



Virginia Tech Innovation Campus



Modine Manufacturing Co., Buena Vista



Trex Company, Frederick County

VEDP

Virginia
Economic
Development
Partnership

Annual Report

FISCAL YEAR 2021



GSK, Richmond



Acoustical Sheetmetal, Virginia Beach

Annual Report

FISCAL YEAR 2021

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Waterside District, Norfolk



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Chief Operating Officer, Dewberry

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As of July 1, 2021; the service of the following VEDP Board members concluded in FY21: Heather Engel (Managing Partner, Strategic Cyber Partners), William "Bill" Hayter (President and CEO, The First Bank & Trust Company), The Honorable Aubrey L. Layne, Jr. (former Secretary of Finance, Commonwealth of Virginia), and John F. Reinhart (former CEO and Executive Director, The Port of Virginia).

Selected Accomplishments

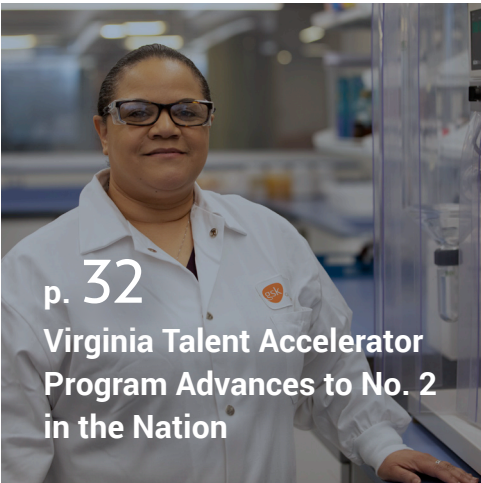
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A Call to Action: VEDP's Response to the Economic Challenges of COVID-19



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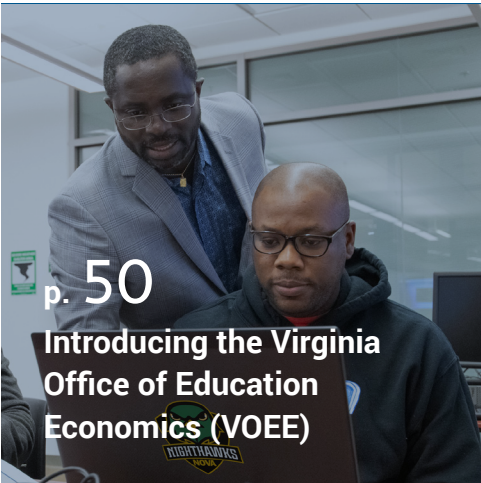
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#1 **Top State for Business**
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Launch of Team Virginia

Pictured Above (left to right): Civica (Rendering), Petersburg; Governor Ralph Northam and Secretary Brian Ball; GSK, Richmond; Norfolk International Terminals, The Port of Virginia, Norfolk; Virginia Tech Innovation Campus Rendering, Alexandria; Southern Virginia Megasite at Berry Hill, Pittsylvania County; U.S. Routes 23 and 58 Intersection, Norton; Northern Virginia Community College; Downtown Winchester; America's Top State for Business (CNBC, 2021)



WHO WE ARE

The Virginia Economic Development Partnership (VEDP) is the state economic development authority for the Commonwealth of Virginia. Created in 1995, VEDP collaborates with local, regional, and state partners to encourage the expansion and diversification of Virginia's economy. VEDP works to accomplish these objectives through a variety of activities, including marketing and lead generation; business retention, expansion, and attraction; trade development; business intelligence; competitive benchmarking; site development; performance-based incentives; and talent solutions.

Working closely with partners, VEDP has adopted five transformational goals for Virginia and VEDP that represent the central focus of its work:

1. **Robust State Growth.** Position Virginia to achieve a growth rate in employment and median earned income among that of the top 5-10 states in the U.S.
2. **Every Region Wins.** Ensure that every region participates in the growth of the Commonwealth (i.e., all with positive growth in employment and median earned income).
3. **Best State for Business.** Restore Virginia to its previous position near the top of the national business climate rankings (i.e., average rank among the top 3-5 states).
4. **Top State EDO.** Reestablish and sustain VEDP as one of America's most effective state economic development organizations.
5. **Super Collaborator.** Exhibit collaboration and coordination as hallmarks of VEDP (i.e., place a central focus on the "P" in VEDP).

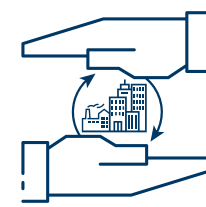
VEDP

DIVISIONS



MARKETING & COMMUNICATIONS

Markets the Commonwealth to raise awareness of Virginia's advantages for business and to cultivate new leads



BUSINESS INVESTMENT

Collaborates with partners to implement lead generation, project management, and business retention and expansion strategies



INTERNATIONAL TRADE

Provides export development programs, services, and grants to help Virginia companies grow their international sales



TALENT SOLUTIONS

Provides workforce programs that position Virginia to be competitive in securing new business investment projects



RESEARCH

Conducts in-depth analysis and creates tailored client materials that convey Virginia's competitive advantages



ECONOMIC COMPETITIVENESS

Develops strategies to improve the foundations for state, regional, and local economic growth



EXTERNAL AFFAIRS

Oversees the budget, legislative, and policy development process; encourages collaboration and coordination among partners



INCENTIVES

Reviews, vets, tracks, and coordinates VEDP's performance-based incentive programs, along with incentive structuring for major projects



FISCAL AND SUPPORT SERVICES

Provides a financial framework for VEDP to accomplish its mission through accounting, budgeting, and procurement



HUMAN RESOURCES

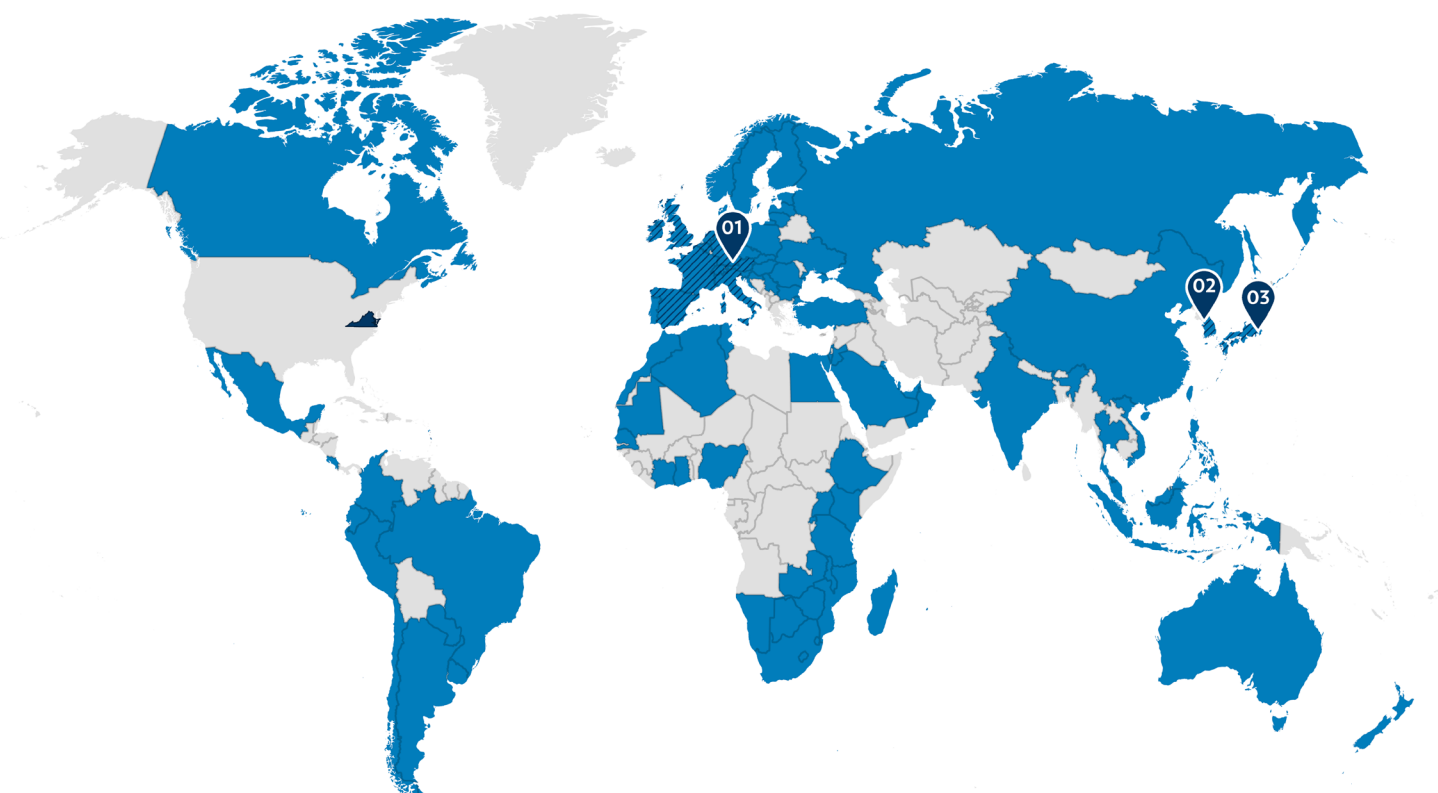
Seeks to hire, retain, and develop the best and the brightest to accomplish VEDP's mission and goals



INFORMATION TECHNOLOGY

Supports VEDP's technology platforms, including a variety of custom tech solutions

VEDP's Global Network



FOREIGN DIRECT INVESTMENT OFFICES
VEDP's international business investment offices implement lead generation strategies to identify and convert high-potential foreign direct investment leads and prospects into project opportunities for Virginia.

01

Europe

02

Korea

03

Japan

TRADE REPRESENTATION
VEDP's network of international research consultants covers more than 85 countries around the world. These experts provide in-country market research for Virginia exporters, specific to the needs and opportunities for each individual company.

- Algeria • Argentina • Australia • Austria • Bahrain • Belgium • Botswana • Brazil • Bulgaria
Canada • Chile • China • Colombia • Costa Rica • Côte d'Ivoire • Croatia • Czech Republic
Denmark • Ecuador • Egypt • Estonia • Ethiopia • Finland • France • Germany • Ghana
Hong Kong • Hungary • India • Indonesia • Ireland • Israel • Italy • Japan • Jordan
Kenya • Kuwait • Latvia • Lesotho • Lithuania • Macau • Madagascar • Malawi • Malaysia
Mauritania • Mauritius • Mexico • Morocco • Mozambique • Namibia • Netherlands
New Zealand • Nigeria • Norway • Oman • Paraguay • Peru • Philippines • Poland
Portugal • Qatar • Romania • Russia • Rwanda • Saudi Arabia • Senegal • Serbia
Seychelles • Singapore • Slovakia • Slovenia • South Africa • South Korea • Spain
Swaziland • Sweden • Switzerland • Taiwan • Tanzania • Thailand • Tunisia • Turkey
UAE • Uganda • Ukraine • United Kingdom • Uruguay • Vietnam • Zambia • Zimbabwe

Our Partners

VEDP conducts its work in collaboration with hundreds of economic development partners. Core VEDP partners include the Governor and the Administration, Virginia General Assembly, other state agencies, 18 regional economic development organizations, over 100 local economic development partners, utilities, railroads, and trade associations.



Regional Economic Development Organizations



Innovation lives here.
NORTHERN VIRGINIA



■ Unaffiliated localities



Leadership Message

We began FY21 following one of the most productive time periods for VEDP since its formation a quarter century ago.

The ongoing global pandemic and its economic consequences created a new set of challenges and opportunities for VEDP and our partners across the Commonwealth.

We are working collaboratively to position Virginia for a healthy economic recovery, focused on economic development initiatives that will accelerate Virginia's return to pre-COVID-19 employment levels as well as drive robust state job and wage growth over the next several years under an updated strategic plan that considers the impacts of the pandemic.

Despite the many challenges associated with COVID-19, VEDP completed substantially all of the big goals we set for FY21, including exceeding our goals for VEDP-assisted job creation and capital investment. We also made progress on many major initiatives that will drive a healthy economic recovery for Virginia.

This annual report highlights some of VEDP's notable accomplishments in FY21, all of which were made possible in large part by the great work and support of our local, regional, and state partners, including

Governor Northam, Secretary of Commerce and Trade Brian Ball, Former Secretary of Finance Aubrey Layne, Secretary of Agriculture and Forestry Bettina Ring, the Virginia General Assembly, members and staff of the Major Employment and Investment (MEI) Commission, The Port of Virginia, the Virginia Chamber of Commerce, the Virginia Economic Developers Association (VEDA), county and city government leaders, and hundreds of state, local, and regional economic development partners, among others.

Through a combination of leadership, dedicated staff work, and active support from our partners, VEDP and Virginia have made substantial progress toward achieving each of our five transformational goals (see page 67). Indeed, we are farther along than any of us could have imagined when we completed our five-year Strategic Plan in FY18. Nevertheless, there is much left to do.

Over the next few years, VEDP's mission will be more important than ever as Virginia works to fully recover from the pandemic.

Thank you for your interest in VEDP, as well as your support of economic development in the Commonwealth of Virginia. Together we are positioning Virginia for a healthy economic future.



NED W. MASSEE
Board Chair FY20-21



DAN M. PLEASANT
Board Chair FY22



STEPHEN MORET
President and CEO



A Solid Year for Business Development – in Spite of the Pandemic

BUSINESS INVESTMENT

VEDP-assisted project announcements

105
PROJECTS

11,715
DIRECT JOBS

\$4.8B
CAPITAL INVESTMENT

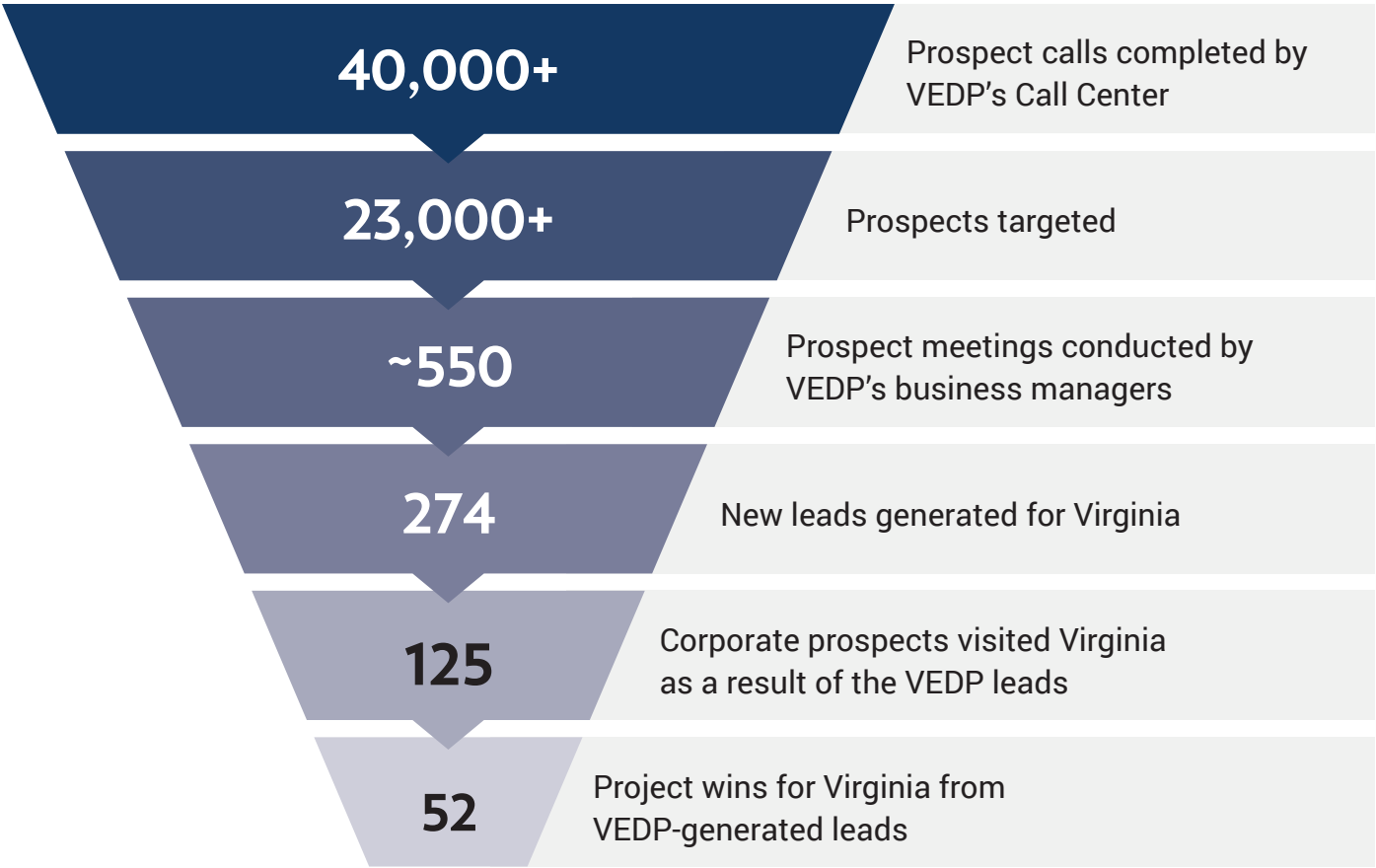
VEDP had a strong FY21, in spite of the pandemic. Working closely with local, regional, and state partners, VEDP substantially exceeded its capital investment goal and secured VEDP-assisted job-creation commitments in excess of its goal. While COVID-19 significantly impacted the FY21 lead generation program, canceling more than 30% of all planned activities, VEDP achieved 88% of its leads generation goal and 96% of its converted-leads goal.

VEDP-generated leads

274
LEADS

181
LEADS
CONVERTED

FY21 LEAD GENERATION PROGRAM BY THE NUMBERS



BUSINESS INVESTMENT: PARTNER AND CLIENT SATISFACTION

VEDP implements partner and client surveys to assist in evaluating project management effectiveness. The program received high approval in FY21.

Project management

Strongly Agree Agree Disagree

Overall average response that VEDP effectively manages economic development projects





In the three years since Amazon announced that Arlington would be home to its highly sought-after HQ2, Northern Virginia's innovation ecosystem has been supercharged. Access to tech talent was a critical site selection factor, and hiring for HQ2 is picking up steam. Representing an investment of more than \$2.5 billion, HQ2 will create 25,000 Amazon jobs over the next decade and thousands of indirect jobs across the region. Already, there are more than 3,000 Amazon HQ2 employees—more than double this time last year—and the company is actively hiring for 2,500 additional roles at its HQ2.

“

When I joined Amazon, I was excited for the opportunity to work at HQ2 and for the opportunity to raise my family in Northern Virginia. We love to take advantage of the area's biking and hiking trails in nearby parks and enjoy the close proximity to the nation's Capital. One of our favorite things to do has been to go to the community music series event that takes place at a park right across the street from HQ2.

—

MEG ROSE

Software Development Manager, Amazon

INTERNATIONAL TRADE

330 COMPANIES PARTICIPATED IN INTERNATIONAL TRADE PROGRAMS AND SERVICES

137

Market research provided by VEDP staff and a network of in-country consultants to help Virginia exporters access opportunities and market information in more than 80 countries.

83

State Trade Expansion Program (STEP) offers grant funding for international travel and global marketing activities.

82

Trade missions and trade shows place Virginia exporters directly in front of potential international customers and include 12 missions hosted by VEDP per year and participation in three major international trade shows.

54

Virginia Leaders in Export Trade (VALET) program is a two-year export accelerator program assisting participating companies to develop and implement an international sales strategy utilizing the full range of VEDP’s export development resources.

48

Regional Export Program (REP) gives exporters access to a range of VEDP International Trade services and ongoing counseling to reach specific export goals in just one year.

43

Trade show program (TSP) provides resources for Virginia exporters exhibiting individually at international trade shows.

21

Global Defense Program (GDP) is designed to meet the specific needs of exporters in the defense industry and provides participants with access to VEDP’s services to target one or two global markets over one year.

9

Global E-Commerce Program aims to boost participants’ international e-commerce sales, exposing them to resources needed to reach international customers.

INTERNATIONAL TRADE CLIENT SATISFACTION

International Trade achieved exceptionally high scores for the quality of its programs and services in FY21.

98%

Companies that were “extremely likely” or “likely” to recommend VEDP’s export assistance programs to other Virginia companies

97%

Companies that rated the quality of VEDP International Trade’s export assistance as “excellent” or “above average”

96%

Companies that were “extremely likely” or “likely” to use VEDP International Trade for export assistance in the future

99%

Companies that say VEDP International Trade helped their company work toward achieving its strategic international goals

“

I would not have an international business without the help and expertise of VEDP. Our success is directly attributable to the time and talents offered by VEDP.

LARRY GLOSS
Executive Director,
BluVector Inc.



BluVector Inc., Arlington

PERFORMANCE METRICS

VEDP International Trade delivered a solid performance in FY21, despite the challenges presented this year. While international trade of goods and services slowed dramatically, over 330 Virginia companies utilized VEDP’s export assistance programs to expand their international sales and meet new customers overseas. These companies reported strong international sales numbers, attributing over \$550 million in new or existing sales to their work with VEDP. In total, almost 5,000 jobs in the Commonwealth in FY21 can be attributed to the work of VEDP’s International Trade Division.

Performance metric (FY21)	Description	Actual
Companies enrolled in programs	Number of companies enrolled in VEDP Trade programs	330
International sales	Existing international sales attributed to VEDP Trade programs	\$377M
	New or increased international sales attributed to VEDP Trade programs	\$293M
	Total international sales attributed to VEDP Trade programs	\$670M
Trade-supported jobs	Trade-supported jobs from companies enrolled in VEDP Trade programs	6,030

Paul's Fan Company in Buchanan County manufactures and installs custom mining ventilation systems. Responding to changes in the mining industry, the company turned to VEDP's International Trade division to diversify its customer base, ultimately launching a new line of products and opening a new facility in Grundy.

“

The VALET Program was instrumental in pushing us to evolve and grow as a company. It propelled us to make decisions and changes that have allowed us to expand operations, grow our employee numbers, and compete in the global marketplace. We see endless opportunities ahead of us now for future sales growth around the world.

TODD ELSWICK
President, Paul's Fan



VIRGINIA JOBS INVESTMENT PROGRAM (VJIP)

270

Client projects supported with the VJIP incentive

82

Localities which had a VJIP-supported project

55%

Over half of VEDP-assisted project wins were supported by the VJIP incentive

37%

VJIP was the only VEDP discretionary incentive for 37% of project wins (39 projects representing 4,855 jobs and \$697M CapEx)

29

VEDP-assisted project wins led by the Talent Solutions regional team (projects representing 2,401 jobs and \$278M CapEx)

\$24.29

Average hourly wage for VJIP projects

98%

FY21 VJIP Client Satisfaction survey respondents "strongly agree" or "agree" that VJIP contributed to their growth and success in VA



Acoustical Sheetmetal Company in Virginia Beach has enhanced its workforce through funding for employee training activities provided by the Virginia Jobs Investment Program. Lead electrician Kyle Blanco is one employee who has benefited from that support, enrolling in the electrical certification program at Tidewater Community College.

“

Through targeted professional development, I earned a promotion within eight months of starting at Acoustical Sheetmetal. I've been able to improve my life because of the investment the company made in me.

KYLE BLANCO
Lead Electrician, Acoustical Sheetmetal





FEATURES

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- 09 Launch of Team Virginia

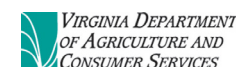
A Call to Action: VEDP's Response to the Economic Challenges of COVID-19

Since the beginning of the pandemic, VEDP actively supported Virginia's COVID-19 response efforts by providing economic impact analyses to the Economic Crisis Strike Force, led by Secretary of Commerce and Trade Brian Ball, and recommending state and federal actions to offset the economic effects of social distancing guidelines. VEDP also helped address acute supply/demand mismatches of personal protective equipment (PPE) used by healthcare providers and first responders by reaching out to hundreds of Virginia companies for donations and identifying third-party expertise options to help coordinate and advise state-level PPE efforts. VEDP worked with the Virginia Small Business Financing Authority to advise on the development of the "Rebuild Virginia" recovery fund for small businesses. This fund provided grant dollars to thousands of Virginia small businesses, focusing on those who were not able to access federal support programs. The program has distributed over \$145M to more than 3,000 small businesses across the Commonwealth – over 60% were women, veteran, or minority-owned.

When the more permanent effects of the pandemic became clear, VEDP took action to rapidly adjust to the new economic reality and plan for long-term impacts. As industries and supply chains started to chart a new path forward, the team responded quickly by targeting select companies within industries critical to North America's COVID-19 response. With in-person meetings no longer possible, VEDP conducted virtual site tours with prospects. To understand the competitive landscape emerging from the pandemic, VEDP launched an effort with its regional partners that leveraged consultant support to update strategies for attracting and growing businesses.

VEDP has continued to provide briefings in frequent calls with local, regional, and state partners organized by the Virginia Economic Developers Association (VEDA); coordinated monthly calls with Virginia's regional economic development organization (REDO) leaders; and regularly provided customized economic impact briefings to a variety of chambers of commerce and other trade associations. VEDP and its partners are collaborating on these and other efforts to accelerate Virginia's economic recovery from COVID-19.

PARTICIPATING PARTNERS:



Virginia Talent Accelerator Program Advances to No. 2 in the Nation

In April 2021, the Governor announced that STS Group AG will invest \$39 million to establish its first U.S. manufacturing operation in Wythe County, creating 120 new jobs. STS joined a critical mass of companies that chose a Virginia location in FY21, thanks in part to the highly customized training and recruitment support offered from the Virginia Talent Accelerator Program. Combined, these companies will create 2,417 new jobs for Virginians.

The STS announcement exemplifies how the Virginia Talent Accelerator Program helps rural and small metros compete for vital job creation projects (see more in the case study on page 58). VEDP launched the program in FY20 in collaboration with the Virginia Community College System and support from the Governor and General Assembly. The job creation incentive provides training and recruitment solutions customized to each company’s unique processes, equipment, and culture.

The Virginia Talent Accelerator Program also equips metro area communities with a powerful advantage as they compete for game-changing projects. In FY21, Petersburg landed two new pharmaceutical manufacturing operations and catapulted itself to the forefront of bio-pharma manufacturing destinations. The Virginia Talent Accelerator Program offered a level of customized recruitment and training support not available in competitor states, helping convince both companies to choose Petersburg and create a combined 324 high-paying jobs for area residents (see more in the case study on page 58).

The Virginia Talent Accelerator Program team now includes 25 highly experienced professionals with expertise in talent acquisition, video services, visualization services, instructional design, learning technologies, manufacturing technologies, and organizational development. The program’s work is gaining national notoriety. In its first full year of operations, the Virginia Talent Accelerator Program helped Virginia advance in both national rankings of top workforce development programs, moving from No. 7 to No. 4 in *Area Development’s* and from No. 7 to No. 3 in *Business Facilities’* ranking. In its second year, the program advanced to No. 2 in both rankings, putting VEDP well on the way toward reaching its ultimate goal of having the best program in America by 2023.

“

The Virginia Talent Accelerator team members are thought leaders — they bring special expertise and resources that helped us design and execute on our commitments... When you have deadlines and projects with a huge impact, like we had, it’s very nice to have partners who we could trust and who walked lockstep with us.

DANA ALLISON
Human Resources Director, GSK



GSK, Richmond

Services include:

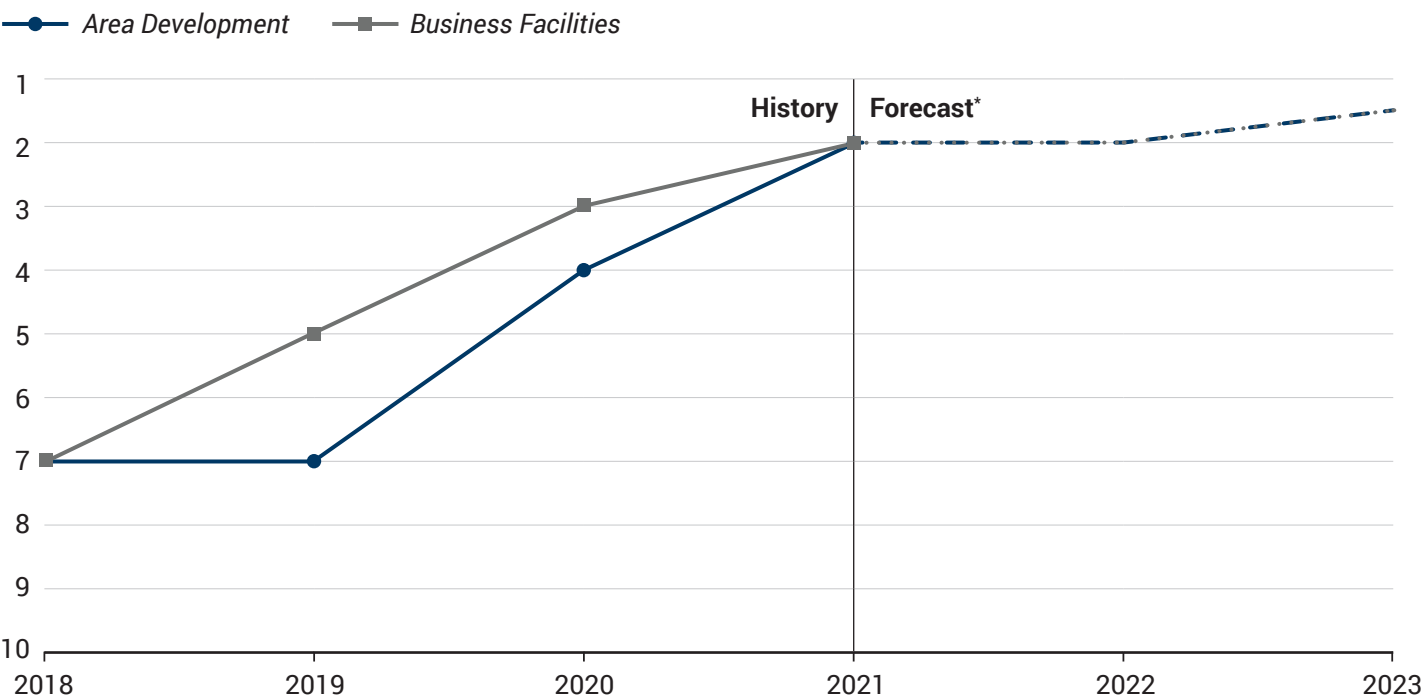
Recruiting:

- Ad design/production
- AI-enabled ad placements
- Website design
- Event coordination

Training:

- Hands-on training
- Simulations
- Classroom training
- E-learning
- 3D Illustrations
- Animations
- Broadcast-quality video

State workforce program rankings
2018–projected 2023



*Forecast assumes FY23 funding increase of \$2.35M is approved to enable program to reach full capacity and serve projects statewide.

Source: *Area Development; Business Facilities; VEDP forecast*

In March 2020, Morgan Olson began hiring production workers as part of its three-year plan to open a walk-in van assembly facility in Southern Virginia. With support from the Virginia Talent Accelerator Program, Morgan Olson is on track to hire 703 employees in half the planned time, reducing new hire turnover by 80% relative to the rates the company experiences in other states.

“

I was employed by IKEA Industry, then the plant closed. I started the Virginia Talent Accelerator Program's leadership training with an engineer mindset, not ever having been in a supervisory role. The training was a very good experience, and I certainly gained a lot from it. Now, I've been given the opportunity to be Morgan Olson's Operations Manager.

JUSTIN SHELTON

Operations Manager, Morgan Olson



Implementing Virginia’s First Comprehensive International Trade Plan

In November 2019, Governor Northam unveiled the first-ever comprehensive International Trade Strategic Plan (ITSP) for Virginia, laying out an ambitious strategy to help Virginia’s businesses become stronger, more resilient, and more competitive in the international marketplace. With a goal of growing the Commonwealth’s exports by 50% over the next 15 years, the plan calls for expanding the reach and impact of VEDP’s existing trade development programs and attracting new export-intensive companies to Virginia. To prepare for full implementation of the plan, VEDP’s International Trade division and its partners embarked on a number of foundation-setting initiatives in FY21.

To ensure the continuation of the multi-agency alliance that was instrumental in developing the ITSP, VEDP convenes a quarterly meeting with staff at the Virginia Department of Agriculture and Consumer Services, The Port of Virginia, the Virginia Department of Forestry, and the Virginia Tourism Corporation. These regular meetings are critical to maintaining communication between trade-focused partners, sharing updates on trade-related matters, and identifying opportunities for collaboration that can lead to improved trade outcomes for Virginia. Dialogue with Virginia’s congressional delegation is also critical to ensure that Virginia’s federal representatives and state

leaders are communicating regularly on topics that impact the Commonwealth’s trade outcomes.

To enhance Virginia’s highly regarded trade development programs, the VEDP International Trade team conducted work on two client-focused initiatives outlined in the ITSP. To assist Virginia businesses in evaluating their ability to pursue international sales, VEDP is constructing an online export readiness assessment tool that will allow companies to consider their preparedness in key export-related areas. International Trade is also now supplying resources to Virginia companies related to supply chain management and imports.

These activities represent important progress in establishing a foundation for the comprehensive initiatives laid out in the ITSP. In preparation for receiving initial funding for the plan in FY22, VEDP also made progress in developing plans to introduce a new supply chain program for clients in the coming year, as well as to expand other key existing offerings, such as the Virginia Leaders in Export Trade Program (VALET). VEDP looks forward to continuing progress on these initiatives and implementing new initiatives to achieve the significant goals of the ITSP.



Virginia Beer Company, York County

PARTNER AGENCIES:





Tara Laughlin is a Boeing Scholar at Virginia Tech, working toward her master's degree in computer science at the university's new Innovation Campus at National Landing in Alexandria. Corporate support is vital to the Tech Talent Investment Program, a state-wide performance-based grant program that will double the number of graduates in computer science and related fields across Virginia.

“

Receiving a scholarship to go back to school is something I will always be grateful for. My goal is to create a movement in the tech industry to focus on accessibility and inclusion, which is why I am pursuing my masters in computer science with a concentration in human-computer interaction. Having this scholarship empowers me to focus on learning and use my skills to implement the kind of software that can help people.

TARA LAUGHLIN

Computer Science Student, Virginia Tech

Two Years In, Historic \$2B Tech Talent Investment Program Going Strong

The centerpiece of Virginia's Amazon HQ2 bid was the performance-based, \$2 billion Tech Talent Investment Program (TTIP), now fully launched and thriving two years into its 20-year lifespan. Designed to produce more than 32,000 graduates in computer science and related fields — doubling current production levels across the state — the program demonstrates how a state can take a talent-centric approach to its economic development projects.

Working in close collaboration with the other Designated Reviewers (i.e., Secretary of Finance, Secretary of Education, Director of the Department of Planning and Budget, Director of the State Council of Higher Education for Virginia (SCHEV), and Staff Directors of the House Appropriations Committee and the Senate Finance & Appropriations Committee), as well as higher education leaders, VEDP provided leadership and coordination that enabled the following investments in higher education through performance-based MOUs:

- ~\$675 million in undergraduate education, including 250–300 new faculty lines, startup packages, capital projects (new buildings and labs), and operational support
- ~\$375 million in graduate education, including 50–75 new faculty lines, startup packages, capital projects (a new tech campus and new buildings), and operational support
- \$25 million in tech internships / apprenticeships in higher education
- \$25 million in K-12 computer science education (e.g., professional development, online curricula)

The result: Virginia will more than double the number of computer science, computer engineering, and computer software engineering graduates across its higher education system, fueling the tech talent pipeline increasingly required by hundreds of Virginia employers. Currently, only two years into the 20-year program, early results are promising. Nearly all of the participating institutions that span Virginia's community colleges, four-year bachelor's degree programs, and masters' programs, have either hit or exceeded their targets for number of graduates anticipated. In sum, this equates to ~2,200 Virginia graduates in computer science, computer engineering, and computer software engineering during the 2019-2020 academic year alone.

Additionally, TTIP is providing the necessary funds to enable the launch of Virginia Tech's new Innovation Campus in Alexandria that will be a beacon for Virginia's growing tech sector. Additionally, TTIP is providing the necessary funds to enable the launch of Virginia Tech's new Innovation Campus in Alexandria as well as George Mason University's Institute for Digital InnovAtion, both of which will be beacons for Virginia's growing tech sector.

32,000

additional graduates in excess of current levels in Computer Science and related fields over the next 20 years due to Virginia's new education investments in tech talent



CHRISTOPHER NEWPORT
UNIVERSITY



GEORGE
MASON
UNIVERSITY



JMU
JAMES MADISON
UNIVERSITY



LONGWOOD
UNIVERSITY



NORFOLK STATE
UNIVERSITY



OLD DOMINION
UNIVERSITY



RADFORD
UNIVERSITY



UNIVERSITY OF MARY WASHINGTON
where great minds get to work



UNIVERSITY
OF VIRGINIA



UVA WISE



VCU



VSU



VT VIRGINIA
TECH.



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Community Colleges



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CHARTERED 1693

Ximena Perez is a computer science major at George Mason University, a beneficiary of increased funding from the Commonwealth's Tech Talent Investment Program. Universities use program funds for hiring new faculty members, upgrading equipment, labs, and facilities, and attracting diverse students.

“

I am continually amazed at what technology can accomplish and how people can use computer science to break down and solve complex problems and to automate various processes to facilitate tasks in everyday life. It is gratifying to learn all these skills through my major.

XIMENA PEREZ

Computer Science Student, George Mason University



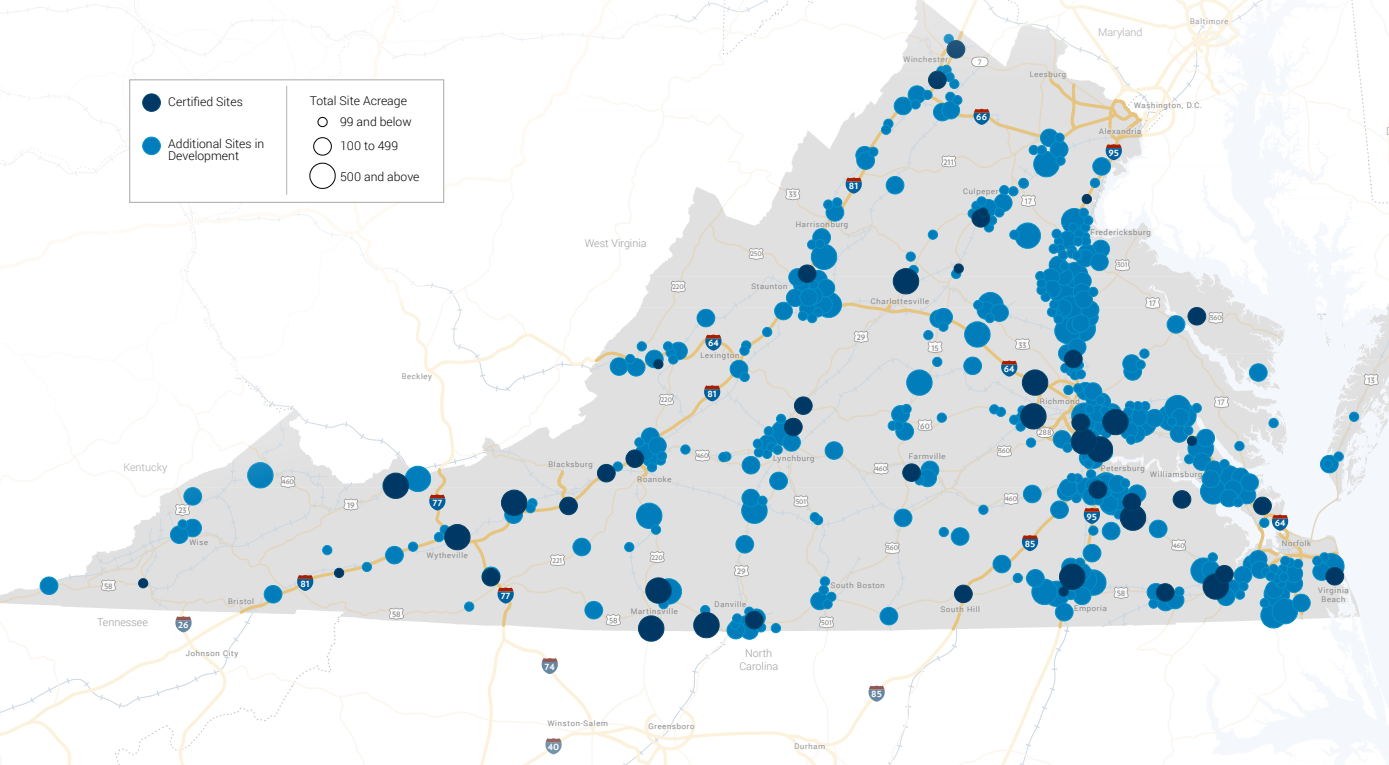
VEDP Advances Virginia Business Ready Sites Program (VBRSP)

Since 2015, the number of industrial projects looking for sites larger than 250 acres has increased each year in the Southeastern United States. While representing only 15% of Virginia's industrial project opportunities, these large projects represent the majority of potential industrial jobs and more than 75% of potential capital investment. With short timelines to market and significant utility capacity requirements, substantial up-front investment in site development is necessary to attract these large projects. Too often, these projects go to competitors due to Virginia's lack of large project-ready sites. The lack of prepared sites is estimated to have cost the Commonwealth over 77,000 jobs and \$27 billion in capital investment since 2016. In coordination with its partners, VEDP has been working to prepare Virginia's site inventory to capture these significant opportunities.

In FY20, VEDP collaborated with partners to characterize nearly 500 sites across the Commonwealth, gathering robust intelligence on site preparedness across Virginia and cost estimates to close any gaps. This year, VEDP updated the Virginia Business Ready Sites Program (VBRSP) to make full use of this new intelligence. VEDP has also engaged KPMG's team of national site selection consultants to harness their extensive market knowledge and years of experience supporting the Tennessee Valley Authority's and state site development programs. With an FY21 appropriation of \$5M, VBRSP is well-positioned to make data-driven, strategic investments in Virginia's site portfolio.

Additionally, VEDP is collaborating with partners to leverage other sources of site development funding. VEDP and the Virginia Department of Housing and Community Development (DHCD) are currently working together to align VBRSP and GO Virginia's site funding efforts. With feedback from local stakeholders and engineers, VEDP is also assisting the Virginia Department of Transportation (VDOT) with potential revisions to the Economic Development Access Program aimed at increasing demand for funding. In conjunction with VBRSP, these programs will fill critical gaps in Virginia's site portfolio, making Virginia more competitive for projects, bringing more jobs and capital investment to the Commonwealth.

Size and certification status of sites across Virginia



VBRSP is well-positioned to make data-driven, strategic investments in Virginia's site portfolio

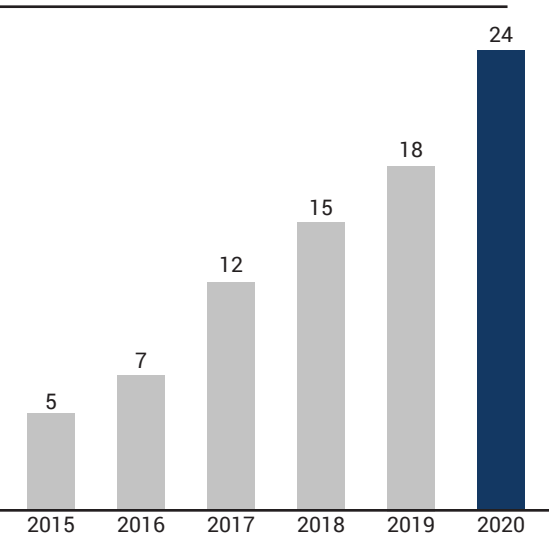
Demand for sites larger than 250 acres has been increasing over five years

While representing only 15% of Virginia's industrial project opportunities, large projects represent the majority of potential industrial jobs and capital investment in Virginia

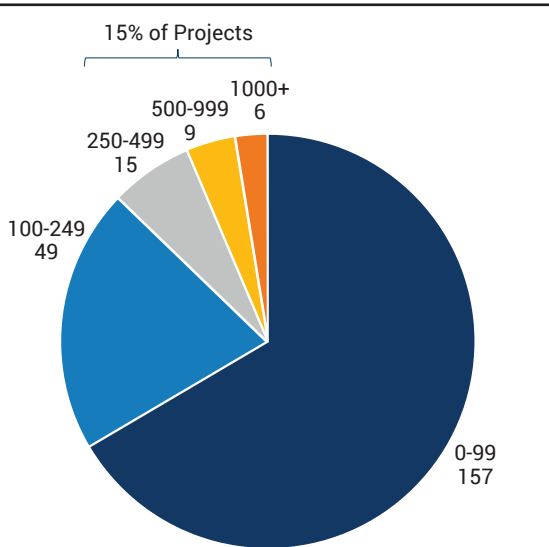
51% of potential new jobs are related to sites over 250 acres and 78% of potential new capital investment is related to sites over 250 acres

Source: Conway Analytics; VEDP analysis

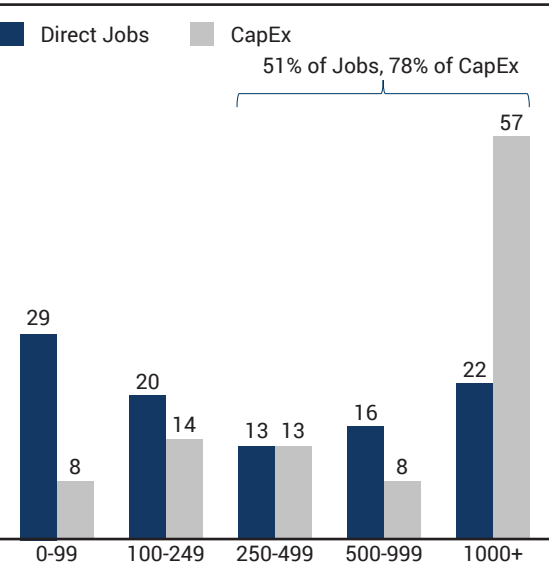
Southeast greenfield projects above 250 acres



2018-21 VEDP site search requests by project acreage



Potential jobs and capex by est. project acreage (%)



Lineage Logistics, the world's largest and most innovative temperature-controlled industrial REIT and logistics solution provider, selected Virginia for a 200,000-square-foot, \$60 million cold storage warehouse in the City of Portsmouth. VEDP worked with state, regional, and local partners to offer a grant to assist with site improvements and building construction. The facility's proximity to The Port of Virginia provides Lineage strategic access to key global markets through the adjacent Virginia International Gateway. Antonio McBride transitioned from his U.S. Navy service to work in Facility Maintenance at the new Lineage Logistics operation.

“

After serving more than 26 years in the U.S. Navy, it was a seamless transition to start working with Lineage Logistics. A company that fosters a safe working culture, with core values that are aligned with my vision and beliefs.

ANTONIO McBRIDE

Facility Maintenance Manager, Lineage Logistics



Progress on Rural Development Opportunities

The COVID-19 pandemic has brought challenges and opportunities to rural regions and smaller metros across the United States. Some of these areas are dominated by sectors hit hard by the pandemic, such as tourism and hospitality, causing significant economic impacts and a slower expected recovery than urban and suburban communities.

However, the pandemic has spurred record investment in infrastructure and other initiatives to address decades-old challenges like broadband access and closing the digital divide, while the growth of remote work has the potential to open rural and small metro regions to professionals who can work from anywhere.

Considering the importance of Virginia’s rural regions and smaller metro areas and the economic challenges they often face, as well as VEDP’s transformational goal to position every region for growth, VEDP has prioritized initiatives that would enable growth in smaller regions, collaborating with rural development leaders and stakeholders to identify, prioritize, and advance consensus initiatives to spark more economic opportunities.

With funding and other support from the Administration and General Assembly, substantial progress has been made on several of these initiatives:

- VEDP’s marketing efforts focus special attention on rural communities and smaller metro areas. As marketing investments increase, our goal will be to brand rural Virginia as the most attractive location in the country for sectors open to rural locations.
- Governor Northam announced that the Commonwealth is on track to become one of the first states to achieve universal broadband by 2024. Virginia anticipates more than \$2 billion in total broadband funding, thanks to local and private sector matching funds that go beyond the \$874 million in state appropriations since the Governor took office in 2018.
- Recognizing that site preparedness is essential to attract manufacturing and supply chain projects, VEDP collaborated with locality partners to characterize over 400 identified development sites across Virginia, most in rural localities (see page 44). Incremental increases in funding will strategically position Virginia to advance site preparedness via the Virginia Business Ready Sites Program and GO Virginia.
- The Virginia Talent Accelerator Program, a world-class, custom workforce incentive program that is helping attract more projects to smaller regions of Virginia, ranked second this year in two national workforce rankings (see page 32).
- VEDP is continuing implementation of its rural and small metro tech center initiative, which seeks to attract significant tech projects to rural regions and smaller metros across Virginia, often leveraging a higher education institution.
- VEDP completed a Local and Regional Competitiveness Initiative providing benchmarking and best practices to help Virginia’s localities and regions improve their economic competitiveness.

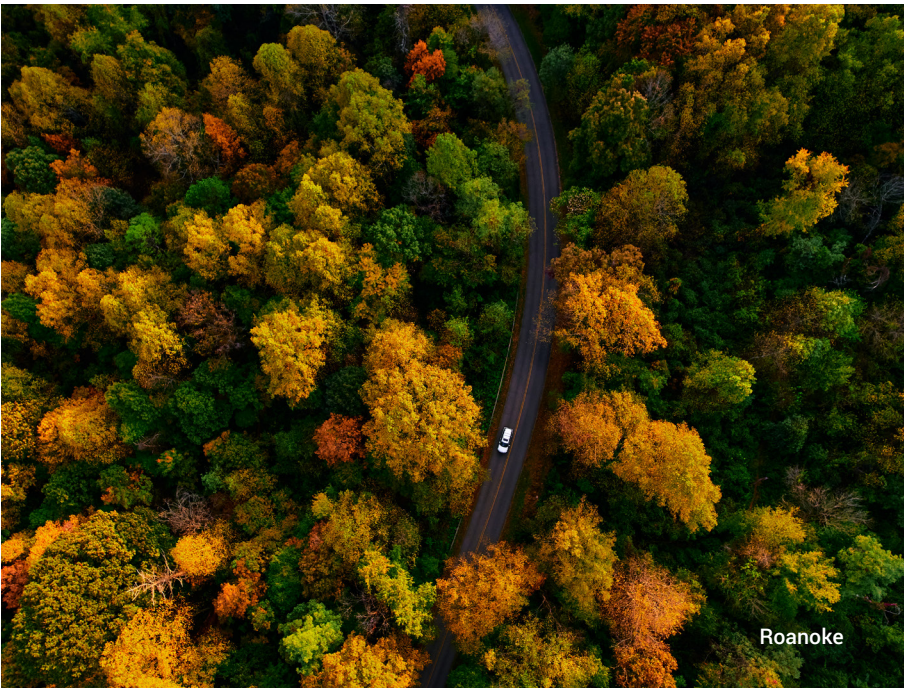
While substantial progress has occurred over the last few years, more work remains to fully implement these initiatives. Future focus areas will include partnerships to secure transformational economic development projects, targeted tax and/or incentive changes to make smaller regions more competitive for economic development projects, and work to build the next generation of civic leadership in rural Virginia.



Clover Hollow Barn, Giles County



U.S. Routes 23 and 58 Intersection, Norton



Roanoke

Rural Think Tank Members

Carrie Chenery

Principal, Valley Pike Partners

Tad Deriso

President & Chief Operating Officer, Mid-Atlantic Broadband Communities Corporation

Evan Feinman

Executive Director, Tobacco Region Revitalization Commission

Katie Frazier

Chief External Affairs Officer, Farm Credit of the Virginias

David Hudgins

Manager, Economic Development, Old Dominion Electric Cooperative

Erik Johnston

Director, Virginia Department of Housing & Community Development

Jay Langston

Executive Director, Shenandoah Valley Partnership

Ned Massee

Partner, Croatan Advisors

Stephen Moret

President & CEO, VEDP

Christy Morton

Vice President, External Affairs, VEDP

Liz Povar

Principal Officer, Riverlink LLC

Kristie Proctor

Executive Director, Center for Rural Virginia

Cass Rasnick

Deputy Secretary, Office of the Secretary of Commerce and Trade

Introducing the Virginia Office of Education Economics (VOEE)

As part of its path to becoming the nation’s top state for talent, Virginia is creating a first-in-the-nation office to be an exemplar for how to leverage analytics and collaboration to drive improved labor market outcomes for students, job seekers, employers, and regions.

Virginia has a core asset: an incredibly data-rich environment. There are ample well-reputed data sources on education (e.g., SCHEV’s Virginia Longitudinal Data System) and workforce (e.g., VEC’s newly revamped Virginia Career Works Portal and Dashboard), among many others. Despite ample data availability, there is not a unified, consistent source of information for key talent-related questions that connects the dots between education and employment outcomes.

In order to promote education and training as an engine of growth, a more robust understanding of the connections between education and the labor market must be developed, including supply/demand imbalances that can inhibit the growth of businesses or result in poor employment outcomes for individuals.

Enter the Virginia Office of Education Economics (VOEE), created earlier this year through legislation patroned by Senator Ghazala Hashmi during the 2021 General Assembly session, with support from the Administration and the Virginia General Assembly. VOEE is charged with two principal functions: (1) Provide a unified, consistent source of analysis for policy development and implementation related to talent development; and (2) Offer resources and expertise related to education and labor market alignment. Housed within VEDP, VOEE is envisioned to become a model for how to leverage analytics and collaboration to drive improved labor market outcomes for students, job seekers, higher education institutions, employers, and regions. VOEE-generated insights will enable policymakers and educators to respond effectively to the talent needs of Virginia’s economy while enabling individuals and employers to better navigate the complex connections between education and the labor market.

“

Our biggest challenge is having the talent pipeline that we need for entry-level and experienced hires... currently, 100% of our hiring comes from campus hiring. We would welcome hires from non-four-year pathways, but we don't have a streamlined, accessible way to do so.

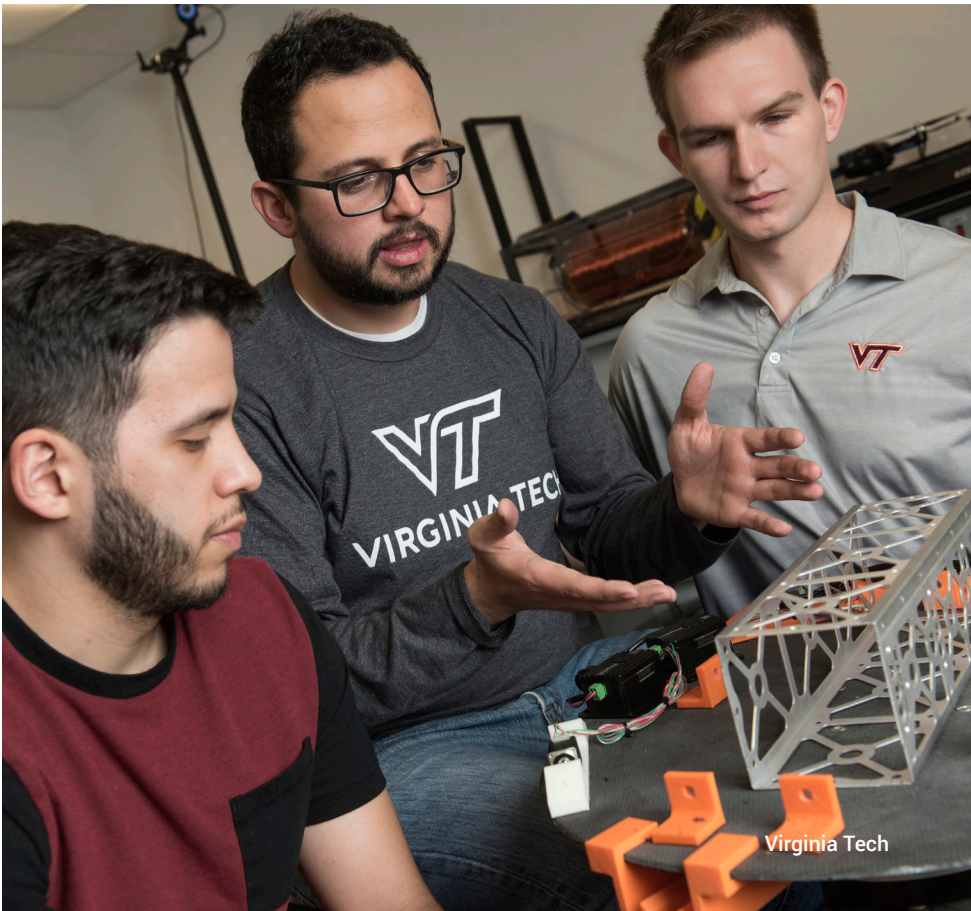
TANYA MOORE
People Officer, M.C. Dean



Northern Virginia Community College



Reynolds Community College



Virginia Tech



Virginia Commonwealth University

Local and Regional Competitiveness Initiative (LRCI) Supports VEDP's Partners

VEDP's Local and Regional Competitiveness Initiative (LRCI) began in January 2020 with the goal of supporting its local and regional partners and increasing capacity around the Commonwealth to promote economic development. Since then, nearly 75% of local EDOs and 88% of regional EDOs have participated in the initiative, which involved taking a self-assessment of their economic development activities that was integrated into a detailed report of how their organization stacks up against their peers and national best practices for economic development.

75%

Local EDOs participated in the initiative in FY21

88%

Regional EDOs participated in the initiative in FY21

Partners have shared that they leveraged the report over the past year to make improvements in their strategic plans and educate their boards and other community members on the economic development activities taking place. Additionally, VEDP staff have provided presentations to local and regional boards and committees to explain the findings and offer ideas for using the data to improve capacity and performance.

The self-assessment revealed several trends across the state's local and regional economic development landscape. We saw that Virginia's local economic developers are heavily focused on sites, buildings, business retention and expansion, and entrepreneurship, while regional economic developers are strong in business attraction and marketing efforts. Additionally, economic developers across the Commonwealth are evolving to focus on a broader set of economic development activities, including placemaking, talent attraction, and resilience planning.

The findings also showed a significant disparity among localities, especially for rural areas. Funding and staffing across the state is low compared to national best practices. Additionally, one out of five local EDOs operates without a full-time economic development staff member and one-quarter do not have an economic development strategic plan. This lack of dedicated personnel can have a cascading impact on partners' ability to further economic development goals and represents a high priority to focus on capacity building across the state.

Knowing these gaps is helping VEDP determine new ways in which it can support our economic development partners. Towards the end of this fiscal year, VEDP began to explore a "Phase 2" of the LRCI effort with the goal of launching a targeted support pilot program in 2022. Offering this support is a critical component of VEDP's aspirational goals to ensure that every region wins and focus on the "P" in VEDP.



In March 2020, Moore, a provider of marketing solutions, announced the investment of over \$31 million to establish Richmond Print Group in the former Colortree Group facility in Henrico County. The company prioritized hiring the employees impacted by the abrupt closure of Colortree in June 2019.

“

While it was hard to see the fall of a longtime standing company in Colortree, it has been great fun being part of the startup that is Richmond Print Group. Being under the same roof in the same office is sometimes surreal.

CARRIE DAWKINS

Purchasing Estimating Manager, Richmond Print Group



Launch of Team Virginia

There is new energy throughout the Commonwealth to highlight Virginia’s world-class business climate as well as ensure that Virginia consistently ranks among the top states in the country in all national business climate rankings.

Modeled after successful programs in other states (e.g., Georgia Allies), this new, 501(c)3 nonprofit partnership between VEDP and the Virginia Chamber Foundation officially launched in May 2021. Team Virginia will pool private resources to fund programming that raises awareness about Virginia among out-of-state C-level executives and top site selection consultants.

Team Virginia will engage in marketing activities intended to improve awareness among U.S. and international corporate executives and site selection consultants of Virginia’s attractiveness for business investment as well as its identified locations for development.

The ultimate goal of Team Virginia is to help advance and diversify Virginia’s economy, with all Virginia regions participating in that growth.

Outcomes of the effort will include:

- Improvement in perception-based rankings
- New leads from cultivated individuals/companies
- Consultant and industry trade shows and events hosted in Virginia
- Consultant and executive visits to Virginia

In FY21, Team Virginia partnered with business organizations in other states to fund an update to the Tax Foundation’s *Location Matters*, which compares the actual tax burdens companies face in all 50 states. *Location Matters* enables C-level executives to “evaluate the relative competitiveness of states in which they operate or states in which they are contemplating business investments” and helps site selection consultants to “screen states more quickly and accurately for consideration by their clients.” *Location Matters’* tax competitiveness rankings are incorporated into the cost of doing business category in addition to other major national business climate rankings, such as CNBC and *Forbes*, further influencing corporate location decisions.

As the fiscal year came to a close, planning was underway to launch Team Virginia’s first marketing initiatives, including major trade show sponsorships and hosting top consultants in Virginia.



PARTICIPATING COMPANIES:



Members as of June 30, 2021



“

The Virginia Talent Accelerator Program’s recruitment team clearly brings a lot of expertise that we don’t have in-house. We’re getting excellent support, and that’s been a huge addition for us.

MATT NIEBUR
Plant Manager, Modine Manufacturing Co.

Delivering the Competitive Edge for Rural Areas and Small Metros

Strengthening the ability of rural and small metro areas to compete for vital job creation projects was a key driver in the decision to create the Virginia Talent Accelerator Program. Expansions from existing manufacturers often represent the best job creation opportunities for rural areas and small metros, but Virginia communities must compete with other company locations to land the projects. This was the situation when Modine Manufacturing Company evaluated its existing facilities, including its Rockbridge County facility, to determine the best site to manufacture a new line of data center cooling solutions, and when Laminate Technologies Inc. (LamTech) considered its Virginia and Ohio locations for added capacity to serve customers in the eastern United States. In both instances, VEDP joined forces with regional and local economic development teams to make the case for Virginia.

Since recruiting and training would be challenges at all company locations being considered, the customized, comprehensive services offered through the Virginia Talent Accelerator Program gave the communities the edge they needed to win the expansions. The Virginia Talent Accelerator Program team created customized recruiting collateral for Modine, including radio ads, a customized jobs landing page for the facility, a residential mailer, multi-channel job postings, and recruitment ad campaigns. Customized training is being provided by a Virginia Talent Accelerator Program team and Dabney Lancaster Community College instructors.

Support for LamTech’s expansion in Henry County also included recruiting and process-specific training services. In addition to implementing a multi-channel recruitment ad campaign, the Virginia Talent Accelerator Program team built the company’s first LinkedIn and Facebook pages to expand its recruiting reach. That social media presence resulted in hundreds of new job candidates.

Connie Bincsik-Hernandez, LamTech’s director of human resources, shared her excitement about the materials that will accelerate learning through visualization: “I’m amazed at the training materials that are being developed – the animations are awesome!”

KEY PARTNERS:

- Administration of Governor Ralph S. Northam
- City of Buena Vista
- Dabney S. Lancaster Community College
- Martinsville-Henry County EDC
- Patrick & Henry Community College
- Shenandoah Valley Partnership
- Southern Virginia Regional Alliance
- Virginia Career Works
- Virginia General Assembly
- Virginia Values Veterans (V3) Program

CMA CGM Group Recommits to Virginia

Founded in 1978 in France, CMA CGM Group is the nation's top ocean freight carrier, with an emphasis on maritime logistics solutions. With over \$31 billion in revenue, the company operates in 160 countries, has 110,000 employees worldwide, and operates more than 560 vessels moving product through 80% of the world's ports. CMA CGM employs over 650 at its U.S. headquarters in Norfolk and is among the top users of The Port of Virginia, moving approximately 238,000 containers annually.

Based upon CMA CGM's continued growth in global coverage and maritime and intermodal services, the company began evaluating plans to either grow its presence in the Hampton Roads region or relocate and expand operations in competing markets in other states—representing a potential loss of more than 650 existing Virginia jobs.

Following a competitive site selection search process and several weeks of incentive negotiations, CMA CGM chose to retain its North American headquarters in Norfolk and expand in Virginia, announcing a \$36 million investment and more than 400 new jobs, primarily in customer care and financial services. The company's plans also include establishing ZEBOX in Arlington County, a startup incubator and accelerator designed to assist innovative startups in developing new technologies for transportation, logistics, mobility, and industry 4.0.

VEDP worked with the General Assembly's Major Employment and Investment (MEI) Commission, The Port of Virginia, the city of Norfolk, and the Hampton Roads Alliance to secure the project for the Commonwealth. In addition to local incentives, CMA CGM Group will be eligible to receive an MEI custom performance grant of \$9.5 million, as well as incentives from The Port of Virginia Economic and Infrastructure Development Zone Grant Program. CMA CGM will also receive recruitment and training support through the Virginia Talent Accelerator Program.

CMA CGM's decision to expand its presence in Virginia is a testament to the Commonwealth's standing as an entry point for domestic and global commerce and a leading national competitor for projects in the supply chain sector.

KEY PARTNERS:

Administration of Governor Ralph S. Northam • City of Norfolk • Hampton Roads Alliance • The Port of Virginia • Virginia Employment Commission
Virginia General Assembly and MEI Commission



Accelerating to the Forefront of Bio-Pharma Destinations

The COVID-19 pandemic has shined a spotlight on our nation’s dependence on other countries for vital medicines. Long before, Dr. Frank Gupton, Chair of the Department of Chemical and Life Science Engineering at Virginia Commonwealth University (VCU), had identified the potential for severe drug shortages like those experienced during the pandemic and began working on a solution. He knew that lowering manufacturing costs would be key to reshoring pharmaceutical manufacturing and determined that the most promising means to achieve this would be through flow reactor technology. Dr. Gupton’s VCU research team began work on refining the technology to achieve the precision required for pharmaceutical manufacturing. He later partnered with Dr. Eric Edwards to found a company to commercialize the technology and end essential medicines shortages once and for all: Phlow Corporation.

In the midst of the pandemic, Phlow was awarded a \$354 million grant from the Biomedical Advanced Research and Development Authority (BARDA), a federal agency responsible for the procurement and development of medical countermeasures against everything from pandemics to chemical warfare. Phlow partnered with AMPAC Fine Chemicals to leverage its existing infrastructure and expertise for commercial drug production, positioning the Richmond-Petersburg region to capitalize on the first wave of pharmaceutical reshoring. To produce a wider range of pharmaceutical ingredients and more ingredients at a time, AMPAC announced plans to construct a \$25 million facility that would employ 156 new workers. AMPAC had room to expand at any of its locations: Texas, California, and Petersburg, Virginia. To secure the project for the Commonwealth, VEDP partnered with the City of Petersburg and Virginia’s Gateway Region to make the case for Virginia.

The effort was successful, as was a parallel collaboration to land another key Phlow partner, pharmaceutical manufacturer Civica Inc. In FY21,

Civica announced a \$125 million investment to establish an operation that will process the bulk of pharmaceuticals produced by the Phlow-AMPAC partnership and fill refined medicines into individual vials and syringes. The project will create 186 new jobs in the City of Petersburg.

Recognizing the opportunity to build on these successes and establish the Richmond-Petersburg area as a premier destination for bio-pharma companies, VEDP partnered with the City of Richmond to land a fourth major employer in FY21: Aditx Therapeutics, Inc. (Aditxt), which will invest \$31.5 million in a state-of-the-art immune monitoring center in Richmond, creating more than 300 new jobs. The company later announced the relocation of its corporate headquarters from California to Richmond.

Each company cited the Virginia Talent Accelerator Program as a key factor in its decision to locate in Virginia – and the support for Civica and Aditxt was immediate. Between the time that Civica committed to a Virginia location and the Governor’s official announcement, the Virginia Talent Accelerator Program team assembled a multi-channel recruitment advertising media buy and produced a variety of videos to tell the story of Civica’s unique business model and Virginia career opportunities, enabling Civica to leverage the announcement publicity to capture vital talent. A similar campaign was developed before Aditxt’s announcement, in addition to assembling a multi-channel ad campaign and producing a series of recruitment videos, as well as a custom-built recruitment website, complete with a fully customized online application and database system to automate applicant screening and data management.

These services were just the start of a comprehensive package of Virginia Talent Accelerator Program support, which features job-specific training that is fully customized to each company’s unique processes, equipment, and procedures.



AMPAC Fine Chemicals, Petersburg

KEY PARTNERS:

- Activation Capital
- Administration of Governor Ralph S. Northam
- Brightpoint Community College
- CCAM
- CCWA
- ChamberRVA
- Greater Richmond Partnership
- Richmond Economic Development Authority
- Petersburg Economic Development
- The Port of Virginia
- Virginia Commonwealth University
- Virginia Bio
- Virginia General Assembly
- Virginia Values Veterans (V3) Program

Virginia Attracts Guidehouse Global Headquarters

Guidehouse is a leading global provider of consulting services to the public and commercial markets, with broad capabilities in management, technology, and risk consulting. Across a range of advisory, consulting, outsourcing, and digital services, Guidehouse creates scalable, innovative solutions preparing clients for future growth and success. The company has more than 9,000 professionals in over 50 locations globally. Major company clients include the U.S. Departments of Defense, Homeland Security, Veterans Affairs, Health and Human Services, and various state governments. In 2019, Guidehouse acquired Chicago-based Navigant Consulting and relocated the employees to the Washington, D.C. metro area due to the nature of the work and the proximity to federal and private sector clients.

Based upon increased demand for its consulting services, Guidehouse sought a new location to accommodate anticipated growth. The company required a world-class headquarters facility in a business-friendly environment that would allow for the recruitment of top talent.

Guidehouse selected Tysons Corner in Fairfax County for its global headquarters operation following a comprehensive site location evaluation of options in Washington, D.C., Maryland, and Virginia. The new headquarters represents a \$12.7 million capital investment and will accommodate 1,550 workers at full capacity, including the relocation of existing jobs and the creation of 900 new jobs. The ability to recruit high-caliber talent was a primary driver in the company's location decision, and VEDP supported the project with a grant from the Virginia Jobs Investment Program (VJIP). The company will use up to \$740,000 in VJIP funds to support continuing professional education, as well as technical skills development in the areas of cybersecurity, forensic accounting, robotic process automation, and artificial intelligence.

Guidehouse's decision to locate its headquarters in Virginia reinforces the Commonwealth's standing as America's top state for business. A Fairfax County location puts the company in an internationally recognized business hub, and access to a robust talent pipeline and global decision makers will enable the company to meet the demands of its growing client base.

KEY PARTNERS:

Administration of Governor Ralph S. Northam • Fairfax County Economic Development Authority • Virginia General Assembly

“

Guidehouse is proud to announce our new corporate headquarters in Tysons Corner, Fairfax County's largest business district. This move will allow us to accommodate growth, serve our people and clients, and attract talent. Virginia offers a highly skilled workforce and business-friendly climate, making it an ideal location for Guidehouse's future.

SCOTT McINTYRE
CEO, Guidehouse



Progress Reports

This section offers an update on the progress made by the Virginia Economic Development Partnership Authority (VEDP) in FY21 relative to VEDP’s Strategic, Operational, and Marketing Plans. These plans were previously submitted in accordance with Code and other requirements. Because most elements of these plans are treated with confidentiality and are exempted from mandatory disclosure provisions (Code of Virginia §2.2-3705.7. 33.), this progress report references specific elements of the plans without revealing information that is protected by the Code for competitive purposes.

Strategic Plan

The Strategic Plan for Economic Development of the Commonwealth of Virginia adopted by the VEDP Board in FY20 is a five-year plan (FY21-FY25) for which implementation began on July 1, 2020.

Key highlights of strategic plan implementation for FY21:

With the support of the administration, the General Assembly, and hundreds of partners, much progress has been made implementing many of the initiatives detailed in the Strategic Plan. Following are just a few examples (not comprehensive):

- With state funding and support, the Virginia Talent Accelerator Program is helping make the case that Virginia is America’s Top State for Talent by positioning Virginia as a national leader in the delivery of world-class, customized talent solutions.
- With new state funding, VEDP has engaged national site selection consultants to provide programmatic and analytical support to provide significant investment in site development through the Virginia Business Ready Sites Program (VBRSP).
- With state funding and support, VEDP is in the process of expanding existing export development programs, leveraging additional federal grant dollars, and building a new program to assist Virginia companies with supply chain optimization.
- With state funding and support, we have started to build out the Virginia Office of Education Economics (VOEE), a new division at VEDP that will provide a unified, consistent source of analysis for policy development and implementation related to talent development, and offer resources and expertise related to education and labor market alignment.
- Working with a variety of in-state and national partners, VEDP launched the Local and Regional Competitiveness Initiative with over 100 local and regional participants participating in this effort to benchmark their organizational performance against peers and national best practices.
- Working with leading organizations across Virginia, VEDP and the Virginia Chamber foundation launched the nonprofit Team Virginia to expand awareness of Virginia’s assets for business among corporate execs and site selection consultants.
- In an effort to strengthen our pitch to prospects, VEDP has engaged in a rigorous effort to develop value proposition content across its target industries that will demonstrate Virginia’s value add for companies in those sectors.
- Leveraging federal grant funding from the U.S. Economic Development Administration, VEDP is working with regional partners and consultants to develop new strategies for growing key industries as the economy emerges from the pandemic.
- Working in collaboration with our state, regional, and local partners, we exceeded our FY21 business development goals, with VEDP-assisted projects resulting in 11,187 announced jobs and \$4.5B in capital investment.

Despite the strong progress that has been made on several fronts, many initiatives detailed in the Strategic Plan have not yet been implemented. Accordingly, while substantial progress has been made with respect to all five of the following transformational goals, Virginia has not yet fully achieved them.

Five Transformational Goals

The Strategic Plan includes five transformational goals, the achievement of which would require the implementation of dozens of new initiatives over a period of years (multiple biennium budgets). The five transformational goals are outlined below, as well as a progress indicator, rating the Commonwealth’s status in achieving each of these goals:

Transformational Goal	Description	Outlook
1. Robust state job growth	Position Virginia to achieve a growth rate in employment and median earned income among that of the top 5-10 states in the U.S.	✓
2. Every region wins	Ensure that every region participates in the growth of the Commonwealth (i.e., all with positive growth in employment and median earned income).	✓
3. Best states for business	Restore Virginia to its previous position near the top of the national business climate rankings (i.e., average rank among the top 3-5 states).	✓
4. Top state EDO	Reestablish and sustain VEDP as one of America’s most effective state economic development organizations	✓
5. Super collaborator	Exhibit collaboration and coordination as hallmarks of VEDP (i.e., place a central focus on the "P" in VEDP).	✓

- On track to achieve long-term goal
- Substantial progress has occurred, but not yet on track to fully achieve goal
- Not on track to achieve goal
- Not started, or strategy shift under consideration

Some of the initiatives in the Strategic Plan require new funding to implement and, therefore, the achievement of the five transformational goals will depend on resourcing levels.

Progress Report: FY19-23 Strategic Plan Initiatives

Status update on 35 detailed initiatives

The Strategic Plan provides for 35 detailed initiatives for phased implementation over a period of years (multiple biennium budgets). Some of the initiatives scheduled for implementation in FY21 were not funded, slowing progress towards achieving the transformational goals outlined in the Strategic Plan.

Enhance VA's economic competitiveness		Enhance VEDP's capabilities		Cultivate target industry clusters	
SP1	Build out the best turnkey, customized workforce recruitment and training incentive program in the U.S.	SP16	Adhere to protocols for alignment and coordination	SP28	Position Virginia to be one of America's leading states for traded-sector tech growth
SP2	Invest in Virginia's pipeline of computer science talent through \$1.1B Tech Talent Investment Program	SP17	Implement a talent management and organizational development program for VEDP	SP29	Collaborate with The Port of VA to enhance its economic development impact
SP3	Develop mechanisms to ensure sufficient supply of high-impact baccalaureate+ degrees in critical fields	SP18	Implement a robust marketing, branding, and site consultant cultivation program for Virginia	SP30	Enhance the toolkits, strategies, and assets on hand to attract targeted firms
SP4	Develop sub-baccalaureate talent pathways and signaling mechanisms to drive inclusive economic growth	SP19	Upgrade VEDP's lead generation capabilities	SP31	Implement the Rural and Small Metro Tech Centers Initiative
SP5	Upgrade VA's labor market data infrastructure to empower data-driven decision-making	SP20	Implement a strategic site consultant cultivation program	SP32	Support entrepreneurship and innovation ecosystem efforts
SP6	Work towards creating a comprehensive ecosystem for talent development and deployment	SP21	Expand VEDP's Business Retention and Expansion (BRE) program	Position Virginia for post-COVID recovery	
SP7	Strategically enhance Virginia's portfolio of development-ready sites	SP22	Implement Virginia's International Trade Plan in collaboration with internal and external stakeholders	PC1	Explore opportunities to capture growth from teleworking trends
SP8	Develop a program to enhance Virginia's portfolio of project-ready buildings	SP23	Strengthen VEDP's approach to project management to communicate Virginia's total value proposition	PC2	Explore opportunities to best position Virginia to thrive as supply chains adjust in the wake of COVID-19
SP9	Build a best-in-class Economic Competitiveness team within VEDP	SP24	Launch a Project Development and Special Opportunities Fund	PC3	Explore opportunities to best position Virginia to support workers upgrading skills in response to COVID-19
SP10	Pursue a national rankings initiative to develop strategies and plans for marked improvement	SP25	Develop best-in-class incentives reporting and administration functions		
SP11	Proactively address key elements of local and regional economic competitiveness	SP26	Position Virginia to secure transformational economic development Projects		
SP12	Assess VA's state/local tax burdens and propose targeted solutions to improve tax competitiveness	SP27	In partnership with the Virginia Chamber, launch Team Virginia		
SP13	Conduct a review of VA's incentive portfolio to identify targeted competitiveness improvements				
SP14	Pursue a focused economic development strategy sufficient to position rural VA for growth				
SP15	Marshal the Commonwealth's full support behind expanding broadband access				

- On track to achieve long-term goal
- Substantial progress has occurred, but not yet on track to fully achieve goal
- Not on track to achieve goal
- Not started, or strategy shift under consideration



High Bridge Trail State Park, Prince Edward County

Progress Report: Operational Plan

In typical circumstances, VEDP's Operational Plan outlines specific and incremental actions for VEDP staff to undertake within a fiscal year in order to ultimately achieve the transformational goals of the organization's Strategic Plan. FY21's Operational Plan, covering the time period between July 1, 2020 and June 30, 2021, accomplishes not only this objective, but also the need for VEDP to respond dynamically to the COVID-19 pandemic. The Plan contained 11 major initiatives that, along with workplans for each VEDP division, demonstrate this dynamic response while also furthering implementation of the Strategic Plan.

Major Initiatives

VEDP prioritized 11 major initiatives in its FY21 Operational Plan, as summarized below. These 11 major initiatives reflect the commitment of VEDP's staff to work tirelessly on behalf of Virginia. The Major Initiatives identified also demonstrate VEDP's response to the challenges and opportunities presented by the COVID-19 pandemic.

Major initiative	Status
Refresh FY19-23 Strategic Plan, including addressing post-COVID challenges and opportunities	✓
Finalize and execute strategies to capture post-COVID economic recovery and growth opportunities	✓
Implement lead generation Initiatives targeting post-COVID growth industries	✓
Embed continuously-refined value proposition in VEDP messaging and marketing materials	✓
Leverage the Virginia Talent Accelerator Program to win post-COVID reshoring projects and refine program operations	✓
Identify and invest in key talent shortages across high-demand occupations	✓
Develop and execute an outreach strategy to assess local & regional competitiveness	✓
Cultivate rural and small metro tech centers across Virginia	✓
In partnership with the Virginia Chamber Foundation, complete launch of Team Virginia, an executive-to-executive 501(c)3 marketing organization	✓
Implement a comprehensive talent management program	✓
Support Virginia businesses through the international trade plan	✓

Goal achieved as planned Partially completed Did not achieve goal

Progress Report: Marketing Plan

VEDP executes a variety of marketing initiatives each year to build awareness among executives and site selection consultants of Virginia's attractive business climate and many assets for businesses. Because business site-selection processes rely on both quantitative assessments as well as qualitative perceptions of regions and states, strategic marketing efforts can make a substantial impact on a state's ability to attract investment. VEDP focuses its marketing efforts on seven key industry sectors and several related subsectors.

FY21 Marketing Highlights:

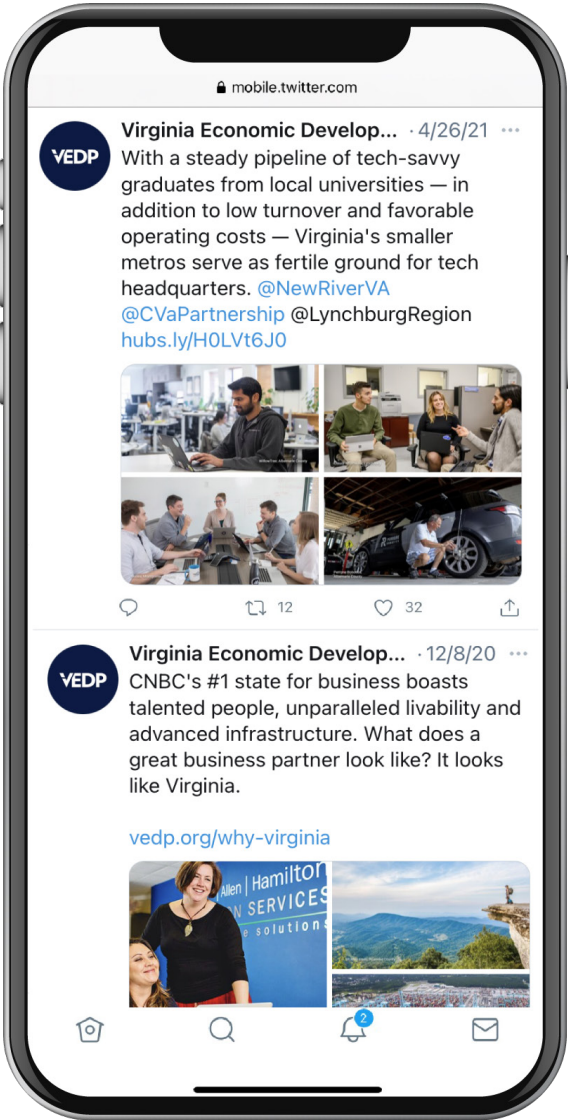
- Implemented a targeted site selection consultant cultivation effort to raise awareness and improve perceptions of Virginia as a premier business destination among this highly valued influencer group.
- Hosted the *Area Development Consultants Forum* in Richmond.
- Published four editions of *Virginia Economic Review*, a quarterly magazine featuring Virginia's assets and advantages for business, including rural Virginia, as well as interviews with national and in-state thought leaders.
- Implemented a C-level testimonial campaign featuring companies located in Virginia.
- Oversaw implementation of VEDP's event marketing program.
- Produced and maintained high-quality web presence on VEDP.org and ExportVirginia.org.
- Placed multiple, limited ad campaigns to raise awareness and improve perceptions of Virginia as a business destination.
- Created new brochures and website content for several industry sectors.

Note: To shield strategic initiatives from competitors, the update provided in this document is purposely high-level. Additional details about VEDP's marketing and lead generation activities can be provided to in-state partners through in-person briefings.

“

I don't read a lot of things that I get, but I always read *Virginia Economic Review*. It's first class. You guys are cutting edge.

TOP SITE SELECTION CONSULTANT
Spring 2021



The Fourth Quarter 2020 issue of *Virginia Economic Review* (pictured right), featuring every region of the Commonwealth, highlighted Virginia's outstanding quality of life, including its natural beauty, four-season climate, and cultural and family amenities in urban and rural settings.

Focus on Regions in Proximity to High-Unemployment Areas:

VEDP balances its marketing efforts by highlighting all regions of Virginia (including rural areas and assets) through social media, *Virginia Economic Review*, site selection consultant and media familiarization tours, and inclusion of regional and local partners in lead generation events.



In FY21, VEDP executed on Phase II of the Rural & Small Metro Tech Center Initiative. This phase of the initiative is focused on marketing rural and small metro communities to a subsector of the tech industry that requires a high concentration of the existing tech workforce and access to an educational pipeline. VEDP proactively outreached to 480 Software as a Service (SaaS) companies with a 7% response rate.



Most (59%) of the partner mentions in FY21 on VEDP's Twitter account were of a rural locality or region.

Pictured right (from top to bottom): *Virginia Economic Review*; Issues Q4 2020, Q3 2020, Q1 2021, and Q2 2021



Micro Harmonics, a Fincastle-based manufacturer of millimeter-wave products for the electronics industry, used insights from participating in the Economic Gardening program to counteract the COVID-related business slowdown.

“

We lost our most important means of customer interface when all international trade shows closed down, so we used the data and training gathered from the Economic Gardening program to ramp up our web presence.

We have seen a significant increase in our social media followers and website traffic in the past six months. I cannot overstate how important this program has been for us.

DIANE KEES
COO, Micro Harmonics



Accelerating Virginia’s Economic Recovery

The COVID-19 pandemic, an increasing focus on renewable energy, and new technology have rapidly accelerated changes in our state and global economy. We have seen shifts in the adoption of new technologies, modification of industry supply chains, and a recalibration toward the use of sustainable materials and energy sources. While each of these changes are disrupting many established areas of Virginia’s economy, they also represent opportunities for the Commonwealth to take a future-oriented approach by leading the way in these new areas, and accelerating the recovery of Virginia’s economy.

Recognizing the need to understand these emerging opportunities, VEDP secured a grant from the U.S. Economic Development Administration (EDA) to conduct a strategic analysis of emerging opportunities growing out of the economic shocks of the pandemic. In spring 2021, VEDP used the EDA grant to engage the Boston Consulting Group (BCG) to help identify subindustries that are well-positioned to thrive in a post-COVID economy and potentially a good fit for Virginia and its regions. Working with VEDP and its regional economic development partners, BCG developed subindustry playbooks that align growth opportunities to regions across the state and provide action steps for VEDP, regional economic development organizations, and other partners that will position the Commonwealth to capture economic growth opportunities to support an accelerated economic recovery.

Following the development of the growth strategies, VEDP will continue to work with partners to act on the study’s recommendations. Preparing the Virginia economy to capture these new opportunities and accelerate growth is a multifaceted statewide effort that will require collaboration, funding, and energy to galvanize changes to make the Commonwealth more competitive in future-oriented subsectors. Working with partners across the state, VEDP will leverage the insights from BCG’s study to support efforts to recalibrate Virginia’s workforce, strengthen the education pipeline, promote the Commonwealth’s assets, and invest in infrastructure in ways that will catalyze growth. This work will help position the Commonwealth for a healthy economic recovery and more robust growth for the future.



APPENDIX

Audited Financial Statements

- 01 Introductory Section
- 02 Financial Section

Virginia Economic Development Partnership
Audited Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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**Virginia Economic Development Partnership
Audited Basic Financial Statements
Fiscal Year 2021**

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INTRODUCTORY SECTION

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
Richmond, Virginia

APPOINTED OFFICIALS
As of June 30, 2021

Board of Directors

Dan M. Pleasant, Chair
The Honorable Brian Ball, Ex-Officio, Vice Chair

Nancy Howell Agee	Ned W. Massee
Carrie Hileman Chenery	Vincent J. Mastracco
C. Daniel Clemente	Marianne Radcliff
Gregory B. Fairchild	Xavier R. Richardson
Deborah K. Flippo	Steven David Stone
Richard “Rick” O. Harrell, III	

The Honorable K. Joseph Flores, Ex-Officio
April Kees, Ex-Officio
Anne Oman, Ex-Officio
Stephen Edwards, Ex-Officio

President and Chief Executive Officer

Stephen M. Moret

FINANCIAL SECTION

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF JUNE 30, 2021

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, 2021. 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, 2021, the Partnership had a net position of (\$2,426,766) compared to a net position of (\$2,206,616) as of June 30, 2020. Following is an analysis of the changes in the net position of the Partnership.

	Net Position		
	2021	2020	Increase (Decrease)
Current and other assets	\$13,185,453	\$12,012,907	\$ 1,172,546
Capital assets, net of depreciation	3,144,118	1,763,402	1,380,716
Total assets	16,329,571	13,776,309	2,553,262
Deferred outflows of resources	6,625,970	4,356,909	2,269,061
Total assets and deferred outflows	22,955,541	18,133,218	4,822,323
Current and other liabilities	1,815,431	1,263,447	551,984
Non-current liabilities	22,010,730	17,098,347	4,912,383
Total liabilities	23,826,161	18,361,794	5,464,367
Deferred inflows of resources	1,556,146	1,978,040	(421,894)
Total liabilities and deferred inflows	25,382,307	20,339,834	5,042,473
Net position:			
Net investment in capital assets	2,095,003	1,668,750	426,253
Restricted	557,238	439,713	117,525
Unrestricted	(5,079,007)	(4,315,079)	(763,928)
Total net position	\$ (2,426,766)	\$ (2,206,616)	\$ (220,150)

Total assets increased this fiscal year by \$2,553,262 when compared to last year due to an increase of \$1,172,546 in Current and other assets along with an increase of \$1,380,716 in Capital assets, net of depreciation. The increase in Current and other assets consists of an increase in the Current asset, cash of \$429,143 due to underspending related to staff vacancies and the impact of COVID-19 travel restrictions, along with an increase in Prepaid expenses of \$484,970 related to additional FY2022 event sponsorships and booth rentals. Operating grants receivable increased by \$148,353 due to the timing of reimbursement payments in connection with the Federal STEP grant, as well as an increase of \$117,525 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. These increases were offset by a net decrease in other current assets of \$7,445. The increase of \$1,380,716 in Capital assets, net of depreciation, is due primarily to leasehold improvements, furniture, and equipment for the Talent Solutions – Talent Accelerator Program and network infrastructure equipment purchases at the James Center headquarters location.

Deferred outflows of resources increased by \$2,269,061. This increase is due primarily to differences between projected and actual earnings on plan investments, as well as changes in proportion and differences between employer contributions and proportionate share of contributions 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 \$5,464,367 due to an increase in the Partnership’s Net pension liability of \$3,779,735, along with an increase of \$954,463 in Capital lease obligations related to furniture and equipment for the Talent Solutions – Talent Accelerator Program. In addition, Net other postemployment liability increased by \$218,020 and Compensated absences increased by \$207,780. Other Current liabilities increased by \$304,369, primarily in Accounts payable due to the timing of year-end payments.

Deferred inflows of resources decreased by \$421,894. This decrease is due mainly to differences between projected and actual earnings on plan investments, as well as differences between expected and actual experience 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 leasehold improvements, furniture, computers, and technology equipment used to deliver program services to clients, net of capital lease obligations. 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 (\$5,079,007) is classified as *unrestricted*. The Partnership has recorded \$20,573,759 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 \$11,370,022.

	<u>Changes in Net Position</u>		
	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
Revenues:			
Program revenues:			
Charges for services	\$ 329,620	\$ 380,555	\$ (50,935)
Operating grants	308,402	203,088	105,314
General revenues:			
General Fund appropriations	34,852,208	38,490,591	(3,638,383)
Other	171,314	393,989*	(222,675)
	<u>35,661,544</u>	<u>39,468,223</u>	<u>(3,806,679)</u>
Expenses:			
Talent Solutions - VJIP	986,112	956,054	30,058
Talent Solutions - TAP	3,877,776	2,329,624*	1,548,152
Business Investment	5,464,594	5,667,445	(202,851)
International Trade	7,114,570	6,527,156	587,414
Research	2,981,245	2,629,865	351,380
Marketing and Communications	3,758,613	3,833,000	(74,387)
Economic Competitiveness	884,706	946,271	(61,565)
Information Technology	1,382,487	1,383,433	(946)
Incentives	676,353	588,109	88,244
Administration	5,746,094	4,517,116	1,228,978
Pass-Through Payments	3,009,144	7,744,370	(4,735,226)
	<u>35,881,694</u>	<u>37,122,443</u>	<u>(1,240,749)</u>
Increase (Decrease) in net position	(220,150)	2,345,780	(2,565,930)
Beginning net position	(2,206,616)	(4,552,396)	2,345,780
Ending net position	<u>\$ (2,426,766)</u>	<u>\$ (2,206,616)</u>	<u>\$ (220,150)</u>

* 2020 amounts for Other Revenues and Talent Solutions – TAP Expenses have been reduced by \$502,039 for consistency with the 2021 accounting treatment of an administrative support charge previously recognized in 2020 as both a revenue and an expenditure. This reduction had no impact on net position.

Net position for the Partnership decreased by \$220,150 during the current fiscal year. The total revenues decrease of \$3,806,679 is due primarily to a \$3,625,000 decrease in General Fund appropriations from the COV related to pass-through payments for the Commonwealth Center for Advanced Manufacturing, along with a decrease of \$173,908 in interest revenue on the Partnership's deposits in the Local Government Investment Pool with the Treasurer of Virginia.

Total expenses for the Partnership decreased by \$1,240,749. This decrease is due primarily to the \$3,625,000 reduction in pass-through payments for the Commonwealth Center for Advanced Manufacturing, offset by continued expansion of the Talent Solutions – Talent Accelerator Program with an increase of \$1,548,152.

Governmental Funds Analysis

The Partnership records all its financial activities in the General Fund, with the exception of International Trade federal grant programs that are recorded in the Special Revenue Fund. The financial position of the Partnership improved by \$735,398 in FY2021 primarily due to the increase in Cash, Operating grants receivable, and Prepaid expenses, offset by an increase in current liabilities as noted in the Government-Wide Financial Analysis, resulting in a fund balance of \$11,703,177 as of June 30, 2021. \$1,599,229 of the fund balance consists of Prepaid expenses and Lease deposits and is nonspendable, with the remaining balance of \$10,103,948 unassigned. The Special Revenue fund records revenues and expenditures in equal amounts and has no fund balance. Activity for the Special Revenue fund increased from \$203,088 in FY2020 to \$308,402 in FY2021 due to the timing of payments for two International Trade federal grant programs.

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 \$35.3 million. This amount was reduced by \$.4 million for marketing and trade mission funding. Participation fees were below budget due to travel restrictions and event cancellations related to COVID-19. Operating grants were below budget due to the timing of payments from the federal government.

Actual expenditures were below the final budget by approximately \$8.6 million for the fiscal year. This underspending was primarily in the Talent Solutions – Talent Accelerator Program and Pass-through Payments for the Virginia Business Ready Sites Program. All divisions have some amount of underspending due to staff vacancies and COVID-19 travel restrictions.

FY2022 Outlook

The COVID-19 pandemic initially resulted in policy changes necessary to protect public health causing a substantial economic downturn. The Partnership made the decision to implement teleworking in March 2020 to protect the health and safety of its staff, with limited office access following CDC guidelines. The Partnership continued to telework in FY2021, executing its mission across all divisions with most activities continuing virtually. The economic effects of COVID-19 are expected to continue into the next fiscal year and may impact FY2022 performance metrics.

The Partnership received FY2022 COV funding for some of its key initiatives, including expansion of the Talent Solutions – Talent Accelerator customized, turnkey workforce recruitment and training incentive program, Virginia's International Trade Plan implementation, and expansion of the Virginia Business Ready Sites Program. The Partnership will continue to seek funding for other important initiatives critical to its success.

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, 2021

	Governmental Activities
Assets	
Cash and cash equivalents (Note 2)	\$ 10,846,569
Travel advances	2,716
Operating grants receivable	179,701
Prepaid expenses	1,584,318
Lease deposits (Note 5)	14,911
Restricted net other postemployment asset (Note 13)	557,238
Capital assets, net of accumulated depreciation (Note 6)	
Leasehold improvements, furniture, and equipment	3,144,118
Total assets	16,329,571
Deferred outflows of resources (Notes 10, 11, 12, 13, and 14)	6,625,970
Total assets and deferred outflows of resources	22,955,541
Liabilities	
Accounts payable	499,335
Accrued payroll	268,349
Unearned revenue	117,050
Long-term liabilities due within one year	
Capital lease obligation (Note 8)	155,735
Compensated absences (Note 9)	724,523
Net other postemployment liability (Notes 11, 12, and 14)	50,439
Long-term liabilities due in more than one year	
Compensated absences (Note 9)	594,030
Capital lease obligation (Note 8)	893,380
Net pension liability (Note 10)	17,444,893
Net other postemployment liability (Notes 11, 12, and 14)	3,078,427
Total liabilities	23,826,161
Deferred inflows of resources (Notes 10, 11, 12, 13, and 14)	1,556,146
Total liabilities and deferred inflows of resources	25,382,307
Net position	
Net investment in capital assets	2,095,003
Restricted for net other postemployment asset (Note 13)	557,238
Unrestricted	(5,079,007)
Total net position	\$ (2,426,766)

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, 2021

	Expenses	Program Revenues Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position
Governmental Activities				
Talent Solutions - VJIP	\$ 986,112			\$ (986,112)
Talent Solutions - TAP	3,877,776			(3,877,776)
Business Investment	5,464,594			(5,464,594)
International Trade	7,114,570	208,920	308,402	(6,597,248)
Research	2,981,245			(2,981,245)
Marketing and Communications	3,758,613	63,100		(3,695,513)
Economic Competitiveness	884,706			(884,706)
Information Technology	1,382,487			(1,382,487)
Incentives	676,353	57,500		(618,853)
Administration	5,746,094	100		(5,745,994)
Pass-through Payments	3,009,144			(3,009,144)
Total governmental activities	35,881,694	329,620	308,402	(35,243,672)
General Revenues				
Revenue provided by the General Fund of the Commonwealth (Note 4)				34,852,208
Interest revenue				23,080
Other revenue				148,234
Total general revenues				35,023,522
Decrease in net position				(220,150)
Net position, July 1, 2020				(2,206,616)
Net position, June 30, 2021				\$ (2,426,766)

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

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2021

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash and cash equivalents (Note 2)	\$ 10,846,569	\$	\$ 10,846,569
Travel advances	2,716		2,716
Due from the special revenue funds	179,701		
Operating grants receivable		179,701	179,701
Prepaid expenses	1,584,318		1,584,318
Lease deposits (Note 5)	14,911		14,911
Total assets	<u>\$ 12,628,215</u>	<u>\$ 179,701</u>	<u>\$ 12,628,215</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 499,335		\$ 499,335
Accrued payroll	268,349		268,349
Compensated absences	40,304		40,304
Due to the general fund		179,701	
Unearned revenue	117,050		117,050
Total liabilities	<u>925,038</u>	<u>179,701</u>	<u>925,038</u>
Fund Balances:			
Nonspendable	1,599,229		1,599,229
Unassigned fund balance	10,103,948		10,103,948
Total fund balances	<u>11,703,177</u>		<u>11,703,177</u>
Total liabilities and fund balances	<u>\$ 12,628,215</u>	<u>\$ 179,701</u>	<u>\$ 12,628,215</u>

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

Fund balances, Governmental Funds	\$ 11,703,177
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,144,118
Restricted net other postemployment asset is not a financial resource and, therefore, is not reported in the funds.	557,238
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.	5,069,824
Noncurrent liabilities (compensated absences, capital lease obligation, net pension liability and net other postemployment obligation) are not due and payable with current financial resources and, therefore, not reported in the funds.	(22,901,123)
Total net position of governmental activities	<u>\$ (2,426,766)</u>

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, 2021

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues			
Revenue provided by the General Fund of the Commonwealth (Note 4)	\$ 34,852,208	\$	\$ 34,852,208
Participation fees	230,520		230,520
Sponsorship fees	41,500		41,500
Operating grants		308,402	308,402
Interest revenue	23,080		23,080
Other revenue	205,834		205,834
Total revenues	<u>35,353,142</u>	<u>308,402</u>	<u>35,661,544</u>
Expenditures			
Talent Solutions - VJIP	934,691		934,691
Talent Solutions - TAP	4,156,867		4,156,867
Business Investment	5,200,873		5,200,873
International Trade	6,662,748	308,402	6,971,150
Research	2,827,578		2,827,578
Marketing and Communications	3,693,581		3,693,581
Economic Competitiveness	834,158		834,158
Information Technology	1,494,661		1,494,661
Incentives	639,033		639,033
Administration	5,164,410		5,164,410
Pass-through Payments	3,009,144		3,009,144
Total expenditures	<u>34,617,744</u>	<u>308,402</u>	<u>34,926,146</u>
Revenues over expenditures	<u>735,398</u>		<u>735,398</u>
Fund balance, July 1, 2020	<u>10,967,779</u>		<u>10,967,779</u>
Fund balance, June 30, 2021	<u>\$ 11,703,177</u>	<u>\$</u>	<u>\$ 11,703,177</u>

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, 2021

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

Net increase (decrease) in fund balance of the governmental funds	\$	735,398
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 expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		1,380,716
Some expenses reported in the statement of activities (compensated absences, capital lease obligation, 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.		(2,336,264)
Increase in net position of governmental activities	\$	(220,150)

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, 2021

	Budgeted Amounts		General Fund	Special Revenue Fund	Variances with Final Budget-Positive (Negative)
	Original	Final	Actual	Actual	
Revenues					
Revenue provided by the General Fund of the Commonwealth (Note 4)	\$ 35,302,309	\$ 34,852,208	\$ 34,852,208	\$	\$
Participation fees	365,000	251,500	230,520		(20,980)
Sponsorship fees		46,500	41,500		(5,000)
Operating grants	200,000	310,000		160,048	(149,952)
Interest revenue	150,000	25,000	23,080		(1,920)
Other revenue	174,600	205,700	205,834		134
Total revenues	36,191,909	35,690,908	35,353,142	160,048	(177,718)
Expenditures					
Talent Solutions - VJIP	1,064,820	1,064,820	937,185		127,635
Talent Solutions - TAP	8,679,752	8,679,752	4,326,879		4,352,873
Business Investment	6,265,832	5,813,982	5,186,102		627,880
International Trade	7,401,766	7,416,766	6,700,386	308,402	407,978
Research	2,731,121	2,831,121	2,826,629		4,492
Marketing and Communications	4,205,070	4,268,070	3,825,239		442,831
Economic Competitiveness	1,001,597	1,001,597	841,144		160,453
Information Technology	1,405,237	1,585,237	1,488,912		96,325
Incentives	643,496	655,996	641,747		14,249
Administration	4,387,531	5,108,360	4,984,350		124,010
Pass-through Payments	5,312,500	5,312,500	3,062,092		2,250,408
Total expenditures	43,098,722	43,738,201	34,820,665	308,402	8,609,134
Revenues over (under) expenditures	(6,906,813)	(8,047,293)	532,477	(148,354)	8,431,416
Fund balance, July 1, 2020	6,906,813	8,047,293	9,677,022	686,001	2,315,730
Fund balance, June 30, 2021 (Note 3)	\$	\$	\$ 10,209,499	\$ 537,647	\$ 10,747,146

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

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 2021

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. Net investment in capital assets consists primarily of leasehold improvements, furniture, computers and peripheral technology equipment used to deliver program services to clients, net of capital lease obligations. 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 federal grant revenues and related expenditures for operating grants awarded to the Partnership by the federal government. 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. Operating Grants Receivable

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. Prepaid Expenses

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, 2021.

E. Capital Assets

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 recorded at acquisition 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. Unearned Revenue

Unearned revenue includes amounts received for sponsorship and participation fees at June 30, 2021, for various events to be held in the next fiscal period.

G. Compensated Absences

Compensated absences represent the amounts of vacation, sick, and compensatory leave earned by the Partnership employees, but not taken at June 30, 2021. 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.

H. 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 net fiduciary 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.

I. 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 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.

J. 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.

K. 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.

L. 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.

M. 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.

N. 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, 2021, which is the first year of the biennium ended June 30, 2022. 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.

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, 2021, the Partnership’s deposits with the LGIP were \$10,728,766 and the Partnership’s deposits not with the Treasurer of Virginia were \$117,803. 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, 2021, the Partnership’s holding in European Union Euros was valued at \$19,544. The Partnership does not have investment policies that place specific restrictions on investments related to foreign currency risk. 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:

	<u>Total all Funds</u>
Fund balance, cash basis, June 30, 2021	\$ 10,747,146
Add: Prepaid expenses and other accrued receivables	1,764,019
Less: Accrued expenses and unearned revenues	<u>(807,988)</u>
Fund balance, GAAP basis, June 30, 2021	<u>\$ 11,703,177</u>

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 1289	\$ 34,802,309
Add: Marketing and Trade Mission Funding	83,150
Less: Central Appropriations Adjustments	(30,270)
FY2021 Other Budget Reductions	<u>(2,981)</u>
Revenue provided by the General Fund of the Commonwealth	<u>\$ 34,852,208</u>

5. LEASE DEPOSITS

The Partnership maintains offices in Fredericksburg, Virginia, Virginia Beach, Virginia, Munich, Germany, and Tokyo, Japan. Each landlord requires a lease deposit as part of the lease agreement for those locations. The Fredericksburg lease deposit is held in U.S. dollars in a noninterest-bearing account and is valued at \$1,664. 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, 2021. 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, 2021.

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

Capital Assets Being Depreciated	Balance June 30, 2020	<u>Increases</u>	<u>Decreases</u>	Balance June 30, 2021
Leasehold improvements, furniture and equipment	\$ 3,127,007	\$ 1,899,287	\$ (44,654)	\$ 4,981,640
Less: accumulated depreciation	<u>1,363,605</u>	<u>518,571</u>	<u>(44,654)</u>	<u>1,837,522</u>
Leasehold improvements, furniture and equipment, net of accumulated depreciation	<u>\$ 1,763,402</u>	<u>\$ 1,380,716</u>	<u>\$ -</u>	<u>\$ 3,144,118</u>

7. COMMITMENTS

The Partnership is committed under various operating leases and office use agreements for office facilities through October 2030. Expense under these agreements for the fiscal year ended June 30, 2021, amounted to \$1,777,619. A summary of minimum future obligations under these agreements as of June 30, 2021, follows:

	Year Ending June 30	Obligations
	2022	\$ 2,277,251
	2023	2,480,051
	2024	2,540,354
	2025	2,533,202
	2026	2,587,582
	2027-2031	<u>11,936,356</u>
Total future minimum rental payments		<u>\$ 24,354,796</u>

8. CAPITAL LEASE OBLIGATION

The Partnership has entered into equipment lease agreements that are accounted for as capital leases. The terms of the agreements range from five to seven years and ownership of the assets will pass to the Partnership at the end of the lease terms. Gross minimum lease payments, as well as the present value of the net minimum lease payments as of June 30, 2021, are as follows:

	Year Ending June 30	Lease Payments
	2022	\$ 174,097
	2023	173,482
	2024	173,481
	2025	148,357
	2026	148,358
	2027-2031	<u>296,716</u>
Total gross minimum lease payments		1,114,491
Less: amount representing interest		<u>(65,376)</u>
Present value of minimum lease payments		<u>\$ 1,049,115</u>

At June 30, 2021, assets purchased under the capital lease agreements were included in depreciable capital assets as follows:

Gross capital assets	\$ 1,096,811
Less: accumulated depreciation	<u>(162,535)</u>
Net book value	<u>\$ 934,276</u>

9. COMPENSATED ABSENCES

Compensated absences activity for the fiscal year ended June 30, 2021, was as follows:

<u>Balance</u> <u>July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2021</u>
<u>\$ 1,110,773</u>	<u>\$ 885,434</u>	<u>\$ 677,654</u>	\$ 1,318,553
	Due Within One Year		<u>(724,523)</u>
	Due in More Than One Year		<u>\$ 594,030</u>

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:

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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.	About Plan 2 Plan 2 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.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. <ul style="list-style-type: none">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.
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.	Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: <ul style="list-style-type: none">State employees*

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<p>Eligible Members</p> <ul style="list-style-type: none"> 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 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan.</p> <p>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 2 (as applicable) or ORP.</p>
<p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p>	<p>Hybrid Opt-In Election Eligible Plan 2 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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014</p>	

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Hybrid Opt-In Election If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	
<p>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 payment.</p>	<p>Retirement Contributions Same as Plan 1.</p>	<p>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.</p>
<p>Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position.</p>	<p>Service Credit Same as Plan 1.</p>	<p>Service Credit <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, service credit includes active service.</p>

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Service Credit 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.</p>		<p>Service Credit <u>Defined Benefit Component:</u> 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.</p> <p><u>Defined Contribution Component:</u> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>
<p>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.</p> <p>Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p>	<p>Vesting Same as Plan 1.</p>	<p>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.</p>

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Members are always 100% vested in the contributions that they make.</p>		<p>Vesting <u>Defined Contribution 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.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>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.</p> <ul style="list-style-type: none"> • 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. <p>Distributions not required, except as governed by law.</p>

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 <u>Defined Benefit Component:</u> See definition under Plan 1. <u>Defined Contribution Component:</u> 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 the 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 <u>Defined Benefit Component:</u> 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. <u>Defined Contribution Component:</u> 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 <u>Defined Benefit Component:</u> Same as Plan 2. <u>Defined Contribution Component:</u> 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 <u>Defined Benefit Component:</u> Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and service equal 90. <u>Defined Contribution Component:</u> 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 <u>Defined Benefit Component:</u> Age 60 with at least five years (60 months) of service credit. <u>Defined Contribution Component:</u> 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
<p>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%.</p> <p><u>Eligibility:</u> 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.</p> <p>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.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none">• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.• The member retires on disability.	<p>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%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p><u>Exceptions to COLA Effective Dates:</u></p> <ul style="list-style-type: none">• 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. <p>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.</p>		
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage 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.</p>	<p>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.</p>

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>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.</p> <p>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.</p>
<p>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.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exception:</p> <ul style="list-style-type: none"> Hybrid Retirement Plan members are ineligible for ported service. <p><u>Defined Contribution Component:</u> Not applicable.</p>

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, 2021 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, 2019. 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 \$1,762,999 and \$1,512,893 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the Partnership reported a liability of \$17,444,893 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020 the Partnership’s proportion of the VRS State Employee Retirement Plan was 0.24079% as compared to 0.21623% at June 30, 2019.

For the year ended June 30, 2021, the Partnership recognized pension expense of \$3,011,521 for the VRS State Employee Retirement Plan. Since there was a change in proportionate share between June 30, 2019 and June 30, 2020, 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, 2021 the Partnership reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 197,879	\$ 177,519
Net difference between projected and actual earnings on pension plan investments	1,357,114	-
Change in assumptions	724,684	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,337,085	-
Employer contribution subsequent to the measurement date	<u>1,762,999</u>	<u>-</u>
Total	<u>\$ 5,379,761</u>	<u>\$ 177,519</u>

\$1,762,999 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, 2022. 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 2022	\$ 1,090,335
FY 2023	\$ 1,212,926
FY 2024	\$ 700,376
FY 2025	\$ 435,606
FY 2026	\$ -

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

- Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.
- Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.
- Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decreased rate from 7.00% to 6.75%

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB Statement No. 67, less that system’s fiduciary net position. As of June 30, 2020, NPL amounts for the VRS State Employee Retirement Plan are as follows (amounts expressed in thousands):

	State Employee Retirement Plan
Total Pension Liability	\$ 26,014,925
Plan Fiduciary Net Position	<u>18,770,068</u>
Employers’ Net Pension Liability (Asset)	<u><u>\$ 7,244,857</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.15%

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%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS – Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP – Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.14%

* The above allocation provides a one-year return of 7.14%. 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%. 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. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

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, 2020, the rate contributed by the Partnership 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, 2020 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 <u>5.75%</u>	Current Discount Rate <u>6.75%</u>	1.00% Increase <u>7.75%</u>
Partnership’s proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	\$ 24,723,367	\$ 17,444,893	\$ 11,324,945

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 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at: <https://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payable to the VRS State Employee Retirement Plan

The payable amount outstanding to the VRS State Employee Retirement Plan at June 30, 2021 was \$29,149 for legally required contributions into the Plan.

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: <ul style="list-style-type: none">• 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: <ul style="list-style-type: none">• 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. <p>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.</p> <p>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.</p>

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, 2021 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, 2019. 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 \$137,731 and \$132,066 for the years ended June 30, 2021 and June 30, 2020, respectively.

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, 2021, the Partnership reported a liability of \$1,438,240 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, 2020 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, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the Partnership’s proportion of the VRS State Employee Health Insurance Credit Program was 0.15667% as compared to 0.13917% at June 30, 2019.

For the year ended June 30, 2021, the Partnership recognized VRS State Employee Health Insurance Credit Program OPEB expense of \$176,962. 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 proportion.

At June 30, 2021, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 598	\$ 21,583
Net difference between projected and actual earnings on State HIC OPEB program investments	7,077	-
Change in assumptions	23,960	6,818
Changes in proportionate share	215,759	-
Employer contributions subsequent to the measurement date	<u>137,731</u>	<u>-</u>
Total	<u>\$ 385,125</u>	<u>\$ 28,401</u>

\$137,731 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, 2022. 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 2022	\$ 51,885
FY 2023	\$ 52,760
FY 2024	\$ 53,999
FY 2025	\$ 35,061
FY 2026	\$ 25,288
Thereafter	\$ -

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, 2019, 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, 2020.

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	4.50%
Investment rate of return	6.75%, net of plan investment expenses, including inflation*
* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.	

Mortality rates – General State Employees

- Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.
- Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.
- Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality rates – SPORS Employees

- Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
- Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
- Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality rates – VaLORS Employees

- Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
- Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
- Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality rates – JRS Employees

- Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.
- Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.
- Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

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, 2020, 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	\$1,043,382
Plan Fiduciary Net Position	<u>125,378</u>
State Employee Net HIC OPEB Liability (Asset)	<u>\$ 918,004</u>
Plan Fiduciary Net Position as a Percentage of the Total State Employee HIC OPEB Liability	12.02%

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%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS – Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP – Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
	Inflation		<u>2.50%</u>

* Expected arithmetic nominal return	<u>7.14%</u>
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* The above allocation provides a one-year return of 7.14%. 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%. 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. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provided a median return of 6.81%.

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, 2020, 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, 2020 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 HIC 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 <u>5.75%</u>	Current Discount Rate <u>6.75%</u>	1.00% Increase <u>7.75%</u>
Partnership’s proportionate share of the VRS State Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 1,593,718	\$ 1,438,240	\$ 1,304,453

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 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at: <https://www.varetire.org/pdf/publications/2020-annual-report.pdf> or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payable to the VRS State Employee Health Insurance Credit Program

The payable amount outstanding to the VRS State Employee Health Insurance Credit Program at June 30, 2021 was \$2,258 for legally required contributions into the Program.

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: <ul style="list-style-type: none">• 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. <ul style="list-style-type: none">• <u>Natural Death Benefit</u> – The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled.• <u>Accidental Death Benefit</u> – The accidental death benefit is double the natural death benefit.• <u>Other Benefit Provisions</u> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none">○ Accidental dismemberment benefit○ Safety belt 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 \$8,616 as of June 30, 2021.

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, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$66,431 and \$58,744 for the years ended June 30, 2021 and June 30, 2020, respectively.

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, 2021, the Partnership reported a liability of \$916,024 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, 2020 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, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the Partnership’s proportion was 0.05489% as compared to 0.04875% at June 30, 2019.

For the year ended June 30, 2021, the Partnership recognized Group Life Insurance Program OPEB expense of \$66,272. 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, 2021, the Partnership reported deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 58,755	\$ 8,229
Net difference between projected and actual earnings on Group Life Insurance OPEB program investments	27,517	-
Change in assumptions	45,812	19,127
Changes in proportion	135,281	7,045
Employer contribution subsequent to the measurement date	66,431	-
Total	<u>\$ 333,796</u>	<u>\$ 34,401</u>

\$66,431 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, 2022. 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 2022	\$ 45,138
FY 2023	\$ 52,909
FY 2024	\$ 59,631
FY 2025	\$ 49,500
FY 2026	\$ 21,823
Thereafter	\$ 3,963

Actuarial Assumptions

The total Group Life Insurance Program OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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	4.50%
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*
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* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.

Mortality rates – General State Employees

- Pre-Retirement:
 RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.
- Post-Retirement:
 RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.
- Post-Disablement:
 RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality rates – Teachers

- Pre-Retirement:
 RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
- Post-Retirement:
 RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
- Post-Disablement:
 RP-2014 Disability Life Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality rates – SPORS Employees

- Pre-Retirement:
 RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
- Post-Retirement:
 RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
- Post-Disablement:
 RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality rates – VaLORS Employees

- Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
- Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
- Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality rates – JRS Employees

- Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.
- Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.
- Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decreased from 7.00% to 6.75%

Mortality rates – Largest 10 Locality Employers – General Employees

- Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.
- Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
- Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

- Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.
- Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
- Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality rates – Largest 10 Locality Employers – Hazardous Duty Employees

- Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
- Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
- Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages

Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

- Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
- Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
- Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decreased rate from 7.00% to 6.75%

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, 2020, 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	\$ 3,523,937
Plan Fiduciary Net Position	<u>1,855,102</u>
Group Life Insurance Program Net OPEB Liability (Asset)	\$ 1,668,835
Plan Fiduciary Net Position as a Percentage of the Total Group Life Insurance Program OPEB Liability	52.64%

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%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS – Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP – Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
	Inflation		<u>2.50%</u>

* Expected arithmetic nominal return	<u>7.14%</u>
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* The above allocation provides a one-year return of 7.14%. 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%. 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. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

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 member contributions will be made per the VRS guidance 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, 2020, 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, 2020 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 <u>5.75%</u>	Current Discount Rate <u>6.75%</u>	1.00% Increase <u>7.75%</u>
Partnership’s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 1,204,184	\$ 916,024	\$ 682,011

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 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at: <https://www.varetire.org/pdf/publications/2020-annual-report.pdf> or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payable to the Group Life Insurance Program

The payable amount outstanding to the Group Life Insurance Program at June 30, 2021 was \$2,701 for legally required contributions into the Program.

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 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
<p>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.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none">• 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
<p>The Virginia Sickness and Disability Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none">• <u>Leave</u> – Sick, family and personal leave. Eligible leave benefits are paid by the employer.• <u>Short-Term Disability</u> – 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.• <u>Long-Term Disability</u> – 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.• <u>Income Replacement Adjustment</u> – The program provides for an income replacement adjustment to 80% for catastrophic conditions.• <u>VSDP Long-Term Care Plan</u> – 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: <ul style="list-style-type: none">• 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) <ul style="list-style-type: none">• 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.<ul style="list-style-type: none">○ 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%).○ 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.<ul style="list-style-type: none">○ 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.<ul style="list-style-type: none">○ 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%.

Contributions

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, 2021 was 0.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$72,980 and \$67,839 for the years ended June 30, 2021 and June 30, 2020, 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, 2021, the Partnership reported an asset of \$557,238 for its proportionate share of the Net VSDP OPEB Asset. The Net VSDP OPEB Asset was measured as of June 30, 2020 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, 2019 and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the Partnership’s proportion was 0.25250% as compared to 0.22412% at June 30, 2019.

For the year ended June 30, 2021, the Partnership recognized VSDP OPEB expense of \$37,785. 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, 2021, the Partnership reported deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 52,397	\$ 115,634
Net difference between projected and actual earnings on VSDP OPEB program investments	37,910	-
Change in assumptions	7,427	22,880
Changes in proportion	1,769	71,984
Employer contribution subsequent to the measurement date	<u>72,980</u>	<u>-</u>
Total	<u>\$ 172,483</u>	<u>\$ 210,498</u>

\$72,980 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, 2022. 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 2022	\$ (27,146)
FY 2023	\$ (16,977)
FY 2024	\$ (16,214)
FY 2025	\$ (14,208)
FY 2026	\$ (17,619)
Thereafter	\$ (18,831)

Actuarial Assumptions

The total VSDP OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.

Mortality rates – General State Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality rates – SPORS Employees

- Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
- Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
- Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality rates – VaLORS Employees

- Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
- Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
- Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decreased rate from 7.00% to 6.75%

Net VSDP OPEB Asset

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, 2020, NOA amounts for the VSDP are as follows (amounts expressed in thousands):

	Virginia Sickness and Disability Program
Total VSDP OPEB Liability	\$269,531
Plan Fiduciary Net Position	490,220
	<hr/>
Employers’ Net OPEB Liability (Asset)	(\$220,689)
	<hr/>
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	181.88%

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.

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 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%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS – Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP – Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.14%

* The above allocation provides a one-year return of 7.14%. 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%. 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. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

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, 2020, 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, 2020 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.

Sensitivity of the Partnership’s Proportionate Share of the Net VSDP OPEB Asset to Changes in the Discount Rate

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	\$ 508,419	\$ 557,238	\$ 601,060

VSDP OPEB Fiduciary Net Position

Detailed information about the VSDP Fiduciary Net Position is available in the separately issued VRS 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at: <https://www.varetire.org/pdf/publications/2020-annual-report.pdf> or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payable to the VRS Disability Insurance Program

The payable amount outstanding to the VRS Disability Insurance Program at June 30, 2021 was \$1,230 for legally required contributions into the Program.

14. PRE-MEDICARE RETIREE HEALTHCARE

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

Plan Description

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 4,400 retirees and 90,000 active employees in the program as of June 30, 2020. 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, 2021, the Partnership reported a liability of \$774,602 for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of \$568.8 million. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2020. The Partnership’s proportion of the Pre-Medicare Retiree Healthcare OPEB was based on the Partnership’s calculated healthcare premium contributions, to include the October premium holiday amounts, as a percentage of the total employer’s calculated healthcare premium contributions for all participating employers. At June 30, 2020, the Partnership’s proportion was 0.13618% as compared to 0.12269% at June 30, 2019. For the year ended June 30, 2021, the Partnership recognized Pre-Medicare Retiree Healthcare OPEB expense of \$(131,286).

At June 30, 2021, the Partnership reported deferred outflows of resources and deferred inflows of resources related to Pre-Medicare Retiree Healthcare from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 394,382
Change in assumptions	-	634,259
Changes in proportion	304,366	76,686
Amounts associated with transactions subsequent to the measurement date	<u>50,439</u>	<u>-</u>
Total	<u>\$ 354,805</u>	<u>\$ 1,105,327</u>

\$50,439 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, 2022. 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 2022	\$ (230,658)
FY 2023	\$ (230,658)
FY 2024	\$ (193,910)
FY 2025	\$ (117,704)
FY 2026	\$ (27,580)
Thereafter	\$ (451)

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 2.21%, 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 (1.21%) or one percentage point higher (3.21%) than the current rate:

	1.00% Decrease 1.21%	Current Discount Rate 2.21%	1.00% Increase 3.21%
Partnership’s proportionate share of the OPEB Liability	\$ 815,101	\$ 774,602	\$ 733,554

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 6.75% 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 (5.75% decreasing to 3.50%) or one percentage point higher (7.75% decreasing to 5.50%) than the current rate:

	1.00% Decrease 5.75% decreasing to 3.50%	Trend Rate 6.75% decreasing to 4.50%	1.00% Increase 7.75% decreasing to 5.50%
Partnership’s proportionate share of the OPEB Liability	\$ 694,367	\$ 774,602	\$ 868,706

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, 2020. 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 6.75 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, 2020 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	6.34 years
Discount Rate	2.21%
Projected Salary Increases	4.0%
Medical Trend Under 65	Medical & Rx: 6.75% to 4.50% Dental: 4.00%
Year of Ultimate Trend	2029
Mortality	Mortality rates vary by participant status

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2020.

Changes of Assumptions

The following actuarial assumptions were updated since the June 30, 2019 valuation based on recent experience:

Spousal Coverage	Reduced the rate from 25% to 20%
Retiree Participation	Reduced the rate from 50% to 45%

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect mortality improvement projection scale BB, including age over 65 in pre-retirement mortality base rates.

No excise tax has been reflected due to the SECURE Act. Among the provisions was a repeal of three taxes and fees that were originally intended to help fund the Affordable Care Act (ACA): i) the excise tax on high-cost health plans (Cadillac tax); ii) the annual fee on health insurance providers; and iii) the medical device excise tax.

The trend rates were updated based on economic conditions as of June 30, 2020. Additionally, the discount rate was decreased from 3.51% to 2.21% based on the Bond Buyers GO 20 Municipal Bond index.

REQUIRED SUPPLEMENTARY INFORMATION

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 \$33,990 for the year ended June 30, 2021.

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 Comprehensive Annual Financial Report.

Required Supplementary Information

Schedule of Employer's Share of Net Pension Liability
VRS State Employee Retirement Plan
For the Measurement Dates of June 30, 2020, 2019, 2018, 2017, 2016, 2015 and 2014

	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
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 2020 is the seventh year for this presentation, there are only seven 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, 2012 through 2021

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
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%
2013	\$653,491	\$653,491	\$ -	\$7,459,946	8.76%
2012	\$482,844	\$482,844	\$ -	\$7,338,059	6.58%

VRS State Employee Retirement Plan
Notes to Required Supplementary Information for the Year Ended June 30, 2021

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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decreased rate from 7.00% to 6.75%

Required Supplementary Information

Schedule of Employer's Share of Net OPEB Liability
Health Insurance Credit Program (HIC)
For the Measurement Dates of June 30, 2020, 2019, 2018 and 2017

	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
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 2020 is the fourth year for this presentation, there are only four years available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Health Insurance Credit Program (HIC)
 For the Years Ended June 30, 2012 through 2021

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer’s Covered Payroll	Contributions as a % of Covered Payroll
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%
2013	\$74,599	\$74,599	\$ -	\$7,459,946	1.00%
2012	\$72,647	\$72,647	\$ -	\$7,338,059	0.99%

Health Insurance Credit Program (HIC)
 Notes to Required Supplementary Information for the Year Ended June 30, 2021

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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decreased rate from 7.00% to 6.75%

SPORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decreased rate from 7.00% to 6.75%

Health Insurance Credit Program (HIC)
Notes to Required Supplementary Information for the Year Ended June 30, 2021

VaLORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decreased rate from 7.00% to 6.75%

JRS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Required Supplementary Information

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Program (GLI)
For the Measurement Dates of June 30, 2020, 2019, 2018 and 2017

	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
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 2020 is the fourth year for this presentation, there are only four years available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Group Life Insurance Program
 For the Years Ended June 30, 2012 through 2021

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer’s Covered Payroll	Contributions as a % of Covered Payroll
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%
2013	\$35,839	\$35,839	\$ -	\$7,466,468	0.48%
2012	\$30,447	\$30,447	\$ -	\$7,426,087	0.41%

Group Life Insurance Program
 Notes to Required Supplementary Information for the Year Ended June 30, 2021

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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decreased rate from 7.00% to 6.75%

Teachers:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Group Life Insurance Program

Notes to Required Supplementary Information for the Year Ended June 30, 2021

SPORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decreased rate from 7.00% to 6.75%

VaLORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decreased rate from 7.00% to 6.75%

JRS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Group Life Insurance Program

Notes to Required Supplementary Information for the Year Ended June 30, 2021

Largest Ten Locality Employers – General Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers – General Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decreased rate from 7.00% to 6.75%

Largest Ten Locality Employers – Hazardous Duty Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decreased rate from 7.00% to 6.75%

Group Life Insurance Program
Notes to Required Supplementary Information for the Year Ended June 30, 2021

Non-Largest Ten Locality Employers – Hazardous Duty Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 45%
Discount Rate	Decreased rate from 7.00% to 6.75%

Required Supplementary Information

Schedule of Employer's Share of Net OPEB Asset
Disability Insurance Program (VSDP)
For the Measurement Dates of June 30, 2020, 2019, 2018 and 2017

	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
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 2020 is the fourth year for this presentation, there are only four years available. However, additional years will be included as they become available.

Required Supplementary Information

**Schedule of Employer Contributions
Disability Insurance Program
For the Years Ended June 30, 2012 through 2021**

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer’s Covered Payroll	Contributions as a % of Covered Payroll
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%
2013	\$33,930	\$33,930	\$ -	\$7,219,081	0.47%
2012	\$48,686	\$48,686	\$ -	\$7,376,631	0.66%

Disability Insurance Program

Notes to Required Supplementary Information for the Year Ended June 30, 2021

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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decreased rate from 7.00% to 6.75%

SPORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decreased rate from 7.00% to 6.75%

Disability Insurance Program
Notes to Required Supplementary Information for the Year Ended June 30, 2021

VaLORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decreased rate from 7.00% to 6.75%

Required Supplementary Information

Schedule of Employer's Share of Total OPEB Liability
Pre-Medicare Retiree Healthcare Program
For the Measurement Dates of June 30, 2020, 2019, 2018 and 2017

	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
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 2020 is the fourth year for this presentation, only four 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, 2021

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, 2019 valuation based on recent experience:

Spousal Coverage	Reduced the rate from 25% to 20%
Retiree Participation	Reduced the rate from 50% to 45%

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect mortality improvement projection scale BB, including age over 65 in pre-retirement mortality base rates.

No excise tax has been reflected due to the SECURE Act. Among the provisions was a repeal of three taxes and fees that were originally intended to help fund the Affordable Care Act (ACA): i) the excise tax on high-cost health plans (Cadillac tax); ii) the annual fee on health insurance providers; and iii) the medical device excise tax.

The trend rates were updated based on economic conditions as of June 30, 2020. Additionally, the discount rate was decreased from 3.51% to 2.21% based on the Bond Buyers GO 20 Municipal Bond index.



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

November 24, 2021

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
Chairman, Joint Legislative Audit
and Review Commission

Board of Directors
Virginia Economic Development Partnership

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying 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, 2021, and the related notes to the financial statements, which collectively comprise the Partnership's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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 management, as well as evaluating the overall presentation of the financial statements.

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 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, 2021, and the respective changes in financial position thereof and the respective 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.

Other Matters

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 8; the Schedule of Employer’s Share of Net Pension Liability, the Schedule of Employer Contributions, and the Notes to the Required Supplementary Information on pages 73 through 75; the Schedule of Employer’s Share of Net OPEB Liability, the Schedule of Employer Contributions, and the Notes to the Required Supplementary Information for the Health Insurance Credit, Group Life Insurance, and Disability Insurance programs on pages 76 through 89; the Schedule of Employer’s Share of Total OPEB Liability and the Notes to the Required Supplementary Information for the Pre-Medicare Retiree Healthcare program on pages 90 through 91. Such information, 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 the 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 24, 2021, on our consideration of 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/vks



The James River is a popular destination for water activities, particularly near the fall line, which passes through downtown Richmond. The rapids there are billed as the only urban Class III-IV rapids in the United States.



Expertise • Collaboration • Innovation • Solutions

The Virginia Economic Development Partnership (VEDP)'s team of dedicated and knowledgeable professionals is committed to Virginia's economic success, and connects industry-leading businesses to the resources they need to make relocation and expansion successful endeavors. From site selection, customized research, cost analysis, and coordination with public and private partners, to discretionary incentives and workforce solutions, VEDP's services are tailored to companies' unique requirements.

To learn more about VEDP's expertise and resources, visit VEDP.org.

