



Virginia
Retirement
System

**VIRGINIA RETIREMENT SYSTEM
TEACHER RETIREMENT PLAN**

GASB No. 68 Schedules

With Independent Auditor's Report Thereon

For the Fiscal Year Ended June 30, 2016

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Auditor of Public Accounts

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August 2, 2017

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

INDEPENDENT AUDITOR'S REPORT

Report on the Schedules

We have audited the accompanying schedule of employer allocations of the Virginia Retirement System Teacher Retirement Plan as of and for the year ended June 30, 2016, and the related notes. We have also audited the total for all teacher employers of the columns titled net pension liability, total pension expense, total deferred outflows of resources, and total deferred inflows of resources (specified column totals) included in the accompanying schedule of net pension liability and total pension expense and the schedule of deferred outflows and inflows of resources by employer of the Virginia Retirement System Teacher Retirement Plan as of and for the year ended June 30, 2016, and the related notes.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the schedule of employer allocations and the specified column totals included in the schedule of net pension liability and total pension expense and the schedule of deferred outflows and inflows of resources by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and the specified column totals

included in the schedule of net pension liability and total pension expense and the schedule of deferred outflows and inflows of resources by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and the specified column totals included in the schedule of net pension liability and total pension expense and the schedule of deferred outflows and inflows of resources by employer. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and the specified column totals included in the schedule of net pension liability and total pension expense and the schedule of deferred outflows and inflows of resources by employer, 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 schedule of employer allocations and the specified column totals included in the schedule of net pension liability and total pension expense and the schedule of deferred outflows and inflows of resources by employer 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 schedule of employer allocations and the specified column totals included in the schedule of net pension liability and total pension expense and the schedule of deferred outflows and inflows of resources by employer.

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

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total pension expense, total deferred outflows of resources, and total deferred inflows of resources, for the total of all of the participating teacher employers for the Virginia Retirement System Teacher Retirement Plan as of and for the year ended June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Virginia Retirement System as of and for the year ended June 30, 2016, and our report thereon, dated

December 15, 2016, expressed an unmodified opinion on those financial statements.

Restriction on Use

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


AUDITOR OF PUBLIC ACCOUNTS

ZLB/clj

**Virginia Retirement System
VRS Teacher Retirement Plan
Schedule of Employer Allocations – Page 1 Of 5
For the Fiscal Year Ended June 30, 2016**

Employer Code	Employer	Employer Contributions	Employer Allocation Percentage
40100	Accomack County School Board	\$ 3,656,970	0.34113%
40101	Albemarle County Schools	12,057,308	1.12473%
40102	Alleghany County School Board	1,661,155	0.15496%
40103	Amelia County School Board	1,159,745	0.10818%
40104	Amherst County School Board	3,316,888	0.30941%
40105	Appomattox County School Board	1,448,349	0.13510%
40106	Arlington Public Schools	38,030,415	3.54755%
40107	Augusta County School Board	7,779,214	0.72566%
40108	Bath County School Board	642,494	0.05993%
40109	Bedford County School Board	6,752,285	0.62987%
40110	Bland County School Board	520,472	0.04855%
40111	Botetourt County Schools	3,693,544	0.34454%
40112	Brunswick County Public Schools	1,334,520	0.12449%
40113	Buchanan County School Board	2,057,107	0.19189%
40114	Buckingham County School Board	1,504,400	0.14033%
40115	Campbell County School Board	5,269,123	0.49151%
40116	Caroline County School Board	2,757,902	0.25726%
40117	Carroll County School Board	2,854,289	0.26625%
40118	Charles City County School Board	632,109	0.05896%
40119	Charlotte County School Board	1,552,358	0.14481%
40120	Chesterfield County School Board	39,073,891	3.64488%
40121	Clarke County School Board	1,639,777	0.15296%
40122	Craig County School Board	493,856	0.04607%
40123	Culpeper County School Board	5,924,663	0.55266%
40124	Cumberland County School Board	1,094,533	0.10210%
40125	Dickenson County School Board	1,494,028	0.13937%
40126	Dinwiddie County School Board	3,115,958	0.29066%
40128	Essex County Public Schools	1,148,228	0.10711%
40129	Fairfax County School Board	192,421,257	17.94936%
40130	Fauquier County School Board	10,108,697	0.94296%
40131	Floyd County School Board	1,429,378	0.13333%
40132	Fluvanna County Public Schools	3,285,341	0.30646%

**Virginia Retirement System
VRS Teacher Retirement Plan
Schedule of Employer Allocations – Page 2 Of 5
For the Fiscal Year Ended June 30, 2016**

Employer Code	Employer	Employer Contributions	Employer Allocation Percentage
40133	Franklin County Public Schools	5,501,523	0.51319%
40134	Frederick County School Board	11,825,982	1.10315%
40135	Giles County Schools	1,675,004	0.15625%
40136	Gloucester County School Board	3,973,956	0.37070%
40137	Goochland County School Board	2,016,616	0.18811%
40138	Grayson County School Board	1,179,216	0.11000%
40139	Greene County Public Schools	2,339,053	0.21819%
40140	Greensville County School Board	1,717,176	0.16018%
40141	Halifax County School Board	3,963,667	0.36974%
40142	Hanover County School Board	13,567,678	1.26562%
40143	Henrico County School Board	35,423,318	3.30435%
40144	Henry County Public Schools	4,936,601	0.46050%
40145	Highland County Public Schools	251,238	0.02344%
40146	Isle of Wight County Schools	3,977,579	0.37104%
40148	King George County School Board	2,848,950	0.26576%
40149	King & Queen County School Board	599,585	0.05593%
40150	King William County School Board	1,637,009	0.15270%
40151	Lancaster County Public Schools	1,043,017	0.09729%
40152	Lee County School Board	2,493,705	0.23262%
40153	Loudoun County School Board	70,938,164	6.61724%
40154	Louisa County Public Schools	3,712,539	0.34631%
40155	Lunenburg County School Board	1,157,313	0.10796%
40156	Madison County School Board	1,339,148	0.12492%
40157	Mathews County School Board	899,205	0.08388%
40158	Mecklenburg County School Board	3,117,659	0.29082%
40159	Middlesex County School Board	1,010,379	0.09425%
40160	Montgomery County School Board	6,655,284	0.62082%
40162	Nelson County Public Schools	1,586,636	0.14800%
40163	New Kent County School Board	2,106,422	0.19649%
40165	Northampton County Schools	1,270,364	0.11850%
40166	Northumberland County School Board	1,055,322	0.09844%
40167	Nottoway County School Board	1,545,500	0.14417%
40168	Orange County Public Schools	3,659,568	0.34137%

**Virginia Retirement System
VRS Teacher Retirement Plan
Schedule of Employer Allocations – Page 3 Of 5
For the Fiscal Year Ended June 30, 2016**

Employer Code	Employer	Employer Contributions	Employer Allocation Percentage
40169	Page County Public Schools	2,566,395	0.23940%
40170	Patrick County School Board	1,823,692	0.17012%
40171	Pittsylvania County School Board	5,644,590	0.52654%
40172	Powhatan County School Board	3,246,178	0.30281%
40173	Prince Edward County School Board	1,657,572	0.15462%
40174	Prince George County School Board	4,515,745	0.42124%
40176	Prince William County School Board	69,742,125	6.50567%
40177	Pulaski County School Board	3,012,960	0.28105%
40178	Rappahannock County School Board	791,584	0.07384%
40179	Richmond County School Board	886,567	0.08270%
40180	Roanoke County School Board	10,159,703	0.94772%
40181	Rockbridge County School Board	2,202,339	0.20544%
40182	Rockingham County School Board	8,853,455	0.82587%
40183	Russell County School Board	2,518,321	0.23491%
40184	Scott County School Board	2,686,745	0.25062%
40185	Shenandoah County School Board	4,750,581	0.44314%
40186	Smyth County School Board	3,178,456	0.29649%
40187	Southampton County School Board	1,763,520	0.16450%
40188	Spotsylvania County School Board	17,436,246	1.62648%
40189	Stafford County School Board	20,203,796	1.88465%
40190	Surry County Schools	1,080,256	0.10077%
40191	Sussex County School Board	1,088,074	0.10150%
40192	Tazewell County Schools	3,716,257	0.34666%
40193	Warren County School Board	3,932,880	0.36687%
40195	Washington County School Board	4,881,644	0.45537%
40196	Westmoreland County School Board	1,228,437	0.11459%
40197	Wise County School Board	3,954,441	0.36888%
40198	Wythe County School Board	2,870,989	0.26781%
40199	York County School Board	9,329,138	0.87024%
40200	Alexandria City School Board	19,860,570	1.85263%
40201	Bristol City School Board	1,719,657	0.16041%
40202	Buena Vista City Schools	736,862	0.06874%
40203	Charlottesville Public Schools	5,166,168	0.48191%

**Virginia Retirement System
VRS Teacher Retirement Plan
Schedule of Employer Allocations – Page 4 Of 5
For the Fiscal Year Ended June 30, 2016**

Employer Code	Employer	Employer Contributions	Employer Allocation Percentage
40205	Danville City Schools	4,440,646	0.41423%
40206	Fredericksburg City Schools	3,102,362	0.28939%
40207	Hampton City Schools	14,943,178	1.39393%
40208	Harrisonburg City School Board	4,900,590	0.45714%
40209	Hopewell City School Board	3,250,885	0.30325%
40210	Lynchburg Public Schools	7,810,384	0.72857%
40211	Newport News Public Schools	21,885,759	2.04154%
40212	Norfolk Public Schools	30,151,467	2.81258%
40213	Petersburg City Schools	3,322,136	0.30989%
40214	Portsmouth School Board	11,194,761	1.04427%
40215	Radford City School Board	1,155,087	0.10775%
40216	Richmond Public Schools	22,024,113	2.05445%
40217	Roanoke City School Board	10,810,731	1.00844%
40219	Staunton City Schools	2,363,564	0.22048%
40220	Suffolk City School Board	10,139,578	0.94584%
40222	Winchester Public Schools	4,055,293	0.37829%
40223	Martinsville City Schools	1,631,486	0.15219%
40224	Falls Church Public Schools	3,479,223	0.32455%
40225	Colonial Heights City Schools	2,575,948	0.24029%
40230	Covington City School Board	730,756	0.06817%
40231	Fairfax City School Board	12,573	0.00117%
40232	Franklin City Public Schools	1,075,621	0.10034%
40233	Chesapeake Public Schools	30,668,126	2.86078%
40234	Virginia Beach City School Board	54,918,080	5.12286%
40236	Manassas Park City Schools	2,986,098	0.27855%
40306	Town of West Point School Board	677,508	0.06320%
40307	Lexington City School Board	368,597	0.03438%
40308	Waynesboro Public Schools	2,445,927	0.22816%
40309	Town of Colonial Beach Schools	480,415	0.04481%
40313	Galax City Schools	985,087	0.09189%
40314	Norton City Schools	535,798	0.04998%
40332	Manassas City Schools	7,709,750	0.71918%
40335	City of Salem Schools	3,004,414	0.28026%

**Virginia Retirement System
VRS Teacher Retirement Plan
Schedule of Employer Allocations – Page 5 Of 5
For the Fiscal Year Ended June 30, 2016**

Employer Code	Employer	Employer Contributions	Employer Allocation Percentage
40402	Williamsburg-James City County School Board	9,337,700	0.87104%
40403	Poquoson City Public Schools	1,559,524	0.14548%
40410	Valley Vocational Technical Center	271,925	0.02537%
40412	Charlottesville/Albemarle Vo-Tech Center	148,330	0.01384%
40413	The Pruden Center for Industry and Technology	205,814	0.01920%
40414	Jackson River Technical Center	115,331	0.01076%
40415	New Horizons Technical Center	1,101,176	0.10272%
40416	Northern Neck Regional Vocational Center	161,677	0.01508%
40417	Rowanty Vocational Technical Center	102,267	0.00954%
40418	Amelia-Nottoway Vocational Center	29,105	0.00271%
40421	Northern Neck Regional Special Education Program	103,416	0.00965%
40423	Maggie Walker Governor's School for Govt & Intl Studies	595,269	0.05553%
40424	Appomattox Region Governor's School	248,310	0.02316%
40425	Bridging Communities Regional Career and Tech Center	64,037	0.00597%
Total for all Teacher Employers		<u>\$ 1,072,020,395</u>	<u>100.00000%</u>

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

**Virginia Retirement System
VRS Teacher Retirement Plan
Schedule of Net Pension Liability and Total Pension Expense – Page 1 Of 5
As of and For the Fiscal Year Ended June 30, 2016**

(Dollars in Thousands)

Employer Code	Employer	Net Pension Liability June 30, 2016	Total Pension Expense FY 2016
40100	Accomack County School Board	\$ 47,806	\$ 3,861
40101	Albemarle County Schools	157,621	14,164
40102	Alleghany County School Board	21,716	1,157
40103	Amelia County School Board	15,160	1,349
40104	Amherst County School Board	43,362	3,536
40105	Appomattox County School Board	18,933	1,433
40106	Arlington Public Schools	497,158	46,396
40107	Augusta County School Board	101,694	8,402
40108	Bath County School Board	8,398	774
40109	Bedford County School Board	88,270	7,272
40110	Bland County School Board	6,804	378
40111	Botetourt County Schools	48,284	3,952
40112	Brunswick County Public Schools	17,447	1,002
40113	Buchanan County School Board	26,891	1,506
40114	Buckingham County School Board	19,666	1,827
40115	Campbell County School Board	68,881	5,479
40116	Caroline County School Board	36,052	3,017
40117	Carroll County School Board	37,312	3,011
40118	Charles City County School Board	8,263	629
40119	Charlotte County School Board	20,293	1,304
40120	Chesterfield County School Board	510,798	44,542
40121	Clarke County School Board	21,436	1,770
40122	Craig County School Board	6,457	459
40123	Culpeper County School Board	77,450	6,739
40124	Cumberland County School Board	14,308	1,335
40125	Dickenson County School Board	19,532	1,640
40126	Dinwiddie County School Board	40,733	3,715
40128	Essex County Public Schools	15,011	1,184
40129	Fairfax County School Board	2,515,447	219,147
40130	Fauquier County School Board	132,148	10,632
40131	Floyd County School Board	18,685	1,712
40132	Fluvanna County Public Schools	42,948	3,283

Virginia Retirement System
VRS Teacher Retirement Plan
Schedule of Net Pension Liability and Total Pension Expense – Page 2 Of 5
As of and For the Fiscal Year Ended June 30, 2016

(Dollars in Thousands)

Employer		Net Pension Liability	Total Pension Expense
Code	Employer	June 30, 2016	FY 2016
40133	Franklin County Public Schools	71,919	6,242
40134	Frederick County School Board	154,596	15,068
40135	Giles County Schools	21,897	1,973
40136	Gloucester County School Board	51,950	3,906
40137	Goochland County School Board	26,362	2,541
40138	Grayson County School Board	15,416	870
40139	Greene County Public Schools	30,577	2,832
40140	Greensville County School Board	22,448	1,727
40141	Halifax County School Board	51,816	4,046
40142	Hanover County School Board	177,365	13,813
40143	Henrico County School Board	463,076	38,471
40144	Henry County Public Schools	64,535	5,043
40145	Highland County Public Schools	3,285	262
40146	Isle of Wight County Schools	51,998	3,245
40148	King George County School Board	37,244	3,408
40149	King & Queen County School Board	7,838	422
40150	King William County School Board	21,399	2,033
40151	Lancaster County Public Schools	13,634	1,113
40152	Lee County School Board	32,600	2,342
40153	Loudoun County School Board	927,348	95,725
40154	Louisa County Public Schools	48,532	4,412
40155	Lunenburg County School Board	15,129	1,264
40156	Madison County School Board	17,507	1,265
40157	Mathews County School Board	11,755	979
40158	Mecklenburg County School Board	40,756	2,815
40159	Middlesex County School Board	13,208	1,027
40160	Montgomery County School Board	87,003	7,644
40162	Nelson County Public Schools	20,741	1,765
40163	New Kent County School Board	27,536	2,394
40165	Northampton County Schools	16,607	1,222
40166	Northumberland County School Board	13,795	1,293
40167	Nottoway County School Board	20,204	1,548

**Virginia Retirement System
VRS Teacher Retirement Plan
Schedule of Net Pension Liability and Total Pension Expense – Page 3 Of 5
As of and For the Fiscal Year Ended June 30, 2016**

(Dollars in Thousands)

Employer		Net Pension Liability	Total Pension Expense
Code	Employer	June 30, 2016	FY 2016
40168	Orange County Public Schools	47,840	4,176
40169	Page County Public Schools	33,549	2,737
40170	Patrick County School Board	23,841	1,984
40171	Pittsylvania County School Board	73,790	6,585
40172	Powhatan County School Board	42,437	3,514
40173	Prince Edward County School Board	21,669	1,287
40174	Prince George County School Board	59,033	5,186
40176	Prince William County School Board	911,712	82,366
40177	Pulaski County School Board	39,386	2,725
40178	Rappahannock County School Board	10,348	785
40179	Richmond County School Board	11,590	925
40180	Roanoke County School Board	132,815	9,900
40181	Rockbridge County School Board	28,790	2,203
40182	Rockingham County School Board	115,739	10,217
40183	Russell County School Board	32,921	2,603
40184	Scott County School Board	35,122	2,792
40185	Shenandoah County School Board	62,103	5,458
40186	Smyth County School Board	41,550	2,712
40187	Southampton County School Board	23,053	1,775
40188	Spotsylvania County School Board	227,937	18,205
40189	Stafford County School Board	264,117	20,976
40190	Surry County Schools	14,122	914
40191	Sussex County School Board	14,224	1,048
40192	Tazewell County Schools	48,581	3,518
40193	Warren County School Board	51,414	4,051
40195	Washington County School Board	63,816	4,461
40196	Westmoreland County School Board	16,059	1,230
40197	Wise County School Board	51,696	3,796
40198	Wythe County School Board	37,532	2,822
40199	York County School Board	121,956	11,572
40200	Alexandria City School Board	259,630	22,999
40201	Bristol City School Board	22,480	1,662

**Virginia Retirement System
VRS Teacher Retirement Plan
Schedule of Net Pension Liability and Total Pension Expense – Page 4 Of 5
As of and For the Fiscal Year Ended June 30, 2016**

(Dollars in Thousands)

Employer		Net Pension Liability <u>June 30, 2016</u>	Total Pension Expense <u>FY 2016</u>
<u>Code</u>	<u>Employer</u>		
40202	Buena Vista City Schools	9,633	836
40203	Charlottesville Public Schools	67,535	5,805
40205	Danville City Schools	58,050	3,308
40206	Fredericksburg City Schools	40,555	4,003
40207	Hampton City Schools	195,347	14,485
40208	Harrisonburg City School Board	64,064	5,754
40209	Hopewell City School Board	42,498	3,203
40210	Lynchburg Public Schools	102,102	9,814
40211	Newport News Public Schools	286,104	22,873
40212	Norfolk Public Schools	394,158	31,726
40213	Petersburg City Schools	43,429	3,737
40214	Portsmouth School Board	146,345	11,099
40215	Radford City School Board	15,100	1,150
40216	Richmond Public Schools	287,913	25,033
40217	Roanoke City School Board	141,324	13,035
40219	Staunton City Schools	30,898	2,499
40220	Suffolk City School Board	132,551	10,672
40222	Winchester Public Schools	53,014	4,898
40223	Martinsville City Schools	21,328	1,717
40224	Falls Church Public Schools	45,483	5,208
40225	Colonial Heights City Schools	33,675	2,396
40230	Covington City School Board	9,553	750
40231	Fairfax City School Board	164	15
40232	Franklin City Public Schools	14,062	1,115
40233	Chesapeake Public Schools	400,913	32,267
40234	Virginia Beach City School Board	717,924	57,448
40236	Manassas Park City Schools	39,036	4,482
40306	Town of West Point School Board	8,857	752
40307	Lexington City School Board	4,818	380
40308	Waynesboro Public Schools	31,974	2,515
40309	Town of Colonial Beach Schools	6,280	545
40313	Galax City Schools	12,877	1,122

**Virginia Retirement System
VRS Teacher Retirement Plan
Schedule of Net Pension Liability and Total Pension Expense – Page 5 Of 5
As of and For the Fiscal Year Ended June 30, 2016**

(Dollars in Thousands)

Employer Code	Employer	Net Pension Liability June 30, 2016	Total Pension Expense FY 2016
40314	Norton City Schools	7,004	578
40332	Manassas City Schools	100,786	9,464
40335	City of Salem Schools	39,276	2,703
40402	Williamsburg-James City County School Board	122,069	10,598
40403	Poquoson City Public Schools	20,387	1,681
40410	Valley Vocational Technical Center	3,555	303
40412	Charlottesville/Albemarle Vo-Tech Center	1,940	81
40413	The Pruden Center for Industry and Technology	2,691	237
40414	Jackson River Technical Center	1,508	83
40415	New Horizons Technical Center	14,395	1,191
40416	Northern Neck Regional Vocational Center	2,114	241
40417	Rowanty Vocational Technical Center	1,337	113
40418	Amelia-Nottoway Vocational Center	379	28
40421	Northern Neck Regional Special Education Program	1,353	15
40423	Maggie Walker Governor's School for Govt & Intl Studies	7,782	670
40424	Appomattox Region Governor's School	3,246	316
40425	Bridging Communities Regional Career and Tech Center	837	166
Total for all Teacher Employers		<u>\$ 14,014,115</u>	<u>\$ 1,199,611</u>

The accompanying notes are an integral part of the Schedule of Net Pension Liability and Total Pension Expense.

**Virginia Retirement System
VRS Teacher Retirement Plan
Schedule of Deferred Outflows and Deferred Inflows of Resources by Employer – Page 1 of 5
As of June 30, 2016**

(Dollars in Thousands)

Employer Code	Employer	Deferred Outflows of Resources					Deferred Inflows of Resources				
		Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Change of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Change of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources
40100	Accomack County School Board	\$ -	\$ 2,731	\$ -	\$ 275	\$ 3,006	\$ 1,549	\$ -	\$ -	\$ 1,300	\$ 2,849
40101	Albemarle County Schools	-	9,004	-	2,802	11,806	5,108	-	-	438	5,546
40102	Alleghany County School Board	-	1,241	-	-	1,241	704	-	-	2,229	2,933
40103	Amelia County School Board	-	866	-	392	1,258	491	-	-	260	751
40104	Amherst County School Board	-	2,477	-	54	2,531	1,405	-	-	720	2,125
40105	Appomattox County School Board	-	1,082	-	78	1,160	614	-	-	709	1,323
40106	Arlington Public Schools	-	28,399	-	13,829	42,228	16,110	-	-	-	16,110
40107	Augusta County School Board	-	5,809	-	901	6,710	3,296	-	-	2,485	5,781
40108	Bath County School Board	-	480	-	290	770	273	-	-	144	417
40109	Bedford County School Board	-	5,042	-	2,311	7,353	2,860	-	-	3,760	6,620
40110	Bland County School Board	-	389	-	-	389	221	-	-	802	1,023
40111	Botetourt County Schools	-	2,758	-	800	3,558	1,564	-	-	1,890	3,454
40112	Brunswick County Public Schools	-	997	-	-	997	566	-	-	1,482	2,048
40113	Buchanan County School Board	-	1,536	-	-	1,536	871	-	-	2,585	3,456
40114	Buckingham County School Board	-	1,123	-	780	1,903	637	-	-	401	1,038
40115	Campbell County School Board	-	3,935	-	616	4,551	2,233	-	-	2,752	4,985
40116	Caroline County School Board	-	2,059	-	408	2,467	1,168	-	-	451	1,619
40117	Carroll County School Board	-	2,131	-	67	2,198	1,209	-	-	865	2,074
40118	Charles City County School Board	-	472	-	235	707	267	-	-	464	731
40119	Charlotte County School Board	-	1,159	-	-	1,159	657	-	-	1,206	1,863
40120	Chesterfield County School Board	-	29,178	-	4,890	34,068	16,551	-	-	3,971	20,522
40121	Clarke County School Board	-	1,224	-	-	1,224	694	-	-	208	902
40122	Craig County School Board	-	369	-	18	387	209	-	-	406	615
40123	Culpeper County School Board	-	4,424	-	1,489	5,913	2,510	-	-	1,260	3,770
40124	Cumberland County School Board	-	817	-	630	1,447	463	-	-	277	740
40125	Dickenson County School Board	-	1,116	-	137	1,253	634	-	-	178	812
40126	Dinwiddie County School Board	-	2,327	-	833	3,160	1,320	-	-	-	1,320
40128	Essex County Public Schools	-	857	-	21	878	486	-	-	315	801
40129	Fairfax County School Board	-	143,690	-	29,129	172,819	81,516	-	-	22,933	104,449
40130	Fauquier County School Board	-	7,549	-	-	7,549	4,282	-	-	2,188	6,470
40131	Floyd County School Board	-	1,067	-	683	1,750	605	-	-	411	1,016

**Virginia Retirement System
VRS Teacher Retirement Plan
Schedule of Deferred Outflows and Deferred Inflows of Resources by Employer – Page 2 of 5
As of June 30, 2016**

(Dollars in Thousands)

Employer Code	Employer	Deferred Outflows of Resources					Deferred Inflows of Resources				
		Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Change of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Change of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources
40132	Fluvanna County Public Schools	-	2,453	-	700	3,153	1,392	-	-	1,754	3,146
40133	Franklin County Public Schools	-	4,108	-	284	4,392	2,331	-	-	-	2,331
40134	Frederick County School Board	-	8,831	-	6,907	15,738	5,009	-	-	-	5,009
40135	Giles County Schools	-	1,251	-	305	1,556	710	-	-	83	793
40136	Gloucester County School Board	-	2,968	-	-	2,968	1,684	-	-	1,865	3,549
40137	Goochland County School Board	-	1,506	-	797	2,303	854	-	-	60	914
40138	Grayson County School Board	-	881	-	12	893	500	-	-	1,992	2,492
40139	Greene County Public Schools	-	1,747	-	1,326	3,073	991	-	-	359	1,350
40140	Greensville County School Board	-	1,282	-	386	1,668	727	-	-	1,062	1,789
40141	Halifax County School Board	-	2,960	-	474	3,434	1,679	-	-	1,496	3,175
40142	Hanover County School Board	-	10,132	-	400	10,532	5,748	-	-	4,057	9,805
40143	Henrico County School Board	-	26,452	-	2,444	28,896	15,005	-	-	4,738	19,743
40144	Henry County Public Schools	-	3,686	-	-	3,686	2,091	-	-	1,713	3,804
40145	Highland County Public Schools	-	188	-	119	307	107	-	-	161	268
40146	Isle of Wight County Schools	-	2,970	-	100	3,070	1,684	-	-	3,435	5,119
40148	King George County School Board	-	2,127	-	903	3,030	1,206	-	-	-	1,206
40149	King & Queen County School Board	-	448	-	-	448	255	-	-	892	1,147
40150	King William County School Board	-	1,222	-	920	2,142	693	-	-	558	1,251
40151	Lancaster County Public Schools	-	779	-	-	779	442	-	-	214	656
40152	Lee County School Board	-	1,862	-	570	2,432	1,056	-	-	1,929	2,985
40153	Loudoun County School Board	-	52,973	-	58,041	111,014	30,050	-	-	-	30,050
40154	Louisa County Public Schools	-	2,772	-	806	3,578	1,572	-	-	-	1,572
40155	Lunenburg County School Board	-	864	-	340	1,204	490	-	-	285	775
40156	Madison County School Board	-	1,000	-	-	1,000	568	-	-	849	1,417
40157	Mathews County School Board	-	671	-	94	765	380	-	-	264	644
40158	Mecklenburg County School Board	-	2,328	-	556	2,884	1,321	-	-	2,303	3,624
40159	Middlesex County School Board	-	755	-	-	755	428	-	-	314	742
40160	Montgomery County School Board	-	4,970	-	898	5,868	2,819	-	-	560	3,379
40162	Nelson County Public Schools	-	1,185	-	321	1,506	672	-	-	508	1,180
40163	New Kent County School Board	-	1,573	-	300	1,873	892	-	-	236	1,128
40165	Northampton County Schools	-	949	-	-	949	539	-	-	710	1,249

**Virginia Retirement System
VRS Teacher Retirement Plan**

**Schedule of Deferred Outflows and Deferred Inflows of Resources by Employer – Page 3 of 5
As of June 30, 2016**

(Dollars in Thousands)

		Deferred Outflows of Resources					Deferred Inflows of Resources				
Employer Code	Employer	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Change of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Change of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources
40167	Nottoway County School Board	-	1,154	-	-	1,154	655	-	-	591	1,246
40168	Orange County Public Schools	-	2,733	-	994	3,727	1,550	-	-	714	2,264
40169	Page County Public Schools	-	1,916	-	270	2,186	1,087	-	-	772	1,859
40170	Patrick County School Board	-	1,362	-	-	1,362	773	-	-	198	971
40171	Pittsylvania County School Board	-	4,215	-	1,429	5,644	2,391	-	-	828	3,219
40172	Powhatan County School Board	-	2,424	-	88	2,512	1,375	-	-	608	1,983
40173	Prince Edward County School Board	-	1,238	-	-	1,238	703	-	-	2,045	2,748
40174	Prince George County School Board	-	3,372	-	1,452	4,824	1,912	-	-	1,106	3,018
40176	Prince William County School Board	-	52,080	-	16,105	68,185	29,544	-	-	-	29,544
40177	Pulaski County School Board	-	2,250	-	-	2,250	1,277	-	-	2,244	3,521
40178	Rappahannock County School Board	-	591	-	-	591	335	-	-	331	666
40179	Richmond County School Board	-	662	-	11	673	375	-	-	248	623
40180	Roanoke County School Board	-	7,587	-	-	7,587	4,304	-	-	4,414	8,718
40181	Rockbridge County School Board	-	1,645	-	12	1,657	933	-	-	865	1,798
40182	Rockingham County School Board	-	6,611	-	1,468	8,079	3,750	-	-	365	4,115
40183	Russell County School Board	-	1,881	-	170	2,051	1,067	-	-	643	1,710
40184	Scott County School Board	-	2,006	-	120	2,126	1,138	-	-	937	2,075
40185	Shenandoah County School Board	-	3,547	-	1,265	4,812	2,012	-	-	482	2,494
40186	Smyth County School Board	-	2,374	-	-	2,374	1,347	-	-	3,084	4,431
40187	Southampton County School Board	-	1,317	-	425	1,742	747	-	-	1,207	1,954
40188	Spotsylvania County School Board	-	13,021	-	783	13,804	7,387	-	-	4,010	11,397
40189	Stafford County School Board	-	15,087	-	1,573	16,660	8,558	-	-	7,330	15,888
40190	Surry County Schools	-	807	-	-	807	458	-	-	1,067	1,525
40191	Sussex County School Board	-	813	-	263	1,076	461	-	-	717	1,178
40192	Tazewell County Schools	-	2,775	-	-	2,775	1,574	-	-	2,235	3,809
40193	Warren County School Board	-	2,937	-	242	3,179	1,666	-	-	1,705	3,371
40195	Washington County School Board	-	3,645	-	-	3,645	2,067	-	-	3,359	5,426
40196	Westmoreland County School Board	-	917	-	73	990	520	-	-	555	1,075
40197	Wise County School Board	-	2,953	-	619	3,572	1,675	-	-	3,405	5,080
40198	Wythe County School Board	-	2,144	-	-	2,144	1,217	-	-	1,446	2,663

**Virginia Retirement System
VRS Teacher Retirement Plan**

**Schedule of Deferred Outflows and Deferred Inflows of Resources by Employer – Page 4 of 5
As of June 30, 2016**

(Dollars in Thousands)

Employer Code	Employer	Deferred Outflows of Resources					Deferred Inflows of Resources				
		Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan	Change of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan	Change of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources
40199	York County School Board	-	6,967	-	4,152	11,119	3,953	-	-	-	3,953
40200	Alexandria City School Board	-	14,831	-	8,352	23,183	8,414	-	-	3,244	11,658
40201	Bristol City School Board	-	1,284	-	26	1,310	728	-	-	1,007	1,735
40202	Buena Vista City Schools	-	550	-	75	625	312	-	-	46	358
40203	Charlottesville Public Schools	-	3,858	-	1,528	5,386	2,189	-	-	992	3,181
40205	Danville City Schools	-	3,316	-	-	3,316	1,881	-	-	5,309	7,190
40206	Fredericksburg City Schools	-	2,317	-	1,757	4,074	1,314	-	-	-	1,314
40207	Hampton City Schools	-	11,159	-	1,418	12,577	6,330	-	-	10,581	16,911
40208	Harrisonburg City School Board	-	3,660	-	1,323	4,983	2,076	-	-	132	2,208
40209	Hopewell City School Board	-	2,428	-	-	2,428	1,377	-	-	1,553	2,930
40210	Lynchburg Public Schools	-	5,832	-	3,904	9,736	3,308	-	-	-	3,308
40211	Newport News Public Schools	-	16,343	-	47	16,390	9,270	-	-	5,469	14,739
40212	Norfolk Public Schools	-	22,516	-	-	22,516	12,773	-	-	6,561	19,334
40213	Petersburg City Schools	-	2,481	-	886	3,367	1,407	-	-	767	2,174
40214	Portsmouth School Board	-	8,360	-	-	8,360	4,743	-	-	4,562	9,305
40215	Radford City School Board	-	863	-	29	892	490	-	-	452	942
40216	Richmond Public Schools	-	16,447	-	8,992	25,439	9,330	-	-	7,241	16,571
40217	Roanoke City School Board	-	8,073	-	3,194	11,267	4,580	-	-	-	4,580
40219	Staunton City Schools	-	1,765	-	357	2,122	1,001	-	-	582	1,583
40220	Suffolk City School Board	-	7,572	-	3,056	10,628	4,295	-	-	3,744	8,039
40222	Winchester Public Schools	-	3,028	-	1,174	4,202	1,717	-	-	-	1,717
40223	Martinsville City Schools	-	1,218	-	692	1,910	691	-	-	1,604	2,295
40224	Falls Church Public Schools	-	2,598	-	4,211	6,809	1,473	-	-	-	1,473
40225	Colonial Heights City Schools	-	1,924	-	-	1,924	1,092	-	-	1,714	2,806
40230	Covington City School Board	-	546	-	253	799	310	-	-	419	729
40231	Fairfax City School Board	-	9	-	2	11	5	-	-	-	5
40232	Franklin City Public Schools	-	803	-	274	1,077	455	-	-	701	1,156
40233	Chesapeake Public Schools	-	22,901	-	1,143	24,044	12,991	-	-	10,750	23,741
40234	Virginia Beach City School Board	-	41,010	-	2,694	43,704	23,264	-	-	15,438	38,702
40236	Manassas Park City Schools	-	2,230	-	4,031	6,261	1,265	-	-	-	1,265
40306	Town of West Point School Board	-	506	-	263	769	287	-	-	215	502

**Virginia Retirement System
VRS Teacher Retirement Plan**

**Schedule of Deferred Outflows and Deferred Inflows of Resources by Employer – Page 5 of 5
As of June 30, 2016**

(Dollars in Thousands)

		Deferred Outflows of Resources					Deferred Inflows of Resources				
Employer Code	Employer	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Change of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Change of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources
40308	Waynesboro Public Schools	-	1,826	-	319	2,145	1,035	-	-	1,080	2,115
40309	Town of Colonial Beach Schools	-	359	-	118	477	203	-	-	66	269
40313	Galax City Schools	-	736	-	70	806	417	-	-	32	449
40314	Norton City Schools	-	400	-	257	657	227	-	-	267	494
40332	Manassas City Schools	-	5,757	-	2,801	8,558	3,266	-	-	798	4,064
40335	City of Salem Schools	-	2,244	-	-	2,244	1,273	-	-	2,065	3,338
40402	Williamsburg-James City County School Board	-	6,973	-	1,681	8,654	3,956	-	-	1,221	5,177
40403	Poquoson City Public Schools	-	1,165	-	-	1,165	661	-	-	246	907
40410	Valley Vocational Technical Center	-	203	-	59	262	115	-	-	82	197
40412	Charlottesville/Albemarle Vo-Tech Center	-	111	-	154	265	63	-	-	391	454
40413	The Pruden Center for Industry and Technology	-	154	-	111	265	87	-	-	46	133
40414	Jackson River Technical Center	-	86	-	7	93	48	-	-	156	204
40415	New Horizons Technical Center	-	822	-	117	939	467	-	-	194	661
40416	Northern Neck Regional Vocational Center	-	121	-	210	331	69	-	-	60	129
40417	Rowanty Vocational Technical Center	-	76	-	41	117	43	-	-	32	75
40418	Amelia-Nottoway Vocational Center	-	22	-	-	22	13	-	-	19	32
40421	Northern Neck Regional Special Education Program	-	77	-	-	77	43	-	-	382	425
40423	Maggie Walker Governor's School for Govt & Intl Studies	-	445	-	116	561	253	-	-	119	372
40424	Appomattox Region Governor's School	-	185	-	114	299	105	-	-	25	130
40425	Bridging Communities Regional Career and Tech Center	-	48	-	280	328	28	-	-	-	28
Total for all Teacher Employers		\$ -	\$ 800,533	\$ -	\$ 227,783	\$ 1,028,316	\$ 454,121	\$ -	\$ -	\$ 227,783	\$ 681,904

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

**Virginia Retirement System
VRS Teacher Retirement Plan
Notes to GASB No. 68 Schedules
For The Fiscal Year Ended June 30, 2016**

Note 1. Summary of Significant Accounting Policies

Description of the Entity

The Virginia Retirement System (the System) is an independent agency of the Commonwealth of Virginia. The System administers four separate pension trust funds – the Virginia Retirement System (VRS), the State Police Officers’ Retirement System (SPORS), the Virginia Law Officers’ Retirement System (VaLORS), and the Judicial Retirement System (JRS). The VRS Teacher Retirement Plan is part of the VRS Trust Fund.

Administration and Management

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

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

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

Pensions

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) Teacher Retirement Plan and the additions to/deductions from the VRS Teacher 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.

Note 2. General Information about the Pension Plan

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. The VRS Teacher Retirement Plan is a multiple-employer cost-sharing plan. 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 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 Teacher Retirement Plan – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan, and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for 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>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution

		<p>component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</p> <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.</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"> • School division 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>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. 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 Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</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>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service 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,</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count</p>

<p>if the employer offers the health insurance credit.</p>		<p>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, creditable service 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 creditable service. 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 <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

		<p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation</p>	<p>Average Final Compensation</p>	<p>Average Final Compensation</p>

<p>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for members is 1.70%.</p>	<p>Service Retirement Multiplier Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. The retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier Defined Benefit Component: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Defined Contribution Component: Not applicable.</p>
<p>Normal Retirement Age Age 65.</p>	<p>Normal Retirement Age Normal Social Security retirement age.</p>	<p>Normal Retirement Age Defined Benefit Component: Same as Plan 2.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</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 creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</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 creditable service, 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</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>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>less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • 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. 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><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage N/A</p>	<p>Disability Coverage N/A</p>	<p>Disability Coverage Employees of political subdivisions and school</p>

		<p>divisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP 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 creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p><u>Purchase of Prior Service Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <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 school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division’s contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate of 18.20% from an actuarial valuation as of June 30, 2013, which was reduced to 17.64% after reflecting the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the employer contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016.

Actuarial Assumptions and Methods

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

Inflation	2.50 percent
Salary increases, including Inflation	3.50 percent – 5.95 percent
Investment rate of return	7.00 Percent, net of pension plan investment expense, 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 7.00%. However, since the difference was minimal, and a more conservative 7.00% 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 7.00% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were set back 5 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females were set back 3 years.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

Note 3. 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, 2016, NPL amounts for the VRS Teacher Retirement Plan are as follows (amounts expressed in thousands):

Total Pension Liability	\$ 44,182,326
Plan Fiduciary Net Position	<u>30,168,211</u>
Employers’ Net Pension Liability (Asset)	<u>\$ 14,014,115</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.28%

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.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that 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, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, school divisions are assumed 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.

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)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
	Inflation		2.50%
* Expected arithmetic nominal return			8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Sensitivity Analysis

The following table presents the collective net pension liability of the participating employers in the VRS Teacher Retirement Plan using the discount rate of 7.00%, as well as what collective net pension liability of the participating employers in the VRS Teacher Retirement Plan net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (amounts expressed in thousands):

Net Pension Liability - 1.00% Decrease (6.00%)	\$ 19,977,164
Net Pension Liability - Current Discount Rate (7.00%)	\$ 14,014,115
Net Pension Liability - 1.00% Increase (8.00%)	\$ 9,102,001

Note 4. Deferred Outflows / (Inflows) of Resources

The following schedule reflects the amortization of the net balance of remaining deferred outflows / (inflows) of resources at June 30, 2016. The average remaining service lives of all employees provided with pensions through the VRS Teacher Retirement Plan at June 30, 2016 was 5.42 years. Deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the financial statements for the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts expressed in thousands):

Measurement Period Ending June 30, 2017	(\$ 99,232)
Measurement Period Ending June 30, 2018	(\$ 99,232)
Measurement Period Ending June 30, 2019	\$ 349,140
Measurement Period Ending June 30, 2020	\$ 226,102
Measurement Period Ending June 30, 2021	(\$ 30,366)

Note 5. Employer Contributions

Employers' proportionate shares were calculated on the basis of historical employer contributions. Although GASB Statement No. 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the VRS Teacher Retirement Plan that are not representative of future contribution effort are excluded in the determination of employers' proportionate shares. Examples of employer contributions not representative of future contribution effort are contributions toward the purchase of employee service, contributions for adjustments for prior periods, and supplemental employer contributions from certain employers.

The employer contributions used in the determination of employers' proportionate shares of collective pension amounts reported in the Schedule of Employer Allocations was based on the total employer

contributions using the plan's contribution rates and the employer's covered payroll for FY 2016. This total was \$1,072,020,395. Of this amount, \$9,916,008 was transferred to ICMA-RC as the employer cost of the defined contribution component for employees covered by the Hybrid retirement plan benefit structure and \$1,062,104,387 was retained by the defined benefit plan. The employer contributions of \$1,062,338,000 reported in the VRS Teacher Employee's Retirement Plan's Statement of Changes in Net Position (per the System's separately issued financial statements) reflects this net amount plus approximately \$233,613 in other employer contributions that were not representative of future contribution efforts.

Note 6. Additional Financial and Actuarial Information

Information contained in the VRS Teacher Retirement Plan Notes to the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer (Schedules) was extracted from the audited financial statements of the Virginia Retirement System for the fiscal year ended June 30, 2016. Additional financial information supporting the preparation of the VRS Teacher Retirement Plan Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is presented in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR is publicly available through the About VRS link on the VRS website at www.varetire.org, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer, PO Box 2500, Richmond, VA 23218-2500.