

Annual Financial Report
For Year Ended June 30, 2021

VIRGINIA STATE UNIVERSITY
ANNUAL FINANCIAL REPORT 2020- 2021

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MANAGEMENT'S RESPONSIBILITY FOR REPORTING AND INTERNAL CONTROLS

The information in this Annual Financial Report, including the accompanying basic financial statements, notes, management's discussion and analysis, and other information is the responsibility of Virginia State University executive management. Responsibility for the accuracy of the financial information and fairness of its presentation, including all disclosures, rests with the management of the University. Management believes the information is accurate in all material respects and fairly presents the University's revenues, expenses, and changes in net position, as well as its overall financial position. This report was prepared in accordance with generally accepted accounting principles for public colleges and universities in the United States of America as prescribed by the Governmental Accounting Standards Board. Management is responsible for the objectivity and integrity of all representations herein. The Annual Financial Report includes all disclosures necessary for the reader of this report to gain a broad understanding of the University's operations for the year ended June 30, 2021.

The administration is responsible for establishing and maintaining the University's system of internal controls. Key elements of the University's system of internal controls include: careful selection and training of administrative personnel; organizational structure that provides appropriate division of duties; thorough and continuous monitoring, control, and reporting of operating budgets versus actual operating results; well communicated written policies and procedures; annual self-assessments led by the Controller's Office; and an internal audit function. Although there are inherent limitations to the effectiveness of any system of accounting controls, management believes that the University's system provides reasonable, but not absolute, assurances that assets are safeguarded from unauthorized use or disposition, and accounting records are sufficiently reliable to permit preparation of financial statements and appropriate accountability for assets and liabilities.

The Finance, Audit and Facilities Committee of the Virginia State University Board of Visitors reviews the University's accounting practices. The Board meets with external independent auditors annually to review the Annual Financial Report and results of audit examinations. The Committee also meets with internal auditors and University financial officers quarterly. These meetings include a review of the scope, quality, and results of the internal audit program.

The Auditor of Public Accounts (APA), the office of the Commonwealth of Virginia's auditors, has audited these annual financial statements and their report appears on pages 111-113. Additionally, the APA has issued a separate report on internal control over financial reporting and on compliance and other matters resulting in the issuance of internal control and compliance findings they consider worthy of management's attention. The University has implemented policies and procedures for the adequate and timely resolution of such issues. No material weaknesses were found on internal control matters by the APA for the fiscal year ended June 30, 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

(Unaudited)

INTRODUCTION

Virginia State University (VSU) is an agency of the Commonwealth of Virginia and is governed by a fourteen member Board of Visitors. The Commonwealth has the authority to exercise oversight over the University. The University has two major divisions, the Academic Colleges and the Cooperative Extension and Agricultural Research Services. The University is a component unit of the Commonwealth and is included in the Commonwealth's Annual Comprehensive Financial Report (ACFR).

University Accomplishments in FY2021:

1. **VIRGINIA STATE UNIVERSITY, VA** - Virginia State University (VSU) has received the largest single donor gift in the 138-year history of the University. Author and Philanthropist MacKenzie Scott has gifted VSU \$30 Million.
2. **VIRGINIA STATE UNIVERSITY, VA** - Virginia State University (VSU) ranks among the South's best institutions in the *Bang for your Buck* category. According to [Washington Monthly's 2020 College Guide and Rankings](#), Virginia State University ranks as the top *Bang for your Buck* HBCU in Virginia and ranks 16th among all of the Commonwealth's 45 Universities. In addition, VSU ranks in the top 25 percent of all universities in the south.
3. **VIRGINIA STATE UNIVERSITY, VA** - Virginia State University (VSU) has announced a new venture focused on increasing African American political leadership across the Commonwealth of Virginia. During a press conference the University announced the creation of the John Mercer Langston Institute for African American Political Leadership (JMLI).
4. **VIRGINIA STATE UNIVERSITY, VA** - The Virginia State University (VSU) College of Education is ranked as one of the top undergraduate programs in the Commonwealth of Virginia for new teachers. The VSU College of Education is the only undergraduate program in the Commonwealth to receive an A rating in Clinical Practice and Classroom Management, and it is one of only two programs in the State to score above a C rating in some of the most crucial areas of educator preparation.
5. **VIRGINIA STATE UNIVERSITY, VA** – Hundreds of students at Virginia State University (VSU) will receive funding for their studies in science, technology, engineering and math, thanks to a \$2.75 million grant from Dominion Energy. VSU is one of 11 historically black colleges and universities benefitting from [Dominion Energy's six-year "HBCU Promise."](#) The program will support endowments, capital projects, operating expenses and educational programs in clean energy at HBCUs in Virginia, Ohio, North Carolina and South Carolina.
6. **VIRGINIA STATE UNIVERSITY, VA – February 25, 2021**- The Virginia State University (VSU) Undergraduate Elementary Teacher Preparation Program has been named among the top in the country for contributing to greater teacher diversity by the National Council on Teacher Quality (NCTQ), a nonpartisan, not-for-profit research and policy organization.
7. **VIRGINIA STATE UNIVERSITY VA** - March 31, 2021- The Virginia State University Textiles, Apparel Merchandising and Management (TAMM) program has been awarded a \$25,000 grant. The grant was awarded by Fashion Nova, an online fashion store for women. The company says it wanted to commemorate Women's History Month by investing in an HBCU for the one-time grant.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provides an overview of the financial position and results of activities of Virginia State University for the fiscal year ended June 30, 2021. Prepared by management, the overview should be read in conjunction with the financial statements and footnotes that follow this section. Comparative information for the fiscal year ended June 30, 2020 has been provided where applicable. The financial statements were prepared in accordance with applicable pronouncements and statements of the Governmental Accounting Standards Board (GASB), which establishes principles and standards for external reporting for colleges and universities.

The University's financial report includes three financial statements and related notes:

1. The Statement of Net Position (SNP)
2. The Statement of Revenues, Expenses, and Changes in Net Position (SRECNP)
3. The Statement of Cash Flows (SCF)

These principles require the financial statements be prepared with resources classified for accounting and reporting purposes into the following net position categories: Current Assets, Noncurrent Assets, and Deferred Outflows of Resources; Current Liabilities, Noncurrent Liabilities and Deferred Inflows of Resources.

Please note, the University's foundations identified as discrete component units under GASB Statement 39, *Determining Whether Certain Organizations are Component Units* and GASB 61 *The Financial Reporting Entity: Omnibus*, are reported in the component unit column of the financial statements, and this Management Discussion and Analysis excludes reference to the discrete foundations, except where specifically noted. Alternately, the amounts reported by the foundation identified as blended are included with the amounts reported by the University. GASB 80 *Blending Requirements for Certain Component Units* was used to reevaluate the University's blended foundation. See Note 1.A. for details regarding the University's foundations.

STATEMENT OF NET POSITION

The Statement of Net Position (SNP) presents the financial position of the University at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the University. Net position is the difference between the total assets and deferred outflows of resources less liabilities and deferred inflows of resources. It is one indicator of the current financial condition of the University, while the changes in net position suggest whether the overall financial condition of the University has improved or worsened during the year. Categories of the SNP are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. For FY2021, the University's total net position increased by \$67.6 million or 32.9% over the previous fiscal year.

Total assets and deferred outflows of resources increased by \$70.9 million or 17.9% when compared to last year. Currents assets increased by \$32.8 million or 69.9% during FY2021. Current assets are comprised of cash and cash equivalents, accounts and loans receivable, due from the commonwealth, prepaid expenses, other current assets and securities lending. The increase was mainly due to an increase of \$30.9 million in cash, primarily generated from \$34 million in CARES funds, and an increase in amounts due from the commonwealth of \$2.0 million.

Noncurrent assets increased by \$35.9 million or 10.8% during FY2021. Noncurrent assets are comprised of restricted cash and cash equivalents, state appropriations available, investments, notes receivable, other postemployment benefits (OPEB), capital assets net of depreciation, and other noncurrent assets. Investments increased by \$38.5 million due to market performance and new gifts. State appropriations available increased by \$3.4 million. There was a net decrease in capital assets of \$5.4 million.

During FY2021, total liabilities and deferred inflows of resources increased by \$4.0 million or 2.1%. Total liabilities are comprised of current and noncurrent liabilities. Current liabilities increased by \$2.6 million or 8.1%

during FY2021. Current liabilities include accounts payable and other accrued liabilities, unearned revenues, retainage payable, obligations under securities lending, deposits held in custody, the current portion of long-term liabilities, and other current liabilities.

Noncurrent liabilities increased by \$637 thousand or 0.4% during FY2021. Noncurrent liabilities consist of noncurrent portion of long-term liabilities (bonds, notes payable, installment purchase obligations, pension, OPEB, compensated absences, federal Perkins loans, and federal government-NIFA). The increase in noncurrent liabilities is mainly due to an increase in net pension liability, which was partially offset by a decrease in long-term debt. Total deferred inflows of resources increased by \$802 thousand as a result of a \$2.1 million increase related to gain on refunding debt offset by a decrease in pension related for \$1.3 million. There was also a decrease in OPEB related for \$50 thousand.

A summary of the University's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and net position at June 30, 2021 and 2020 follows:

Summary of the Statement of Net Position	Year Ended June 30,		Increase/(Decrease)	
	2021	2020	Amount	Percent
Assets:				
Current assets	\$ 79,745,298	\$ 46,926,080	\$ 32,819,218	69.9%
Noncurrent assets:				
Restricted cash and cash equivalents	2,854,742	3,403,695	(548,953)	(16.1)%
State appropriations available	3,453,237	55,372	3,397,865	6136.4%
Investments	77,184,181	38,650,125	38,534,056	99.7%
Other postemployment benefits (OPEB)	1,864,817	1,718,513	146,304	8.51%
Capital assets, net	282,376,994	287,770,865	(5,393,871)	(1.9)%
Notes Receivable	839,054	1,044,370	(205,316)	(19.7)%
Total noncurrent assets	368,573,025	332,642,940	35,930,085	10.8%
Total assets	448,318,323	379,569,020	68,749,303	18.1%
Deferred outflows of resources	18,836,137	15,926,955	2,909,182	18.3%
Total assets & deferred outflows of resources	467,154,460	395,495,975	71,658,485	18.1%
Liabilities:				
Current liabilities	34,742,168	32,149,068	2,593,100	8.1%
Noncurrent liabilities	147,807,755	147,170,851	636,904	0.4%
Total liabilities	182,549,923	179,319,919	3,230,004	1.8%
Deferred inflows of resources	11,283,735	10,481,950	801,785	7.6%
Total liabilities & deferred inflows of resources	193,833,658	189,801,869	4,031,789	2.1%
Net position:				
Net investment in capital assets	215,501,065	217,250,970	(1,749,905)	(0.8)%
Restricted:				
Nonexpendable	10,294,063	9,792,357	501,706	5.1%
Expendable	47,588,484	34,907,003	12,681,481	36.3%
Unrestricted	(62,810)	(56,256,224)	56,193,414	99.9%
Total net position	\$ 273,320,802	\$ 205,694,106	\$ 67,626,696	32.9%

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

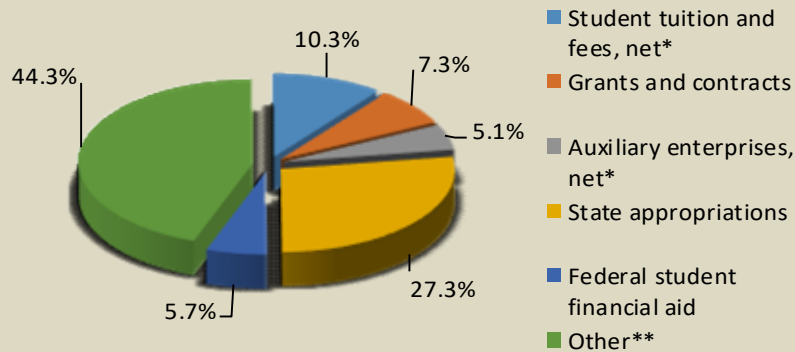
The Statement of Revenues, Expenses, and Changes in Net Position present the University's results of activities for the fiscal year. Presented below is a summarized statement of the University's Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2021 and 2020.

Summary of the Statement of Revenues, Expenses and Changes in Net Position	Year Ended June 30,		Increase/(Decrease)	
	2021	2020	Amount	Percent
Operating revenues	\$ 49,029,117	\$ 79,255,108	\$ (30,225,991)	(38.1)%
Operating expenses	145,906,359	147,893,575	(1,987,216)	(1.3)%
Operating income/(loss)	(96,877,242)	(68,638,467)	(28,238,775)	(41.1)%
Nonoperating revenues/(expenses):				
State appropriations	58,204,087	52,751,718	5,452,369	10.3%
Federal student aid	12,113,672	13,605,617	(1,491,945)	(11.0)%
Other nonoperating revenues/(expenses)	84,882,979	4,937,348	79,945,631	1619.2%
Net nonoperating revenues/(expenses)	155,200,738	71,294,683	83,906,055	117.7%
Income/(loss) before other revenues and reductions	58,323,496	2,656,216	55,667,280	2095.7%
Other revenues:				
Capital grants and gifts	1,189,200	1,117,317	71,883	6.4%
Additions/(reductions) to permanent endowments	1,001,268	594,898	406,370	68.3%
VCBA 21st Century bond reimbursement program	7,112,732	6,437,901	674,831	10.5%
Total other revenues	9,303,200	8,150,116	1,153,084	14.1%
Total increase/(decrease) in net position	67,626,696	10,806,332	56,820,364	525.8%
Net position, beginning of year	205,694,106	194,887,774	10,806,332	5.5%
Net position, end of year	\$ 273,320,802	\$ 205,694,106	\$ 67,626,696	32.9%

As shown in the table above, there was an increase in net position of \$67.6 million or 32.9% in FY2021 as opposed to an increase of \$10.8 million in the previous year's statement. The net operating loss increased by \$28.2 million or 41.1% over FY2020. This was primarily caused by the COVID pandemic and further detail is provided in following sections. Net non-operating revenues and expenses increased by \$83.9 million or 117.7% and total other revenues increased by \$1.2 million or 14.1%, in FY2021. The primary cause for the increase in non-operating revenues was an increase in gifts as well as CARES funding. Revenues and expenses will be discussed in further detail in the following sections.

A summary of the University's revenues for the years ended June 30, 2021 and 2020 appears below:

For the year ended June 30, 2021



Summary of Revenues

For the years ended June 30, 2021 and 2020

			Increase/(Decrease)	
	2021	2020	Amount	Percent
Operating revenues:				
Student tuition and fees, net*	\$ 21,949,944	\$ 27,019,785	\$ (5,069,841)	(18.8%)
Grants and contracts	15,571,383	22,562,878	(6,991,495)	(31.0%)
Auxiliary enterprises, net*	10,787,727	28,637,435	(17,849,708)	(62.3%)
Other operating revenue**	720,063	1,035,010	(314,947)	(30.4%)
Total operating revenues	49,029,117	79,255,108	(30,225,991)	(38.1%)
Nonoperating revenues/(expenses):				
State appropriations	58,204,087	52,751,718	5,452,369	10.3%
Federal student financial aid	12,113,672	13,605,617	(1,491,945)	(11.0%)
Other revenues/(expenses) net**	84,882,979	4,937,348	79,945,631	1,619.2%
Total nonoperating revenues	155,200,738	71,294,683	83,906,055	117.7%
Other revenues/(expenses):				
Capital grants and gifts**	1,189,200	1,117,317	71,883	6.4%
Additions to permanent endowment**	1,001,268	594,898	406,370	68.3%
Other capital revenues**	7,112,732	6,437,901	674,831	10.5%
Total other revenues/(expenses)	9,303,200	8,150,116	1,153,084	14.1%
Total revenues	\$ 213,533,055	\$ 158,699,907	\$ 54,833,148	34.6%

* Net of scholarship allowance

** Other includes: other operating revenues; other non-operating revenues, net of non-operating expenses; capital grants and gifts; additions to permanent endowment; other capital revenues.

Total operating revenues decreased by \$30.2 million in FY2021 to \$49.0 million from \$79.2 million in the previous year, a decrease of 38.1%. As shown in the chart above, there was a decrease in student tuition and fees of \$5.1 million, decrease in grants and contracts of \$7.0 million, and decrease in auxiliary enterprises of \$17.8 million. The primary cause for these decreases was the COVID pandemic which led to an enrollment decline, closed housing and dining for part of FY2021, and fewer grant related projects.

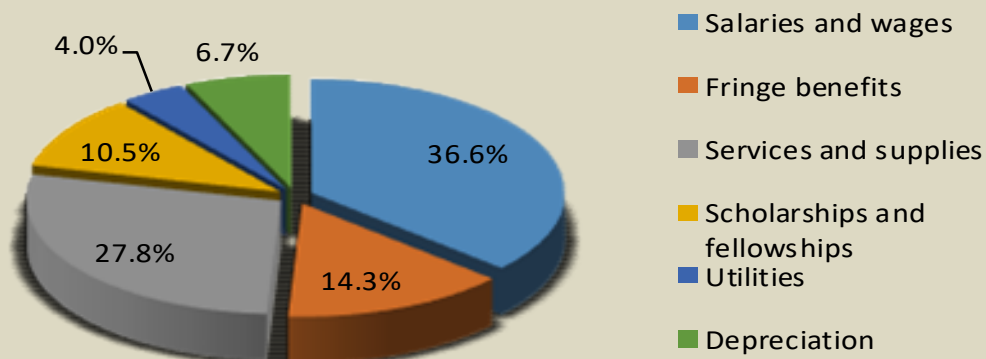
For the fiscal year, total non-operating revenues increased by \$83.9 million or 117.7%. This was primarily due to an increase of \$5.5 million in state appropriations and an increase in other revenues and expenses net of \$79.1 million. The increase in other revenues and expenses was mainly due to an increase of \$34 million in CARES funds, an increase in gifts of \$30.8 million and an increase in investment income of \$13.5 million. This was offset by a decrease of \$1.5 million for federal student financial aid.

Other revenues increased by \$1.2 million. This was mainly due to an increase in additions to permanent endowments of \$406 thousand and a \$675 thousand increase in revenue from 21st Century bond program reimbursements.

SUMMARY OF EXPENSES

Total operating expenses decreased by \$2.0 million in FY2021 compared to the previous fiscal year. This represents a 1.3% decrease. Comparative summaries of the University's operating expenses by both natural classification and function for the years ended June 30, 2021 and 2020 appear below.

For the year ended June 30, 2021

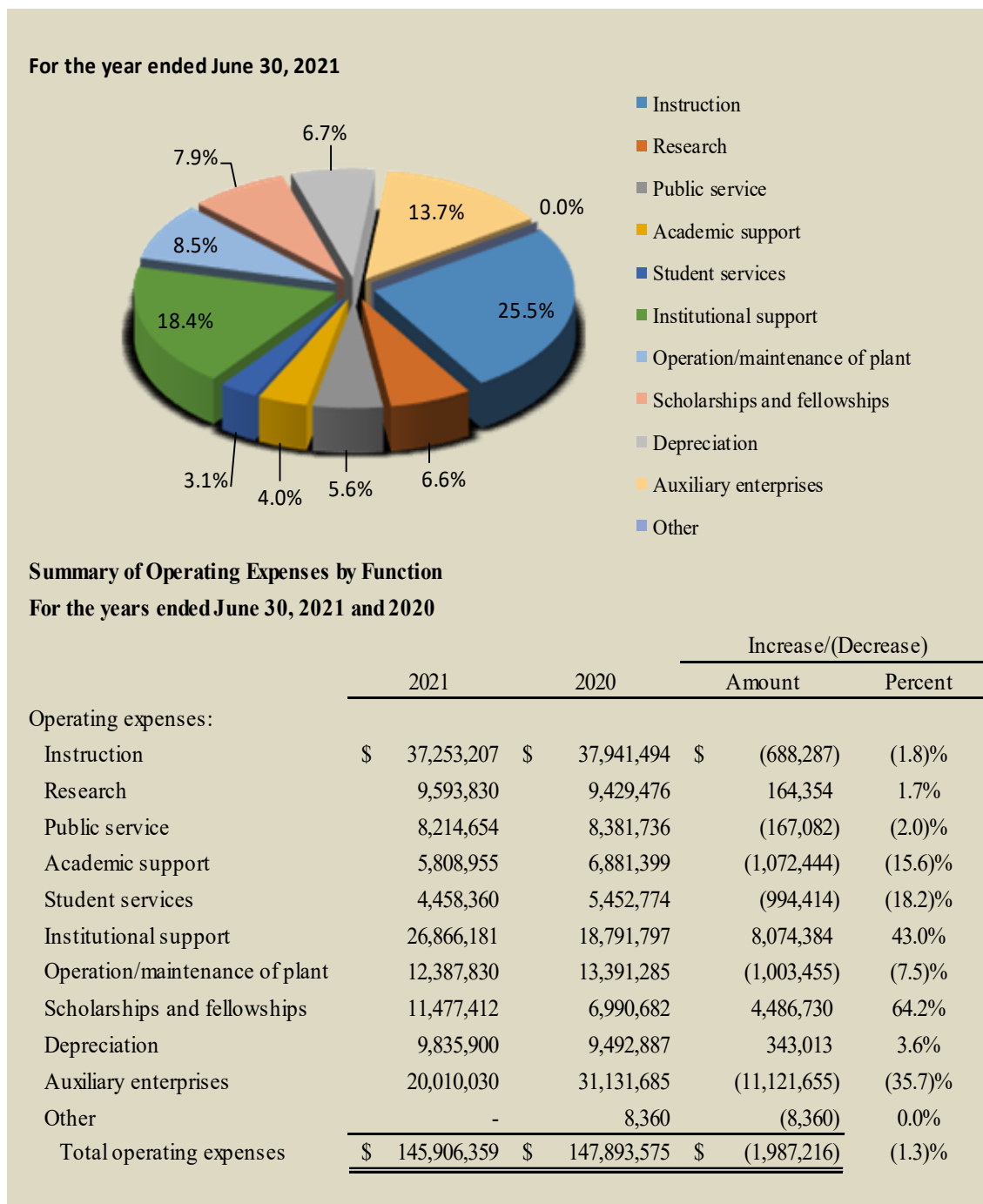


Summary of Operating Expenses by Natural Classification

For the years ended June 30, 2021 and 2020

	2021	2020	Increase/(Decrease)	
			Amount	Percent
Salaries and wages	\$ 53,353,168	\$ 53,369,118	\$ (15,950)	0.0%
Fringe benefits	20,900,164	19,948,069	952,095	4.8%
Services and supplies	40,610,317	48,248,593	(7,638,276)	(15.8)%
Scholarships and fellowships	15,355,348	11,054,952	4,300,396	38.9%
Utilities	5,851,462	5,779,956	71,506	1.2%
Depreciation	9,835,900	9,492,887	343,013	3.6%
Total operating expenses	\$ 145,906,359	147,893,575	(1,987,216)	(1.3)%

The total decrease in operating expenses was primarily attributable to a decrease in supplies and services of \$7.6 million. This was offset by an increase in fringe benefits of \$952 thousand and an increase in scholarships and fellowships of \$4.3 million.



By function, academic support expenses decreased by \$1.1 million due to a \$400 thousand decrease in services and supplies and \$600 thousand decrease in salaries and wages, institutional support expenses increased by \$8.1 million due to services and supplies that were primarily COVID related, scholarships and fellowships increased by \$4.5 million due to a decrease in the scholarship allowance which offsets revenues, and auxiliary enterprises expenses decreased by \$11.1 million due to closed housing and meal plans for the Fall 2021 semester.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows (SCF) is concerned with the flow of cash in and out of the University. The SCF shows changes in the Statement of Net Position (SNP) accounts and the income affect for cash and cash equivalents. GASB principles define four major categories of cash flows: cash flows from operating activities, cash flows from noncapital financing activities, cash flows from capital and related financing activities, and cash flows from investing activities. In addition, it captures both the current operating results and the accompanying changes in the SNP. These cash flows are crucial to funding the operation of the University. From FY2020 to FY2021 the University's SCF shows a \$27.6 million increase in cash and cash equivalents.

Statement of Cash Flows	Year Ended June 30,		Increase/(Decrease)	
	2021	2020	Amount	Percent
Cash flows from:				
Operating activities	\$ (83,937,166)	\$ (60,709,866)	\$ (23,227,300)	(38.3)%
Noncapital financing activities	140,625,296	74,943,984	65,681,312	87.6%
Capital and related financing activities	(4,669,759)	(7,715,591)	3,045,832	39.5%
Investing activities	(24,390,298)	1,704,081	(26,094,379)	(1,531.3)%
Net increase/(decrease) in cash and cash equivalents	27,628,073	8,222,608	19,405,465	236.0%
Cash and cash equivalents, beginning of year	40,136,817	31,914,209	8,222,608	25.8%
Cash and cash equivalents, end of year	\$ 67,764,890	\$ 40,136,817	\$ 27,628,073	68.8%

Overall, there was a \$23.2 million increase in net cash used by operating activities in FY2021. This mainly resulted from an \$8.6 million and \$18.8 million decrease in cash provided by tuition and fees and auxiliary enterprises, respectively. This was offset by a \$9.7 million decrease in payments to supplies and an increase of \$4.3 million in payment for scholarships and fellowships.

Cash provided by noncapital financing activities grew by \$65.7 million. The largest factors were a \$31.2 million increase in gifts, \$34.0 million increase in other nonoperating revenues generated primarily from Coronavirus Relief Funds, and a \$2.0 million increase in state appropriations.

There was a \$3.0 million decrease in cash used for capital and related financing activities in FY2021. This was primarily the result of decreases of \$1.5 million in cash provided by 21st century bonds offset by a decrease in interest of \$762 thousand and principal of \$2.4 million paid on capital debt, leases, and installments. There was also a decrease of \$1.2 million in the purchase of capital assets.

The last major category on the statement of cash flow is investing activities. In total, net cash provided by investing activities decreased by \$26.1 million. This was a result of an increase in the purchase of investments by \$28 million offset by an increase in proceeds from sales and maturities of investment of \$1.4 million.

CAPITAL AND DEBT ACTIVITIES

The University continues to invest in capital assets in accordance with its master plan, modernizing its current and older facilities, purchasing new equipment and building new facilities.

Capital assets, net of depreciation, decreased by \$5.4 million in FY2021. Equipment purchases were \$3.5 million. Depreciation expense for the year totaled \$9.8 million.

Proper management of University resources and the replacement and renewal of capital assets requires the prudent use of debt to finance projects. University bonds are issued pursuant to Section 9(c) of Article X of the

Constitution of Virginia. These bonds are backed by the full faith, credit and taxing power of the Commonwealth. The use of debt to finance capital projects is managed in accordance with the University's debt policy.

As of June 30, 2021, the University had \$66.2 million in outstanding long-term debt. This debt consists of \$63.6 million of general obligation bonds, \$2.3 million of notes payable, and \$215 thousand of installment purchase obligations. Long-term debt overall decreased by \$7.3 million. This is a result of making debt payments throughout the year GOB and Notes debt refinancing. Although there were bond and note refinancings in FY21, no new debt was issued.

FUTURE ECONOMIC OUTLOOK:

The continued success and viability of the University first and foremost depends on its ability to recruit and retain students. A large percentage of the University's students rely on some form of financial aid such as scholarships, grants or student loans, to be able to attend. As a result of less aid being available, it is increasingly difficult for these students to be able to afford a college education. The University plans to continue its efforts towards making college affordable for its students by continuing to hold its annual tuition and fee increases to a minimum. The University continues to maintain the lowest tuition and mandatory E&G rates for both full-time, in-state and out-of-state students at four-year institutions in Virginia for over a decade.

The University is taking proactive steps to improve in a number of areas including student retention and graduation, first-year experience, advising, teaching pedagogy, customer service and technology among other areas. The University has invested significant resources into the establishment of the Academic Center for Excellence (ACE). An expanded staff of full-time advisors works directly with students in this uniquely designed space to provide needed resources and guidance to students in order to assist them in attaining their academic and professional objectives. Furthermore, the University was fully reaccredited by the Southern Association of Colleges and Schools Commission on Colleges.

The University receives financial support from federal, state and private sources. Such support is primarily directed to improving student access and affordability as well as improving in the campus infrastructure. For FY 2021, the University received record funding in each category. During the fiscal year, the University received a historic unrestricted donation from a donor of \$30 million. In addition, due to COVID, the University received record federal funding of over \$80 million and record state funding for operations and capital of over \$210 million.

Prudent financial practices also play a key role in the continued success and viability of the University. The University has established reserve targets to cover debt service obligations for one year, future working capital needs, reserves for renewal and replacement and reserves for major renovations. The University utilizes the Composite Financial Index (CFI) and its four component ratios as supplementary tools for monitoring its financial performance and strength. The CFI serves as an additional means of confirmation that the amount of resources that the University directs towards its mission are well within sustainable levels. The University currently carries a level of debt that is consistent with its policies and mission. The majority of the University's debt is backed by revenue-producing capital projects, as non-revenue backed debt accounted for less than 1% of total operating expenses.

Virginia State University

FINANCIAL STATEMENTS



STATEMENT OF NET POSITION

As of June 30, 2021 (with comparative financial information as of June 30, 2020)

	2021		2020	
ASSETS & DEFERRED OUTFLOWS OF RESOURCES	Virginia State University	Component Units	Virginia State University	Component Units
Current assets:				
Cash and cash equivalents (Note 2)	\$ 64,910,148	\$ 4,883,728	\$ 36,733,122	\$ 4,213,633
Cash and cash equivalents - Securities Lending (Note 2)	4,906,730	-	2,171,803	-
Accounts and loans receivable, net of allowance (Note 3)	3,610,590	178,145	3,869,617	192,612
Due from the Commonwealth (Note 3)	3,742,309	-	1,778,706	-
Prepaid expenses	2,388,951	10,800	2,177,818	7,106
Notes receivable, net of allowance (Note 3)	186,570	-	172,196	-
Other current assets	-	-	22,818	-
Total current assets	79,745,298	5,072,673	46,926,080	4,413,351
Noncurrent assets:				
Restricted cash and cash equivalents (Note 2)	2,854,742	2,500,231	3,403,695	2,348,093
Restricted investments (Note 2)	8,398,844	27,000	2,999,986	27,000
Endowment investments (Note 2)	37,643,700	23,845,550	33,909,144	17,797,369
State appropriation available	3,453,237	-	55,372	-
Notes receivable, net of allowance (Note 3)	839,054	-	1,044,370	-
Other postemployment benefits (OPEB)	1,864,817	-	1,718,513	-
Other long-term investments (Note 2)	31,141,637	-	1,740,995	-
Other noncurrent	-	15,200	-	40,886
Non depreciable capital assets (Note 4)	23,730,886	542,828	23,685,156	542,828
Depreciable capital assets, net (Note 4)	258,646,108	4,966,497	264,085,709	5,434,463
Total noncurrent assets	368,573,025	31,897,306	332,642,940	26,190,639
Total assets	448,318,323	36,969,979	379,569,020	30,603,990
Deferred outflows of resources:				
Pension related	14,710,881	-	11,688,024	-
Other postemployment benefits (OPEB) related	2,858,215	-	2,532,281	-
Loss on refunding of debt	1,267,041	-	1,706,650	-
Total deferred outflows of resources	18,836,137	-	15,926,955	-
Total assets and deferred outflows of resources	467,154,460	36,969,979	395,495,975	30,603,990
LIABILITIES & DEFERRED INFLOWS OF RESOURCES				
Current liabilities:				
Accounts payable and accrued liabilities (Note 5)	11,551,447	235,296	10,092,697	257,514
Unearned revenue	8,063,491	73,648	5,815,284	24,308
Retainage payable	75,726	-	85,864	-
Obligations under securities lending	4,906,730	-	2,171,803	-
Deposits payable	2,299,742	72,650	2,020,973	51,837
Long-term liabilities-current portion (Notes 6 and 7)	7,778,378	1,055,000	11,765,036	1,005,000
Other current liabilities	66,654	38,566	197,411	41,279
Total current liabilities	34,742,168	1,475,160	32,149,068	1,379,938
Long-term liabilities - noncurrent (Notes 6 and 7)	147,807,755	13,354,799	147,170,851	14,198,758
Total liabilities	182,549,923	14,829,959	179,319,919	15,578,696

STATEMENT OF NET POSITION

As of June 30, 2021 (with comparative financial information as of June 30, 2020) (continued)

	2021		2020	
	Virginia State University	Component Units	Virginia State University	Component Units
Deferred inflows of resources: (Note 1.O)				
Pension related	1,966,197	-	3,228,589	-
Other postemployment benefits related	7,198,259	-	7,248,752	-
Gain on refunding of debt	2,119,279	-	4,609	-
Total deferred inflows of resources	11,283,735	-	10,481,950	-
Total liabilities and deferred inflows of resources	\$ 193,833,658	\$ 14,829,959	\$ 189,801,869	\$ 15,578,696
NET POSITION				
Net investment in capital assets	\$ 215,501,065	\$ (6,558,163)	\$ 217,250,970	\$ (7,089,669)
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	6,399,359	15,351,521	5,935,476	14,209,250
Instruction	3,322,983	-	3,292,960	-
Other	571,721	-	563,921	-
Expendable:				
Scholarships and fellowships	37,450,279	10,420,580	27,488,773	4,974,576
Instruction	3,430,381	-	1,657,511	-
Loans	134,350	-	220,672	-
Other	6,573,474	-	5,540,047	-
Unrestricted	(62,810)	2,926,082	(56,256,224)	2,931,137
Total net position	\$ 273,320,802	\$ 22,140,020	\$ 205,694,106	\$ 15,025,294

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended June 30, 2021 (with comparative financial information for the year ended June 30, 2020)

	2021		2020	
	Virginia State University	Component Units	Virginia State University	Component Units
Operating revenues:				
Student tuition and fees (net of scholarship allowance of \$13,010,086 and \$12,418,902 for 2021 and 2020, respectively)	\$ 21,949,944	\$ -	\$ 27,019,785	\$ -
Federal grants and contracts	14,719,170	-	21,333,350	-
State and local grants and contracts	852,213	-	1,229,528	-
Auxiliary enterprises (net of scholarship allowance of \$8,438,064 and \$16,297,111 for 2021 and 2020, respectively)	10,787,727	-	28,637,435	-
Other operating revenues	720,063	3,173,191	1,035,010	3,411,655
Total operating revenues	49,029,117	3,173,191	79,255,108	3,411,655
Operating expenses: (Note 9)				
Instruction	37,253,207	-	37,941,494	-
Research	9,593,830	-	9,429,476	-
Public service	8,214,654	-	8,381,736	-
Academic support	5,808,955	-	6,881,399	-
Student services	4,458,360	-	5,452,774	-
Institutional support	26,866,181	2,521,750	18,791,797	2,918,214
Operation and maintenance of plant	12,387,830	-	13,391,285	-
Scholarships and fellowships	11,477,412	-	6,990,682	-
Depreciation	9,835,900	467,966	9,492,887	551,883
Auxiliary enterprises	20,010,030	-	31,131,685	-
Other	-	-	8,360	-
Total operating expenses	145,906,359	2,989,716	147,893,575	3,470,097
Operating income/(loss)	(96,877,242)	183,475	(68,638,467)	(58,442)
Nonoperating revenues/(expenses):				
State appropriations (Note 8)	58,204,087	-	52,751,718	-
Gifts	31,871,148	2,546,084	1,102,502	1,371,589
Investment income/(expense)	14,143,757	5,379,509	(188,871)	310,852
Interest on indebtedness	(1,677,638)	(692,123)	(2,554,665)	(697,918)
Loss on disposal of assets	(8,504)	-	(4,172)	-
Federal student financial aid	12,113,672	-	13,605,617	-
Other nonoperating revenues	41,492,569	25,402	7,364,932	12,144
Other nonoperating expenses	(938,353)	(327,621)	(782,378)	(280,296)
Net nonoperating revenues/(expenses)	155,200,738	6,931,251	71,294,683	716,371
Income/(loss) before other revenues	58,323,496	7,114,726	2,656,216	657,929
Other revenues/(expenses):				
Capital grants and gifts	1,189,200	-	1,117,317	-
Additions to permanent endowments	1,001,268	-	594,898	-
VCBA 21st Century bond reimbursement program	7,112,732	-	6,437,901	-
Total other revenues/(expenses)	9,303,200	-	8,150,116	-
Increase/(decrease) in net position	67,626,696	7,114,726	10,806,332	657,929
Net position, beginning of year	205,694,106	15,025,294	194,887,774	14,367,365
Net position, end of year	\$ 273,320,802	\$ 22,140,020	\$ 205,694,106	\$ 15,025,294

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

STATEMENT OF CASH FLOWS

As of June 30, 2021 (with comparative financial information as of June 30, 2020)

	2021	2020
Cash flows from operating activities:		
Tuition and fees	\$ 19,301,683	\$ 27,926,571
Grants and contracts	17,613,015	20,525,901
Auxiliary enterprises	10,775,387	29,548,063
Departmental sales and services, and other revenues	1,454,610	51,608
Payments to employees	(52,862,934)	(73,359,379)
Payments for employee fringes and pension benefits	(19,752,108)	(107,075)
Payments to suppliers	(39,320,194)	(49,010,350)
Payments for utilities	(5,851,461)	(5,779,956)
Payments for scholarships and fellowships	(15,355,349)	(11,054,952)
Collection of loans from students	190,942	280,180
Other payments	(130,757)	269,523
Net cash provided/(used) by operating activities	(83,937,166)	(60,709,866)
Cash flows from noncapital financing activities:		
State appropriations	54,806,222	52,751,718
Direct lending receipts	33,305,977	44,507,052
Direct lending disbursements	(33,305,977)	(44,507,052)
Gifts	32,872,416	1,697,400
Federal student financial aid	12,113,672	13,605,617
Other nonoperating revenue	40,554,217	6,510,521
Funds held in custody of others - receipts	(1,183,750)	366,426
Funds held in custody of others - disbursements	1,462,519	12,302
Net cash provided/(used) by noncapital financing activities	140,625,296	74,943,984
Cash flows from capital financing activities:		
Capital appropriations	-	16,942
Capital gifts and grants	1,189,200	1,117,317
VCBA 21st Century bond reimbursement program	5,149,130	6,677,055
Interest paid on capital debt, leases, and installments	(1,823,806)	(2,585,661)
Principal paid on capital debt, leases, and installments	(5,163,221)	(7,603,435)
Principal received on capital debt, leases, and installments	439,609	331,830
Purchase of capital assets	(4,460,671)	(5,669,639)
Net cash provided/(used) by capital financing activities	(4,669,759)	(7,715,591)
Cash flows from investing activities:		
Interest on Investments	352,895	(188,871)
Proceeds from sales and maturities of investments	3,460,672	2,121,233
Purchase of investments	(28,203,865)	(228,281)
Net cash provided/(used) by investing activities	(24,390,298)	1,704,081
Net increase/(decrease) in cash	27,628,073	8,222,608
Cash and cash equivalents - beginning of the year	40,136,817	31,914,209
Cash and cash equivalents - end of year	\$ 67,764,890	\$ 40,136,817

STATEMENT OF CASH FLOWS

As of June 30, 2021 (with comparative financial information as of June 30, 2020) (continued)

	2021	2020
Reconciliation of Net Operating Loss to Net cash used by Operating Activities:		
Operating income/(loss)	\$ (96,877,242)	\$ (68,638,467)
Adjustments to reconcile net cash used by operating activities:		
Depreciation expense	9,835,900	9,492,887
Changes in assets & deferred outflows and liabilities & deferred inflows:		
Receivables	259,027	1,534,039
Prepaid items	(211,133)	(594,807)
Other post employment benefits asset (OPEB)	(146,304)	244,487
Other assets	22,818	4,311
Accounts payable	1,458,750	(276,455)
Less: Interest payable	146,168	30,996
Due to Federal Government	-	(278,278)
Unearned revenue	2,248,207	(2,736,727)
Other liabilities	(130,760)	(58,477)
Long term liabilities	(2,027,900)	310,141
Net loans	190,942	608,046
Pension liability	6,982,370	8,827,389
Other post employment benefits liability (OPEB)	(1,026,333)	(2,072,890)
Deferred outflows of resources from pension and other postemployment benefits	(3,348,791)	(6,626,038)
Deferred inflows of resources from pension and other postemployment benefits	(1,312,885)	(480,023)
Net cash provided/(used) by operating activities	\$ (83,937,166)	\$ (60,709,866)
Noncash investing, capital and financing activities:		
Change in fair value of investments	10,910,184	2,706,290
Change in accounts receivable related to non-operating income	5,361,467	239,154
Change in accounts payable related to non-operating expense	146,168	(30,996)
Amortization of bond premium/discount and gain/loss on debt refunding	491,561	396,441
Gain/(loss) on disposal of capital assets	(8,504)	(4,172)
Refunding of debt	44,475,505	3,977,608

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The University is a component unit of the Commonwealth of Virginia and is included in the Annual Comprehensive Financial Report (ACFR) of the Commonwealth. These basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) applicable to colleges and universities. They are prepared for and at the direction of the Commonwealth of Virginia for inclusion in the Commonwealth's ACFR, which includes all agencies, boards, commissions, and authorities associated with the Commonwealth and over which the Commonwealth exercises or has the ability to exercise oversight authority. In addition, the University has two discrete components units and a blended component unit included in the basic financial statements.

The Virginia State University Foundation (VSUF) is a legally separate discrete component unit of the University and was organized as a tax-exempt charitable and educational organization in 1968. The purpose of this foundation is to accept contributions from individual donors and to safeguard, invest, and distribute the funds as designated by the donors or the Foundation's Board of Trustees for the benefit of the University, its students, alumni, and educational community in support of the University's mission. For the year ended June 30, 2021, the VSUF distributed \$762,188 to the University for both restricted and unrestricted purposes. Separate financial statements for the VSUF can be obtained by writing Virginia State University Foundation c/o Vice President of Development, Storum Hall, Post Office Box 9071 Petersburg, VA 23806.

Additionally, the Virginia State University Real Estate Foundation (VSUREF) is a legally separate, discrete component unit of the University and was organized as a tax-exempt charitable and educational organization in 2002. Operations began in August 2003. The VSUREF operates on a December 31st year end, and is incorporated into the University's June 30th year end financial statements. The purpose of the Real Estate Foundation is to construct and manage the University Apartments at Ettrick (UAE), a 504-bedroom dormitory facility for the University, in support of the University's mission. Financial statements for the VSUREF can be acquired by writing the VSU Vice President of Finance, Post Office Box 9213, Petersburg, VA 23806.

Although the University does not control the timing or amount of receipts from either the VSUF or the VSUREF, the majority of the resources or income thereof that both foundations hold and invest is restricted to the activities of the University by the donors. Because these restricted resources held by the foundations can only be used by, or for the benefit of the University, the VSUF and the VSUREF are considered component units of the University and are discretely presented in the University's financial statements.

Because these discretely presented component units are consolidated in the financial statements, a financial summary for each entity is presented below.

Condensed Statement of Net Position
As of June 30, 2021

	VSU			
	VSU Foundation	Real Estate Foundation	Eliminations	Total
Assets:				
Current assets:	\$ 2,914,699	\$ 2,157,974	\$ -	\$ 5,072,673
Noncurrent assets:				
Restricted cash and cash equivalents	-	2,500,231	-	2,500,231
Investments	23,872,550	-	-	23,872,550
Capital assets, net	-	5,509,325	-	5,509,325
Other	15,200	-	-	15,200
Total noncurrent assets	23,887,750	8,009,556	-	31,897,306
Total assets & deferred outflows of resources	26,802,449	10,167,530	-	36,969,979
Liabilities:				
Current liabilities	425,454	1,455,434	(405,728)	1,475,160
Noncurrent liabilities	-	13,354,799	-	13,354,799
Total liabilities & deferred inflows of resources	425,454	14,810,233	(405,728)	14,829,959
Net position:				
Net investment in capital assets	-	(6,558,163)	-	(6,558,163)
Restricted:				
Nonexpendable	15,351,521	-	-	15,351,521
Expendable	10,420,580	-	-	10,420,580
Unrestricted	604,894	1,915,460	405,728	2,926,082
Total net position	\$ 26,376,995	\$ (4,642,703)	\$ 405,728	\$ 22,140,020

Condensed Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2021

	VSU			
	VSU	Real Estate		
	Foundation	Foundation	Eliminations	Total
Operating revenues	\$ (84,488)	\$ 4,019,867	\$ (762,188)	\$ 3,173,191
Operating expenses	1,175,908	2,981,724	(1,167,916)	2,989,716
Operating income/(loss)	<u>\$ (1,260,396)</u>	<u>\$ 1,038,143</u>	<u>\$ 405,728</u>	<u>\$ 183,475</u>
Nonoperating revenues/(expenses):				
Other nonoperating revenues/(expenses)	7,854,607	(923,356)	-	6,931,251
Net nonoperating revenues/(expenses)	<u>7,854,607</u>	<u>(923,356)</u>	<u>-</u>	<u>6,931,251</u>
Income/(loss) before other revenues and reductions	<u>6,594,211</u>	<u>114,787</u>	<u>405,728</u>	<u>7,114,726</u>
Total increase/(decrease) in net position	6,594,211	114,787	405,728	7,114,726
Net position, beginning of year	<u>19,782,784</u>	<u>(4,757,490)</u>	<u>-</u>	<u>15,025,294</u>
Net position, end of year	<u>\$ 26,376,995</u>	<u>\$ (4,642,703)</u>	<u>\$ 405,728</u>	<u>\$ 22,140,020</u>

In 2015, the Virginia State University Research Foundation (VSURF) commenced operations, and is included as a blended component unit in the University's financial statements. The purpose of the VSURF is to support the University's objectives for research, public service, economic and technological development. As a representative of the University, VSURF exemplifies the same spirit of entrepreneurship and focuses on the applications of engineering, science and technology to develop new ideas, methods and opportunities. In its capacity, the Foundation will provide several services related to Intellectual Property Management, Technology Transfer and Commercialization, and the Office of Sponsored Research & Programs.

The VSURF, like the University, operates on a June 30th year end, and as a blended component unit, their financial information is combined with the University's and reported in the financial statements in one column. For a copy of the VSURF financial statements, send a written request to Virginia State University Research Foundation, Post Office Box 9005, Petersburg, Va. 23806.

The condensed component unit financial summary presented below, and subsequent notes, comply with the Governmental Accounting Standards Board (GASB) presentation format. Both VSU Foundation and VSU Real Estate Foundation follow the Financial Accounting Standards Board (FASB) presentation format in their audited financial statements. Consequently, reclassifications have been made to convert their statements to the GASB format.

Because the reporting entities' financial information is combined in the financial statements, a financial summary for each entity, and in total, is shown below.

Condensed Statement of Net Position
As of June 30, 2021

	Virginia State University	VSU Research Foundation	Total
Assets:			
Current assets:	\$ 78,913,120	\$ 832,178	\$ 79,745,298
Noncurrent assets:			
Restricted cash and cash equivalents	2,854,742	-	2,854,742
State appropriations available	3,453,237	-	3,453,237
Investments	77,184,181	-	77,184,181
Capital assets, net	282,376,994	-	282,376,994
Other	2,703,871	-	2,703,871
Total noncurrent assets	368,573,025	-	368,573,025
Deferred outflow of resources	18,836,137	-	18,836,137
Total assets & deferred outflows of resources	466,322,282	832,178	467,154,460
Liabilities:			
Current liabilities	34,742,168	-	34,742,168
Noncurrent liabilities	147,807,755	-	147,807,755
Deferred inflow of resources	11,283,735	-	11,283,735
Total liabilities & deferred inflows of resources	193,833,658	-	193,833,658
Net position:			
Net investment in capital assets	215,501,065	-	215,501,065
Restricted:			
Nonexpendable	10,294,063	-	10,294,063
Expendable	47,027,186	561,298	47,588,484
Unrestricted	(333,690)	270,880	(62,810)
Total net position	\$ 272,488,624	\$ 832,178	\$ 273,320,802

Condensed Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2021

	Virginia State University	VSU Research Foundation	Total
Operating revenues	\$ 48,832,117	\$ 197,000	\$ 49,029,117
Operating expenses	145,893,158	13,201	145,906,359
Operating income/(loss)	<u>\$ (97,061,041)</u>	<u>\$ 183,799</u>	<u>\$ (96,877,242)</u>
Nonoperating revenues/(expenses):			
State appropriations	58,204,087	-	58,204,087
Federal student financial aid	12,113,672	-	12,113,672
Other nonoperating revenues/(expenses)	84,882,979	-	84,882,979
Net nonoperating revenues/(expenses)	<u>155,200,738</u>	<u>-</u>	<u>155,200,738</u>
Income/(loss) before other revenues and reductions	<u>58,139,697</u>	<u>183,799</u>	<u>58,323,496</u>
Other revenues:			
Capital grants and gifts	1,189,200	-	1,189,200
Additions/(reductions) to permanent endowments	1,001,268	-	1,001,268
21st Century Bonds Reimbursement Program	7,112,732	-	7,112,732
Total other revenues	<u>9,303,200</u>	<u>-</u>	<u>9,303,200</u>
Total increase/(decrease) in net position	67,442,897	183,799	67,626,696
Net position, beginning of year	<u>205,045,727</u>	<u>648,379</u>	<u>205,694,106</u>
Net position, end of year	<u><u>\$ 272,488,624</u></u>	<u><u>\$ 832,178</u></u>	<u><u>\$ 273,320,802</u></u>

Note: The major source of revenue for the VSU Research Foundation is grant revenue, and operating expenses are fully comprised of research related expenses with no depreciation or amortization

Condensed Statement of Cash Flows

For the year ended June 30, 2021

	Virginia State University	VSU Research Foundation	Total
Cash flows from:			
Operating activities	\$ (84,119,465)	\$ 182,299	\$ (83,937,166)
Noncapital financing activities	140,625,296	-	140,625,296
Capital and related financing activities	(4,669,759)	-	(4,669,759)
Investing activities	(24,390,298)	-	(24,390,298)
Net increase/(decrease) in cash and cash equivalents	27,445,774	182,299	27,628,073
Cash and cash equivalents, beginning of year	39,533,516	603,301	40,136,817
Cash and cash equivalents, end of year	\$ 66,979,290	\$ 785,600	\$ 67,764,890

B. Basis of Presentation

The University's accounting policies conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). In recent years, several substantial GASB standards were issued, and the applicable requirements for VSU have been implemented.

GASB Pronouncement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, simplifies the structure of the hierarchy of generally accepted accounting principles (GAAP). The GAAP hierarchy sets forth what constitutes GAAP for all state and local governments. This Standard establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance governmental entities must apply.

C. Basis of Accounting

The University's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when a liability has been incurred, regardless of the timing of related cash flows. All significant intra-agency transactions have been eliminated as well.

D. Cash Equivalents

The University considers all highly liquid investments with an original maturity of ninety days or less to be cash equivalents. Funds invested through the state non-arbitrage program (SNAP) and portions of the funds invested in the State Securities Lending Program are considered cash equivalents.

E. Prepaid Expenses

Prepaid expenses represent University library books, memberships, subscriptions, postage, system maintenance agreements, service agreements and licenses that were paid in advance as of June 30, 2021.

F. Capital Assets

Capital assets consisting of land, buildings, equipment, infrastructure assets, improvements other than buildings, inexhaustible works of art, intangible assets, and construction-in-progress are stated at appraised historical cost or actual cost, where determinable. Purchased or constructed capital assets are reported at actual cost or estimated historical cost. Donated capital assets are reported at acquisition value on the date of acquisition. Library materials are valued using purchase price for library acquisitions and are capitalized if the annual composite amount is \$5,000 or greater. Buildings and infrastructure are capitalized when the cost is \$100,000 or greater. Building renovations are capitalized when cost is \$100,000 or greater, and the asset value significantly increases or the useful life is significantly extended. Equipment is capitalized when the acquisition cost is \$5,000 or greater and the estimated useful life is greater than one year. Expenses for construction-in-progress are capitalized as they are incurred. Intangible assets are capitalized when the acquisition cost is \$100,000 or greater. Interest expenses relating to construction are capitalized, net of interest income earned on resources set aside for this purpose. For the year ended June 30, 2021, no interest associated with construction was capitalized.

Depreciation is calculated using the straight-line method over the estimated useful life as follows:

Buildings	30-60 years
Infrastructure assets	15-20 years
Equipment	2-10 years
Intangible assets – computer software	5-10 years
Library books	5 years
Other improvements	20 years

G. Net Position

Net investment in capital assets represents the net value of capital assets (property, plant and equipment) less the debt incurred to acquire or construct the asset. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are included in this component.

Resources restricted by outside sources are distinguished from unrestricted resources allocated for specific purposes by action of the Board of Visitors. Externally restricted resources may be utilized only in accordance with the purposes established by the source of such resources and are in contrast with unrestricted resources, of which the governing board retains full control to use in achieving the institutional purpose.

Restricted net position can be expendable or nonexpendable. Nonexpendable restricted net assets are endowments and similar type funds where the donor(s) or some other outside source has stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. Expendable restricted net assets are resources which the University is legally or contractually obligated to spend in accordance with the restrictions imposed by external parties.

Unrestricted net position are resources derived primarily from state appropriations, sales and services of educational departments, student tuition and fees, auxiliary enterprises fees and revenues, and gifts. Auxiliary enterprises are self-supporting activities that provide services for students, faculty, and staff. These unrestricted

resources are used for transactions relating to the educational and general operations of the University and at the discretion of the governing board to meet current expenses.

When an expense has been incurred that can be paid using either restricted or unrestricted resources, the University's policy is first to apply the expense toward restricted resources and then toward unrestricted. Restricted funds remain classified as such until restrictions have been satisfied.

H. Unearned Revenue

Unearned revenue represents revenues collected, but not earned as of June 30, 2021. This consists primarily of student tuition and fees received in advance of the academic term and advance payments from grant and contract sponsors.

I. Accrued Compensated Absences

The amount of leave earned, but not taken by 12-month faculty and salaried employees is recorded as a liability on the Statement of Net Position. The amount reflects all unused vacation leave, overtime leave, compensatory leave, sabbatical leave, and the amount payable upon termination under the Commonwealth of Virginia's sick leave payout policy as of June 30, 2021. The applicable share of employer-related taxes payable on eventual termination payments is also included.

J. Revenue and Expense Classifications

Operating revenues include activities that have the characteristics of exchange transactions, such as: (1) student tuition and fees, net of scholarship allowance; (2) federal, state, and nongovernmental grants and contracts; and (3) sales and services of auxiliary enterprises, net of scholarship allowance.

Non-operating revenues include activities that have the characteristics of non-exchange transactions such as gifts and other revenue sources that are defined as non-operating revenues by GASB Statement 9 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Funds Accounting*, and GASB Statement 34 *Basic Financial Statements – and Management's Discussion and Analysis*, such as state appropriations, investment income, and federal student financial aid.

For 2021, "non-operating revenue" includes Federal CARES Act funding. The University received a total of \$40.1 million in CARES Act funding. This was a part of funds received for COVID Relief, Education Stabilization-Student and Institutional Aid and HBCU Funding. These funds were used to give emergency aid to students, and to reimburse the University for refunds made to students for housing, dining and parking services that could not be provided due to the Coronavirus pandemic. The University also used these funds for other expenses incurred due to the pandemic.

Non-operating expenses include interest on debt related to the purchase of capital assets and investment expenses. All other expenses are classified as operating expenses.

K. Discounts, Premiums, and Bond Issuance Costs

Bonds payable on the Statement of Net Position are reported net of related premiums and discounts, which are amortized as revenue or expense over the life of the bond. Bond issuance costs are expensed as incurred, due to the implementation of GASB Statement 65 *Items Previously Reported as Assets and Liabilities*.

L. Scholarship Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowance in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship allowance is the difference between the stated charge for goods and services provided by the University and the amount paid by students and/or third parties making payments on the students' behalf. The scholarship allowance is reported using the alternative method as recommended by the National Association of College and University Business Officers (NACUBO). The alternative method is a simple proportionality algorithm that computes scholarship allowance on a University-wide basis by allocating the amounts applied to student accounts and the cash payment to students, excluding payments for services, on the ratio of total aid to the aid not considered third-party aid.

M. Title IV Federal Financial Assistance Programs

The University participates in the following federally funded programs: Federal Pell Grant (PELL) and Teacher Education Assistance for College and Higher Education (TEACH) Grant; Federal Supplemental Educational Opportunity Grant (SEOG); Federal Direct Subsidized and Unsubsidized; Federal Parent Loan for Undergraduate and Graduate Students (PLUS), Federal Perkins Loan and Federal College Work Study (CWS).

N. Comparative Data

The University presents its financial information on a comparative basis. The basic financial statements include certain prior year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, the June 30, 2020 information should be read in conjunction with the University's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

O. Deferred Outflows and Deferred Inflows 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.

For the University, gains on retirement of debt are classified as deferred inflows of resources and losses are reported as deferred outflows of resources. Each year these amounts are amortized and included as a component of interest expense based on the life of the debt. Changes in net pension liability and OPEB liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. In addition, employer contributions subsequent to the measurement date of the net pension liability are also reported as deferred outflows of resources.

P. Pensions

The Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' Retirement System (VaLORS) Retirement Plan are single employer pension plans that are treated like cost-sharing plans. 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 Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' Retirement System (VaLORS) Retirement Plan; and the additions to/deductions from the VRS State Employee Retirement Plan's and the VaLORS 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. See Note 11 for additional information on the VRS and VaLORS pension plans.

Q. Group Life Insurance

The Virginia Retirement System (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 or 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 Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (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. See Note 12 Other Post-Employment Benefits for additional plan information.

R. State Employee Health Insurance Credit Program

The Virginia Retirement System (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 Virginia Retirement System (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. See Note 12 Other Post-Employment Benefits for additional plan information.

S. VRS Disability Insurance Program

The Virginia Retirement System (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 Police Officers, state employees, and VaLORS employees. For purposes of measuring the net Disability Insurance Program OPEB liability (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 Virginia Retirement System (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. See Note 12 Other Post-Employment Benefits for additional plan information.

T. Line of Duty Act Program

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to §9.1-400 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

Line of Duty Act Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net Line of Duty Act Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Line of Duty Act Program OPEB, and Line of Duty Act Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Line of Duty Act Program OPEB Plan and the additions to/deductions from the VRS Line of Duty Act 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. See Note 12 Other Post-Employment Benefits for additional plan information.

U. Pre-Medicare Retiree Healthcare Plan

Pre-Medicare Retiree Healthcare is a single-employer defined benefit Other Postemployment Benefit 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 University 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 that might otherwise be available outside of this benefit.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et seq., *Code of Virginia*, all State funds of the University are held by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody, and investment of State funds. Cash deposits held by the University are maintained in accounts that are covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq. of the *Code of Virginia*. In accordance with the GASB Statement 9 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds*, definition of cash and cash equivalents, cash represents cash with the Treasurer of Virginia, cash on hand, and cash deposits including certificates of deposit and temporary investments with original maturities of three months or less. The Virginia State Non-Arbitrage Program (SNAP) offers a professionally-managed money market mutual fund, which provides issuers with a temporary pooled investment vehicle for proceeds pending expenditure, and with record keeping, depository and arbitrage rebate calculation services. SNAP 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. At June 30, 2021, the carrying amount of cash and cash equivalents was \$67,764,890.

B. Investments - Credit Risk, Custodial Credit Risk, and Interest Rate Risk

Pursuant to Section 23.1-1301, *Code of Virginia*, the Board of Visitors of Virginia State University has the broad authority to manage the funds of the University. In doing so, the Board created an "Investment Policy" which governs the investment of the University's pooled endowed funds and sets forth the responsibilities of the University, its investment advisors, and external managers. The University's Endowment consists of gifts, Board-designated endowments, and funds connected with the Title III Endowment Challenge Grant Program. It is the intent of the Board that these funds be invested with a long-term approach aimed at generating sustainable levels of income to support the academic mission of the University. In order to do so, the University adheres to the guidelines set forth by the Uniform Prudent Management of Institutional Funds Act, *Code of Virginia* Section 64.2-1100-1100 st seq., to evaluate common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The following disclosures are made in accordance with GASB Statement 40 *Deposit and Investment Risk Disclosures*. As an element of interest rate risk, this statement requires certain disclosures of investments with fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement must be disclosed. GASB Statement 40 also

modifies disclosures required by GASB Statement 3 *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*.

As of June 30, 2021, the University had investments with the following investment managers:

Spider Management Group	\$27,724,980
Graystone Consulting Richmond	\$49,459,201
Total investments	\$77,184,181

The University also participates in the Commonwealth's security lending program. The Commonwealth's policy is to record unrealized gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies. Information related to the credit risk of these investments and securities lending transactions held in the General Account is available on a statewide level in the Commonwealth of Virginia's ACFR. The University participates in the Department of the Treasury reinstated the Securities Lending Program. VSU reported \$4,906,730 of cash and cash equivalents for the Securities Lending Program for fiscal year 2021.

C. Fair Value Measurement

The following disclosures are made in accordance with GASB Statement 72 *Fair Value Measurement and Application*. This standard expands fair value disclosures to provide comprehensive information for financial statement users about the impact of fair value measurements on a government's financial position. Furthermore, all investment income, including changes in the fair value of investments (unrealized gains and losses), is reported as nonoperating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

In the chart below, SNAP Investments are reported using the net asset value per share, which is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Investments:	Not Applicable to Fair Value Measurement	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at Net Asset Value (NAV)	Credit	Rating
Cash	\$ 67,750,503	\$ 533,843	-	-	-		
Cash (SNAP)	14,387	-	-	-	-	AAA (S&P)	
Stocks	-	6,331,851	-	-	-	Not applicable	
Exchange Traded Securities and Closed End Funds	-	8,686,690	-	-	-	Not applicable	
Mutual Funds	-	33,906,817	-	-	-	Not rated	
Unitized Investment Pool (Spider)	-	-	-	-	27,724,980	Not rated	
Total	\$ 67,764,890	\$ 49,459,201	\$ -	\$ -	\$ 27,724,980		

The Richmond Fund, managed by the Spider Management Group, creates a strategic mix of asset classes in order to preserve principal and build long-term capital. Diversification is the core tenant of the Richmond Fund, which invests across asset classes broadly categorized as public equity, private equity/venture capital, multi-strategy/credit, and real assets.

The following chart provides information on the availability of the investment funds:

Investment Manager	Redemption Frequency	Redemption Notice Period
Unitized Investment Pool (Spider)	Quarterly	60 days

D. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The University does not invest directly in fixed income securities, but rather holds shares of mutual funds which target specific types of fixed income instruments. Doing so allows the University to construct a fixed-income portfolio which carries prudent levels of interest rate risk by targeting and maintaining an average duration congruent with the investment objectives of the University.

E. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. 2.2-4501 of the Code of Virginia authorizes the investment of local funds held by the University in obligations of the Commonwealth; federal government; other states or political subdivisions thereof; Virginia political subdivisions; the International Bank for Reconstruction and Development; the Asian Development Bank; and the African Development Bank. In addition, the University may invest in prime quality commercial paper rated Prime 1 by Moody's Investment Service or A-1 by Standard and Poor's, Incorporated. The University may also invest in overnight term or open repurchase agreements and money market funds. The University does not hold rated debt securities directly but rather constructs a balanced fixed-income mutual fund portfolio which assumes levels of credit risk appropriate with its risk and return objectives.

F. Custodial Credit Risk

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the endowment funds will not be able to recover the value of the investments that are in possession of an outside party. The University does not have a formal investment policy for custodial arrangements. At June 30, 2021, the University endowment funds were held at the custodial banks, the Spider Management Group, and Graystone Consulting Richmond.

G. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government or university in a single issuer. The University does not have a formal policy to reduce concentration of credit risk; however, all of the University's investments were held in various instruments and stocks and were not exposed to this risk.

H. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investment or deposit. The University does not have a policy limiting foreign investments. The University does not have any funds subject to foreign currency risk.

I. VSUF – Cash and Investments

The investments of the VSUF consist primarily of equity securities and mutual funds. All investments are stated at fair value as reported by investment managers and reflect readily determinable market prices. All investments are considered available for sale. The amount of cash and investments held by the VSUF at June 30, 2021, was \$26,802,449.

At June 30 2021, the VSUF had \$23,928,200 in total investments. Per GASB Statement 72 *Fair Value Measurement and Application* these investments are classified as follows: \$23,778,500 as Level 1; \$27,000 as Level 2; \$122,700 as Level 3.

J. VSUREF - Cash and Investments

The investments of the VSUREF consist primarily of U.S. government money market funds. All investments are stated at fair value as reported by investment managers and reflect readily determinable market prices. All investments are considered available for sale. Cost is determined based on the initial purchase price of each individual investment. The amount of cash and investments held by the VSUREF at December 31, 2020 was \$4,509,710.

At December 31, 2020, the VSUREF had \$2,342,311 related to a derivative interest rate swap agreement. Per GASB Statement 72 *Fair Value Measurement and Application* this investment is classified as Level 2.

2.1 DONOR RESTRICTED ENDOWMENTS

Investments of the university's endowment funds are pooled and consist primarily of gifts and bequests, the use of which is restricted by donor imposed limitations. The Uniform Prudent Management of Institutional Funds Act, *Code of Virginia* Section 64.2-1100-1100 st seq., permits the spending policy adopted by the Board of Visitors to appropriate an amount of realized and unrealized endowment appreciation as the Board determines to be prudent. The payout percentage is reviewed and adjusted annually as deemed prudent.

The University, at FY2021 year-end, had a net appreciation of \$7,514,506 which is available to be spent and is reported in the Statement of Net Position in the following categories: Restricted Expendable for Scholarships and Fellowships - \$3,758,823, Restricted Expendable for Instruction - \$3,304,769, and Restricted Expendable for Other - \$450,914.

3. ACCOUNTS AND NOTES RECEIVABLE

A. Accounts Receivable

Accounts receivable is shown net of allowance for doubtful accounts in the accompanying Statement of Net Position.

Accounts Receivable at June 30, 2021	
University:	
Student tuition and fees	\$ 1,272,049
Federal, state and private grants and contracts	3,175,943
Multi-purpose center	39,467
Auxiliary enterprises	33,238
Third party receivables - students	565,660
Other receivables	18,483
Gross accounts receivable	5,104,840
Less: Allowance for doubtful accounts	(1,539,328)
Net accounts receivable	3,565,512
Research Foundation:	
Gross accounts receivable	45,078
Less: Allowance for doubtful accounts	-
Net accounts receivable	45,078
Total net accounts receivable	\$ 3,610,590

B. Due from the Commonwealth

Receivables due from the Commonwealth represent reimbursements due for equipment purchases made by the University under the Equipment Trust Fund and bond reimbursement programs. On a reimbursement basis, the Equipment Trust Fund program provides State-supported institutions of higher education with bond proceeds for financing the acquisition and replacement of instructional and research equipment.

The details for the receivables due from the Commonwealth are as follows:

Due from the Commonwealth at June 30, 2021	
21 Century Bond Reimbursement - Demolish Replace Daniel Gym Hall	3,361,999
21 Century Bond Reimbursement - Maintenance Reserve	188,000
21 Century Bond Reimbursement - Erosion & Sediment Control	2,619
21 Century Bond Reimbursement - Equipment Fund Reimbursement	189,691
Total due from the Commonwealth	\$ 3,742,309

C. Notes Receivable

Notes receivable are shown net of an allowance for doubtful accounts in the accompanying Statement of Net Position.

At June 30, 2021, notes receivable consisted of the following:

Notes Receivable at June 30, 2021

Current notes receivables:

Federal student loans 186,570

Noncurrent notes receivables:

Federal student loans 1,073,383

Less: Allowance for doubtful accounts (234,329)Total notes receivable \$ 1,025,624

4. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2021, is presented as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Nondepreciable capital assets:				
Land	\$ 19,514,467	\$ -	\$ -	\$ 19,514,467
Inexhaustible works of art and historical treasures	119,000	-	-	119,000
Construction in progress	4,051,689	961,246	(915,516)	4,097,419
Total nondepreciable capital assets	23,685,156	961,246	(915,516)	23,730,886
Depreciable capital assets:				
Buildings	395,011,986	282,102	(81)	395,294,007
Equipment	31,821,878	3,489,287	(1,078,414)	34,232,751
Infrastructure (includes Improvements other than buildings)	29,902,454	633,413	-	30,535,867
Intangible Assets-Computer Software	3,347,006	-	-	3,347,006
Library books	20,423,823	-	(50,301)	20,373,522
Total depreciable capital assets	480,507,147	4,404,802	(1,128,796)	483,783,153
Less accumulated depreciation for:				
Buildings	150,568,410	7,367,037	(77)	157,935,370
Equipment	25,431,515	1,481,111	(1,069,914)	25,842,712
Infrastructure (includes Improvements other than buildings)	16,853,551	903,296	-	17,756,847
Intangible Assets-Computer Software	3,347,006	-	-	3,347,006
Library books	20,220,956	84,456	(50,301)	20,255,110
Total accumulated depreciation	216,421,438	9,835,900	(1,120,292)	225,137,045
Net depreciable capital assets	264,085,709	(5,431,098)	(8,504)	258,646,108
Total	\$ 287,770,865	\$ (4,469,852)	\$ (924,020)	\$ 282,376,994

Net capital assets of the VSUREF consist of \$542,828 for land and \$4,966,497 (net of accumulated depreciation of \$10,745,298) for buildings, land improvements, and equipment as of December 31, 2020.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following at June 30, 2021:

Employee salaries, wages, and fringe benefits payable	\$	3,812,521
Matured interest payable		131,942
Vendor and supplier accounts payable		7,606,984
Total	\$	<u>11,551,447</u>

6. LONG-TERM LIABILITIES

The University's noncurrent liabilities consist of long-term debt (further described in Note 7) and other noncurrent liabilities. A summary of changes in noncurrent liabilities for the year ending June 30, 2021 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current	Noncurrent
Long-term debt:						
General obligations revenue bonds	\$ 69,658,599	\$ 43,143,796	\$ (49,155,531)	\$ 63,646,864	\$ 3,939,827	\$ 59,707,037
Notes payable	3,365,350	1,331,709	(2,384,837)	2,312,222	804,475	1,507,747
Installment purchases	428,338	-	(213,024)	215,314	215,314	-
Total long-term debt	73,452,287	44,475,505	(51,753,392)	66,174,400	4,959,616	61,214,784
Other noncurrent liabilities:						
Net pension liability	59,487,389	6,982,367	-	66,469,756	-	66,469,756
Net OPEB Liability	15,703,822	-	(1,026,333)	14,677,489	279,612	14,397,877
Accrued compensated absences	4,677,714	2,544,336	(2,180,585)	5,041,465	838,009	4,203,456
Federal Government - NIFA	4,092,793	1,701,141	(4,092,793)	1,701,141	1,701,141	-
Federal Perkins loan contributions	1,521,882	-	-	1,521,882	-	1,521,882
Total other noncurrent liabilities	85,483,600	11,227,844	(7,299,711)	89,411,733	2,818,762	86,592,971
Total long-term liabilities	<u>\$ 158,935,887</u>	<u>\$ 55,703,349</u>	<u>\$ (59,053,103)</u>	<u>\$ 155,586,133</u>	<u>\$ 7,778,378</u>	<u>\$ 147,807,755</u>

7. LONG-TERM INDEBTEDNESS

A. Bonds Payable

The University's bonds are issued pursuant to Section 9 of Article X of the Constitution of Virginia. All of the bonds at the University are Section 9(c) bonds. These bonds are backed by the full faith, credit and taxing power of the Commonwealth, and are issued to finance capital projects which, when completed, will generate revenue to repay the debt.

A summary of future principal and interest requirements of bonds payable for fiscal years as of June 30, 2021, are as follows:

General obligation revenue bonds:	Interest Rate	Maturity	Total
VSU Res Hall 2009D Ref (2006B Ref) Series 2019B	5.0%	2022	1,025,000
VSU Dining Hall 2009D Ref (2006B Ref) Series 2019B	5.0%	2022	260,000
Constr Two Res Halls - 2007B Ref Portion, Series 2013B	4.0%	2025	6,841,292
Constr Dining Hall - 2006B Ref Portion, Series 2013B	4.0%	2026	1,219,718
Constr Residence Halls - 2006B Ref Portion, Series 2013B	4.0%	2026	4,719,150
Constr Res Halls - 2007A Ref Portion, Series 2013B	4.0%	2027	801,399
Construct Two Residence Halls-2007B Ref Portion, Series 2015B	5.0%	2027	3,622,618
Construct Gateway Res Hall Phase, Ref (2011A Ref) Series 2020B	0.6% - 1.4%	2031	23,055,000
Construct Quad Phase II, Ref (2011A Ref) Series 2020B	0.6% - 1.4%	2031	19,905,000
Add unamortized premium			2,197,687
Total bonds payable			<u>\$ 63,646,864</u>

Aggregate annual maturities of bonds payable for fiscal years after 2021 are:

Maturity	Principal	Interest	Total
2022	3,939,827	1,225,683	5,165,510
2023	7,701,801	1,080,536	8,782,337
2024	7,880,975	907,614	8,788,589
2025	8,069,814	729,025	8,798,839
2026	8,095,905	565,105	8,661,010
2027 - 2031	25,760,855	1,001,876	26,762,731
Add unamortized premium (net of discount)	2,197,687		2,197,687
Total	<u>\$ 63,646,864</u>	<u>\$ 5,509,839</u>	<u>\$ 69,156,703</u>

B. Notes Payable

The University entered into a loan agreement with the Department of Housing and Urban Development (HUD) in 1989 and closed the agreement in 1992 to borrow funds to repair seven dormitories. The loan is to be repaid over 30 years at three percent interest and is secured by a lien on the net revenues from the ownership, operation, and use of the seven dormitories under repair. In prior years, the University participated in the Virginia College Building Authority (VCBA) Pooled Bond Program to fund the renovation of Rogers Stadium and the Student Village Housing Renovation Project. At June 30, 2021, the outstanding principal balances were \$144,475 for the HUD loan and \$2,055,000 for the VCBA notes payable.

A summary of future principal and interest requirements of the VCBA notes and HUD loan payable for the fiscal years as of June 30, 2021, are as follows:

Virginia College Building Authority and HUD Notes Payable:	Interest		Total
	Rate	Maturity	
VSU 2002A Rogers Stadium 10B Ref (02A Ref) Series 2021A	5.0%	2023	880,000
VSU Roger's Stadium Proj. - 2005 A Ref Portion, Series 2012A	5.0%	2023	320,000
VSU Student Village Hsg. - 2005 A Ref Portion, Series 2012A	5.0%	2023	165,000
VSU Roger Stadium Proj-12A Ref Taxable (05A Ref) Series 2021B	0.5%	2025	265,000
VSU Student Village Hsg. - 12A Ref Taxable (05A Ref) Series 2021B	0.5%	2025	140,000
VSU Pooled Bonds-Roger's Stadium-2005A, Ref Portion, Series 2014B	4.0%	2026	190,000
VSU Pooled Bonds-Student Village Hsg-2005A, Ref Portion. Series 2014B	4.0%	2026	95,000
Department of Housing and Urban Development	3.0%	2022	144,475
Add unamortized premium (net of discount)			112,747
Total notes payable			<u>\$ 2,312,222</u>

Aggregate annual maturities of notes payable for fiscal years after 2021 are:

Maturity	Principal	Interest	Total
2022	804,475	70,096	874,571
2023	705,000	30,995	735,995
2024	130,000	13,045	143,045
2025	275,000	12,060	287,060
2026	285,000	5,700	290,700
Add unamortized premium:	112,747	-	112,747
Total	<u>\$ 2,312,222</u>	<u>\$ 131,896</u>	<u>\$ 2,444,118</u>

C. New Refunded and Defeasance Debt

On November 5, 2020, the Commonwealth of Virginia issued \$118,130,000 of General Obligation Refunding Bonds, Series 2020B (Federally Taxable) (the “Bonds”) of which \$42,960,000 was set aside to refund previously issued bonds on behalf of the University. The Bonds were issued to provide debt service savings by refunding bonds issued under Article X, Section 9(c) of the Constitution of Virginia. A portion of the bonds were issued to finance one or more 9(c) projects at this institution as follows:

New Refunded Debt – Bonds – (Construct Gateway Residence Halls Phase II)

The sale of \$23,055,000 of these bonds enabled the University to advance refund \$22,545,000 of Series 2011A-VSU Construct Gateway Residence Hall 9(c) bonds. The net proceeds of \$23,517,467 (after payment of underwriter’s fees and other issuance costs) were deposited into an irrevocable escrow account and will be used to pay interest, redemption premium and maturity value of the refunded bonds to their call date. The refunding generated: NPV Savings: 3,742,043; Economic Savings: 4,254,854; Accounting Gain: 1,220,257.

New Refunded Debt – Bonds – (Construct Quad Phase II)

The sale of \$19,905,000 of these bonds enabled the University to advance refund \$19,740,000 of Series 2011A-VSU Construct Quad 9(c) bonds. The net proceeds of \$20,519,644 (after payment of underwriter’s fees and other issuance costs) were deposited into an irrevocable escrow account and will be used to pay interest, redemption premium and maturity value of the refunded bonds to their call date. The refunding generated: NPV Savings: 3,266,800; Economic Savings: 4,008,918; Accounting Gain: 1,036,263.

VCBA Pooled Bonds

The University also participated in the VCBA 2021 A& B Pooled Bond competitive sale completed by the Treasury Board on February 9, 2021. On February 9, 2021, VCBA issued \$386,710,000 in refunding bonds of which \$1,285,000 was set aside for VSU to refund \$1,435,000 of Rogers Stadium 2002A and 2005A bonds and Student Village Housing 2005A bonds. The refunding generated: NPV Savings: 54,117; Economic Savings: 235,946; Accounting Loss: 297-refunding Roger’s Stadium 2012A and Student Village Housing 2012A; Accounting Gain: 31,345-refunding Roger’s Stadium 2010B.

Defeased Bonds

In fiscal year 2021, the Commonwealth of Virginia, on behalf of the University, issued bonds and notes for which the proceeds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the related liability for the defeased bonds are not reflected in the University’s financial statements. At June 30, 2021, the outstanding balance of the defeased bonds was \$535,000.

D. Installment Purchases

Installment purchase obligations in FY2021 consisted of the Energy Performance Leasing Program with \$215,314 in principal remaining.

Principal and interest payment commitments as of June 30, 2021, are as follows:

Installment purchase obligations:	Interest		
	Rate	Maturity	Total
Energy Performance Leasing Program	1.1%	2022	215,314
Total installment purchase obligations			\$ 215,314

The aggregate maturity of installment purchase obligations for fiscal years after 2021 is:

Maturity	Principal	Interest	Total
2022	215,314	2,315	217,629
	-		
Total	\$ 215,314	\$ 2,315	\$ 217,629

E. Foundation Debt

The VSUREF refinanced and paid off the Series 2006 bonds and obtained \$20,330,000 in Series 2008 bonds of which \$12,067,488 in principal remains at December 31, 2020. The Series 2008 bonds are collateralized by the rental property and equipment. Also, the VSUREF is required to maintain a debt service reserve. The contractual interest rates are variable.

The Series 2008 bonds mature on July 1, 2031, and the VSUREF has agreed to prepayment terms of the principal to the Trustee with payments remaining due as follows:

Maturity	Principal
2021	1,055,000
2022	1,105,000
2023	1,160,000
2024	1,215,000
2025	1,275,000
Thereafter	6,310,000
Total	\$ 12,120,000

In conjunction with the refinancing of the bonds, loan costs of \$124,371 were incurred and are being amortized over the life of the debt. Amortization expense for both the year ended December 31, 2020 and 2019 was \$5,528 and \$5,527.

The VSUREF had entered into an interest rate swap agreement as part of the provisions of the Series 2006 bond agreement. When the VSUREF issued the 2008 Series bonds the original swap contract was satisfied and a new interest rate swap agreement was obtained. Per the terms of the 2008 swap agreement, the VSUREF pays a fixed rate of interest of 4.12%. The interest rate swap agreements qualify as derivative financial instruments and are used to mitigate the effect of interest rate fluctuations. The VSUREF accounts for the interest rate swaps as fair value hedges whereby other liabilities in the accompanying statements of financial position with the offsets recorded as expenses.

The fair value of these contracts was a negative \$2,342,312 and \$2,136,798 at December 31, 2020 and 2019 respectively. This is the amount the VSUREF would have to pay to settle the interest rate swaps as of these respective dates.

In conjunction with the bond issuance, the University signed a support agreement with the VSUREF stating that the project will be an equal part of the student housing program, provide preferential treatment to provide 95% occupancy if the debt service coverage ratio is less than 1.2 to 1, and limit additional housing projects.

8. STATE APPROPRIATIONS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriations Act specifies that such unexpended appropriations shall revert, as specifically provided by the General Assembly, at the end of a biennium.

The following is a summary of state appropriations received by the University for the year ended June 30, 2021:

Virginia State University:

Original legislative appropriation:

Education and general programs	\$	42,024,757
Higher education student financial assistance		13,080,929

Supplemental adjustments:

State grants and scholarships		133,544
FY2021 Approp-Tech Talent		305,824
FY2021 Approp-Affordable Access		1,700,000
VIVA interlibrary loan allocation		2,392
FY2021 central appropriation distribution		(107,955)
Capital outlay fee - FY2021		(773,577)
VCBA debt service appropriations		(108,886)
Interest Earnings		104,736
Year-end cash reversion		(5,081,773)
Reappropriation of FY2020 carry forward		473,425
		<hr/>
		51,753,416

Cooperative Extension and Agricultural Research Services:

Original legislative appropriation:

Education and general programs		7,126,822
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Supplemental adjustments:

FY2021 central appropriation distribution		(16,596)
Year-end cash reversion		(2,284,068)
Reappropriation of FY2020 carry forward		1,624,513
		<hr/>
		6,450,671

Total state appropriations	\$	58,204,087
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9. EXPENSES BY NATURAL CLASSIFICATION

The following table shows a classification of operating expenses both by function, as listed in the Statement of Revenues, Expenses, and Changes in Net Position and by natural classification, which is the basis for amounts shown in the Statement of Cash Flows.

	Salaries & Wages	Fringe Benefits	Services & Supplies	Scholarships & Fellowships	Utilities	Depreciation	Total
Instruction	\$ 21,624,096	\$ 8,486,474	\$ 6,730,199	\$ 237,185	\$ 175,253	\$ -	\$ 37,253,207
Research	4,529,255	1,449,052	3,288,820	201,515	125,188	-	9,593,830
Public Service	4,215,910	1,441,837	2,421,881	-	135,026	-	8,214,654
Academic Support	2,677,896	1,111,656	1,986,765	-	32,638	-	5,808,955
Student Services	2,477,036	1,150,883	764,031	4,500	61,910	-	4,458,360
Institutional Support	12,052,561	4,892,025	8,221,263	1,248,230	452,102	-	26,866,181
Operations & Maintenance of Plant	975,025	448,187	8,571,615	-	2,393,003	-	12,387,830
Scholarships & Fellowships	-	-	-	11,477,412	-	-	11,477,412
Depreciation	-	-	-	-	-	9,835,900	9,835,900
Auxiliary Enterprises	4,801,389	1,920,050	8,625,743	2,186,506	2,476,342	-	20,010,030
Total	\$ 53,353,168	\$ 20,900,164	\$ 40,610,317	\$ 15,355,348	\$ 5,851,462	\$ 9,835,900	\$ 145,906,359

10. COMMITMENTS

A. Construction Commitments

As of June 30, 2021, the University was a party to construction contracts totaling \$12,386,439 of which \$5,027,052 was still outstanding.

B. Operating Leases

The University has a lease with the City of Petersburg to provide rental space related to a federal grant with the Department of Agriculture. The lease began on January 1, 2016 and ends December 31, 2021. \$600 is scheduled to be paid in FY2022.

11. RETIREMENT PLANS

A. Virginia Retirement System – Pension Plan

Plan Description

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Retirement Plan or the VaLORS Retirement Plan upon employment. These plans are 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; and two different benefit structures for covered employees in the VaLORS Retirement Plan – Plan 1 and Plan 2. 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.

		<ul style="list-style-type: none"> • 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.
<p>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.</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>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>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.</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> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • State employees* • 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. They include:</p> <ul style="list-style-type: none"> • Members of the Virginia Law Officers' Retirement System (VaLORS). <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</p>

		are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
<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 pretax 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. 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</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. 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</p>

<p>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>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 Contributions 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. 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>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <i>Defined Benefit Component:</i> 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> <p><i>Defined Contributions Component:</i> Defined contribution</p>

		<p>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>
<p>Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <i>Defined Benefit Component:</i> See definition under Plan 1</p> <p><i>Defined Contribution Component:</i></p>

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.		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 VRS: 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%. VaLORS: The retirement multiplier for VaLORS employees is 1.70% or 2.00%.	Service Retirement Multiplier VRS: 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. VaLORS: The retirement multiplier for VaLORS employees is 2.00%.	Service Retirement Multiplier <i>Defined Benefit Component:</i> VRS: 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. VaLORS: Not applicable. <i>Defined Contribution Component:</i> Not applicable.
Normal Retirement Age	Normal Retirement Age	Normal Retirement Age

<p>VRS: Age 65.</p> <p>VaLORS: Age 60.</p>	<p>VRS: Normal Social Security retirement age.</p> <p>VaLORS: Same as Plan 1.</p>	<p><u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>VaLORS: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.</p> <p>VaLORS: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90.</p> <p>VaLORS: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and service equal 90.</p> <p>VaLORS: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.</p> <p>VaLORS: Age 50 with at least five years of service credit.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit.</p> <p>VaLORS: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age 60 with at least five years (60 months) of service credit.</p> <p>VaLORS: Not applicable.</p>

		<p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<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 full 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>	<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>

<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. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • 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>

<p>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>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>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 state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each state agency's contractually required employer contribution rate for the fiscal year ended June 30, 2021, was 14.46% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 21.90% of covered employee compensation. These rates were based on actuarially determined rates from an actuarial valuation as of June 30, 2019. The actuarially determined rates, when combined with employee contributions, were 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 state agency to the VRS State Employee Retirement Plan were \$5,376,261 and \$5,069,754 for the years ended June 30, 2021, and June 30, 2020, respectively. Contributions from the state agency to the VaLORS Retirement Plan were \$235,502 and \$217,547 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 state agency reported a liability of \$64,277,826 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of \$2,191,930 for its proportionate share of the VaLORS 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 state agency's proportion of the Net Pension Liability was based on the state agency'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 state agency's proportion of the VRS State Employee Retirement Plan was 0.88722% as compared to 0.91411% at June 30, 2019. At June 30, 2020, the state agency's proportion of the VaLORS Retirement Plan was 0.28034% as compared to 0.24755% at June 30, 2019.

For the year ended June 30, 2021, the state agency recognized pension expense of \$7,877,076 for the VRS State Employee Retirement Plan and \$482,851 for the VaLORS 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 state agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

State Employee Retirement Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 729,109	\$ 654,092
Net difference between projected and actual earnings on pension plan investments	5,000,451	-
Change in assumptions	2,670,187	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	285,512	1,312,105
Employer contributions subsequent to the measurement date	5,376,261	-
Total	<u>\$ 14,061,520</u>	<u>\$ 1,966,197</u>

VaLORS Retirement Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 47,642	\$ -
Net difference between projected and actual earnings on pension plan investments	129,097	-
Change in assumptions	46,544	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	190,576	-
Employer contributions subsequent to the measurement date	235,502	-
Total	<u>\$ 649,361</u>	<u>\$ -</u>

\$5,376,261 for the State Retirement Plan and \$235,502 for the VaLORS Retirement Plan reported as deferred outflows of resources related to pensions resulting from the state agency'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:

State Retirement Plan Year Ended June 30:		VaLORS Retirement Plan Year Ended June 30:	
2022	\$1,191,855	2022	\$222,824
2023	\$2,486,008	2023	\$107,935
2024	\$1,436,156	2024	\$42,963
2025	\$1,605,043	2025	\$40,137
2026	\$0	2026	\$0

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	2.5 percent
Salary increases, including Inflation	3.5 percent – 5.35 percent
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)	Update 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	Increase rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

The total pension liability for the VaLORS 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	2.5 percent
Salary increases, including Inflation	3.5 percent – 4.75 percent
Investment rate of return	6.75 percent, 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 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 year.

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)	Update 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	Decrease rate from 50% to 35%
Discount Rate	Decrease 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 and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

	State Employee Retirement Plan	VaLORS Retirement Plan
Total Pension Liability	\$ 26,014,925	\$ 2,282,351
Plan Fiduciary Net Position	18,770,068	1,500,469
Employers' Net Pension Liability (Asset)	<u>\$ 7,244,857</u>	<u>\$ 781,882</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.15%	65.74%

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 asset 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>

* 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 state agency for the VRS State Employee Retirement Plan and the VaLORS 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 University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the University'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 state agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Virginia State University's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	\$91,096,247	\$64,277,826	\$41,728,136

The following presents the University's proportionate share of the VaLORS Retirement Plan net pension liability using the discount rate of 6.75%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Virginia State University's proportionate share of the VaLORS Retirement Plan Net Pension Liability	\$3,008,721	\$2,191,930	\$1,517,309

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position or the VaLORS 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 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.

Payables to the Pension Plan

At June 30, 2021, the University reported a payable of \$216,202 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

B. Optional Retirement Plans

Full-time faculty and certain administrative staff may participate in one of two other retirement plans: 1) DCP and 2) Teacher Insurance and Annuity Association/College Retirement Equity Fund. These are fixed-

contribution programs where the retirement benefits received are based upon the total of employer and employee contributions, plus interest and dividends. Individual contracts issued under these plans provide full and immediate vesting of both the University and the participants' contributions.

Employees who became members of the respective plans prior to July 1, 2010, there is an employer required contribution of 10.4 percent. Annual pension costs under these plans totaled \$537,495 for the year ended June 30, 2021. Contributions to these retirement programs were calculated using the base salary amount of \$5,168,218.

For employees who became members of the respective plans on or after July 1, 2010, there is an employer required contribution of 8.5 percent and an employee required contribution of 5 percent. Annual pension costs under these plans totaled \$270,898 for the year ended June 30, 2021. Contributions to these retirement programs were calculated using the base salary amount of \$3,187,039.

C. Deferred Compensation

On a voluntary basis, University employees may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to \$20 per pay period. The matched dollar amount can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under section 401(a) of the Internal Revenue Code. The University expense for contributions under the Deferred Compensation Plan, which is an amount assessed by the Commonwealth, was \$141,035 for FY2021.

12. OTHER POSTEMPLOYMENT BENEFITS

As well as providing voluntary and involuntary termination benefits, the University participates in postemployment benefit programs that are sponsored by the Commonwealth and administered by the Virginia Retirement System. These programs include the Group Life Insurance Program, Virginia Sickness and Disability Program, Retiree Health Insurance Credit Program, and Line of Duty Act Program.

Additional information related to all Other Postemployment Benefit (OPEB) plans is available at the state-wide level in the Commonwealth's Annual Comprehensive Financial Report (ACFR).

A. Virginia Retirement System - Group Life Insurance Program (GLI)

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS

Eligible Employees

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

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

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

Benefit Amounts

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

- **Natural Death Benefit** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - 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 state agencies and school divisions 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. Each employer'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 to the Group Life Insurance Program from the entity were \$256,331 and \$259,225 for the years ended June 30, 2021, and June 30, 2020, respectively.

GLI OPEB Liabilities, GLI 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 entities reported a liability of \$3,972,999 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI 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 covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer'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 participating employer's proportion was 0.23807% as compared to 0.24097 % at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$128,420. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Virginia State University's GLI Plan		
Difference between expected and actual experience	\$ 254,831	\$ 35,685
Net difference between projected and actual earnings on GLI OPEB program investments	119,346	-
Change in assumptions	198,696	82,959
Changes in proportion	61,498	158,110
Employer contributions subsequent to the measurement date	256,331	
Total	<u>\$ 890,702</u>	<u>\$ 276,754</u>

\$256,331 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI 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 GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30		
FY 2022	\$	36,756
FY 2023	\$	70,459
FY 2024	\$	111,234
FY 2025	\$	116,523
FY 2026	\$	22,014
Thereafter	\$	631

Actuarial Assumptions

The total GLI 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	2.5 percent
Salary increases, including inflation –	
General state employees	3.5 percent – 5.35 percent
Teachers	3.5 percent – 5.95 percent
SPORS employees	3.5 percent – 4.75 percent
VaLORS employees	3.5 percent – 4.75 percent
JRS employees	4.5 percent
Locality – General employees	3.5 percent – 5.35 percent
Locality – Hazardous Duty employees	3.5 percent – 4.75 percent
Investment rate of return	6.75 Percent, net of 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	Decrease 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 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	Decrease 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	Decrease 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	Decrease 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	Decrease rate 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	Decrease 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	Decrease 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 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
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	Decrease 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	Decrease rate from 7.00% to 6.75%

Net GLI 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):

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

The total GLI 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 GLI 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 asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	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 Strategie	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>

* 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 GLI 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 entity for the GLI 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 GLI 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 GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were

calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
VSU's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 5,222,812	\$ 3,972,999	\$ 2,958,034

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 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.

B. Virginia Retirement System – Health Insurance Credit Program (HIC)

Plan Description

All full-time, salaried permanent employees of state agencies 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 their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

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

STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS

Eligible Employees

The State Employee Retiree Health Insurance Credit Program was established January 1, 1990, for retired state employees covered under VRS, SPORS, VaLORS, and JRS who retire with at least 15 years of service credit.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS, and JRS.

Benefit Amounts

The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

- **At Retirement** – For State employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.
- **Disability Retirement** – For State employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher.

For State police officers with a non-work-related disability who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP) the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher.

For State police officers with a work-related disability, there is no benefit provided under the State Employee Retiree Health Insurance Credit Program if the premiums are being paid under the Virginia Line of Duty Act. However, they may receive the credit for premiums paid for other qualified health plans.

Health Insurance Credit Program Notes:

- The monthly Health Insurance Credit benefit cannot exceed the individual's premium amount
- Employees who retire after being on long-term disability under VSDP must have at least 15 years of service credit to qualify for the Health Insurance Credit as a retiree.

Contributions

The contribution requirement for active employees is governed by § 51.1-1400(D) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency'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 University to the VRS State Employee Health Insurance Credit Program were \$536,265 and \$578,536 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 University reported a liability of \$6,218,022 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 University's proportion of the Net VRS State Employee Health Insurance Credit Program OPEB Liability was based on VSU'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 State employers. At June 30, 2020, VSU's proportion of the VRS State Employee Health Insurance Credit Program was 0.67734% as compared to 0.69304% at June 30, 2019.

For the year ended June 30, 2021, the University recognized VRS State Employee Health Insurance Credit Program OPEB expense of \$492,595. 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 University reported deferred outflows of resources and deferred inflows of resources related to the VRS State Employee Health Insurance Credit Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Virginia State University's HIC Plan		
Difference between expected and actual experience	\$ 2,589	\$ 93,313
Net difference between projected and actual earnings on State HIC OPEB program investments	30,595	-
Change in assumptions	103,588	29,477
Changes in proportionate share	70,342	225,223
Employer contributions subsequent to the measurement date	536,265	
Total	\$ 743,379	\$ 348,013

\$536,265 reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from VSU'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	\$ (48,156)
FY 2023	\$ (44,376)
FY 2024	\$ (14,826)
FY 2025	\$ (6,015)
FY 2026	\$ (27,526)
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	2.5 percent
Salary increases, including inflation –	
General state employees	3.5 percent – 5.35 percent
SPORS employees	3.5 percent – 4.75 percent
VaLORS employees	3.5 percent – 4.75 percent
JRS employees	4.5 percent
Investment rate of return	6.75 percent, 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	Decrease 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	Decrease 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	Decrease 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	Decrease 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 <u>Plan</u>
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 asset 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 Strategie:	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>

* 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 FY 2020 actuarial valuations, provide 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 University 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 University's Proportionate Share of the State Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents VSU'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 VSU's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
VSU's proportionate share of the VRS State Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 6,890,207	\$ 6,218,022	\$ 5,639,612

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 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.

C. Virginia Retirement System – Line of Duty Program (LODA)

Plan Description

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

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

LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS
<p>Eligible Employees</p> <p>The eligible employees of the Line of Duty Act Program (LODA) include paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).</p>
<p>Benefit Amounts</p> <p>The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals:</p> <ul style="list-style-type: none"> • Death – The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: <ul style="list-style-type: none"> ○ \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.

- \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.
- An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.
- **Health Insurance** – The Line of Duty Act program provides health insurance benefits.
 - Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program.
 - Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

Contributions

The contribution requirements for the Line of Duty Act Program (LODA) are governed by § 9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program (LODA) for the year ended June 30, 2021, was \$717.31 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019, and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program (LODA) from the University were \$9,325 and \$9,175 for the years ended June 30, 2021 and June 30, 2020, respectively.

Line of Duty Act Program (LODA) OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2021, the University reported a liability of \$282,743 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2020 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. Virginia State University's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2020, the University's proportion was 0.06751% as compared to 0.06836% at June 30, 2019.

For the year ended June 30, 2021, the University's LODA OPEB expense of \$19,683. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, Virginia State University reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Virginia State University's LODA Plan		
Difference between expected and actual experience	\$ 30,014	\$ 38,547
Net difference between projected and actual earnings on LODA OPEB plan	-	402
Change in assumptions	75,692	17,619
Changes in proportionate share	19,620	67,785
Employer contributions subsequent to the measurement date	9,325	-
Total	\$ 134,651	\$ 124,353

\$9,325 reported as deferred outflows of resources related to the LODA OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA 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 LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year ended June 30		
FY 2022	\$	423
FY 2023	\$	497
FY 2024	\$	576
FY 2025	\$	600
FY 2026	\$	624
Thereafter	\$	(1,747)

Actuarial Assumptions

The total LODA 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 percent
Salary increases, including Inflation –	
General state employees	N/A
SPORS employees	N/A
VaLORS employees	N/A
Locality employees	N/A
Medical cost trend rates assumption –	
Under age 65	7.00 percent – 4.75 percent
Ages 65 and older	5.375 percent – 4.75 percent
Year of ultimate trend rate –	

Under age 65
Ages 65 and older

Fiscal year ended 2028
Fiscal year ended 2023

Investment rate of return 2.21 Percent, including inflation*

* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return.

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. Changes to the actuarial assumptions as a result of the experience study 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%

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. Changes to the actuarial assumptions as a result of the experience study 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%

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. Changes to the actuarial assumptions as a result of the experience study 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%

Mortality rates – Largest Ten Locality Employers With Public Safety 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. Changes to the actuarial assumptions as a result of the experience study 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%

Mortality rates – Non- Largest Ten Locality Employers With Public Safety 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. Changes to the actuarial assumptions as a result of the experience study 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 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%

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) 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 Line of Duty Act Program (LODA) is as follows (amounts expressed in thousands):

	<u>Line of Duty Act Program</u>
Total LODA OPEB Liability	\$ 423,147
Plan Fiduciary Net Position	<u>4,333</u>
LODA Net OPEB Liability (Asset)	<u>\$ 418,814</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.02%

The total LODA 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 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 LODA OPEB Program's investments was set at 2.21% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments' 6.75% assumption. Instead, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2020.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 2.21%. 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 contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 2.21%, as well as what the covered employer's proportionate share of the net LODA 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%)
Covered employer's proportionate share of the total LODA net OPEB liability	\$ 335,612	\$ 282,743	\$ 242,891

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the Line of Duty Act Program (LODA) contains a provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using health care trend rate of 7.00% decreasing to 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

	1.00% Decrease (6.00% decreasing to 3.75%)	Health Care Trend Rates (7.00% decreasing to 4.75%)	1.00% Increase (8.00% decreasing to 5.75%)
Covered employer's proportionate share of the total LODA net OPEB liability	\$ 233,696	\$ 282,743	\$ 346,895

LODA OPEB Plan Fiduciary Net Position

Detailed information about the Line of Duty Act Program (LODA) 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 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.

D. Virginia Retirement System – Virginia Sickness & Disability Program (VSDP)

Plan Description

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

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

DISABILITY INSURANCE PROGRAM (VSDP) PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Virginia Sickness and Disability Program (VSDP), 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>

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

Benefit Amounts

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

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

Disability Insurance Program (VSDP) Plan Notes:

- Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work-related short-term disability benefits and certain income-replacement levels.
- A state employee who is approved for VSDP benefits on or after the date that is five years prior to his or her normal retirement date is eligible for up to five years of VSDP benefits.
- Employees on work-related short-term disability receiving only a workers' compensation payment may be eligible to purchase service credit for this period if

retirement contributions are not being withheld from the workers' compensation payment. The rate will be based on 5.00% of the employee's compensation.

Cost-of-Living Adjustment (COLA)

- During periods an employee receives long-term disability benefits, the LTD benefit may be increased annually by an amount recommended by the actuary and approved by the Board.
 - 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 (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%).
 - Plan 1 employee 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.
 - 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS, and VaLORS Plans, 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.
 - 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS, and VaLORS Plans, with a maximum COLA of 4.00%.

Contributions

The contribution requirements for the Disability Insurance Program (VSDP) are governed by §51.1-1140 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Disability Insurance Program (VSDP) 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 to the Disability Insurance Program (VSDP) from the University were \$221,539 and \$225,841 for the years ended June 30, 2021, and June 30, 2020, respectively.

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

At June 30, 2021, VSU reported a liability (asset) of \$(1,864,817) for its proportionate share of the Net VSDP OPEB Liability (Asset). The Net VSDP OPEB Liability (Asset) was measured as of June 30, 2020, and the total VSDP OPEB liability used to calculate the Net VSDP OPEB Liability (Asset) was determined by an actuarial

valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. Virginia State University's proportion of the Net VSDP OPEB Liability (Asset) was based on the agency'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 University's proportion was 0.84500% as compared to 0.87592% at June 30, 2019.

For the year ended June 30, 2021, VSU recognized VSDP OPEB expense of \$181,832. 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 University reported deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Virginia State University's VSDP Plan		
Difference between expected and actual experience	\$ 175,347	\$ 386,973
Net difference between projected and actual earnings on		
State VSDP OPEB plan investments	126,868	-
Change in assumptions	24,856	76,570
Changes in proportionate share	72,898	28,390
Employer contributions subsequent to the measurement date	221,539	-
Total	\$ 621,508	\$ 491,933

\$221,539 reported as deferred outflows of resources related to the VSDP OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as an adjustment of the Net VSDP OPEB Liability (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	\$	(35,459)
FY 2023	\$	(1,431)
FY 2024	\$	1,122
FY 2025	\$	2,853
FY 2026	\$	(23,097)
Thereafter	\$	(35,952)

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	2.5 percent
Salary increases, including	
Inflation – General state employees	3.5 percent – 5.35 percent
SPORS employees	3.5 percent – 4.75 percent
VaLORS employees	3.5 percent – 4.75 percent
Investment rate of return	6.75 Percent, net of 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 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	Decrease 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	Decrease 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	Decrease rate from 7.00% to 6.75%

Net VSDP OPEB Liability (Asset)

The net OPEB asset (NOA) for the Disability Insurance Program (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 Disability Insurance Program (VSDP) are as follows (amounts expressed in thousands):

	Virginia Sickness and Disability Program
Total VSDP OPEB Liability	\$ 269,531
Plan Fiduciary Net Position	<u>490,220</u>
VSDP Net OPEB Liability (Asset)	<u>(\$ 220,689)</u>
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 asset 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 Strategy:	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>

* 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 contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by participating employers 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 University's Proportionate Share of the Net VSDP OPEB Liability (Asset) to Changes in the Discount Rate

The following presents VSU's proportionate share of the net VSDP OPEB liability (asset) using the discount rate of 6.75%, as well as what the University's proportionate share of the net VSDP OPEB liability (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%)
VSU's proportionate share of the total VSDP Net OPEB Liability (Asset)	\$ (1,701,443)	\$ (1,864,817)	\$ (2,011,469)

VSDP OPEB Fiduciary Net Position

Detailed information about the Disability Insurance Program (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 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.

E. Department of Human Resource Management – Pre-Medicare Retiree Healthcare (PMRH)

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

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

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

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

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

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

The employer does not pay a portion of the retirees' healthcare premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, this generally results

in a higher rate for active employees. Therefore, the employer effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of the premiums for active employees.

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the Department of Human Resource Management. There were approximately 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.

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 set back 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 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates
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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.

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

At June 30, 2021, Virginia State University reported a liability of \$4,203,725 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 covered employer's proportion of the Pre-Medicare Retiree Healthcare OPEB liability was based on each employer'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, Virginia State University's proportion was 0.73902% as compared to 0.75714% at June 30, 2019. For the year ended June 30, 2021, the University recognized Pre-Medicare Retiree Healthcare OPEB expense of (\$1,085,109).

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

Virginia State University's PMRH Plan	Deferred Outflows	Deferred Inflows
Difference between actual and expected experience	\$ -	\$ 2,140,280
Changes in assumptions	-	3,442,076
Changes in proportion	194,245	374,850
Subtotal	194,245	5,957,206
Amounts associated with transactions subsequent to the measurement date	273,730	-
Total	\$ 467,975	\$ 5,957,206

\$273,730 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	\$ (1,624,393)
FY 2023	\$ (1,624,393)
FY 2024	\$ (1,353,126)
FY 2025	\$ (753,485)
FY 2026	\$ (331,964)
Thereafter	\$ (75,598)

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

The following presents the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the discount rate of 2.21%, as well as what the employer'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% Decrease (1.21%)	Current Rate (2.21%)	1% Increase (3.21%)
OPEB liability	4,423,513	4,203,725	3,980,959

Sensitivity of the Employer's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using healthcare cost trend rate of 6.75% decreasing to 4.50%, as well as what the employer'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% Decrease (5.75% decreasing to 3.50%)	Trend Rate (6.75% decreasing to 4.50%)	1% Increase (7.75% decreasing to 5.50%)
OPEB liability	3,768,297	4,203,725	4,714,422

13. CONTINGENCIES

The University is a party to various legal actions and other claims in the normal course of business. While the final outcomes cannot be determined at this time, legal counsel and management are of the opinion that a liability, if any, for these legal actions will not have a material effect on the University's financial position.

14. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft, or damage to and destruction of assets; errors, and omissions; non-performance of duty, injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth of Virginia. The State employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management.

Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The University pays premiums to each of these departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the ACFR.

Required Supplementary Information (RSI)

A. Virginia Retirement System - Pension Plan

Schedule of Virginia State University's (VSU) Share of Net Pension Liability:

The schedules below are intended to show information for 10 years. Since 2021 is the seventh year for this presentation, only six additional years of data are available. However, additional years will be included as they become available.

Schedule of VSU's Share of Net Pension Liability							
VRS State Employee Retirement Plan							
For the Years Ended June 30, 2021, 2020, 2019, 2018, 2017, 2016 and 2015*							
	2021	2020	2019	2018	2017	2016	2015
VSU's Proportion of the Net Pension Liability (Asset)	0.88722%	0.91411%	0.91079%	0.90659%	0.91023%	0.96796%	0.97741%
VSU's Proportionate Share of the Net Pension Liability (Asset)	\$ 64,277,826	\$ 57,769,307	\$ 49,307,000	\$ 52,833,000	\$ 59,991,000	\$ 59,264,000	\$ 54,719,000
VSU's Covered Payroll	\$ 37,498,180	\$ 37,288,802	\$ 36,008,933	\$ 34,960,267	\$ 36,705,760	\$ 36,576,480	\$ 35,675,558
VSU's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	171.42%	154.92%	136.93%	151.12%	163.44%	162.03%	153.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.15%	75.13%	77.39%	75.33%	71.29%	72.81%	74.28%
*The amounts presented have a measurement date of the previous fiscal year end							

Schedule of VSU's Share of Net Pension Liability							
VaLORS Employee Retirement Plan							
For the Years Ended June 30, 2021, 2020, 2019, 2018, 2017, 2016 and 2015*							
	2021	2020	2019	2018	2017	2016	2015
VSU's Proportion of the Net Pension Liability (Asset)	0.28034%	0.24755%	0.21711%	0.21657%	0.19813%	0.19707%	0.22780%
VSU's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,191,930	\$ 1,718,082	\$ 1,353,000	\$ 1,421,000	\$ 1,534,000	\$ 1,400,000	\$ 1,535,000
VSU's Covered Payroll	\$ 1,006,695	\$ 844,031	\$ 770,337	\$ 1,080,200	\$ 768,997	\$ 718,727	\$ 875,321
VSU's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	217.74%	203.56%	175.64%	131.55%	199.48%	194.79%	175.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.74%	68.31%	69.56%	67.22%	61.01%	62.64%	63.05%
*The amounts presented have a measurement date of the previous fiscal year end							

Schedule of Employer Contributions:

The schedule below is intended to show information for 10 years. Since 2021 is the seventh year for this presentation, only six other years of data are shown. However, additional years will be included as they become available.

Schedule of Employer Contributions VRS State Employee Retirement Plan For the Years Ended June 30, 2015 through 2021						
Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll	
2021	\$ 5,376,261	\$ 5,376,261	\$ -	\$ 37,180,228	14.46%	
2020	\$ 5,069,754	\$ 5,069,754	\$ -	\$ 37,498,180	13.52%	
2019	\$ 5,041,446	\$ 5,041,446	\$ -	\$ 37,288,802	13.52%	
2018	\$ 4,857,605	\$ 4,857,605	\$ -	\$ 36,008,933	13.49%	
2017	\$ 4,716,140	\$ 4,716,140	\$ -	\$ 34,960,267	13.49%	
2016	\$ 4,951,607	\$ 4,951,607	\$ -	\$ 36,705,760	13.49%	
2015	\$ 4,509,880	\$ 4,509,880	\$ -	\$ 36,576,480	12.33%	

Schedule of Employer Contributions VaLORS Employee Retirement Plan For the Years Ended June 30, 2015 through 2021						
Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll	
2021	\$ 235,502	\$ 235,502	\$ -	\$ 1,075,352	21.90%	
2020	\$ 217,547	\$ 217,547	\$ -	\$ 1,006,695	21.61%	
2019	\$ 209,995	\$ 209,995	\$ -	\$ 844,031	24.88%	
2018	\$ 162,156	\$ 162,156	\$ -	\$ 770,337	21.05%	
2017	\$ 227,382	\$ 227,382	\$ -	\$ 1,080,200	21.05%	
2016	\$ 144,879	\$ 144,879	\$ -	\$ 768,997	18.84%	
2015	\$ 126,999	\$ 126,999	\$ -	\$ 718,727	17.67%	

Notes to Required Supplementary Information:

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 VRS – State Employee Retirement Plan actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to 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	Increase rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

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 VALORS - State Employee Retirement Plan actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to 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	Decrease rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

B. Virginia Retirement System - Group Life Insurance Program (GLI)

Schedule of Virginia State University's Share of Net GLI OPEB Liability:

The schedule below is intended to show information for 10 years. Since 2021 is the fourth year for this presentation, only three other years of data are available. However, additional years will be included as they become available.

Schedule of Virginia State University's Share of Net OPEB Liability
Group Life Insurance Program
For the Year Ended June 30, 2021, 2020, 2019, and 2018*

	2021	2020	2019	2018
Employer's proportion of the net GLI OPEB liability (asset)	0.23807%	0.24097%	0.24455%	0.24194%
Employer's proportionate share of the net GLI OPEB liability (asset)	\$ 3,972,999	\$ 3,921,224	\$ 3,714,000	\$ 3,640,000
Employer's covered payroll	\$49,850,962	\$48,763,846	\$46,663,846	\$45,274,615
Employer's proportionate share of the net GLI OPEB liability (asset) as a percentage of its covered payroll	7.97%	8.04%	7.96%	8.04%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	52.64%	52.00%	51.22%	48.86%

*The amounts presented have a measurement date of the previous fiscal year end.

Schedule of Employer Contributions:

Schedule of Virginia State University's Employer Contributions
For the Years Ended June 30, 2021, 2020, 2019 and 2018

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2021	256,331	256,331	-	47,468,704	0.54%
2020	259,225	259,225	-	49,850,962	0.52%
2019	253,572	253,572	-	48,763,846	0.52%
2018	242,652	242,652	-	46,663,846	0.52%

Notes to Required Supplementary Information:

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	Decrease 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	Decrease 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	Decrease 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	Decrease 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	Decrease rate from 7.00% to 6.75%

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	Decrease 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	Decrease 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	Decrease rate from 7.00% to 6.75%

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	Decreased rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

C. Virginia Retirement System – Health Insurance Credit Program (HIC)

Schedule of Employer's Share of Net HIC OPEB Liability:

The schedule below is intended to show information for 10 years. Since 2021 is the fourth year for this presentation, only three other years of data are available. However, additional years will be included as they become available.

Schedule of Virginia State University's Share of Net OPEB Liability Health Insurance Credit Program (HIC) For the Years Ended June 30, 2021, 2020, 2019, and 2018*				
	2021	2020	2019	2018
Employer's proportion of the net HIC OPEB liability (asset)	0.67734%	0.69304%	0.68828%	0.69039%
Employer's proportionate share of the net HIC OPEB liability (asset)	\$ 6,218,022	\$ 6,397,253	\$ 6,279,000	\$ 6,286,000
Employer's covered payroll	\$49,447,521	\$48,372,564	\$46,941,007	\$45,652,500
Employer's proportionate share of the net HIC OPEB liability (asset) as a percentage of its covered payroll	12.57%	13.22%	13.38%	13.77%
Plan fiduciary net position as a percentage of the total HIC OPEB liability	12.02%	10.56%	9.51%	8.03%
*The amounts presented have a measurement date of the previous fiscal year end.				

Schedule of Employer Contributions:

Schedule of Virginia State University's Employer Contributions For the Years Ended June 30, 2021, 2020, 2019 and 2018					
Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2021	536,265	536,265	-	47,880,804	1.12%
2020	578,536	578,536	-	49,447,521	1.17%
2019	565,959	565,959	-	48,372,564	1.17%
2018	544,888	544,888	-	46,941,007	1.16%

Notes to Required Supplementary Information:

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	Decrease 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	Decrease 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	Decrease 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	Decrease rate from 7.00% to 6.75%

D. Virginia Retirement System – Line of Duty Program (LODA)

Schedule of Virginia State University's Share of Net LODA OPEB Liability:

The schedule below is intended to show information for 10 years. Since 2021 is the fourth year for this presentation, only three other years of data are available. However, additional years will be included as they become available.

Schedule of Virginia State University's Share of Net OPEB Liability Line of Duty Act Program (LODA) For the Years Ended June 30, 2018 through 2021*				
	2021	2020	2019	2018
Employer's proportion of the Net LODA OPEB liability (asset)	0.06751%	0.06836%	0.09588%	0.08943%
Employer's proportionate share of the Net LODA OPEB liability (asset)	\$ 282,743	\$ 245,266	\$ 300,000	\$ 235,000
Covered-Employee Payroll	\$ 1,205,727	\$ 1,254,257	\$ 1,064,798	\$ 1,004,688
Employer's proportionate share of the net LODA OPEB liability (asset) as a percentage of its covered-employee payroll	23.45%	19.55%	28.17%	23.39%
Plan fiduciary net position as a percentage of the total LODA OPEB liability	1.02%	0.79%	0.60%	1.30%
*The amounts presented have a measurement date of the previous fiscal year end.				
**The contributions for the Line of Duty Act Program are based on the number of participants in the program using a per capita-based contribution versus a payroll-based contribution. Therefore, Covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.				

Schedule of Employer Contributions:

**Schedule of Virginia State University's Employer Contributions
For the Years Ended June 30, 2021, 2020, 2019 and 2018**

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a % of Covered-Employee Payroll
2021	9,325	9,325	-	1,119,368	0.83%
2020	9,175	9,175	-	1,205,727	0.76%
2019	9,175	9,175	-	1,254,257	0.73%
2018	10,213	10,213	-	1,064,798	0.96%

*The contributions for the Line of Duty Act Program are based on the number of participants in the program using a per capita-based contribution versus a payroll-based contribution. Therefore, Covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.

Notes to Required Supplementary Information:

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. Changes to the actuarial assumptions as a result of the experience study 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%

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%
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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%

Employees In The Largest Ten Locality Employers With Public Safety 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%

Employees In The Non- Largest Ten Locality Employers With Public Safety 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 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%

E. Virginia Retirement System – Virginia Sickness & Disability Program (VSDP)

Schedule of Virginia State University's Share of Net VSDP OPEB Liability (Asset):

The schedule below is intended to show information for 10 years. Since 2021 is the fourth year for this presentation, only three other years of data are available. However, additional years will be included as they become available.

**Schedule of Virginia State University's Share of Net OPEB Liability
Disability Insurance Program
For the Years Ended June 30, 2018 through June 30, 2021***

	2021	2020	2019	2018
Employer's proportion of the net VSDP OPEB liability (asset)	(0.84500%)	(0.87592%)	(0.87127%)	(0.86221%)
Employer's proportionate share of the net VSDP OPEB liability (asset)	\$ (1,864,817)	\$ (1,718,513)	\$ (1,963,000)	\$ (1,771,000)
Employer's covered payroll	\$ 36,425,968	\$ 35,715,161	\$ 34,119,091	\$ 32,547,879
Employer's proportionate share of the net VSDP OPEB liability (asset) as a percentage of its covered payroll	-5.12%	-4.81%	-5.75%	-5.44%
Plan fiduciary net position as a percentage of the total VSDP OPEB liability	181.88%	167.18%	194.74%	186.63%
*The amounts presented have a measurement date of the previous fiscal year end.				

Schedule of Employer Contributions:

Schedule of Virginia State University's Employer Contributions For the Years Ended June 30, 2021, 2020, 2019 and 2018					
Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2021	221,539	221,539	-	36,317,869	0.61%
2020	225,841	225,841	-	36,425,968	0.62%
2019	221,434	221,434	-	35,715,161	0.62%
2018	225,186	225,186	-	34,119,091	0.66%

Notes to Required Supplementary Information:

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)	Update 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	Decrease rate from 7.00% to 6.75%

SPORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update 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	Decrease rate from 7.00% to 6.75%

VaLORS Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update 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	Decrease rate from 7.00% to 6.75%

F. Department of Human Resources – Pre-Medicare Retirees Healthcare (PRMP)***Schedule of Virginia State University's Share of Total Pre-Medicare Retirees OPEB Liability:***

The schedule below is intended to show information for 10 years. Since 2021 is the fourth year for this presentation, only three other years of data are available. However, additional years will be included as they become available.

Schedule of Virginia State University's Share of Total OPEB Liability				
	2021*	2020*	2019*	2018*
Employer's proportion of the collective total OPEB liability	0.73902%	0.75714%	0.74417%	0.74677%
Employer's proportionate share of the collective total OPEB liability	\$ 4,203,725	\$ 5,140,080	\$ 7,483,712	\$ 9,699,722
Employer's covered-employee payroll	\$47,178,723	\$43,946,651	\$46,941,007	\$45,364,865
Employer's proportionate share of the collective total OPEB liability as a percentage of its covered-employee payroll	8.91%	11.70%	15.94%	21.38%
*The amounts presented have a measurement date of the previous fiscal year end.				

Notes to Required Supplementary Information:

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

December 1, 2022

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Board of Visitors
Virginia State University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Virginia State University, 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 University'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 did not audit the financial statements of the aggregate discretely presented component units of the University, which are discussed in Note 1. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University, is based on the reports of the other auditors.

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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. The financial statements of the component units of the University that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

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, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component units of Virginia State University as of June 30, 2021, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior-Year Summarized Comparative Information

We have previously audited the University's June 30, 2020, financial statements, and we expressed an unmodified audit opinion on the respective financial statements in our report dated January 27, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 2 through 11; the Schedule of Virginia State University's (VSU) Share of Net Pension Liability, the Schedule of Employer Contributions, and the Notes to the Required Supplementary Information for Pension Plans on pages 96 through 98; the Schedule of Virginia State University's Share of Net OPEB Liability, the Schedule of Employer Contributions, and the Notes to the Required Supplementary Information for the Group Life Insurance, Health Insurance Credit, Line of Duty, and Disability Insurance programs on pages 98 through 109; 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 109 through 110. 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 December 1, 2022, on our consideration of Virginia State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 the 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 University's internal control over financial reporting and compliance.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

GDS/vks

VIRGINIA STATE UNIVERSITY BOARD OF VISITORS
As of June 30, 2021

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Mr. Kameron K. Gray, Student Representative

VIRGINIA STATE UNIVERSITY ADMINISTRATIVE OFFICERS

As of June 30, 2021

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President

Dr. Donald Palm

Provost/Vice President of Academic Affairs

Mr. Kevin Davenport

Vice President for Finance/Chief Financial Officer

Mr. Hubert D. Harris

Vice President of Administration

Mrs. Tonya S. Hall

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