measurement Date of June 30, 2024**

Employer Code	Employer	Deferred Outflow of Resources				Deferred Inflows of Resources			
		Difference Between Expected and Actual Experience	Change of Assumptions	Changes in Proportionate Share	Total Deferred Outflows of Resources	Difference Between Expected and Actual Experience	Change of Assumptions	Changes in Proportionate Share	Total Deferred Inflows of Resources
20600	VCU Health System Authority	\$ 13,341	\$ 13,050	\$ -	\$ 26,391	\$ 80,120	\$ 234,194	\$ 1,026,106	\$ 1,340,420
36000	Fort Monroe Authority	1,598	1,563	5,002	8,163	9,599	28,058	23,154	60,811
40700	Virginia Port Authority	-	-	1	1	-	-	9,921	9,921
	All Other State Agencies	7,131,627	6,975,770	38,130,638	52,238,035	42,828,710	125,190,588	37,076,460	205,095,758
	<b>Total for All State Employers</b>	<b>\$ 7,146,566</b>	<b>\$ 6,990,383</b>	<b>\$ 38,135,641</b>	<b>\$ 52,272,590</b>	<b>\$ 42,918,429</b>	<b>\$ 125,452,840</b>	<b>\$ 38,135,641</b>	<b>\$ 206,506,910</b>

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

**Department of Human Resource Management**  
**State Health Plans Program for Pre-Medicare Retirees**  
**Schedule of Benefit Payments**  
**For Fiscal Year Ended June 30, 2025**

Employer Code	Employer Name	Benefit Payments FY 2025
20600	VCU Health System Authority	\$ 60,540
36000	Fort Monroe Authority	7,253
40700	Virginia Port Authority	-
	All Other State Agencies	32,362,671
	<b>Total for All State Employers</b>	<b>\$ 32,430,464</b>

The accompanying notes are an integral part of the Schedule of Benefit Payments.

**Department of Human Resource Management**  
**State Health Plans Program for Pre-Medicare Retirees**  
**Notes to GASB No. 75 Schedules**  
**For the Fiscal Year Ended June 30, 2024**

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

***Pre-Medicare Retiree Healthcare Plan***

Pre-Medicare Retiree Healthcare 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 Commonwealth of Virginia 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.

**Note 2: General Information about Pre-Medicare Retiree Healthcare**

The Department of Human Resource Management (Human Resource Management) is an agency of the Commonwealth of Virginia. Human Resource Management is the administrator of the Commonwealth's employee health insurance program. 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 retirees:

- You are a retiring state employee who is eligible for a monthly retirement benefit from the Virginia Retirement System (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 from 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 3,235 retirees and 96,895 active employees in the program as of June 30, 2024. 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.

**Note 3: 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, 2024. 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 7.50 percent for medical and pharmacy and 4.00 percent for dental. The ultimate trend rates used were 4.50 percent for medical and pharmacy and 4.00 percent for dental.

Measurement Date	June 30, 2024 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	5.80 years
Discount Rate	3.93%
Projected Salary Increases	5.35% to 3.5% based on years of service from 1 year to 20 years or more

Medical Trend Under 65	Medical & Rx: 7.50% to 4.50% Dental: 4.00%
Year of Ultimate Trend	2034
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 Benefits Weighted General 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, 2024.

*Changes of Assumptions:* There were not any changes in assumptions since the June 30, 2022, measurement date. The following remained constant since the prior measurement date:

- Spousal Coverage - rate remained at 20 percent
- Retiree Participation - rate remained at 35 percent

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, 2024. Additionally, the discount rate was increased from 3.65% to 3.93% based on the Bond Buyers GO 20 Municipal Bond Index as of June 30, 2024.

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

**Note 4: Pre-Medicare Retiree Healthcare OPEB Liability**

The Commonwealth's Pre-Medicare Retiree Healthcare total OPEB liability of \$356.5 million was measured as of June 30, 2024, and was determined by an actuarial valuation as of June 30, 2024 (\$ millions):

**Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
<b>Balance at 6/30/23</b>	\$ 351.9
<b>Changes for the year:</b>	
Service cost	22.5
Interest	13.2
Changes of benefit terms	0.0
Difference between Expected and Actual Experience	(11.6)
Changes of Assumptions	8.4
Benefit Payments	(27.9)
<b>Net Changes</b>	<u>4.6</u>
<b>Balance at 6/30/24</b>	<u>\$ 356.5</u>

***Sensitivity Analysis***

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the Commonwealth, as well as what the Commonwealth's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.93 percent) or 1-percentage-point higher (4.93 percent) than the current discount rate (\$ millions):

	<b>1% Decrease (2.93%)</b>	<b>Current Rate (3.93%)</b>	<b>1% Increase (4.93%)</b>
Total OPEB liability	\$ 378.2	\$ 356.5	\$ 335.9

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability of the Commonwealth, as well as what the Commonwealth's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.50 percent decreasing to 3.50 percent) or 1-percentage-point higher (8.50 percent decreasing to 5.50 percent) than the current healthcare cost trend rates (\$ millions):

	<b>1% Decrease (6.50% decreasing to 3.50%)</b>	<b>Trend Rate (7.50% decreasing to 4.50%)</b>	<b>1% Increase (8.50% decreasing to 5.50%)</b>
Total OPEB Liability	\$ 324.0	\$ 356.5	\$ 394.2

**Note 5: Deferred Outflows/Inflows of Resources**

For the Measurement date of June 30, 2024 and year ended June 30, 2025, the Commonwealth recognized Pre-Medicare Retiree Healthcare OPEB contra expense of \$104.8 million. At June 30, 2025, the Commonwealth reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (\$ millions):

	Deferred Outflows	Deferred Inflows
Difference between actual and expected experience	\$ 7.1	\$ (42.9)
Changes of assumptions	7.0	(125.5)
Changes in proportion	38.1	(38.1)
Rounding Adjustment	<u>0.1</u>	<u>0.0</u>
Sub Total	\$ 52.3	\$ (206.5)
Amounts associated with transactions subsequent to the measurement date	\$ <u>32.4</u>	\$ <u>N/A</u>
Total	<u>\$ 84.7</u>	<u>\$ (206.5)</u>

Deferred outflows of resources related to the Pre-Medicare Retiree Healthcare OPEB resulting from amounts associated with transactions subsequent to the measurement date were \$32.4 million. These amounts will be recognized as a reduction of the total OPEB liability in the fiscal year ending June 30, 2026.

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 (\$ millions):

**Year End June 30:**

2026	\$ (80.2)
2027	\$ (48.2)
2028	\$ (23.8)
2029	\$ (1.6)
2030	\$ (0.4)
Thereafter	\$ (0.0)

**Note 6: Employer Contributions**

To establish each employer's portion of the OPEB liability, Human Resource Management uses each employer's calculated premium contribution as a percentage of the total calculated contributions for each year. The total calculated employer contributions for fiscal year 2024 were \$1,277,306,528. Once each percentage is calculated, the percentage for each employer is multiplied by the total OPEB liability to determine each employer's portion of the OPEB liability.

**Note 7: Benefit Payments**

Total benefit payments represent actual payments made subsequent to the measurement date of June 30, 2024. The amount also includes administrative expenses directly related to the OPEB subsequent to the measurement date. The total benefit payment amount is allocated to each employer based on the employer's percentage of total calculated employer contributions. Total benefit payments subsequent to the measurement date of June 30, 2024, are:

Pre-Medicare Retiree Claims	\$ 69,962,880
Pre-Medicare Retiree Contributions	(39,655,993)
OPEB Administrative Expenses	<u>2,123,577</u>
Benefit Payments	\$ 32,430,464

**Note 8: Contact Information for DHRM**

Please contact The Department of Human Resource Management for questions and concerns:

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