



Virginia
Retirement
System

**VIRGINIA RETIREMENT SYSTEM
TEACHER HEALTH INSURANCE CREDIT PLAN**

GASB No. 75 Schedules

With Independent Auditor's Report Thereon

For the Fiscal Year Ended June 30, 2017

With Select Comparative Information for the Fiscal Year Ended June 30, 2016

Table of Contents

Independent Auditor’s Report.....	3
VRS Teacher Health Insurance Credit Plan – Schedule of Employer Allocations.....	6
VRS Teacher Health Insurance Credit Plan – Schedule of Net HIC OPEB Liability and Total HIC OPEB Expense	11
VRS Teacher Health Insurance Credit Plan – Schedule of Deferred Outflows and Deferred Inflows of Resources by Employer.....	16
VRS Teacher Health Insurance Credit Plan – Notes to GASB No. 75 Schedules.....	21



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

September 5, 2018

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 Health Insurance Credit (HIC) Plan, as of and for the years ended June 30, 2017, and June 30, 2016, and the related notes. We have also audited the total for all teacher employers of the columns titled net HIC OPEB liability as of and for the years ended June 30, 2017, and June 30, 2016, and total HIC OPEB expense as of and for the year ended June 30, 2017, included in the accompanying schedule of net HIC OPEB liability and total HIC OPEB expense of the Virginia Retirement System Teacher Health Insurance Credit Plan, and the related notes. In addition, we have audited the total for all teacher employers of the columns titled total deferred outflows of resources and total deferred inflows of resources included in the accompanying schedule of deferred outflows and deferred inflows of resources by employer of the Virginia Retirement System Teacher Health Insurance Credit Plan, as of and for the year ended June 30, 2017, and the related notes.

Management's Responsibility for the Schedule

The Virginia Retirement System's 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 columns titled net HIC OPEB liability, total HIC OPEB expense, total deferred outflows of resources, and total

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

deferred inflows of resources (specified column totals) included in the schedule of net HIC OPEB liability and total HIC OPEB expense and the schedule of deferred outflows and deferred 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 specified column totals included in the schedule of net HIC OPEB liability and total HIC OPEB expense and the schedule of deferred outflows and deferred 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 HIC OPEB liability and total HIC OPEB expense and the schedule of deferred outflows and deferred 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 HIC OPEB liability and total HIC OPEB expense and the schedule of deferred outflows and deferred 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 HIC OPEB liability and total HIC OPEB expense and the schedule of deferred outflows and deferred 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 the Virginia Retirement System 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 HIC OPEB liability and total HIC OPEB expense and the schedule of deferred outflows and deferred 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 the net HIC OPEB liability as of and for the years ended June 30, 2017, and June 30, 2016, and total deferred outflows of resources, total deferred inflows of resources, and total HIC OPEB expense as of and for the year ended June 30, 2017, for the total of all participating teacher employers for the Virginia Retirement System Teacher Health Insurance Credit Plan 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, 2017, and our report thereon, dated December 15, 2017, 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 Health Insurance Credit 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 Health Insurance Credit Plan
Schedule of Employer Allocations – Page 1 of 5
For the Fiscal Years Ended June 30, 2017 and 2016

Employer Code	Employer	June 30, 2016		June 30, 2017	
		Employer Contributions	Employer Allocation Percentage	Employer Contributions	Employer Allocation Percentage
40100	Accomack County School Board	\$ 275,703	0.34111%	\$ 301,512	0.34419%
40101	Albemarle County Schools	909,015	1.12466%	985,213	1.12465%
40102	Alleghany County School Board	125,236	0.15495%	129,845	0.14822%
40103	Amelia County School Board	87,435	0.10818%	95,451	0.10896%
40104	Amherst County School Board	250,064	0.30939%	257,031	0.29341%
40105	Appomattox County School Board	109,193	0.13510%	121,906	0.13916%
40106	Arlington Public Schools	2,867,346	3.54756%	3,183,887	3.63452%
40107	Augusta County School Board	586,484	0.72562%	642,494	0.73343%
40108	Bath County School Board	48,438	0.05993%	51,443	0.05872%
40109	Bedford County School Board	509,063	0.62983%	534,414	0.61005%
40110	Bland County School Board	39,239	0.04855%	43,034	0.04912%
40111	Botetourt County Schools	278,461	0.34452%	298,814	0.34111%
40112	Brunswick County Public Schools	100,611	0.12448%	107,290	0.12248%
40113	Buchanan County School Board	155,088	0.19188%	156,180	0.17829%
40114	Buckingham County School Board	113,418	0.14032%	118,412	0.13517%
40115	Campbell County School Board	397,245	0.49148%	416,066	0.47495%
40116	Caroline County School Board	207,922	0.25725%	229,254	0.26170%
40117	Carroll County School Board	215,188	0.26624%	238,462	0.27221%
40118	Charles City County School Board	47,655	0.05896%	51,737	0.05906%
40119	Charlotte County School Board	117,034	0.14480%	123,092	0.14051%
40120	Chesterfield County School Board	2,945,926	3.64479%	3,224,293	3.68064%
40121	Clarke County School Board	123,625	0.15295%	132,997	0.15182%
40122	Craig County School Board	37,232	0.04606%	38,658	0.04413%
40123	Culpeper County School Board	446,667	0.55263%	482,138	0.55038%
40124	Cumberland County School Board	82,518	0.10209%	89,353	0.10200%
40125	Dickenson County School Board	112,637	0.13936%	106,550	0.12163%
40126	Dinwiddie County School Board	234,916	0.29064%	258,983	0.29564%
40128	Essex County Public Schools	86,566	0.10710%	90,087	0.10284%
40129	Fairfax County School Board	14,509,835	17.95199%	15,897,325	18.14736%
40130	Fauquier County School Board	762,107	0.94290%	809,357	0.92391%
40131	Floyd County School Board	107,763	0.13333%	112,948	0.12893%

Virginia Retirement System
VRS Teacher Health Insurance Credit Plan
Schedule of Employer Allocations – Page 2 of 5
For the Fiscal Years Ended June 30, 2017 and 2016

Employer Code	Employer	June 30, 2016		June 30, 2017	
		Employer Contributions	Employer Allocation Percentage	Employer Contributions	Employer Allocation Percentage
40132	Fluvanna County Public Schools	247,686	0.30644%	261,873	0.29894%
40133	Franklin County Public Schools	414,766	0.51316%	456,669	0.52130%
40134	Frederick County School Board	891,575	1.10308%	949,312	1.08367%
40135	Giles County Schools	126,281	0.15624%	134,656	0.15371%
40136	Gloucester County School Board	299,601	0.37068%	332,858	0.37997%
40137	Goochland County School Board	152,035	0.18810%	164,212	0.18745%
40138	Grayson County School Board	88,976	0.11008%	98,819	0.11281%
40139	Greene County Public Schools	176,344	0.21818%	190,787	0.21779%
40140	Greensville County School Board	129,460	0.16017%	137,385	0.15683%
40141	Halifax County School Board	298,826	0.36972%	310,780	0.35477%
40142	Hanover County School Board	1,022,883	1.26554%	1,108,296	1.26516%
40143	Henrico County School Board	2,670,609	3.30416%	2,876,495	3.28362%
40144	Henry County Public Schools	372,176	0.46047%	402,873	0.45989%
40145	Highland County Public Schools	18,941	0.02343%	21,216	0.02422%
40146	Isle of Wight County Schools	299,874	0.37101%	320,831	0.36624%
40148	King George County School Board	214,786	0.26574%	252,335	0.28805%
40149	King & Queen County School Board	45,203	0.05593%	49,218	0.05618%
40150	King William County School Board	123,416	0.15269%	131,167	0.14973%
40151	Lancaster County Public Schools	78,634	0.09729%	85,633	0.09775%
40152	Lee County School Board	188,003	0.23260%	203,547	0.23236%
40153	Loudoun County School Board	5,347,894	6.61657%	6,017,603	6.86931%
40154	Louisa County Public Schools	279,893	0.34629%	300,387	0.34290%
40155	Lunenburg County School Board	87,251	0.10795%	84,695	0.09668%
40156	Madison County School Board	100,960	0.12491%	111,431	0.12720%
40157	Mathews County School Board	67,792	0.08387%	72,745	0.08304%
40158	Mecklenburg County School Board	235,104	0.29088%	245,765	0.28055%
40159	Middlesex County School Board	76,174	0.09424%	81,655	0.09321%
40160	Montgomery County School Board	502,192	0.62133%	549,943	0.62778%
40162	Nelson County Public Schools	119,618	0.14800%	126,041	0.14388%
40163	New Kent County School Board	158,806	0.19648%	173,500	0.19806%
40165	Northampton County Schools	95,774	0.11849%	101,766	0.11617%

Virginia Retirement System
VRS Teacher Health Insurance Credit Plan
Schedule of Employer Allocations – Page 3 of 5
For the Fiscal Years Ended June 30, 2017 and 2016

Employer Code	Employer	June 30, 2016		June 30, 2017	
		Employer Contributions	Employer Allocation Percentage	Employer Contributions	Employer Allocation Percentage
40166	Northumberland County School Board	79,562	0.09844%	87,070	0.09939%
40167	Nottoway County School Board	116,517	0.14416%	125,543	0.14331%
40168	Orange County Public Schools	275,899	0.34135%	291,797	0.33310%
40169	Page County Public Schools	193,484	0.23938%	203,931	0.23279%
40170	Patrick County School Board	137,490	0.17011%	148,332	0.16933%
40171	Pittsylvania County School Board	425,552	0.52651%	458,330	0.52320%
40172	Powhatan County School Board	244,733	0.30279%	264,676	0.30214%
40173	Prince Edward County School Board	124,966	0.15461%	128,756	0.14698%
40174	Prince George County School Board	340,447	0.42121%	358,589	0.40934%
40176	Prince William County School Board	5,258,204	6.50560%	5,782,362	6.60077%
40177	Pulaski County School Board	227,151	0.28104%	241,839	0.27607%
40178	Rappahannock County School Board	59,678	0.07384%	63,555	0.07255%
40179	Richmond County School Board	66,839	0.08270%	73,255	0.08362%
40180	Roanoke County School Board	765,952	0.94766%	851,879	0.97245%
40181	Rockbridge County School Board	166,037	0.20543%	178,379	0.20363%
40182	Rockingham County School Board	667,472	0.82582%	714,647	0.81579%
40183	Russell County School Board	189,859	0.23490%	199,561	0.22781%
40184	Scott County School Board	202,557	0.25061%	219,851	0.25097%
40185	Shenandoah County School Board	358,152	0.44312%	381,235	0.43519%
40186	Smyth County School Board	239,628	0.29647%	249,411	0.28471%
40187	Southampton County School Board	132,954	0.16449%	142,298	0.16244%
40188	Spotsylvania County School Board	1,314,539	1.62639%	1,396,959	1.59468%
40189	Stafford County School Board	1,523,188	1.88453%	1,685,773	1.92437%
40190	Surry County Schools	81,442	0.10076%	87,719	0.10013%
40191	Sussex County School Board	82,031	0.10149%	84,989	0.09702%
40192	Tazewell County Schools	280,173	0.34664%	293,361	0.33488%
40193	Warren County School Board	296,504	0.36684%	321,046	0.36649%
40195	Washington County School Board	368,033	0.45534%	392,871	0.44848%
40196	Westmoreland County School Board	92,613	0.11458%	108,110	0.12341%
40197	Wise County School Board	298,130	0.36886%	303,993	0.34702%
40198	Wythe County School Board	216,447	0.26779%	231,155	0.26387%

Virginia Retirement System
VRS Teacher Health Insurance Credit Plan
Schedule of Employer Allocations – Page 4 of 5
For the Fiscal Years Ended June 30, 2017 and 2016

Employer Code	Employer	June 30, 2016		June 30, 2017	
		Employer Contributions	Employer Allocation Percentage	Employer Contributions	Employer Allocation Percentage
40199	York County School Board	703,335	0.87019%	743,350	0.84856%
40200	Alexandria City School Board	1,497,312	1.85252%	1,633,570	1.86478%
40201	Bristol City School Board	129,647	0.16040%	136,888	0.15626%
40202	Buena Vista City Schools	55,553	0.06873%	58,129	0.06636%
40203	Charlottesville Public Schools	389,484	0.48188%	422,309	0.48208%
40205	Danville City Schools	334,786	0.41421%	348,030	0.39729%
40206	Fredericksburg City Schools	233,891	0.28938%	252,402	0.28813%
40207	Hampton City Schools	1,126,584	1.39384%	1,217,627	1.38996%
40208	Harrisonburg City School Board	369,461	0.45711%	416,009	0.47489%
40209	Hopewell City School Board	245,088	0.30323%	273,307	0.31199%
40210	Lynchburg Public Schools	588,834	0.72852%	625,594	0.71414%
40211	Newport News Public Schools	1,649,993	2.04142%	1,772,707	2.02361%
40212	Norfolk Public Schools	2,273,155	2.81241%	2,366,809	2.70180%
40213	Petersburg City Schools	250,460	0.30988%	250,256	0.28568%
40214	Portsmouth School Board	843,986	1.04420%	878,236	1.00254%
40215	Radford City School Board	87,083	0.10774%	97,181	0.11094%
40216	Richmond Public Schools	1,660,849	2.05485%	1,756,965	2.00564%
40217	Roanoke City School Board	815,034	1.00838%	884,561	1.00976%
40219	Staunton City Schools	178,192	0.22046%	188,978	0.21573%
40220	Suffolk City School Board	764,435	0.94578%	817,634	0.93336%
40222	Winchester Public Schools	305,733	0.37826%	324,530	0.37046%
40223	Martinsville City Schools	123,000	0.15218%	128,900	0.14714%
40224	Falls Church Public Schools	262,303	0.32453%	282,394	0.32236%
40225	Colonial Heights City Schools	194,204	0.24027%	206,918	0.23620%
40230	Covington City School Board	55,093	0.06816%	62,491	0.07134%
40231	Fairfax City School Board	948	0.00117%	1,035	0.00118%
40232	Franklin City Public Schools	81,092	0.10033%	84,712	0.09670%
40233	Chesapeake Public Schools	2,312,292	2.86084%	2,502,132	2.85627%
40234	Virginia Beach City School Board	4,140,339	5.12255%	4,435,363	5.06312%
40236	Manassas Park City Schools	225,125	0.27853%	233,047	0.26603%
40306	Town of West Point School Board	51,078	0.06320%	59,556	0.06799%

Virginia Retirement System
VRS Teacher Health Insurance Credit Plan
Schedule of Employer Allocations – Page 5 of 5
For the Fiscal Years Ended June 30, 2017 and 2016

Employer Code	Employer	June 30, 2016		June 30, 2017	
		Employer Contributions	Employer Allocation Percentage	Employer Contributions	Employer Allocation Percentage
40307	Lexington City School Board	27,789	0.03438%	30,797	0.03516%
40308	Waynesboro Public Schools	184,401	0.22815%	199,823	0.22810%
40309	Town of Colonial Beach Schools	36,219	0.04481%	40,295	0.04600%
40313	Galax City Schools	74,267	0.09189%	78,738	0.08988%
40314	Norton City Schools	40,394	0.04998%	41,891	0.04782%
40332	Manassas City Schools	581,628	0.71961%	616,988	0.70431%
40335	City of Salem Schools	226,506	0.28024%	242,119	0.27639%
40402	Williamsburg-James City County School Board	703,980	0.87099%	755,834	0.86281%
40403	Poquoson City Public Schools	117,574	0.14547%	127,414	0.14545%
40410	Valley Vocational Technical Center	20,501	0.02536%	21,834	0.02492%
40412	Charlottesville/Albemarle Vo-Tech Center	11,183	0.01384%	12,914	0.01474%
40413	The Pruden Center for Industry and Technology	15,517	0.01920%	14,851	0.01695%
40414	Jackson River Technical Center	8,695	0.01076%	6,124	0.00699%
40415	New Horizons Technical Center	83,019	0.10271%	91,479	0.10443%
40416	Northern Neck Regional Vocational Center	12,189	0.01508%	12,331	0.01408%
40417	Rowanty Vocational Technical Center	7,710	0.00954%	8,326	0.00950%
40418	Amelia-Nottoway Vocational Center	2,194	0.00271%	2,376	0.00271%
40421	Northern Neck Regional Special Education Program	7,797	0.00965%	8,839	0.01009%
40423	Maggie Walker Governor's School for Govt & Intl Studies	44,878	0.05552%	48,451	0.05531%
40424	Appomattox Region Governor's School	18,720	0.02316%	19,112	0.02182%
40425	Bridging Communities Regional Career and Tech Center	4,828	0.00597%	5,174	0.00591%
Total for all Teacher Employers		<u>\$ 80,825,757</u>	<u>100.00000%</u>	<u>\$ 87,601,319</u>	<u>100.00000%</u>

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

Virginia Retirement System
VRS Teacher Health Insurance Credit Plan
Schedule of Net HIC OPEB Liability and Total HIC OPEB Expense – Page 1 of 5
As of and For the Fiscal Years Ended June 30, 2017 and 2016

(Dollars in Thousands)

Employer		Net HIC OPEB Liability June 30, 2016	Net HIC OPEB Liability June 30, 2017	Total HIC OPEB Expense FY 2017
Code	Employer			
40100	Accomack County School Board	\$ 4,326	\$ 4,366	\$ 360
40101	Albemarle County Schools	14,265	14,267	1,161
40102	Alleghany County School Board	1,965	1,881	142
40103	Amelia County School Board	1,372	1,382	113
40104	Amherst County School Board	3,924	3,722	276
40105	Appomattox County School Board	1,714	1,765	151
40106	Arlington Public Schools	44,995	46,108	3,896
40107	Augusta County School Board	9,203	9,304	770
40108	Bath County School Board	760	745	59
40109	Bedford County School Board	7,988	7,739	597
40110	Bland County School Board	616	623	52
40111	Botetourt County Schools	4,370	4,327	346
40112	Brunswick County Public Schools	1,579	1,553	123
40113	Buchanan County School Board	2,434	2,262	161
40114	Buckingham County School Board	1,780	1,715	130
40115	Campbell County School Board	6,234	6,026	462
40116	Caroline County School Board	3,263	3,320	277
40117	Carroll County School Board	3,377	3,453	291
40118	Charles City County School Board	748	749	62
40119	Charlotte County School Board	1,837	1,783	138
40120	Chesterfield County School Board	46,229	46,693	3,858
40121	Clarke County School Board	1,940	1,926	155
40122	Craig County School Board	584	560	43
40123	Culpeper County School Board	7,009	6,982	564
40124	Cumberland County School Board	1,295	1,294	104
40125	Dickenson County School Board	1,768	1,543	96
40126	Dinwiddie County School Board	3,686	3,751	313
40128	Essex County Public Schools	1,358	1,304	99
40129	Fairfax County School Board	227,694	230,217	19,057
40130	Fauquier County School Board	11,959	11,721	921
40131	Floyd County School Board	1,691	1,636	126

Virginia Retirement System
VRS Teacher Health Insurance Credit Plan
Schedule of Net HIC OPEB Liability and Total HIC OPEB Expense – Page 2 of 5
As of and For the Fiscal Years Ended June 30, 2017 and 2016

(Dollars in Thousands)

Employer		Net HIC OPEB Liability June 30, 2016	Net HIC OPEB Liability June 30, 2017	Total HIC OPEB Expense FY 2017
Code	Employer			
40132	Fluvanna County Public Schools	3,887	3,793	297
40133	Franklin County Public Schools	6,509	6,613	552
40134	Frederick County School Board	13,991	13,748	1,086
40135	Giles County Schools	1,982	1,950	155
40136	Gloucester County School Board	4,702	4,820	407
40137	Goochland County School Board	2,386	2,378	192
40138	Grayson County School Board	1,396	1,432	121
40139	Greene County Public Schools	2,767	2,763	224
40140	Greensville County School Board	2,032	1,989	156
40141	Halifax County School Board	4,689	4,501	341
40142	Hanover County School Board	16,051	16,050	1,305
40143	Henrico County School Board	41,908	41,657	3,355
40144	Henry County Public Schools	5,840	5,834	474
40145	Highland County Public Schools	297	308	26
40146	Isle of Wight County Schools	4,706	4,646	370
40148	King George County School Board	3,371	3,654	334
40149	King & Queen County School Board	709	713	61
40150	King William County School Board	1,937	1,899	150
40151	Lancaster County Public Schools	1,234	1,240	102
40152	Lee County School Board	2,950	2,948	237
40153	Loudoun County School Board	83,921	87,145	7,510
40154	Louisa County Public Schools	4,392	4,351	348
40155	Lunenburg County School Board	1,369	1,226	81
40156	Madison County School Board	1,584	1,614	135
40157	Mathews County School Board	1,064	1,053	85
40158	Mecklenburg County School Board	3,689	3,559	273
40159	Middlesex County School Board	1,195	1,182	94
40160	Montgomery County School Board	7,881	7,964	659
40162	Nelson County Public Schools	1,877	1,826	141
40163	New Kent County School Board	2,492	2,513	207
40165	Northampton County Schools	1,503	1,473	116

Virginia Retirement System
VRS Teacher Health Insurance Credit Plan
Schedule of Net HIC OPEB Liability and Total HIC OPEB Expense – Page 3 of 5
As of and For the Fiscal Years Ended June 30, 2017 and 2016

(Dollars in Thousands)

Employer		Net HIC OPEB Liability June 30, 2016	Net HIC OPEB Liability June 30, 2017	Total HIC OPEB Expense FY 2017
Code	Employer			
40166	Northumberland County School Board	1,249	1,260	105
40167	Nottoway County School Board	1,828	1,818	147
40168	Orange County Public Schools	4,330	4,226	330
40169	Page County Public Schools	3,036	2,953	229
40170	Patrick County School Board	2,158	2,148	174
40171	Pittsylvania County School Board	6,678	6,637	534
40172	Powhatan County School Board	3,840	3,833	311
40173	Prince Edward County School Board	1,961	1,865	139
40174	Prince George County School Board	5,342	5,193	402
40176	Prince William County School Board	82,514	83,738	6,970
40177	Pulaski County School Board	3,565	3,503	277
40178	Rappahannock County School Board	937	920	73
40179	Richmond County School Board	1,049	1,061	88
40180	Roanoke County School Board	12,020	12,337	1,045
40181	Rockbridge County School Board	2,606	2,583	207
40182	Rockingham County School Board	10,474	10,349	825
40183	Russell County School Board	2,979	2,890	223
40184	Scott County School Board	3,179	3,184	260
40185	Shenandoah County School Board	5,620	5,521	436
40186	Smyth County School Board	3,760	3,611	274
40187	Southampton County School Board	2,086	2,061	165
40188	Spotsylvania County School Board	20,628	20,231	1,593
40189	Stafford County School Board	23,902	24,413	2,052
40190	Surry County Schools	1,278	1,270	102
40191	Sussex County School Board	1,287	1,231	93
40192	Tazewell County Schools	4,397	4,248	326
40193	Warren County School Board	4,653	4,649	377
40195	Washington County School Board	5,775	5,689	452
40196	Westmoreland County School Board	1,453	1,565	142
40197	Wise County School Board	4,678	4,403	322
40198	Wythe County School Board	3,397	3,347	265

Virginia Retirement System
VRS Teacher Health Insurance Credit Plan
Schedule of Net HIC OPEB Liability and Total HIC OPEB Expense – Page 4 of 5
As of and For the Fiscal Years Ended June 30, 2017 and 2016

(Dollars in Thousands)

Employer		Net HIC OPEB Liability June 30, 2016	Net HIC OPEB Liability June 30, 2017	Total HIC OPEB Expense FY 2017
Code	Employer			
40199	York County School Board	11,037	10,765	840
40200	Alexandria City School Board	23,496	23,657	1,944
40201	Bristol City School Board	2,034	1,982	154
40202	Buena Vista City Schools	872	842	64
40203	Charlottesville Public Schools	6,112	6,116	501
40205	Danville City Schools	5,254	5,040	382
40206	Fredericksburg City Schools	3,670	3,655	295
40207	Hampton City Schools	17,679	17,633	1,428
40208	Harrisonburg City School Board	5,798	6,025	520
40209	Hopewell City School Board	3,846	3,958	337
40210	Lynchburg Public Schools	9,240	9,060	713
40211	Newport News Public Schools	25,892	25,671	2,058
40212	Norfolk Public Schools	35,671	34,276	2,604
40213	Petersburg City Schools	3,930	3,624	255
40214	Portsmouth School Board	13,244	12,719	966
40215	Radford City School Board	1,367	1,407	119
40216	Richmond Public Schools	26,063	25,444	1,988
40217	Roanoke City School Board	12,790	12,810	1,044
40219	Staunton City Schools	2,796	2,737	215
40220	Suffolk City School Board	11,996	11,841	942
40222	Winchester Public Schools	4,798	4,700	369
40223	Martinsville City Schools	1,930	1,867	144
40224	Falls Church Public Schools	4,116	4,089	329
40225	Colonial Heights City Schools	3,047	2,996	237
40230	Covington City School Board	865	905	79
40231	Fairfax City School Board	15	15	1
40232	Franklin City Public Schools	1,273	1,227	94
40233	Chesapeake Public Schools	36,285	36,235	2,940
40234	Virginia Beach City School Board	64,972	64,231	5,126
40236	Manassas Park City Schools	3,533	3,375	254
40306	Town of West Point School Board	802	863	78

Virginia Retirement System
VRS Teacher Health Insurance Credit Plan
Schedule of Net HIC OPEB Liability and Total HIC OPEB Expense – Page 5 of 5
As of and For the Fiscal Years Ended June 30, 2017 and 2016

(Dollars in Thousands)

Employer Code	Employer	Net HIC OPEB Liability June 30, 2016	Net HIC OPEB Liability June 30, 2017	Total HIC OPEB Expense FY 2017
40307	Lexington City School Board	436	446	37
40308	Waynesboro Public Schools	2,894	2,894	234
40309	Town of Colonial Beach Schools	568	584	49
40313	Galax City Schools	1,165	1,141	90
40314	Norton City Schools	634	607	45
40332	Manassas City Schools	9,127	8,935	702
40335	City of Salem Schools	3,554	3,506	279
40402	Williamsburg-James City County School Board	11,047	10,946	876
40403	Poquoson City Public Schools	1,845	1,845	150
40410	Valley Vocational Technical Center	322	316	25
40412	Charlottesville/Albemarle Vo-Tech Center	176	187	16
40413	The Pruden Center for Industry and Technology	244	215	13
40414	Jackson River Technical Center	136	88	1
40415	New Horizons Technical Center	1,303	1,325	111
40416	Northern Neck Regional Vocational Center	191	178	13
40417	Rowanty Vocational Technical Center	121	121	9
40418	Amelia-Nottoway Vocational Center	34	34	3
40421	Northern Neck Regional Special Education Program	122	128	11
40423	Maggie Walker Governor's School for Govt & Intl Studies	704	702	54
40424	Appomattox Region Governor's School	294	277	21
40425	Bridging Communities Regional Career and Tech Center	76	75	5
Total for all Teacher Employers		\$ 1,268,349	\$ 1,268,611	\$ 103,199

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

Virginia Retirement System
VRS Teacher Health Insurance Credit Plan
Schedule of Deferred Outflows and Deferred Inflows of Resources by Employer – Page 1 of 5
As of June 30, 2017

(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 Investment OPEB Plan	Change of Assumptions	Changes in Proportionate Share	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Investment OPEB Plan	Change of Assumptions	Changes in Proportionate Share	Total Deferred Inflows of Resources
40100	Accomack County School Board	\$ -	\$ -	\$ -	\$ -	34	\$ -	\$ 8	\$ 45	\$ -	\$ 53
40101	Albemarle County Schools	-	-	-	-	-	-	26	146	-	172
40102	Alleghany County School Board	-	-	-	-	-	-	3	20	74	97
40103	Amelia County School Board	-	-	-	-	9	-	2	15	-	17
40104	Amherst County School Board	-	-	-	-	-	-	7	38	176	221
40105	Appomattox County School Board	-	-	-	-	44	-	3	18	-	21
40106	Arlington Public Schools	-	-	-	-	958	-	83	474	-	557
40107	Augusta County School Board	-	-	-	-	86	-	17	95	-	112
40108	Bath County School Board	-	-	-	-	-	-	1	8	13	22
40109	Bedford County School Board	-	-	-	-	-	-	14	79	218	311
40110	Bland County School Board	-	-	-	-	6	-	1	7	-	8
40111	Botetourt County Schools	-	-	-	-	-	-	8	44	37	89
40112	Brunswick County Public Schools	-	-	-	-	-	-	3	16	22	41
40113	Buchanan County School Board	-	-	-	-	-	-	4	23	149	176
40114	Buckingham County School Board	-	-	-	-	-	-	3	18	56	77
40115	Campbell County School Board	-	-	-	-	-	-	11	62	182	255
40116	Caroline County School Board	-	-	-	-	49	-	6	34	-	40
40117	Carroll County School Board	-	-	-	-	66	-	6	36	-	42
40118	Charles City County School Board	-	-	-	-	-	-	1	8	-	9
40119	Charlotte County School Board	-	-	-	-	-	-	3	19	47	69
40120	Chesterfield County School Board	-	-	-	-	395	-	84	480	-	564
40121	Clarke County School Board	-	-	-	-	-	-	3	20	12	35
40122	Craig County School Board	-	-	-	-	-	-	1	6	21	28
40123	Culpeper County School Board	-	-	-	-	-	-	13	71	25	109
40124	Cumberland County School Board	-	-	-	-	-	-	2	14	-	16
40125	Dickenson County School Board	-	-	-	-	-	-	3	16	195	214
40126	Dinwiddie County School Board	-	-	-	-	55	-	7	38	-	45
40128	Essex County Public Schools	-	-	-	-	-	-	2	14	47	63
40129	Fairfax County School Board	-	-	-	-	2,150	-	421	2,360	-	2,781
40130	Fauquier County School Board	-	-	-	-	-	-	21	121	209	351
40131	Floyd County School Board	-	-	-	-	-	-	3	17	49	69

Virginia Retirement System
VRS Teacher Health Insurance Credit Plan
Schedule of Deferred Outflows and Deferred Inflows of Resources by Employer – Page 2 of 5
As of June 30, 2017

(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 Earnings on OPEB Plan Investments	Change of Assumptions	Changes in Proportionate Share	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	Change of Assumptions	Changes in Proportionate Share	Total Deferred Inflows of Resources
40132	Fluvanna County Public Schools	-	-	-	-	-	-	7	39	83	129
40133	Franklin County Public Schools	-	-	-	89	89	-	12	68	-	80
40134	Frederick County School Board	-	-	-	-	-	-	25	141	214	380
40135	Giles County Schools	-	-	-	-	-	-	4	20	28	52
40136	Gloucester County School Board	-	-	-	103	103	-	9	49	-	58
40137	Goochland County School Board	-	-	-	-	-	-	4	25	7	36
40138	Grayson County School Board	-	-	-	30	30	-	3	14	-	17
40139	Greene County Public Schools	-	-	-	-	-	-	5	28	4	37
40140	Greensville County School Board	-	-	-	-	-	-	4	20	36	60
40141	Halifax County School Board	-	-	-	-	-	-	8	46	165	219
40142	Hanover County School Board	-	-	-	-	-	-	29	165	4	198
40143	Henrico County School Board	-	-	-	-	-	-	75	428	227	730
40144	Henry County Public Schools	-	-	-	-	-	-	11	59	6	76
40145	Highland County Public Schools	-	-	-	9	9	-	1	3	-	4
40146	Isle of Wight County Schools	-	-	-	-	-	-	8	48	53	109
40148	King George County School Board	-	-	-	246	246	-	7	37	-	44
40149	King & Queen County School Board	-	-	-	-	-	-	1	8	-	9
40150	King William County School Board	-	-	-	-	-	-	3	20	33	56
40151	Lancaster County Public Schools	-	-	-	5	5	-	2	13	-	15
40152	Lee County School Board	-	-	-	-	-	-	5	31	-	36
40153	Loudoun County School Board	-	-	-	2,785	2,785	-	157	896	-	1,053
40154	Louisa County Public Schools	-	-	-	-	-	-	8	45	37	90
40155	Lunenburg County School Board	-	-	-	-	-	-	2	13	124	139
40156	Madison County School Board	-	-	-	25	25	-	3	16	-	19
40157	Mathews County School Board	-	-	-	-	-	-	2	11	10	23
40158	Mecklenburg County School Board	-	-	-	-	-	-	6	37	114	157
40159	Middlesex County School Board	-	-	-	-	-	-	2	12	11	25
40160	Montgomery County School Board	-	-	-	71	71	-	14	82	-	96
40162	Nelson County Public Schools	-	-	-	-	-	-	3	19	45	67
40163	New Kent County School Board	-	-	-	17	17	-	5	25	-	30
40165	Northampton County Schools	-	-	-	-	-	-	3	15	25	43

Virginia Retirement System
VRS Teacher Health Insurance Credit Plan
Schedule of Deferred Outflows and Deferred Inflows of Resources by Employer – Page 3 of 5
As of June 30, 2017

(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 Earnings on OPEB Plan Investments	Change of Assumptions	Changes in Proportionate Share	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	Change of Assumptions	Changes in Proportionate Share	Total Deferred Inflows of Resources
40166	Northumberland County School Board	-	-	-	10	10	-	2	13	-	15
40167	Nottoway County School Board	-	-	-	-	-	-	3	19	10	32
40168	Orange County Public Schools	-	-	-	-	-	-	8	43	91	142
40169	Page County Public Schools	-	-	-	-	-	-	5	31	73	109
40170	Patrick County School Board	-	-	-	-	-	-	4	22	9	35
40171	Pittsylvania County School Board	-	-	-	-	-	-	12	68	36	116
40172	Powhatan County School Board	-	-	-	-	-	-	7	39	7	53
40173	Prince Edward County School Board	-	-	-	-	-	-	3	20	84	107
40174	Prince George County School Board	-	-	-	-	-	-	9	54	131	194
40176	Prince William County School Board	-	-	-	1,049	1,049	-	151	861	-	1,012
40177	Pulaski County School Board	-	-	-	-	-	-	6	36	55	97
40178	Rappahannock County School Board	-	-	-	-	-	-	2	9	14	25
40179	Richmond County School Board	-	-	-	10	10	-	2	11	-	13
40180	Roanoke County School Board	-	-	-	273	273	-	22	127	-	149
40181	Rockbridge County School Board	-	-	-	-	-	-	5	26	20	51
40182	Rockingham County School Board	-	-	-	-	-	-	19	106	110	235
40183	Russell County School Board	-	-	-	-	-	-	5	30	78	113
40184	Scott County School Board	-	-	-	4	4	-	6	32	-	38
40185	Shenandoah County School Board	-	-	-	-	-	-	10	57	88	155
40186	Smyth County School Board	-	-	-	-	-	-	7	37	129	173
40187	Southampton County School Board	-	-	-	-	-	-	4	21	23	48
40188	Spotsylvania County School Board	-	-	-	-	-	-	37	207	349	593
40189	Stafford County School Board	-	-	-	439	439	-	44	251	-	295
40190	Surry County Schools	-	-	-	-	-	-	2	13	7	22
40191	Sussex County School Board	-	-	-	-	-	-	2	13	50	65
40192	Tazewell County Schools	-	-	-	-	-	-	8	43	129	180
40193	Warren County School Board	-	-	-	-	-	-	8	48	3	59
40195	Washington County School Board	-	-	-	-	-	-	10	59	76	145
40196	Westmoreland County School Board	-	-	-	97	97	-	3	16	-	19
40197	Wise County School Board	-	-	-	-	-	-	8	45	241	294
40198	Wythe County School Board	-	-	-	-	-	-	6	34	43	83

Virginia Retirement System
VRS Teacher Health Insurance Credit Plan
Schedule of Deferred Outflows and Deferred Inflows of Resources by Employer – Page 4 of 5
As of June 30, 2017

(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 OPEB Plan	Change of Assumptions	Changes in Proportionate Share	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on OPEB Plan	Change of Assumptions	Changes in Proportionate Share	Total Deferred Inflows of Resources
40199	York County School Board	-	-	-	-	-	-	19	111	238	368
40200	Alexandria City School Board	-	-	-	135	135	-	43	243	-	286
40201	Bristol City School Board	-	-	-	-	-	-	4	20	46	70
40202	Buena Vista City Schools	-	-	-	-	-	-	2	8	26	36
40203	Charlottesville Public Schools	-	-	-	-	-	-	11	63	-	74
40205	Danville City Schools	-	-	-	-	-	-	9	52	187	248
40206	Fredericksburg City Schools	-	-	-	-	-	-	7	37	14	58
40207	Hampton City Schools	-	-	-	-	-	-	32	181	43	256
40208	Harrisonburg City School Board	-	-	-	196	196	-	11	62	-	73
40209	Hopewell City School Board	-	-	-	96	96	-	7	41	-	48
40210	Lynchburg Public Schools	-	-	-	-	-	-	16	93	158	267
40211	Newport News Public Schools	-	-	-	-	-	-	46	264	196	506
40212	Norfolk Public Schools	-	-	-	-	-	-	62	352	1,219	1,633
40213	Petersburg City Schools	-	-	-	-	-	-	7	37	267	311
40214	Portsmouth School Board	-	-	-	-	-	-	23	131	459	613
40215	Radford City School Board	-	-	-	36	36	-	3	14	-	17
40216	Richmond Public Schools	-	-	-	-	-	-	46	261	542	849
40217	Roanoke City School Board	-	-	-	16	16	-	23	132	-	155
40219	Staunton City Schools	-	-	-	-	-	-	5	28	52	85
40220	Suffolk City School Board	-	-	-	-	-	-	21	122	137	280
40222	Winchester Public Schools	-	-	-	-	-	-	8	49	86	143
40223	Martinsville City Schools	-	-	-	-	-	-	3	20	56	79
40224	Falls Church Public Schools	-	-	-	-	-	-	7	42	24	73
40225	Colonial Heights City Schools	-	-	-	-	-	-	5	31	45	81
40230	Covington City School Board	-	-	-	35	35	-	2	9	-	11
40231	Fairfax City School Board	-	-	-	-	-	-	-	-	-	-
40232	Franklin City Public Schools	-	-	-	-	-	-	2	13	40	55
40233	Chesapeake Public Schools	-	-	-	-	-	-	65	373	50	488
40234	Virginia Beach City School Board	-	-	-	-	-	-	116	660	655	1,431
40236	Manassas Park City Schools	-	-	-	-	-	-	6	35	138	179
40306	Town of West Point School Board	-	-	-	53	53	-	2	8	-	10

Virginia Retirement System
VRS Teacher Health Insurance Credit Plan
Schedule of Deferred Outflows and Deferred Inflows of Resources by Employer – Page 5 of 5
As of June 30, 2017

(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 OPEB Plan Investments	Change of Assumptions	Changes in Proportionate Share	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	Change of Assumptions	Changes in Proportionate Share	Total Deferred Inflows of Resources
40307	Lexington City School Board	-	-	-	9	9	-	1	4	-	5
40308	Waynesboro Public Schools	-	-	-	-	-	-	5	30	-	35
40309	Town of Colonial Beach Schools	-	-	-	13	13	-	1	6	-	7
40313	Galax City Schools	-	-	-	-	-	-	2	12	22	36
40314	Norton City Schools	-	-	-	-	-	-	1	6	23	30
40332	Manassas City Schools	-	-	-	-	-	-	16	92	169	277
40335	City of Salem Schools	-	-	-	-	-	-	6	36	43	85
40402	Williamsburg-James City County School Board	-	-	-	-	-	-	20	112	90	222
40403	Poquoson City Public Schools	-	-	-	-	-	-	3	19	-	22
40410	Valley Vocational Technical Center	-	-	-	-	-	-	1	3	5	9
40412	Charlottesville/Albemarle Vo-Tech Center	-	-	-	10	10	-	-	2	-	2
40413	The Pruden Center for Industry and Technology	-	-	-	-	-	-	-	3	25	28
40414	Jackson River Technical Center	-	-	-	-	-	-	-	1	42	43
40415	New Horizons Technical Center	-	-	-	19	19	-	2	14	-	16
40416	Northern Neck Regional Vocational Center	-	-	-	-	-	-	-	2	11	13
40417	Rowanty Vocational Technical Center	-	-	-	-	-	-	-	1	-	1
40418	Amelia-Nottoway Vocational Center	-	-	-	-	-	-	-	-	-	-
40421	Northern Neck Regional Special Education Program	-	-	-	5	5	-	-	2	-	2
40423	Maggie Walker Governor's School for Govt & Intl Studies	-	-	-	-	-	-	1	7	-	8
40424	Appomattox Region Governor's School	-	-	-	-	-	-	-	3	15	18
40425	Bridging Communities Regional Career and Tech Center	-	-	-	-	-	-	-	1	-	1
Total for all Teacher Employers		\$ -	\$ -	\$ -	\$ 9,737	\$ 9,737	\$ -	\$ 2,290	\$ 13,034	\$ 9,737	\$ 25,061

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 Health Insurance Credit Plan
Notes to GASB No. 75 Schedules
For The Fiscal Year Ended June 30, 2017
With Select Comparative Information 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) and several Other Post-Employment Benefit trust funds – the Group Life Insurance Program, the Retiree Health Insurance Credit Program, the Disability Insurance Program for state employees, the Line of Duty Act Program and the Virginia Local Disability Program for participating schools systems and local governments. The VRS Teacher Health Insurance Credit Plan is part of the Retiree Health Insurance Credit Program.

Administration and Management

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

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

The System issues a Comprehensive Annual Financial Report (CAFR) containing the financial statements and required supplementary information for all of the System’s pension and other employee benefit trust funds. The CAFR is 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.

Other Post-Employment Benefits – Health Insurance Credit

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program is a multiple-employer, cost-sharing plan. The Teacher 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 Teacher Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the HIC OPEB, and HIC OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Health Insurance Credit Plan and the additions to/deductions from the VRS Teacher Health Insurance Credit Plan’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.

Note 2. General Information about the HIC OPEB Plan

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher 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 for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
<p>Eligible Employees The Teacher Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
<p>Benefit Amounts The Teacher Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • <u>At Retirement</u> – For Teacher and other professional school 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 Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:
 - \$4.00 per month multiplied by twice the amount of service credit, or
 - \$4.00 per month multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

Health Insurance Credit Program Notes:

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

Contributions

The contribution requirement for active employees is governed by §51.1-1401(E) 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. Each school division’s contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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.

Actuarial Assumptions and Methods

The total Teacher Health Insurance Credit OPEB liability for the VRS Teacher Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.50 percent
Salary increases, including Inflation	3.50 percent – 5.95 percent
Investment rate of return	7.00 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 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 the OPEB liabilities.

Mortality rates:

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, 2016 valuation were based on the results of an actuarial experience study for the four-year 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)	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

Note 3. Net Health Insurance Credit OPEB Liability

The net Health Insurance Credit OPEB liability (NOL) is calculated separately for each system and represents that particular system’s total Health Insurance Credit OPEB liability determined in accordance with GASB Statement No. 74, less that system’s fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Health Insurance Credit Program are as follows (amounts expressed in thousands):

Total Teacher HIC OPEB Liability	\$ 1,364,702
Plan Fiduciary Net Position	<u>96,091</u>
Teacher HIC Net OPEB Liability (Asset)	<u>\$ 1,268,611</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher HIC OPEB Liability	7.04%

The total Teacher HIC 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 Teacher 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.

Discount Rate

The discount rate used to measure the total Teacher HIC OPEB liability was 7.00%. 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 and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS Teacher HIC OPEB Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher 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 Teacher HIC OPEB liability.

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)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

Sensitivity Analysis

The following table presents the collective net Teacher HIC OPEB liability of the participating employers in the VRS Teacher HIC OPEB Plan using the discount rate of 7.00%, as well as what the collective net Teacher HIC OPEB liability of the participating employers 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 Teacher HIC OPEB Liability - 1.00% Decrease (6.00%)	\$ 1,415,909
Net Teacher HIC OPEB Liability - Current Discount Rate (7.00%)	\$ 1,268,611
Net Teacher HIC OPEB Liability - 1.00% Increase (8.00%)	\$ 1,143,425

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, 2017. The average remaining service lives of all employees provided with health insurance credit benefits through the VRS Teacher HIC OPEB Plan at June 30, 2017 was 7.62 years. Deferred outflows of resources related to the health insurance credit resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the financial statements for the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the health insurance credit will be recognized in the health insurance credit expense as follows (amounts expressed in thousands):

Measurement Period Ending June 30, 2018	(\$ 2,542)
Measurement Period Ending June 30, 2019	(\$ 2,542)
Measurement Period Ending June 30, 2020	(\$ 2,542)
Measurement Period Ending June 30, 2021	(\$ 2,540)
Measurement Period Ending June 30, 2022	(\$ 1,969)
Thereafter	(\$ 3,189)

Note 5. Employer Contributions

Employers’ proportionate shares were calculated on the basis of historical employer contributions. Although GASB Statement No. 75 encourages the use of the employer’s projected long-term contribution effort to the Other Post-Employment Benefit plan, allocating on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the VRS Teacher HIC OPEB 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 for adjustments for prior periods.

The employer contributions used in the determination of employers' proportionate shares of collective Other Post-Employment Benefit 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 2017. This total was \$87,601,319. The employer contributions of \$87,613,000 reported in the VRS Teacher HIC OPEB Program's Statement of Changes in Net Position (per the System's separately issued financial statements) reflects the calculated amount plus approximately \$11,681 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 HIC OPEB Program Notes to the Schedule of Employer Allocations and Schedule of Teacher HIC OPEB Program Amounts by Employer (Schedules) was extracted from the audited financial statements of the Virginia Retirement System for the fiscal year ended June 30, 2017. Additional financial information supporting the preparation of the VRS Teacher HIC OPEB Program Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is presented in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 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.