



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, 2019

Table of Contents

Independent Auditor's Report.....	3
VRS Political Subdivision Health Insurance Credit Plans – Schedule of Changes in Fiduciary Net Position.....	5
VRS Political Subdivision Health Insurance Credit Plans – Notes to GASB No. 75 Schedule	11



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

July 28, 2020

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

INDEPENDENT AUDITOR'S REPORT

Report on the Schedule

We have audited the fiduciary net position as of June 30, 2019, 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, 2019, 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

www.apa.virginia.gov | (804) 225-3350 | reports@apa.virginia.gov

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, 2019, 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, 2019, 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, 2019, and our report thereon, dated December 13, 2019, 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.

Martha S. Mavredes
AUDITOR OF PUBLIC ACCOUNTS

ZLB/clj

Virginia Retirement System
VRS Political Subdivision Health Insurance Credit Plans
Schedule of Changes in Fiduciary Net Position by Employer
For the Plan Year Ended June 30, 2019

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	\$ 28,789	\$ —	\$ 2,959	\$ (17,701)	\$ (66)	\$ (3)	\$ 13,978	\$ 36,698	\$ 50,676
55103	Amelia County	3,541	—	872	(1,858)	(20)	(1)	2,534	12,443	14,977
55104	Amherst County	9,311	—	7,802	(13,832)	(168)	(9)	3,104	124,553	127,657
55110	Bland County	4,954	—	324	(4,339)	(7)	—	932	5,001	5,933
55122	Craig County	391	—	2,201	(3,801)	(47)	(2)	(1,258)	36,540	35,282
55128	Essex County	7,610	—	1,066	(3,666)	(26)	(1)	4,983	14,176	19,159
55132	Fluvanna County	5,048	—	6,500	(6,146)	(142)	(8)	5,252	101,779	107,031
55136	Gloucester County	12,652	—	18,334	(18,636)	(398)	(22)	11,930	288,332	300,262
55139	Greene County	3,980	—	5,571	(7,500)	(120)	(7)	1,924	89,083	91,007
55140	Greensville County	3,163	—	5,291	(5,820)	(115)	(6)	2,513	83,708	86,221
55141	Halifax County	7,750	—	6,808	(13,855)	(146)	(8)	549	110,282	110,831
55142	Hanover County	80,463	—	37,527	(60,311)	(828)	(45)	56,806	561,732	618,538
55144	Henry County	2,294	—	20,410	(17,372)	(440)	(24)	4,868	327,144	332,012
55146	Isle of Wight County	15,467	—	11,590	(16,834)	(254)	(14)	9,955	180,931	190,886

Virginia Retirement System
VRS Political Subdivision Health Insurance Credit Plans
Schedule of Changes in Fiduciary Net Position by Employer
For the Plan Year Ended June 30, 2019

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
55147	James City County	74,871	—	46,337	(82,782)	(1,004)	(19,114)	18,308	722,952	741,260
55149	King And Queen County	1,747	—	26	(1,123)	(1)	—	649	—	649
55154	Louisa County	8,616	—	6,846	(6,037)	(151)	(8)	9,266	103,642	112,908
55156	Madison County	1,645	—	4,385	(2,846)	(95)	(5)	3,084	68,607	71,691
55157	Mathews County	3,730	—	175	(1,687)	(5)	—	2,213	1,082	3,295
55163	New Kent County	11,299	—	1,878	(401)	(47)	(2)	12,727	21,115	33,842
55166	Northumberland County	1,826	—	3,055	(2,463)	(67)	(3)	2,348	47,760	50,108
55170	Patrick County	1,943	—	69	(3,473)	—	—	(1,461)	2,281	820
55171	Pittsylvania County	27,906	—	25,066	(37,661)	(543)	(30)	14,738	396,986	411,724
55172	Powhatan County	8,411	—	1,897	(2,308)	(44)	(2)	7,954	24,211	32,165
55176	Prince William County	460,047	—	232,424	(499,530)	(5,112)	(274)	187,555	3,648,427	3,835,982
55177	Pulaski County	12,233	—	10,938	(14,565)	(238)	(13)	8,355	171,872	180,227
55178	Rappahannock County	535	—	1,939	(2,657)	(41)	(2)	(226)	31,527	31,301
55180	Roanoke County	142,727	—	39,488	(114,650)	(862)	(47)	66,656	586,104	652,760

Virginia Retirement System
VRS Political Subdivision Health Insurance Credit Plans
Schedule of Changes in Fiduciary Net Position by Employer
For the Plan Year Ended June 30, 2019

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
55183	Russell County	2,788	—	5,480	(8,828)	(117)	(7)	(684)	89,391	88,707
55185	Shenandoah County	7,947	—	14,757	(11,356)	(321)	(17)	11,010	230,962	241,972
55187	Southampton County	2,561	—	9,436	(13,456)	(202)	(11)	(1,672)	154,630	152,958
55189	Stafford County	38,396	—	50,657	(51,533)	(1,106)	(60)	36,354	794,934	831,288
55192	Tazewell County	4,496	—	18,218	(19,469)	(393)	(21)	2,831	293,183	296,014
55195	Washington County	3,046	—	14,100	(16,628)	(304)	(16)	198	229,185	229,383
55196	Westmoreland County	5,493	—	1,704	(3,514)	(38)	(2)	3,643	24,330	27,973
55197	Wise County	2,143	—	13,036	(12,921)	(281)	(15)	1,962	209,640	211,602
55198	Wythe County	1,824	—	8,695	(9,316)	(187)	(10)	1,006	140,090	141,096
55199	York County	73,808	—	59,868	(78,442)	(1,313)	(71)	53,850	932,252	986,102
55215	City of Radford	27,628	—	13,074	(34,904)	(285)	(15)	5,498	209,209	214,707
55217	City of Roanoke	26,085	—	6,415	(20,719)	(143)	(8)	11,630	98,678	110,308
55222	City of Winchester	25,691	—	28,569	(25,661)	(626)	(33)	27,940	441,438	469,378
55228	Town of Middletown	861	—	401	(738)	(9)	—	515	6,186	6,701

Virginia Retirement System
VRS Political Subdivision Health Insurance Credit Plans
Schedule of Changes in Fiduciary Net Position by Employer
For the Plan Year Ended June 30, 2019

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
55230	City of Covington	17,440	—	6,328	(25,663)	(135)	(7)	(2,037)	104,002	101,965
55300	Town Of Abingdon	8,909	—	93	(7,250)	(2)	—	1,750	—	1,750
55301	Town of Dumfries	1,665	—	1,793	(3,270)	(38)	(2)	148	28,546	28,694
55312	Town of Hamilton	1,465	—	102	(846)	(2)	—	719	1,127	1,846
55321	Town of Woodstock	8,508	—	4,463	(9,647)	(96)	(6)	3,222	69,413	72,635
55326	Town of Pearisburg	5,682	—	2,408	(5,794)	(52)	(2)	2,242	37,460	39,702
55332	City of Manassas	55,729	—	35,076	(73,009)	(756)	(41)	16,999	556,513	573,512
55342	Town of Lawrenceville	2,743	—	2,223	(3,037)	(49)	(2)	1,878	34,654	36,532
55344	Town of Stanley	1,836	—	1,491	(2,595)	(32)	(2)	698	23,661	24,359
55357	Town of Strasburg	3,505	—	4,780	(3,985)	(104)	(6)	4,190	74,523	78,713
55365	City of Poquoson	16,003	—	9,308	(18,268)	(203)	(11)	6,829	147,265	154,094
55385	Town of Kenbridge	608	—	747	(1,119)	(16)	(1)	219	11,923	12,142
55393	Town of Shenandoah	1,521	—	1,614	(2,127)	(35)	(2)	971	25,271	26,242
55396	Town of Kilmarnock	867	—	1,961	(396)	(42)	(2)	2,388	29,316	31,704

Virginia Retirement System
VRS Political Subdivision Health Insurance Credit Plans
Schedule of Changes in Fiduciary Net Position by Employer
For the Plan Year Ended June 30, 2019

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
55411	Hampton Roads Sanitation District	107,815	—	56,110	(124,158)	(1,216)	(66)	38,485	886,145	924,630
55425	Colonial Behavioral Health	14,391	—	12,651	(15,594)	(278)	(15)	11,155	197,408	208,563
55440	Shenandoah Valley Juvenile Detention Home Comm	4,595	—	3,770	(7,074)	(81)	(5)	1,205	60,503	61,708
55447	Rappahannock Area Community Services Board	14,463	—	20,047	(13,415)	(439)	(24)	20,632	310,100	330,732
55450	Meherrin Regional Library	1,064	—	1,043	(553)	(23)	(1)	1,530	15,746	17,276
55454	Greensville-Emporia Social Services	5,459	—	1,188	(6,968)	(25)	(1)	(347)	19,928	19,581
55455	James City County Service Authority	8,002	—	6,922	(9,131)	(151)	(8)	5,634	107,782	113,416
55456	Accomack/Northampton Plan	1,940	—	30	(1,370)	(1)	—	599	—	599
55472	District 19 Community Services Board	13,346	—	18,950	(18,414)	(413)	(22)	13,447	296,910	310,357
55477	Frederick County Sanitation Authority	5,230	—	4,559	(4,815)	(100)	(6)	4,868	70,123	74,991
55478	Western Tidewater Community Services Board	19,712	—	23,404	(14,115)	(513)	(28)	28,460	357,820	386,280
55487	Capital Regional Airport Commission	18,732	—	1,982	(12,265)	(45)	(2)	8,402	25,624	34,026
55489	Harrisonburg/Rockingham Community Services Board	10,800	—	12,552	(12,487)	(275)	(15)	10,575	196,058	206,633
55493	Planning District 1 Behavioral Health Services Board	549	—	94	(987)	(2)	—	(346)	1,767	1,421

Virginia Retirement System
VRS Political Subdivision Health Insurance Credit Plans
Schedule of Changes in Fiduciary Net Position by Employer
For the Plan Year Ended June 30, 2019

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
55502	Alleghany County School Board	11,006	—	1,194	(1,886)	(29)	(1)	10,284	11,258	21,542
55505	Appomattox County School Board	2,550	—	2,575	(4,190)	(56)	(3)	876	41,304	42,180
55508	Bath County School Board	6,084	—	609	(8,186)	(12)	(1)	(1,506)	11,234	9,728
55511	Botetourt County School Board	20,358	—	4,490	(15,917)	(99)	(6)	8,826	66,451	75,277
55517	Carroll County School Board	25,185	—	—	(23,028)	—	—	2,157	(25,104)	(22,947)
55522	Winchester Public Schools	5,607	—	5,329	(6,477)	(116)	(6)	4,337	83,186	87,523
55523	Culpeper County School Board	7,016	—	16,116	(13,506)	(349)	(18)	9,259	254,735	263,994
55530	Covington School Board	5,260	—	576	(4,543)	(13)	(1)	1,279	8,291	9,570
55536	Gloucester County School Board	25,674	—	8,837	(27,377)	(190)	(10)	6,934	139,001	145,935
55541	Halifax County School Board	14,865	—	6,088	(26,739)	(128)	(7)	(5,921)	104,219	98,298
55552	Lee County School Board	18,894	—	4,165	(33,657)	(79)	(5)	(10,682)	72,242	61,560
55553	Loudoun County School Board	121,225	—	109,411	(109,555)	(2,394)	(129)	118,558	1,694,117	1,812,675
55554	Louisa County Public Schools	14,822	—	15,700	(15,930)	(342)	(18)	14,232	245,077	259,309
55571	Pittsylvania County School Board	28,909	—	5	(23,420)	—	—	5,494	(5,370)	124

Virginia Retirement System
VRS Political Subdivision Health Insurance Credit Plans
Schedule of Changes in Fiduciary Net Position by Employer
For the Plan Year Ended June 30, 2019

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
55574	Prince George County School Board	21,211	—	669	(14,867)	(14)	(1)	6,998	5,850	12,848
55576	Prince William County Schools	123,765	—	103,070	(104,630)	(2,257)	(122)	119,826	1,589,957	1,709,783
55578	Rappahannock County Schools	3,205	—	2,973	(4,261)	(64)	(3)	1,850	46,797	48,647
55582	Rockingham County School Board	58,393	—	27,512	(65,253)	(591)	(32)	20,029	430,392	450,421
55583	Russell County School Board	32,001	—	—	(35,194)	—	—	(3,193)	(37,862)	(41,055)
55589	Stafford County Schools	19,683	—	17,081	(24,731)	(370)	(20)	11,643	268,587	280,230
55595	Washington County School Board	21,443	—	100	(25,502)	(1)	—	(3,960)	5,544	1,584
55597	Wise County Schools	6,789	—	11,293	(22,858)	(241)	(13)	(5,030)	187,490	182,460
55598	Wythe County School Board	11,429	—	1,507	(15,620)	(30)	(2)	(2,716)	27,211	24,495
55599	York County School Board	34,311	—	1,107	(15,426)	(28)	(1)	19,963	—	19,963
55606	Franklin City Public Schools	756	—	2,069	(2,741)	(44)	(2)	38	33,588	33,626
55612	Brunswick County Public Schools	5,782	—	3,195	(6,891)	(69)	(3)	2,014	50,294	52,308
55615	Campbell County School Board	21,624	—	11,207	(33,307)	(239)	(13)	(728)	182,994	182,266
55617	Roanoke City Schools	5,161	—	3,762	(1,400)	(84)	(5)	7,434	55,392	62,826

Virginia Retirement System
VRS Political Subdivision Health Insurance Credit Plans
Schedule of Changes in Fiduciary Net Position by Employer
For the Plan Year Ended June 30, 2019

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
55619	Staunton City School Board	7,484	—	1,489	(10,338)	(31)	(2)	(1,398)	25,483	24,085
55632	City of Manassas School Board	7,721	—	12,003	(14,734)	(259)	(14)	4,717	190,973	195,690
55633	Franklin County Schools	24,036	—	21,449	(32,016)	(462)	(25)	12,982	338,250	351,232
55635	City of Salem Schools	7,318	—	4,257	(12,020)	(90)	(5)	(540)	69,330	68,790
55636	Manassas Park City Schools	819	—	3,268	(1,434)	(71)	(3)	2,579	51,068	53,647
55637	Newport News Public Schools	18,571	—	3,893	(9)	(91)	(5)	22,359	46,200	68,559
55802	Williamsburg-James City County Schools	9,260	—	21,491	(17,320)	(466)	(25)	12,940	339,112	352,052
55803	Poquoson City School Board	4,681	—	621	(6,550)	(12)	(1)	(1,261)	11,200	9,939
55814	Jackson River Vocational Technical Center	271	—	(1)	(491)	—	—	(221)	17	(204)
55859	Williamsburg Area Transit Authority	1,335	—	32	—	(2)	8,303	9,668	—	9,668
55860	Middle Peninsula Juvenile Detention Commission	1,366	—	33	—	(2)	10,757	12,154	—	12,154
55866	Hampton Roads Transportation Accountability Commission	745	—	88	—	(2)	—	831	826	1,657
55867	Pamunkey Regional Library	3,205	—	546	(1,890)	(13)	(1)	1,847	7,539	9,386
55868	Northern Virginia Transportation Authority	1,758	—	256	(366)	(6)	—	1,642	2,908	4,550

Virginia Retirement System
VRS Political Subdivision Health Insurance Credit Plans
Schedule of Changes in Fiduciary Net Position by Employer
For the Plan Year Ended June 30, 2019

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
55874	Meherrin River Regional Jail Authority	9,093	—	4,886	(388)	(110)	(6)	13,475	68,940	82,415
55883	Western Virginia Regional Jail Authority	8,380	—	8,857	(2,109)	(195)	(10)	14,923	131,764	146,687
55886	Russell County Public Service Authority	695	—	839	(488)	(18)	(1)	1,027	12,628	13,655
55897	Prince William County Service Authority	36,426	—	22,192	(37,946)	(488)	(26)	20,158	351,484	371,642
55904	Appalachian Juvenile Commission	8,716	—	1,648	(7,996)	(37)	(2)	2,329	25,256	27,585
55909	Henry County Public Service Authority	8,033	—	3,005	(9,816)	(65)	(3)	1,154	48,442	49,596
55914	Rappahannock Juvenile Center	8,895	—	2,975	(8,405)	(65)	(3)	3,397	45,122	48,519
55918	Amherst County Service Authority	2,525	—	2,503	(4,530)	(54)	(3)	441	40,380	40,821
55919	Pepper's Ferry Regional Wastewater Authority	3,189	—	2,147	(3,308)	(47)	(2)	1,979	33,563	35,542
55926	Scott County Soil & Water Conservation District	260	—	12	—	—	—	272	—	272
55927	New River Resource Authority	557	—	1,491	—	(33)	(2)	2,013	22,609	24,622
55929	Greensville County Water & Sewer Authority	2,057	—	2,928	(1,473)	(64)	(3)	3,445	44,883	48,328
55930	Petersburg Redevelopment & Housing Authority	3,020	—	1,718	(3,922)	(37)	(2)	777	27,292	28,069
55932	Virginia Coalfield Economic Development Authority	748	—	244	(500)	(5)	—	487	3,649	4,136

Virginia Retirement System
VRS Political Subdivision Health Insurance Credit Plans
Schedule of Changes in Fiduciary Net Position by Employer
For the Plan Year Ended June 30, 2019

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
55940	Monacan Soil & Water Conservation District	360	—	516	—	(11)	(1)	864	7,705	8,569
55944	Central Virginia Waste Management Authority	1,052	—	613	(533)	(14)	(1)	1,117	9,154	10,271
55947	Tidewater Youth Services Commission	5,464	—	2,620	(6,762)	(57)	(3)	1,262	41,696	42,958
55957	Wise County Redevelopment & Housing Authority	3,364	—	987	(3,600)	(21)	(1)	729	15,539	16,268
55964	Virginia Biotechnology Research Park Authority	902	—	75	(735)	(2)	—	240	1,035	1,275
55977	Southside Regional Jail	6,137	—	2,893	(6,546)	(64)	(3)	2,417	45,185	47,602
55978	Evergreen Soil And Water Conservation District	164	—	11	—	—	—	175	12	187
55979	Roanoke Higher Education Authority	2,172	—	1,501	(641)	(33)	(2)	2,997	21,768	24,765
55982	Daniel Boone Soil And Water Conservation District	382	—	19	—	(1)	—	400	—	400
55983	Southside Community Services Board	13,497	—	13,072	(10,823)	(288)	(15)	15,443	200,495	215,938
55995	Holston River Soil And Water Conservation District	171	—	5	—	—	—	176	—	176
		<u>\$ 2,406,132</u>	<u>\$ —</u>	<u>\$ 1,489,699</u>	<u>\$ (2,564,472)</u>	<u>\$ (32,491)</u>	<u>\$ (1,745)</u>	<u>\$ 1,297,123</u>	<u>\$ 23,171,046</u>	<u>\$ 24,468,169</u>

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, 2019

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 varetire.org, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer, P.O. 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

Eligible Employees

The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993, for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.

Eligible employees of participating employers are enrolled automatically upon employment. They include

- 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, 2019, the employer contribution rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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	Weighted Average
		Long-Term Expected Rate of Return	Long-Term Expected Rate of Return*
Public Equity	34.00 %	5.61 %	1.91 %
Fixed Income	15.00 %	0.88 %	0.13 %
Credit Strategies	14.00 %	5.13 %	0.72 %
Real Assets	14.00 %	5.27 %	0.74 %
Private Equity	14.00 %	8.77 %	1.23 %
MAPS - Multi -Asset Public Strategies	6.00 %	3.52 %	0.21 %
PIP- Private Investment Partnership	3.00 %	6.29 %	0.19 %
Total	100.00 %		5.13 %
	Inflation		2.50 %
	* Expected arithmetic nominal return		7.63 %

* The above allocation provides a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. 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.

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 2019 *Comprehensive Annual Financial Report* (CAFR). A copy of the 2019 VRS CAFR is publicly available through the About VRS link on the VRS website at varetire.org, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer, P.O. Box 2500, Richmond, VA 23218-2500.