AN INDEPENDENT AGENCY OF THE COMMONWEALTH OF VIRGINIA

SERVING THOSE WHO SERVE VIRGINIA

Virginia Retirement System
Comprehensive Annual Financial Report

For the Year Ended June 30, 2015

VIRGINIA RETIREMENT SYSTEM
FINANCIAL AND STATISTICAL HIGHLIGHTS – ALL PENSION TRUST FUNDS

(DOLLARS IN THOUSANDS)

	2015	2014	% Change
Activity for the Year:			
Contributions	$ 3,249,615	$ 2,696,968	20.5%
Investment Income (Net of Investment Expenses)	$ 2,920,607	$ 8,875,060	-67.1%
Retirement Benefits	$ 4,114,189	$ 3,878,071	6.1%
Refunds	$ 106,165	$ 103,399	2.7%
Administrative and Other Expenses (Net of Miscellaneous Income)	$ 41,083	$ 47,450	-13.4%
Increase (Decrease) in Net Assets Held in Trust for Pension Benefits	$ 1,908,785	$ 7,543,108	-74.7%
Retirement Benefits as a Percentage of Contributions	126.6%	143.8%	
Retirement Benefits as a Percentage of Contributions and Investment Income	66.7%	33.5%	
Net Position Held in Trust for Benefits at Fiscal Year-End:			
Virginia Retirement System (VRS)	$ 64,049,880	$ 62,208,638	3.0%
State Police Officers' Retirement System (SPORS)	$ 733,352	$ 720,990	1.7%
Virginia Law Officers' Retirement System (VaLORS)	$ 1,191,353	$ 1,150,450	3.6%
Judicial Retirement System (JRS)	$ 456,472	$ 442,194	3.2%
Investment Performance:			
One-Year Return on Investments	4.7%	15.7%	
Three-Year Return on Investments	10.6%	9.5%	
Five-Year Return on Investments	10.3%	12.3%	
Participating Employers:			
Counties/Cities/Towns	255	255	
Special Authorities	200	198	
School Boards	145	145	
State Agencies	227	226	
Total Employers	827	824	0.4%
Members/Retirees:			
Active Members	340,576	341,499	-0.3%
Retired Members	184,769	177,126	4.3%

Investment return calculations were prepared using a time-weighted return methodology based on market value and net of investment expenses.

Virginia Retirement System

Virginia Retirement System

Comprehensive Annual Financial Report

For the Year Ended June 30, 2015

VRS STANDARDS OF CONDUCT

RESPONSIBILITY

We are loyal to members, beneficiaries and participants, discharging our duties for the exclusive purpose of administering benefits and providing customer services.

FAIRNESS

We work for all members, beneficiaries and participants, not for any one individual or group of individuals.

COMPETENCE

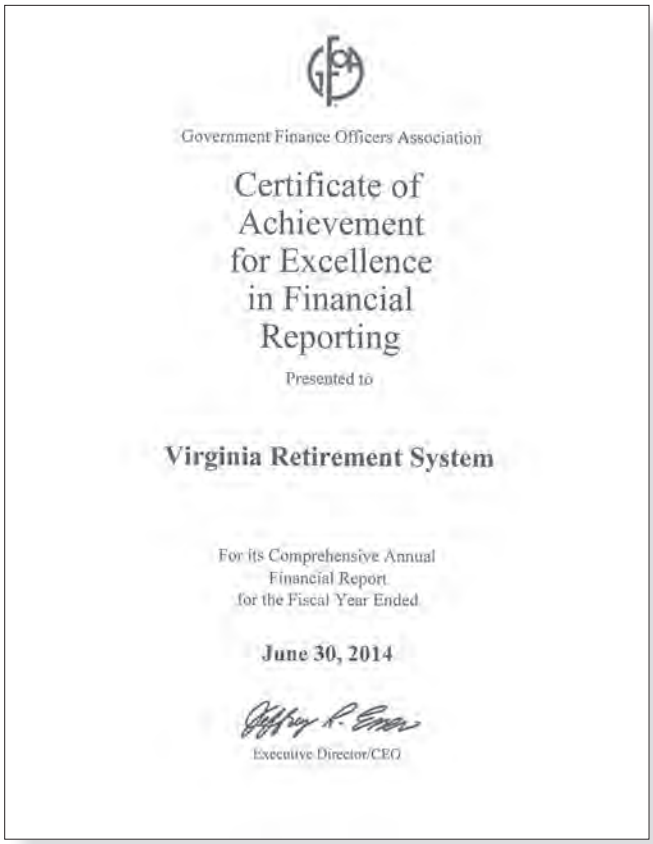
We strive to maintain and improve our skills and knowledge.

INTEGRITY

We conduct ourselves in a professional and ethical manner befitting the high level of trust bestowed upon us by our members, beneficiaries and participants.

AN INDEPENDENT AGENCY OF THE COMMONWEALTH OF VIRGINIA

This report was prepared by the financial, administrative and investment staff of the Virginia Retirement System.



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Virginia Retirement System

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2014

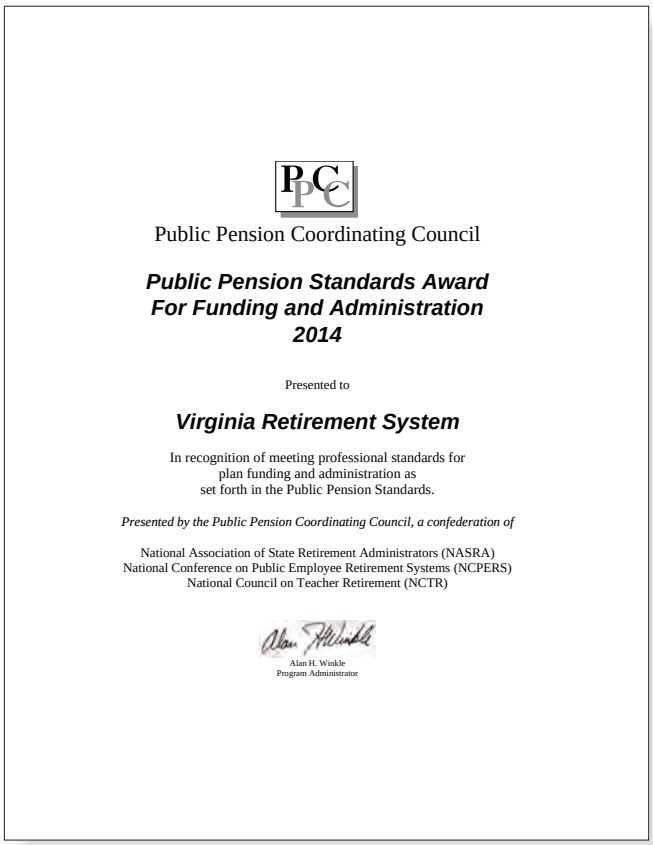
Executive Director/CEO

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Virginia Retirement System for its *Comprehensive Annual Financial Report* (CAFR) for the fiscal year ended June 30, 2014. This was the 33rd consecutive year that VRS achieved this prestigious recognition.

To be awarded the certificate, a government unit must publish an easily readable and efficiently organized comprehensive annual report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. The certificate is valid for a period of one year.

The *VRS Comprehensive Annual Financial Report for FY 2015* continues to conform to the Certificate of Achievement Program requirements and will be submitted to GFOA to determine its eligibility for another certificate.



Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2014

Presented to

Virginia Retirement System

In recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

Public Pension Coordinating Council Recognition Award for Administration

VRS received the 2014 Recognition Award for Administration from the Public Pension Coordinating Council (PPCC) in recognition of the agency's fulfillment of the Public Pension Standards. Developed by PPCC, these standards are the benchmark for measuring excellence in defined benefit plan administration. This is the System's 11th award from PPCC.

The purpose of the PPCC's awards program is to promote high professional standards for public employee retirement systems and publicly commend systems that adhere to these standards. The PPCC is a coalition of the National Association of State Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS) and the National Council on Teacher Retirement (NCTR).

VRS thanks the participating employers who generously shared photographs of VRS members serving Virginia for this annual report.

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1 Introductory Section

Chairman's Letter
Board of Trustees
VRS Organization
Investment Advisory Committee
Executive Administrative Team
Executive Investment Team
Professional Consultants
Letter of Transmittal

1908

YEAR THAT THE RETIRED TEACHERS' FUND WAS CREATED

145,758

Number of active teacher members at June 30, 2015

SERVING THOSE WHO SERVE VIRGINIA

The Retired Teachers' Fund, established in 1908, initially served about 50 retired teachers with annual pensions ranging from $50 to $400. This forerunner of today's Virginia Retirement System (VRS) was the first statewide retirement system in the United States. The fund was discontinued during the Great Depression because of inadequate funding and inability to pay benefits. However, the concept of providing opportunities for retired public servants to have financial stability would resurface and prove more enduring in the decades to come.

Chairman's Letter

Robert L. Greene, Chairman
Patricia S. Bishop, Director
Ronald D. Schmitz, Chief Investment Officer

P.O. Box 2500 • 1200 East Main Street
Richmond, Virginia 23218-2500
Toll-free: 1-888-VARETIR (827-3847) • TDD: 804-289-5919

December 16, 2015

The Honorable Terence R. McAuliffe, Governor of Virginia, and Members of the General Assembly:

I am pleased to present the Virginia Retirement System (VRS) *Comprehensive Annual Financial Report* for fiscal year 2015. VRS achieved a 4.7% net return on its investment portfolio for fiscal year 2015, allowing the trust fund to end the year with a net position of $68.2 billion, representing an increase of $2.0 billion over the previous year.

During fiscal year 2015, the public equity program returned 5.5%; the private equity program returned 8.3%; the real assets program returned 11.8%; the credit strategies program returned 1.1%; and the fixed income program returned 1.9%. The portfolio included $29.1 billion in public equity; $12.2 billion in credit strategies; $12.3 billion in fixed income; $7.7 billion in real assets; and $5.1 billion in private equity, as of June 30, 2015. Approximately 35% of the fund is managed internally and 65% of the fund is externally managed under VRS supervision.

VRS is now in the third year of a five-year phase-in to a new asset allocation policy for the trust fund, in which we are increasing assets allocated to private equity and real assets and decreasing assets allocated to fixed income and credit strategies. Our goal is to achieve slightly higher returns at similar risk levels.

VRS' funding levels continued to improve due to investment gains as well as support from you on increasing contributions to the plans. As of June 30, 2014, the last plan valuation, funded ratios stood at 80.6% for local political subdivisions (aggregate); 67.9% for state employees; 66.8% for judges; 65.4% for teachers; 64.3% for state police and 58.1% for Virginia law officers.

Your actions as Governor and General Assembly members accelerated the funding schedule to 90% of the board-certified rates one year ahead of schedule by providing additional funds to four of the state plans. As a result, the state employee plan will recognize long-term savings of approximately $85 million over the next 20 years, and the Commonwealth has taken an important step toward funding contribution rates at 100% of the board-certified levels by fiscal year 2019.

By approving a special one-time contribution of $193 million to the teacher retirement plan, you effectively lowered employer contribution rates to the plan, saving employers approximately $34 million in contributions over the next five years. The contribution rate for fiscal year 2016 was reduced from 14.50% of payroll to 14.06%.

Starting with the Governor's budget proposal and continuing with the actions of the General Assembly, you demonstrated a unified commitment to strengthening the retirement system – a commitment that continues to be viewed positively by the bond-rating agencies. We are grateful that you recognize the importance of our shared goal of fully funding the rates and providing an avenue of support for the system that augments investment returns.

Following the launch of the Hybrid Retirement Plan in 2014, VRS began the fourth phase of its ongoing agency modernization effort in fiscal year 2015. We are replacing the existing mainframe system with a web-based system to efficiently serve members, employers and staff.

With these enhancements to *my*VRS, our members will be able to perform financial-based transactions online and take advantages of other services. The features include a personalized retirement planner, just-in-time counseling and a high degree of self-service, including the ability to make online requests for a refund, and, eventually, apply for retirement benefits online. Education and counseling will be tailored to members based on information in their records, aiding them in making informed decisions. To help ensure accurate identification of each member and manage account access, VRS is deploying a complement of authentication processes, tools and data sources. Updates to provide members with improved functionality begin in spring 2016.

VRS also has implemented the Governmental Accounting Standards Board (GASB) Statement Number 67, *Financial Reporting for Pension Plans*, which addresses financial reporting for state and local pension administrators, and Statement Number 68, *Accounting and Financial Reporting for Pensions*, which establishes new accounting and financial reporting requirements for state and local governments that provide their employees with pensions.

The new standards require the net pension liabilities of cost-sharing plans, such as VRS' teacher retirement plan, to be apportioned to each of the participating local governing bodies. In fiscal year 2015, employers that issued financial statements were required by the new standards to report their net pension liability (NPL) and their proportionate share of pension expense (PE) as participants in VRS. To aid employers in meeting the new standards, VRS created an online resource center that includes financial reporting guidelines and resources, GASB 68 audit opinions and disclosure guidance, contribution rates, valuation reports and GASB guidance documents and presentations.

The past fiscal year also saw implementation of a new Roth 457 retirement savings option for members. The Roth option allows Commonwealth of Virginia 457 Deferred Compensation Plan participants to make contributions on an after-tax basis, rather than the traditional pre-tax contribution. The new Roth option is available to participants at all state agencies and to approximately 60 political subdivisions and school divisions that have adopted the Commonwealth's 457 deferred compensation plan.

VRS launched a communications campaign to increase voluntary contributions by members in the Hybrid Retirement Plan, which was recognized with awards from the Public Relations Society of America (PRSA) and the National Association of Government Defined Contribution Administrators (NAGDCA). Through this collaborative effort of VRS staff and ICMA-RC, members' voluntary contributions increased from 3.99% to 7.99% at the close of the campaign.

This fiscal year also brought changes in VRS leadership. Robert P. Schultze, VRS Director since 2005, resigned in February 2015 to work in the private sector. Following a nationwide search for his successor, the Board of Trustees appointed Patricia S. Bishop, former VRS Deputy Director for Customer Relationships, as VRS director in June 2015.

In May 2015, I was appointed to a two-year term as VRS Board Chairman, after serving on the board since 2008. I am honored to serve in this leadership role and am grateful for the opportunity to assist our members and retirees in planning today for a financially secure tomorrow.

On behalf of the Board of Trustees and the VRS staff, I would like to thank you for your leadership and continuing support of our efforts. By working together we will ensure that the beneficiaries of the Virginia Retirement System enjoy the financial strength and security they have worked so diligently to earn.

Sincerely,

Robert L. Greene
Chairman
Virginia Retirement System

Board of Trustees

COMPOSITION OF THE BOARD

Nine members serve on the VRS Board of Trustees. Their appointment is shared between the executive and legislative branches of state government. The Governor appoints five members, including the chairman. The Joint Rules Committee of the Virginia General Assembly appoints four members. The General Assembly confirms all appointments.

Of the nine Board members, four must be investment experts, one must be experienced in employee benefit plans, one must be a local government employee, one must be an employee of a Virginia public institution of higher education, one must be a state employee and one must be a public school teacher. The public employee members may be either active or retired.

	TRUSTEE	BOARD SEAT HELD	APPOINTED BY	TERM EXPIRES	COMMITTEE ASSIGNMENTS
	Robert L. Greene **Chairman** National Association of Investment Companies	Employee Benefit Plans Professional	Governor	2/28/2017 As Chairman: 5/4/2017	Administration & Personnel (Chairman) Audit & Compliance (Chairman) Investment Policy (Vice Chairman)
	Diana F. Cantor **Vice Chairman** Alternative Investment Management	Investment Professional	Governor	2/29/2020	Administration & Personnel (Vice Chairman) Audit & Compliance Investment Policy (Chairman)
	A. Marshall Acuff Jr. Silvercrest Asset Management Group LLC	Investment Professional	Governor	2/28/2016	Administration & Personnel Investment Policy
	Wallace G. "Bo" Harris, Ph.D. University of Richmond	State Employee (Retired)	Joint Rules Committee	2/28/2016	Benefits & Actuarial (Vice Chairman) Investment Policy

BOARD OF TRUSTEES, cont.

	TRUSTEE	BOARD SEAT HELD	APPOINTED BY	TERM EXPIRES	COMMITTEE ASSIGNMENTS
	W. Brett Hayes Wells Fargo Advisors Financial Network	Investment Professional	Joint Rules Committee	2/28/2018	Benefits & Actuarial (Vice Chairman) Investment Policy
	William H. Leighty Virginia Tech	Higher Education Representative	Governor	2/28/2019	Audit & Compliance Investment
	Joseph W. Montgomery The Optimal Service Group, Wells Fargo Advisors	Investment Professional	Joint Rules Committee	2/28/2019	Defined Contribution Plans Advisory (Vice Chairman) Investment Policy
	Mitchell L. Nason Prince William County Department of Fire and Rescue	Local Government Employee	Governor	2/28/2018	Administration & Personnel Benefits & Actuarial (Chairman) Investment Policy
	Troilen Gainey Seward, Ed.S. Dinwiddie County Public Schools (Retired)	School Superintendent (Retired)	Joint Rules Committee	2/28/2017	Benefits & Actuarial Investment Policy

VRS Organization

BOARD OF TRUSTEES

ADMINISTRATION

Patricia S. Bishop
Director

INVESTMENTS

Ronald D. Schmitz
Chief Investment Officer

INTERNAL AUDIT

Franklin O. Berry
Internal Audit Director

Investment Advisory Committee

MEMBER	TERM EXPIRES
Rod Smyth Chairman Chief Investment Strategist RiverFront Investment Group	6/20/2017 As Chairman: 6/20/2017
Hance West Vice Chairman Managing Director Investure	12/17/2015
Deborah Allen Hewitt, Ph.D. Clinical Professor The College of William and Mary	10/17/2016
Michael Beasley Retired Chairman Emeritus Strategic Investment Solutions, Inc.	6/20/2017
Théodore Economou Lombard Odier Asset Management (Switzerland) SA Chief Executive Officer and Chief Investment Officer CERN Pension Fund	9/13/2016
Thomas S. Gayner President and Chief Investment Officer Markel Corporation	2/19/2017

L-R: Hance West; Rod Smyth, Chairman; Michael Beasley; Joe Grills; Deborah Allen Hewitt.

MEMBER	TERM EXPIRES
Joe Grills Former Chief Investment Officer IBM Retirement Funds	6/17/2016
Lawrence E. Kochard, Ph.D. Chief Executive Officer and Chief Investment Officer University of Virginia Investment Management Company	2/17/2017

Executive Administrative Team

Patricia S. Bishop
Director

L. Farley Beaton Jr.
Chief Technology Officer

Franklin O. Berry
Internal Audit Director

Jeanne L. Chenault
Director of Public Relations

Barry C. Faison
Chief Financial Officer

LaShaunda B. King
Executive Assistant

Kenneth C. Robertson Jr.
Director of Human Resources

Cynthia D. Wilkinson
Director of Policy,
Planning and Compliance

Executive Investment Team

Ronald D. Schmitz
Chief Investment Officer

John P. Alouf, CFA
Director of Private Equity

Bryan R. Gardiner, CFA
Director of Fixed Income
Management

Charles W. Grant, CFA
Managing Director, Internal
Asset Management

John T. Grier, CFA
Director of Internal Equity
Management

Field H. Griffith, CFA
Director of Real Assets

Kenneth C. Howell, CFA
Managing Director,
Global Investments

Ross M. Kasarda, CFA
Risk Manager

Curtis M. Mattson, CPA
Chief Administrative Officer

Stephen R. McClelland, CFA, CAIA
Director of Credit Strategies

Lawrence B. Tentor, Ph.D.
Director of Research and
Risk Management

Daniel B. Whitlock, CFA
Director of Global Equity

Professional Consultants

ACTUARY
Thomas J. Cavanaugh, FSA, FCA, EA, MAAA
Chief Executive Officer
Cavanaugh Macdonald
Consulting, LLC

AUDITOR
Martha S. Mavredes, CPA
Auditor of Public Accounts
Commonwealth of Virginia

COMMONWEALTH OF VIRGINIA DEFERRED COMPENSATION PLAN
Rod Alcázar
ICMA-RC

COMMONWEALTH OF VIRGINIA VOLUNTARY GROUP LONG TERM CARE INSURANCE PROGRAM
Becky Ball
Genworth Financial

LEGAL COUNSEL
Office of the Attorney General
Commonwealth of Virginia

LIFE INSURANCE CARRIER
Joseph K.W. Chang
Minnesota Life Insurance
Company

MASTER CUSTODIAN
BNY Mellon

VIRGINIA SICKNESS AND DISABILITY PROGRAM AND VIRGINIA LOCAL DISABILITY PROGRAM
Sally P. Kennedy
Reed Group

Letter of Transmittal

Patricia S. Bishop, Director
Barry C. Faison, Chief Financial Officer

P.O. Box 2500 • 1200 East Main Street
Richmond, Virginia 23218-2500
Toll-free: 1-888-VARETIR (827-3847) • TDD: (804) 289-5919

December 16, 2015

To the Members of the Board of Trustees:

We are pleased to submit the *Comprehensive Annual Financial Report* (CAFR) of the Virginia Retirement System (the System) for the fiscal year ended June 30, 2015. In addition to the Introductory Section, the System's CAFR contains a Financial Section, Investment Section, Actuarial Section and Statistical Section. VRS' *Comprehensive Annual Financial Report* for fiscal year 2015 has been prepared in accordance with Section 51.1-1003 of the *Code of Virginia* (1950), as amended, which requires every retirement system to publish an annual report, and Section 4-11.00 of Chapter 665 of the 2015 Virginia Acts of Assembly, which requires an annual detailed statement of financial condition. The report has been mailed to the Governor, members of the Cabinet and the members of the Virginia General Assembly. The report also is available on the VRS website at *www.varetire.org*.

VRS Overview

VRS administers benefits and services for approximately 660,000 members, retirees and beneficiaries covered under the following systems:

- Virginia Retirement System (VRS) for teachers, state employees and employees of participating political subdivisions, including full-time local law enforcement officers, firefighters, emergency medical technicians and jail officers
- State Police Officers' Retirement System (SPORS)
- Virginia Law Officers' Retirement System (VaLORS)
- Judicial Retirement System (JRS)

Benefits administered by the System include:

- Hybrid Retirement Plan for members of VRS and JRS
- Plan 1 and Plan 2 defined benefit plans for members of VRS, SPORS, VaLORS and JRS
- Plan 1 and Plan 2 optional retirement defined contribution plans for political appointees, school superintendents and faculty members at Virginia's public colleges and universities, as elected by the participant
- Commonwealth of Virginia 457 Deferred Compensation and Cash Match Plans
- Group Life Insurance Program
- Retiree Health Insurance Credit Program
- Virginia Sickness and Disability Program (VSDP) and VSDP Long-Term Care Plan
- Virginia Local Disability Program (VLDP) and VLDP Long-Term Care Plan
- Commonwealth of Virginia (COV) Voluntary Group Long-Term Care Insurance Program

More than 800 employers participate in VRS on behalf of their employees. They include state agencies, public colleges and universities, school boards, political subdivisions and special authorities.

Fiduciary Responsibility of the Board

The VRS Board of Trustees (the Board) has full power to invest and reinvest the trust funds of the System.

To fulfill its responsibility, the Board has adopted various investment policies and guidelines. The Board's investment objective for the VRS portfolio is to maximize long-term investment returns while targeting an acceptable level of risk. Primary risk measures are volatility in the plan's assets, funded status and contribution rates. As set forth in Section 11 of Article X of the *Constitution of Virginia*, the funds of the retirement system shall be deemed separate and independent trust funds; shall be segregated from all other funds of the Commonwealth; and shall be invested and administered solely in the interests of members, retirees and beneficiaries. The Board retains a professional investment staff, as well as outside managers, to advise and assist in the implementation of these policies and objectives.

The assets of the System are invested in a prudent manner that is intended to provide for the adequate funding of VRS' pension liability. Section 51.1-124.30(C) of the *Code of Virginia* states that "… the Board shall invest the assets of the Retirement System with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims."

Accordingly, the Board must sufficiently diversify the portfolio to minimize the risk of large losses unless, under the circumstances, it is clearly prudent not to do so.

VRS Milestones (1908-1990)

1908 Retired Teachers Fund created.

1942 Virginia Retirement System (VRS) created for teachers and state employees.

1944 Political subdivisions have the option to join VRS.

1950 State Police Officers' Retirement System (SPORS) created.

1960 Group Life Insurance Program created.

1970 Cost-of-Living Adjustment (COLA) established; Judicial Retirement System (JRS) created.

1990 Health Insurance Credit for state retirees established.

Accounting System and Internal Control

The financial statements included in the CAFR for fiscal year 2015 are the responsibility of the System's management and have been prepared in accordance with generally accepted accounting principles (GAAP) for government accounting and reporting under the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

The accrual basis of accounting is used in the preparation of the financial statements. Revenues are taken into account when they are earned and become measurable; expenses are recorded when the liabilities are incurred. Investments are reported at fair value as determined by the System's master custodian. Capital assets are recorded at cost and depreciated over their estimated useful life.

Contributions to the System are based on the principle of level-cost funding and are developed using the entry age normal cost method, with current service financed on a current basis and prior service amortized over a 20-year closed period. Legacy unfunded liability as of June 30, 2013, is being amortized over a 30-year closed period, while deferred contributions from 2010-2012 biennium are being recognized over a 10-year closed period. In management's opinion, the financial statements fairly present the plan net position of the System at June 30, 2015, and the changes in its plan net position for the period then ended.

GASB Statement Number 34 requires the System to include additional information in the CAFR. This information is provided in Management's Discussion and Analysis (MD&A) and includes an introduction as well as an overview and analysis of the System's financial activities for the current fiscal year and the two preceding years. The Letter of Transmittal is designed to complement and should be read in conjunction with the MD&A, found in the Financial Section immediately following the report of the independent auditor.

GASB Statement Number 67 addressed financial reporting for state and local pension administrators and is addressed in the Financial Section. GASB Statement Number 68 establishes new accounting and financial reporting requirements for state and local governments that provide their employees with pensions and prepare annual financial statements. To assist employers in meeting the new GASB 68 standard, VRS developed a resource center available to employers via the VRS website. The online resources included GASB 68 audit opinions and disclosure guidance, contribution rates, valuation reports and GASB guidance documents.

The System's management is responsible for maintaining a system of adequate internal accounting controls designed to provide reasonable assurance that transactions are executed in accordance with management's general or specific authorization, and are recorded as necessary to maintain accountability for assets and to permit preparation of financial statements in accordance with GAAP. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits that are likely to be derived from that control. The internal control system includes the organizational plan; the appropriate segregation of duties and responsibilities and sound practices in the performance of duties; and personnel with capabilities commensurate with their responsibilities. The System also has an internal audit program that reports to the Audit Committee of the Board of Trustees, and the budget for the System's administrative expenses is approved by the Board and appropriated by the General Assembly of Virginia.

The retirement funds held by the System are constitutionally established as independent trust funds dedicated to the exclusive benefit of its members, retirees and beneficiaries. In management's opinion, the internal controls in effect during the fiscal year ended June 30, 2015, adequately safeguard the System's assets and provide reasonable assurance regarding the proper recording of financial transactions.

VRS Milestones (1992-2014)

1992 Health Insurance Credit for retired teachers and political subdivision employees established.

1995 Optional Group Life Insurance Program established.

1999 Virginia Sickness and Disability Program (VSDP) for state employees established; Virginia Law Officers' Retirement System (VaLORS) created.

2002 VSDP Long-Term Care Plan established.

2010 VRS Plan 2 created for members hired or rehired on or after July 1, 2010.

2012 General Assembly passes legislation creating a Hybrid Retirement Plan with implementation in 2014; Virginia Local Disability Program (VLDP) created as a benefit for political subdivisions and schools with implementation in 2014.

2014 VRS Hybrid Retirement Plan, a combined defined benefit and defined compensation plan, becomes the retirement plan for new members (with the exception of hazardous duty members) hired on or after January 1, 2014.

Funding

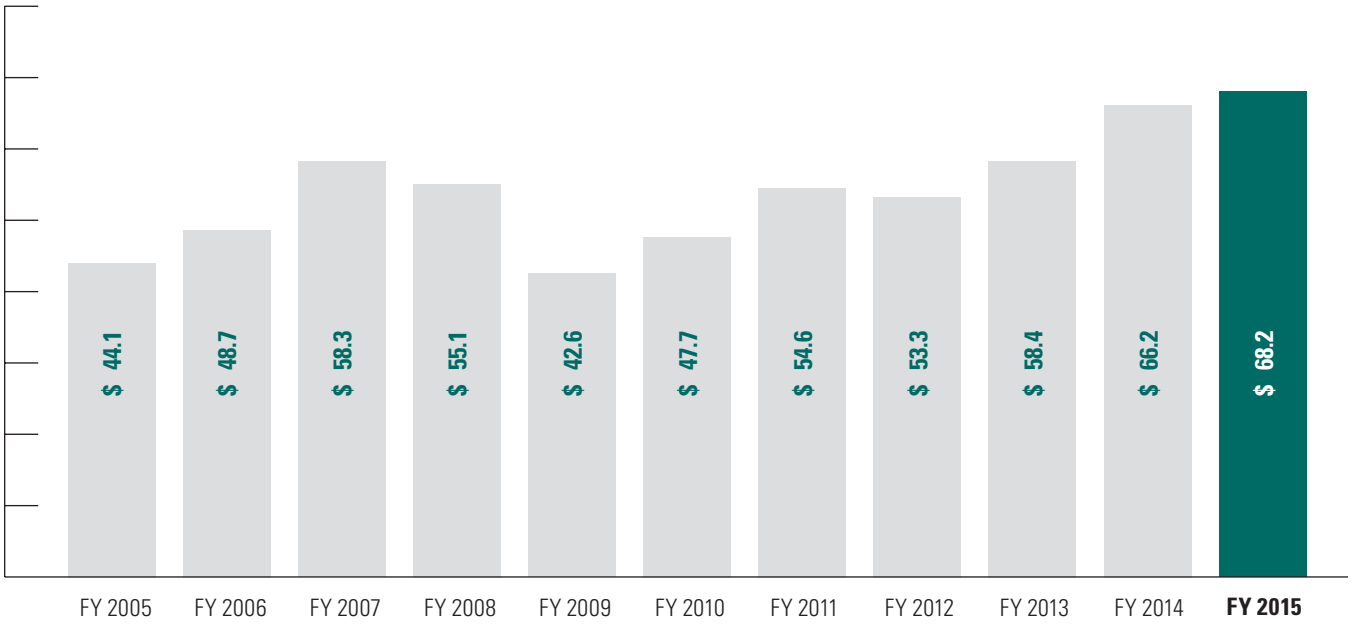
PENSION PLANS

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, changes were made to the calculations for the System's defined benefit pension plans for financial reporting purposes. The most recent valuation for this presentation was prepared as of June 30, 2015. The total pension liability was determined based on the actuarial valuation as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

PLAN NET POSITION RESTRICTED FOR BENEFITS

AS OF JUNE 30

(EXPRESSED IN BILLIONS)



Based on these calculations, the Plan Fiduciary Net Position as a percentage of the Total Pension Liability was 72.81% for the VRS State Plan, 70.68% for the VRS Teacher Plan, and 86.70% for the aggregate total of the VRS Political Subdivision Plans. For the SPORS, VaLORS and JRS plans, the Plan Fiduciary Net Position as a percentage of the Total Pension Liability was 68.89%, 72.15% and 62.64%, respectively. For the VRS State Plan, the VRS Teacher Plan and the aggregate total of the VRS Political Subdivision Plans, there was a slight decline from their June 30, 2014, measurement date values of 74.28%, 70.88% and 86.90%, respectively. For SPORS and VaLORS, there was also a decline from their values of 69.87% and 63.05% at June 30, 2014, and for JRS there was a slight increase from their value of 71.71%. The decline in the Plan Fiduciary Net Position as a percentage of the Total Pension Liability is attributable to the lower market value of investments at June 30, 2015.

Contributions for fiscal year 2015 were based on the June 30, 2013, actuarial valuation. The rates certified by the VRS Board of Trustees for all state employee groups and for teachers were not fully funded by the Governor and General Assembly. However, the actual rates paid in fiscal year 2015 for all groups reflected an increase over the fiscal year 2014 levels. Retirement contribution rates are discussed in further detail in the Financial Section.

OTHER POST-EMPLOYMENT BENEFIT PLANS

The System's most recent actuarial valuation for the Other Post-Employment Benefit (OPEB) plans was prepared as of June 30, 2014. As expected, the funded ratios for these plans generally improved. This improvement was driven by the net investment gains recorded in fiscal year 2010, fiscal year 2011, fiscal year 2013 and fiscal year 2014, which were above the assumed rate of return. Because of the "five-year smoothing" asset valuation method used by the VRS actuary; however, this was partially offset by the investment performance recorded in fiscal year 2012, which was lower than the assumed rate of return.

The Group Life Insurance Fund, the Retiree Health Insurance Credit Fund and the Disability Insurance Trust Fund were actuarially funded at 36.7%, 7.0% and 159.0%, respectively, based on the actuarial valuation as of June 30, 2014. For the Group Life Insurance Fund, the Retiree Health Insurance Credit Fund and the Disability Insurance Trust Fund, there was an increase from the June 30, 2013, funded ratios of 32.5%, 6.1% and 157.4%, respectively. There were no changes in the primary actuarial assumptions for salary growth or inflation. Further information on this valuation is included in the Financial Section and the Actuarial Section.

Contributions for fiscal year 2015 were based on the June 30, 2013, actuarial valuation. The rates certified by the VRS Board of Trustees for the OPEB plans were not fully funded by the Governor and General Assembly. Contribution rates for each of these OPEB plans are discussed in further detail in the Financial Section.

Investments

At June 30, 2015, the total value of the VRS investment portfolio was $68.2 billion, an increase from the investment balance of $67.2 billion at June 30, 2014. The increase was due to higher contribution rates and positive investment returns; however, these were partially offset by increased expenses for benefit payments. The System's net position restricted for benefits at June 30, 2015, totaled $68.2 billion, an increase from the net position of $66.2 billion at June 30, 2014.

Legislative Initiatives

During the 2015 session, the Virginia General Assembly enacted the following bills that affect public employees and retirees covered under VRS.

SENATE BILL 813: VRS TECHNICAL CORRECTIONS. Makes several technical corrections as a result of implementing the Hybrid Retirement Plan and incorporates language required by the Internal Revenue Service. Effective July 1, 2015.

SENATE BILL 942: PURCHASE OF PRIOR SERVICE. Allows members on approved leave for the death of a child to purchase up to one year of service credit upon their return to employment. Effective July 1, 2015.

SENATE BILL 1360 AND HOUSE BILL 2222: COMMONWEALTH'S ATTORNEYS TRAINING FUND. Establishes the Commonwealth's Attorneys Training Fund to support prosecutor training and law-enforcement training. VRS will manage the fund, which consists of proceeds provided from a court case settlement. Effective July 1, 2015.

33 Years of Excellence in Financial Reporting. The *VRS Comprehensive Annual Financial Report* for fiscal year 2014 marked the 33rd year of recognition from the Government Finance Officers Association of the United States and Canada (GFOA) for excellence in financial reporting.

SENATE BILL 1196 AND HOUSE BILL 1984: MANDATORY JUDICIAL RETIREMENT. Increases the mandatory retirement age from 70 to 73 for Judicial Retirement System members as follows:

- Current Supreme Court, Court of Appeals, Workers' Compensation Commission and State Corporation Commission judges as of July 1, 2015

- Circuit, general district and juvenile and domestic relations district judges elected or appointed to an original or subsequent term on or after July 1, 2015

Current judges in these categories who are not reappointed on or after July 1, 2015, will not be eligible for the later retirement. Effective July 1, 2015.

SENATE BILL 1162 AND HOUSE BILL 2178: HYBRID RETIREMENT PLAN; SCHOOL DIVISION DEFERRED COMPENSATION AND CASH MATCH PLANS. Provides school divisions the option to annually elect to allow their employees to use an employer-sponsored hybrid 403(b) plan for Hybrid Retirement Plan voluntary contributions. The first employer election must be made by October 30, 2015. By November 30, hybrid plan employees at participating school division employers must elect to continue making voluntary contributions to the Commonwealth of Virginia Hybrid 457 Deferred Compensation plan, or switch to the employer-sponsored hybrid 403(b) plan. Employers will also contribute their corresponding employer match to the employer-sponsored plan, either in a 403(b) plan or in a 401(a), whichever they choose. Plan participation will begin January 1, 2016, for employees who chose the employer-sponsored hybrid 403(b) plan. This is an annual election for employees. Effective January 1, 2016.

HOUSE BILL 1890: PURCHASE OF PRIOR SERVICE. Makes several changes to the purchase of prior service program to simplify it and ensure the purchase cost more closely reflects the cost of providing the additional benefit in retirement. Examples of changes include:

- The purchase rate for most types of service will be based on approximate normal cost for VRS members in all plans for two years after their membership date.
- After the two-year window, the purchase cost for all VRS plans will be based on an actuarial rate.
- The cost for refunded service will be the amount refunded plus 7% interest, which is the projected rate of return on the fund's investments, compounded from the date of the refund to the date of purchase.
- Members can purchase periods of service in any order; they will no longer have to purchase the most recent service first.

Changes are effective January 1, 2017.

HOUSE BILL 2020: CRITICAL SHORTAGE. Extends the sunset date to July 1, 2020, on provisions permitting retired teachers and administrative employees to elect to continue to receive a retirement benefit while filling an eligible critical shortage teacher position as defined by the Department of Education. Effective July 1, 2015.

HOUSE BILL 2277: LIFE INSURANCE FOR RETIRED EMPLOYEES. Provides that life insurance for retirees with 30 years of creditable service cannot be reduced to less than $8,000, and will be increased annually using the cost-of-living adjustment calculation for Plan 2 employees. Effective July 1, 2015.

HOUSE BILL 1969: CASH BALANCE STUDY. Directs VRS to study a cash balance retirement plan and provide the findings to the General Assembly no later than November 1, 2015.

HOUSE BILL 1998: CREATES SAVING FOR RETIREMENT WORK GROUP. Directs VRS to develop a work group to examine programs that encourage Virginia citizens to participate in retirement savings plans. Results of the work group are due January 1, 2017.

HOUSE BILL 2204: TRANSFERRING LINE OF DUTY ACT TO VRS. Directs VRS and the Department of Human Resource Management (DHRM) to examine the recommendations in the Joint Audit and Legislative Review Commission report regarding the Line of Duty Act (LODA) and propose ways to simplify and clarify the program and ensure its long-term fiscal viability by October 1, 2015. Moves LODA administration to VRS and health benefit administration to DHRM if the bill is reenacted by the 2016 General Assembly.

VRS STATE BUDGET PROVISIONS:

- The state will appropriate a one-time payment of $192,884,000 to the Teachers' Retirement Fund. The contribution rate for this plan will be reduced to 14.06% in the second year of the biennium.
- The state contribution rate to VRS increases to 90% of the recommended rates a year earlier than scheduled, contingent on positive revenue forecasts.

MEMBER AND RETIREE HIGHLIGHTS. The total VRS membership increased from 644,868 members, retirees and beneficiaries in fiscal year 2014 to 659,770 in fiscal year 2015, representing an increase of 2.3%. The following are highlights from the fiscal year:

- The number of active VRS members decreased 0.3%, from 341,499 to 340,576.
- The number of retirees and beneficiaries increased 4.3%, from 177,126 to 184,769.
- VRS paid $4,114.2 million during fiscal year 2015, compared to $3,878.1 million in retirement benefits in fiscal year 2014.
- The number of inactive and deferred members increased 6.5% from 126,243 to 134,425.
- A total of 77,952 members held accounts through the Commonwealth of Virginia Deferred Compensation Plan at the end of the fiscal year. Of these participants, 73,383 received a cash match through the Virginia Cash Match Plan.

EXCEEDING BENCHMARKS. VRS personnel continued to satisfy or exceed benchmarks for operating standards, as the following highlights show:

OPERATING STANDARDS	BENCHMARK	FY 2015 RESULT
Retiree Payroll *(benefits paid each month to retirees and other annuitants)*	100% of all monthly retirement payrolls run no later than the first day of the month.	100% of monthly payrolls ran on time.
Customer Counseling Center Abandoned Call Rate *(rate of incoming calls going unanswered)*	The averaged abandoned call rate is no greater than 10% for the year.	The averaged abandoned call rate was 6%.
Service Retirements	Service retirement applications are processed in an average of 60 days with a 95% accuracy rate.	Service retirement applications were processed in an average of 22 days with a 99% accuracy rate.
Disability Retirements	98% of disability retirement applications are processed within 40 days of approval by the VRS Medical Board.	99% of disability retirement applications were processed within 12 days of approval by the VRS Medical Board.
Refunds	95% of requests for refunds of member contributions are processed within 60 days.	99% of refunds were processed within 7 days.
Benefit Estimates	90% of requests for retirement benefit estimates are completed within 30 days.	99% of estimates were completed within 7 days.
Workflow Imaging	98% of documents VRS receives are imaged and available to customer service and operations personnel within 24 hours (one business day).	99% of documents were imaged and available within 24 hours.
System Availability	99% of planned system availability for all critical systems.	The system was available 99% of the time.

In addition to these achievements, VRS staff provided counseling, education, workshops and training opportunities for members and employers throughout the state:

- The Member Counseling Team assisted 2,757 members in one-on-one counseling sessions and responded to 6,849 emails. Staff also conducted 210 retirement education and group counseling sessions, special presentations, videoconferences, webinars and benefit fairs, reaching 11,249 members around the state.
- In the first full fiscal year for the Hybrid Retirement Plan, VRS staff conducted 27 "hybrid roadshows" (educational sessions and webinars) for participating members.
- In 2015, the Employer Representatives continued to organize employer roundtables and conduct employer site visits, which focus on the full scope of VRS products and services. In total, they conducted 60 employer site visits and 69 roundtables, with 1,058 participants.
- In addition, the Employer Representatives assisted two new state agencies and two political subdivisions joining VRS; two employers added the Virginia Law Officers' Retirement System; five employers electing the Group Life Insurance Program; nine employers electing the enhanced benefit for hazardous duty employees; five employers electing the enhanced retirement multiplier for hazardous duty employees; four employers electing the health insurance credit; two employers electing the Optional Retirement Plan for School Superintendents; two employers electing to offer tax-deferred purchase of prior service and one employer electing to provide unreduced retirement age eligibility at the age of 50 with 30 years of service credit.
- During the fiscal year, there were approximately 1,453,665 visits to the VRS website at *www.varetire.org*, reflecting an increase of nearly 3.7% over the previous June 30. Except for the *varetire.org* homepage, *my*VRS, the secure online system, led again in page views as a top destination.
- The number of subscribers to the online Employer Update newsletter decreased 5%, from 3,960 in fiscal year 2014 to 3,752 in fiscal year 2015. The average "open rate" was 40%.

Innovations

VRS has initiated an agency-wide focus on project management. The VRS Roadmap is a project tracking tool that reflects the major dates for all agency initiatives, and is supported by an agency staffing plan that identifies resource constraints and availability. The increased focus on project management grew out of VRS' desire to use a best practice process in managing major initiatives across the Agency and make continuous improvement a key part of the VRS culture.

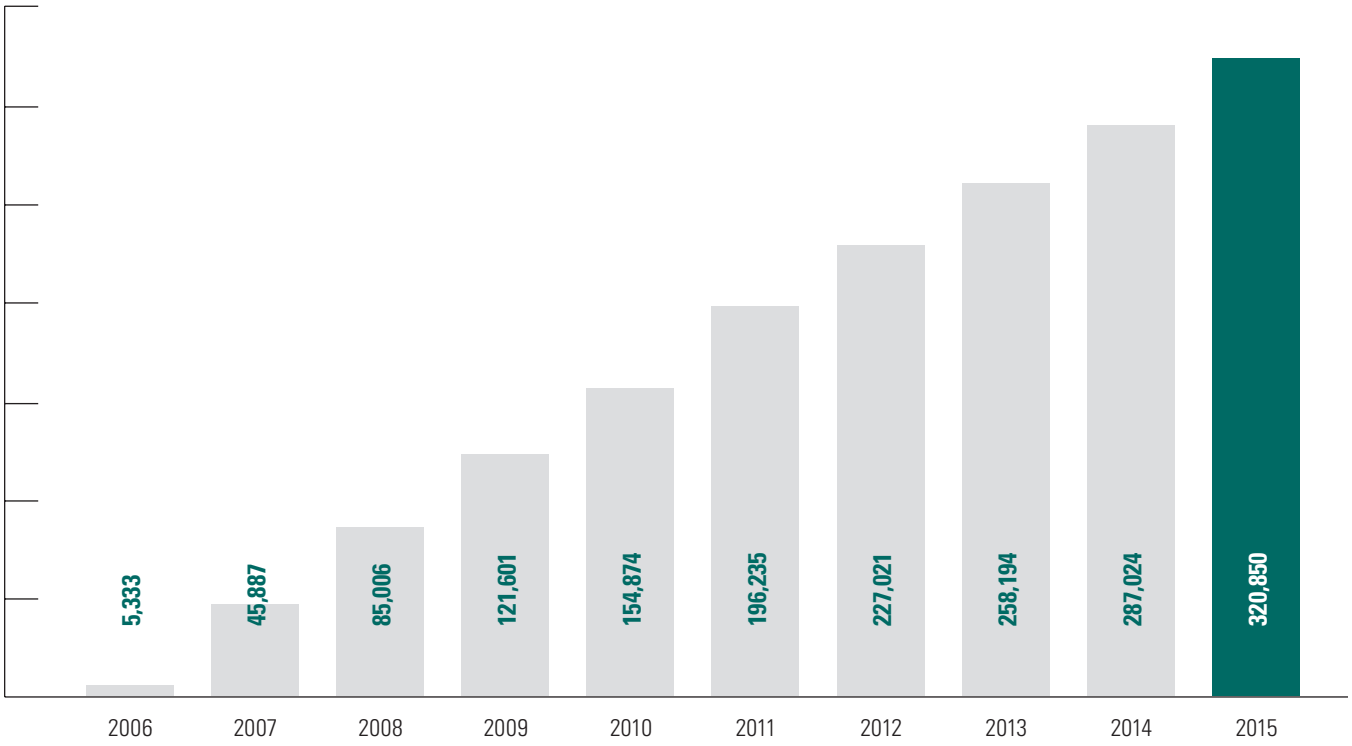
Building on a foundation of ongoing modernization efforts to replace legacy computer systems, VRS is implementing enhancements to the *my*VRS system for members, employers and retirees. During the next two years, *my*VRS will transition from being an information resource to enabling online financial transactions when members leave employment or retire. The enhanced system will include a personalized retirement planner, just-in-time counseling and a high degree of self-service, including the ability to apply online for a refund or retirement benefits. New features under development include embedded education to aid customers in making informed decisions at key decision points.

To help ensure accurate identification of each user and manage their access, VRS is developing a comprehensive set of processes, tools and data sources, collectively known as Identity and Access Management (IAM). New functionality releases will begin in spring 2016 for members, with final implementation scheduled for December 2017.

*my*VRS CONTINUES TO ATTRACT USERS. During the fiscal year, the secure online *my*VRS system continued to serve as a valuable resource for members, retirees and employers:

- By June 30, 2015, 33,826 members had registered for *my*VRS, bringing the total of registered users to 320,850 in fiscal year 2015, an increase from the 287,024 registered members at June 30, 2014.
- Members put *my*VRS planning tools to good use during the fiscal year, creating more than 387,774 estimates through the *my*VRS Benefit Estimator and 47,277 Quick and Detailed Plans through the *my*VRS Retirement Planner.
- Since 2008, when *my*VRS was opened to retirees, there have been 71,024 retiree registrations. Retirees completed more than 21,763 income tax transactions through the *my*VRS retiree tax tool during the fiscal year.
- By June 30, 2015, more than 6,529 participating employer contacts authorized to access member information had registered for *my*VRS for Employers. During the fiscal year, employers created more than 79,522 benefit estimates to help counsel employees getting ready to retire.

*my*VRS MEMBER USERS



Acknowledgments

VRS continues to focus on providing effective and efficient service while being accountable stewards of the funds in our care on behalf of our members, retirees and beneficiaries. These responsibilities remain integral to our mission in an era when retirement plans are experiencing a rapidly changing landscape.

Over the last several years, VRS has implemented a variety of pension-reform initiatives. The Hybrid Retirement Plan introduced defined contribution accounts to accompany the defined benefit component provided by VRS. The plan also provides hybrid members with additional opportunity to make voluntary contributions to augment their retirement savings while choosing investment pathways that best meet their individual needs. At the same time, VRS is grateful for the critical support of the Governor and General Assembly to increase contributions to the plans at a more rapid pace than anticipated.

Advancements gained from this multifaceted approach to pension reform are coalescing to improve the overall funded status of the plan and position VRS to serve its members for years to come.

Of course, this progress would not be possible without the high level of commitment and initiative exhibited by the VRS staff, the support of VRS' affiliated employers and business partners and the guidance and perseverance of the Board of Trustees. We express our sincere thanks and appreciation to each of these remarkable individuals and representatives.

Finally, we wish to thank Governor Terence R. McAuliffe and the members of the Virginia General Assembly for their continued commitment to the financial security of the members, retirees and beneficiaries of the Virginia Retirement System.

Respectfully submitted,

Patricia S. Bishop
Director

Barry C. Faison
Chief Financial Officer

2 Financial Section

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements:

- Statement of Fiduciary Net Position – Pension and Other Employee Benefit Trust Funds
- Statement of Changes in Fiduciary Net Position – Pension and Other Employee Benefit Trust Funds
- VRS Combining Statement of Fiduciary Net Position
- VRS Combining Statement of Changes in Fiduciary Net Position
- JRS Combining Statement of Fiduciary Net Position
- JRS Combining Statement of Changes in Fiduciary Net Position

Notes to Financial Statements:

- Schedule of Employers' Net Pension Liability by System and Plan
- Schedule of Actuarial Methods and Significant Assumptions – Pension Plans
- Schedule of Impact of Changes in Discount Rate
- Schedule of Funding Progress – Other Post-Employment Benefit Plans
- Schedule of Actuarial Methods and Significant Assumptions – Other Post-Employment Benefit Plans

Required Supplemental Schedule of Changes in Employers' Net Pension Liability

Required Supplemental Schedule of Employer Contributions – Pension Plans

Required Supplemental Schedule of Funding Progress – Other Post-Employment Benefit Plans

Required Supplemental Schedule of Employer Contributions – Other Post-Employment Benefit Plans

Schedule of Administrative Expenses

Schedule of Professional and Consulting Services

Schedule of Investment Expenses

1942

YEAR THAT THE VIRGINIA RETIREMENT SYSTEM WAS CREATED

78,204

Number of active state employee members at June 30, 2015

SERVING THOSE WHO SERVE VIRGINIA

In 1942, the Virginia Retirement System was established for teachers, school administrators and state employees. Ten years later, Virginia became the first state to repeal its retirement system in order to cover its employees under Social Security. The Virginia Supplemental Retirement System (VSRS) was created on March 1, 1952, to reflect the new status of state benefits as supplemental to those provided by Social Security. In 1990, in response to the federal Tax Reform Act of 1986, which reversed the earlier status of state benefits, the system once again became the Virginia Retirement System. Subsequent constitutional and statutory changes in 1995 and 1996 established VRS as an independent state agency, separated VRS funds from other state funds and required that funds be invested and administered solely in the interest of members and beneficiaries.

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 15, 2015

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John C. Watkins
Chairman, Joint Legislative Audit
And Review Commission

Board of Trustees
Virginia Retirement System

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the Virginia Retirement System as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Virginia Retirement System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective fiduciary net position of the Virginia Retirement System as of June 30, 2015, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the basic financial statements of the System are intended to present the financial position and the changes in financial position of only that portion of the aggregate remaining fund information of the Commonwealth of Virginia that is attributable to the transactions of the Virginia Retirement System. They do not purport to, and do not, present fairly the Commonwealth of Virginia's overall financial position as of June 30, 2015, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Prior-Year Summarized Comparative Information

We have previously audited the Virginia Retirement System's 2014 financial statements, and we expressed an unmodified audit opinion on the respective financial statements in our report dated December 11, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, changes in employers' net pension liability schedule, funding progress schedule, and employer contributions schedules on pages 31 through 41 and 101 through 106 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

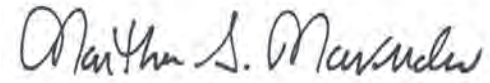
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Virginia Retirement System's basic financial statements. The accompanying supplementary information, such as the schedules of administrative expenses, professional and consulting services, and investment expenses, and other information, such as the introductory, investment, actuarial, and statistical sections, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The schedules of administrative expenses, professional and consulting services, and investment expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of administrative expenses, professional and consulting services, and investment expenses are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we anticipate our report dated December 15, 2015, on our consideration of the Virginia Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters to be issued in January 2016. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Virginia Retirement System's internal control over financial reporting and compliance.



AUDITOR OF PUBLIC ACCOUNTS

The Virginia Retirement System (the System) administers pension and other employee benefit plans for approximately 660,000 members, retirees and beneficiaries. The purpose of the Financial Section is to present the plans' net position and changes in net position for the fiscal year through the audited Basic Financial Statements. In support of this information, the Financial Section includes Management's Discussion and Analysis of activity affecting the plans and the operations of the System during the current and previous fiscal years. It also includes the Notes to Financial Statements, providing additional detail about the statements, as well as required schedules regarding historical information and the administration of the plans.

Management's Discussion and Analysis (Unaudited)

Management's Discussion and Analysis provides highlights of the funding of the plans and the performance and operations of the System for the fiscal year ended June 30, 2015. The information provided in the Introductory, Investment, Actuarial and Statistical sections complements this discussion.

The System administers two defined benefit retirement benefit structures, Plan 1 and Plan 2, and a hybrid retirement benefit structure. While all of the following systems have employees with Plan 1 and Plan 2 benefits, only the VRS and JRS systems have employees with hybrid benefits. All of these systems are defined as pension trust funds:

- Virginia Retirement System (VRS) for state employees, teachers, other eligible school division employees, employees of participating political subdivisions and other qualifying employees.
- State Police Officers' Retirement System (SPORS) for state police officers.
- Virginia Law Officers' Retirement System (VaLORS) for Virginia law officers other than state police officers.
- Judicial Retirement System (JRS) for judges of state courts of record, state district courts and other qualifying employees.

The System also administers the Group Life Insurance Fund, Retiree Health Insurance Credit Fund, a Disability Insurance Trust Fund for state employees, a Disability Insurance Trust Fund for local government employees and the funding of the Line of Duty Act Trust Fund. All of these funds are defined as other employee benefit trust funds. Both the pension and other employee benefit trust funds are classified as fiduciary funds.

FINANCIAL HIGHLIGHTS

- The combined total net position of the trust funds restricted for benefits was $68.2 billion at June 30, 2015, representing an increase of $2,000 million, or 3.0%, from the net position as of June 30, 2014. The increase was due to higher contribution rates and investment returns; however, these were partially offset by increased expenses for benefit payments.
- The System's rate of return on investments during the fiscal year ended June 30, 2015, was 4.7% compared to a return of 15.7% for the fiscal year ended June 30, 2014. The decrease was due primarily to the poorer performance of the public equity investments in the portfolio.
- The latest valuations of the pension plans were performed by Cavanaugh Macdonald Consulting, LLC, using the new GASB Statement No. 67 calculation processes. Using the June 30, 2014, data, rolled forward to June 30, 2015, the plan fiduciary net position as a

percentage of the total pension liability was 72.81% for the VRS state plan, 70.68% for the VRS teacher plan, 86.70% for the aggregate total of the VRS political subdivision plans, 68.89% for SPORS, 62.64% for VaLORS and 72.15% for JRS. This compares to the June 30, 2013, data, rolled forward to June 30, 2014, when the plan fiduciary net position as a percentage of the total pension liability was 72.81% for the VRS state plan, 70.88% for the VRS teacher plan, 86.90% for the aggregate total of the VRS political subdivision plans, 69.87% for SPORS, 63.05% for VaLORS and 71.71% for JRS.

- The Group Life Insurance Fund, the Retiree Health Insurance Credit Fund and the Disability Insurance Trust Fund were actuarially funded at 36.7%, 7.0% and 159.0%, respectively, based on the actuarial valuation as of June 30, 2014. For the Group Life Insurance Fund, the Retiree Health Insurance Credit Fund and the Disability Insurance Trust Fund, there was an increase from the June 30, 2013, funded ratios of 32.5%, 6.1% and 157.4%, respectively. There were no changes in the primary actuarial assumptions for salary growth or inflation. The funded ratios of all the plans reflect the impact of the net investment gains recorded in fiscal year 2010, fiscal year 2011, fiscal year 2013 and fiscal year 2014 because of the "five-year smoothing" asset valuation method used by the VRS actuary; however, this was partially offset by the poor investment performance recorded in fiscal year 2012.
- The Virginia Sickness and Disability Program was created in January 2014 to provide managed disability for Hybrid Retirement Plan members who were not covered by a local plan. The plan had no assets at June 30, 2014, and no funded ratio.
- The Line of Duty Act Trust Fund was created effective July 1, 2010, as a new trust fund and has actuarial valuations prepared to determine the actuarial accrued liability and to establish the appropriate contribution rates for the program. The fund has a funded ratio of 3.1% at June 30, 2014, a decline from the funded ratio of 4.9% at June 30, 2013.

Overview of the Financial Statements and Accompanying Information

The pension components of the fiscal year 2015 VRS financial statements, notes to the financial statements and required supplementary information were prepared in conformity with GASB Statement No. 67, *Financial Reporting for Pension Plans*. The other employee benefit plan components of the fiscal year 2015 financial statements, notes to the financial statements and required supplemental information were prepared in conformity with GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*

BASIC FINANCIAL STATEMENTS. The System presents the Basic Financial Statements for the year ended June 30, 2015, with comparative information from the previous fiscal year. In addition, a set of combining statements is now added to show the amounts attributable to the state, teacher and local plans included in the VRS totals. The statements were prepared on the accrual basis of accounting and are used to account for the resources the System administers on behalf of plan members and beneficiaries. These statements include:

- **Statement of Fiduciary Net Position – Pension and Other Employee Benefit Trust Funds.** This statement reflects the balance of the resources available to pay benefits to members, retirees and beneficiaries at the end of the fiscal year.
- **Statement of Changes in Fiduciary Net Position – Pension and Other Employee Benefit Trust Funds.** This statement reflects the changes in the resources available to pay benefits to members, retirees and beneficiaries during the fiscal year.

A summary of the Basic Financial Statements is presented in Figures 2.1 and 2.2. The full statements follow Management's Discussion and Analysis.

NOTES TO FINANCIAL STATEMENTS. The Notes to Financial Statements provide detailed information and are integral to the Basic Financial Statements.

REQUIRED SUPPLEMENTARY SCHEDULES. These schedules include:

- Required Supplemental Schedule of Changes in Employers' Net Pension Liability
- Required Supplemental Schedule of Employer Contributions – Pension Plans
- Required Supplemental Schedule of Funding Progress – Other Post-Employment Benefit Plans
- Required Supplemental Schedule of Employer Contributions – Other Post-Employment Benefit Plans

ADDITIONAL FINANCIAL INFORMATION. The following schedules provide additional information not included in the Basic Financial Statements:

- Schedule of Administrative Expenses
- Schedule of Professional and Consulting Services
- Schedule of Investment Expenses

FIGURE 2.1: SUMMARY OF FIDUCIARY NET POSITION

AT JUNE 30 (EXPRESSED IN MILLIONS)

	2015	Increase (Decrease)	2014	Increase (Decrease)	2013
Assets:					
Cash, Receivables and Capital Assets	$ 2,204.9	$ 339.7	$ 1,865.2	$ 136.9	$ 1,728.3
Investments	68,150.1	967.3	67,182.8	7,283.7	59,899.1
Security Lending Collateral	3,378.2	(2,644.0)	6,022.2	2,054.6	3,967.6
Total Assets	**$ 73,733.2**	**$ (1,337.0)**	**$ 75,070.2**	**$ 9,475.2**	**$ 65,595.0**
Liabilities:					
Accounts Payable	$ 747.4	$ 203.8	$ 543.6	$ (28.0)	$ 571.6
Investment Purchases Payable	1,424.7	(898.1)	2,322.8	(349.4)	2,672.2
Obligations Under Securities Lending	3,379.0	(2,643.1)	6,022.1	2,054.4	3,967.7
Total Liabilities	**$ 5,551.1**	**$ (3,337.4)**	**$ 8,888.5**	**$ 1,677.0**	**$ 7,211.5**
Total Net Position – Restricted for Benefits	**$ 68,182.1**	**$ 2,000.4**	**$ 66,181.7**	**$ 7,798.2**	**$ 58,383.5**

FIGURE 2.2: SUMMARY OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEARS ENDED JUNE 30 (EXPRESSED IN MILLIONS)

	2015	Increase (Decrease)	2014	Increase (Decrease)	2013
Member Contributions	$ 906.1	$ 57.5	$ 848.6	$ 133.7	$ 714.9
Member Contributions Paid by Employer	53.5	(42.7)	96.2	(114.3)	210.5
Employer Contributions	2,676.9	547.4	2,129.5	86.7	2,042.8
Net Investment Income	2,998.1	(6,101.8)	9,099.9	2,878.8	6,221.1
Miscellaneous Revenue & Transfers	2.1	1.3	0.8	(2.0)	2.8
Total Additions	**$ 6,636.7**	**$ (5,538.3)**	**$ 12,175.0**	**$ 2,982.9**	**$ 9,192.1**
Deductions:					
Retirement Benefits	$ 4,114.2	$ 236.1	$ 3,878.1	$ 205.5	$ 3,672.6
Refunds of Member Contributions	106.2	2.8	103.4	21.9	81.5
Insurance Premiums and Claims	175.7	16.3	159.4	9.9	149.5
Retiree Health Insurance Credit Reimbursements	148.0	5.4	142.6	5.1	137.5
Disability Insurance Benefits	37.7	3.9	33.8	3.7	30.1
Line of Duty Act Reimbursements	8.2	0.4	7.8	1.1	6.7
Administrative and Other Expenses	46.3	(5.4)	51.7	11.8	39.9
Total Deductions	**$ 4,636.3**	**$ 259.5**	**$ 4,376.8**	**$ 259.0**	**$ 4,117.8**
Net Increase (Decrease) in Net Position	**$ 2,000.4**	**$ (5,797.8)**	**$ 7,798.2**	**$ 2,723.9**	**$ 5,074.3**

Analysis of Financial Activities – Pension Plans

The System's funding objective is to meet its long-term benefit obligations through investment income and contributions. Accordingly, the collection of contributions and the income from investments provide the reserves needed to finance the benefits provided under the plans.

MEMBERS, RETIREES, BENEFICIARIES AND EMPLOYERS

Approximately 340,576 active members were employed with 827 VRS-participating employers as of June 30, 2015. The number of retirees and other annuitants totaled approximately 184,769 at year-end. The distribution of active members, retirees and beneficiaries and employers is shown in Figures 2.3, 2.4 and 2.5.

FIGURE 2.3: DISTRIBUTION OF ACTIVE MEMBERS

AT JUNE 30

	2015		2014		2013	
	Number	Percent of Total	Number	Percent of Total	Number	Percent of Total
State Employees (VRS)	78,204	23.0%	78,882	23.1%	78,534	23.0%
Teachers (VRS)	145,758	42.7%	145,421	42.5%	145,945	42.9%
Political Subdivision Employees (VRS)	105,431	31.0%	105,374	30.9%	104,563	30.7%
State Police Officers (SPORS)	2,000	0.6%	2,020	0.6%	2,003	0.6%
Virginia Law Officers (VaLORS)	8,779	2.6%	9,415	2.8%	9,324	2.7%
Judges (JRS)	404	0.1%	387	0.1%	382	0.1%
Total Members	**340,576**	**100.0%**	**341,499**	**100.0%**	**340,751**	**100.0%**

Additional information about the membership is presented in Note 2 and in the Statistical Section.

FIGURE 2.4: DISTRIBUTION OF RETIREES AND BENEFICIARIES

AT JUNE 30

	2015		2014		2013	
	Number	Percent of Total	Number	Percent of Total	Number	Percent of Total
State Employees (VRS)	52,521	28.4%	51,051	28.8%	49,586	29.2%
Teachers (VRS)	80,436	43.5%	77,153	43.6%	73,662	43.4%
Political Subdivision Employees (VRS)	46,300	25.1%	43,801	24.7%	41,511	24.5%
State Police Officers (SPORS)	1,234	0.7%	1,201	0.7%	1,175	0.7%
Virginia Law Officers (VaLORS)	3,781	2.0%	3,429	1.9%	3,180	1.9%
Judges (JRS)	497	0.3%	491	0.3%	474	0.3%
Total Retirees and Beneficiaries	**184,769**	**100.0%**	**177,126**	**100.0%**	**169,588**	**100.0%**

Additional information about retirees and beneficiaries is presented in the Statistical Section.

FIGURE 2.5: DISTRIBUTION OF EMPLOYERS

AT JUNE 30

	2015	2014	2013
Cities and Towns	162	162	162
Counties	93	93	93
School Boards*	145	145	145
Special Authorities	200	198	198
State Agencies	227	226	228
Total Employers	**827**	**824**	**826**

** Of the 145 school boards, 133 also provide for coverage for non-professional employees and are treated as political subdivisions. A list of VRS-participating employers and additional employer information is presented in the Statistical Section.*

CONTRIBUTIONS AND INVESTMENT EARNINGS

The retirement benefits provided by the plans are funded from pension trust fund revenue. As shown in Figure 2.6, the primary sources of revenue are contributions for active members made by members or their employers, contributions from employers and investment income generated from the investment of plan assets.

Total contributions and investment earnings for the year ended June 30, 2015, amounted to $6,171.9 million. This was a decrease of $5,400.6 million when compared with the activity for fiscal year 2014. It was also less than the contributions and investments earnings of $8,678.5 million recorded in fiscal year 2013.

Total member contributions increased by $13.1 million. The portion members paid increased by $55.8 million. This was due primarily to a continuation in implementation of the statutory shift from employer-paid to member-paid contributions. For fiscal year 2015, employer contributions increased by $539.5 million due primarily to an increase in the employer contribution rates for all employer groups and the increase in the statutory percentage of the actuarial rate being contributed for state employee groups and teachers. The total of all contributions represented an increase of $552.6 million from fiscal year 2014. Employer contributions for pensions are discussed further in Notes 2 and 12.

During fiscal year 2014, the System experienced an increase in total member contributions of $16.4 million and an increase in employer contributions of $82.0 million. This increase also reflects some payroll growth, the addition of some new local government employers and the election of enhanced hazardous duty or other coverage by some local governments. However, there was no general employer contribution rate increase in fiscal year 2014.

FIGURE 2.6: SUMMARY OF PENSION CONTRIBUTIONS, INVESTMENT EARNINGS AND MISCELLANEOUS REVENUES

FOR THE YEARS ENDED JUNE 30 (EXPRESSED IN MILLIONS)

	2015	Increase (Decrease)	2014	Increase (Decrease)	2013
Member Contributions	$ 781.8	$ 55.8	$ 726.0	$ 130.7	$ 595.3
Member Contributions Paid by Employers	53.5	(42.7)	96.2	(114.3)	210.5
Employer Contributions	2,414.3	539.5	1,874.8	82.0	1,792.8
Net Investment Income	2,920.6	(5,954.4)	8,875.0	2,796.7	6,078.3
Miscellaneous Revenue and Transfers	1.7	1.2	0.5	(1.1)	1.6
Total Contributions, Investment Earnings and Miscellaneous Revenues	**$ 6,171.9**	**$ (5,400.6)**	**$ 11,572.5**	**$ 2,894.0**	**$ 8,678.5**

INVESTMENTS

The System holds contributions from members and employers in a commingled pool, which is invested to provide for the payment of current and future benefits to members when they retire. Each plan – VRS-state, VRS-teacher, VRS-political subdivisions, SPORS, VaLORS and JRS – owns an equity position in the pool and receives a proportionate share of the total investment income or loss from the pool on a monthly basis.

As shown in Figure 2.6, net investment income for fiscal year 2015 of $2,920.6 million represented a decrease of $5,954.4 million from fiscal year 2014. This compares with the net investment income increase of $2,796.7 million in fiscal year 2014. Total pension trust fund investments were $66,364.4 million at fair value at June 30, 2015. This was an increase of $889.3 million from the fair value of $65,475.1 million at June 30, 2014. The total pension trust fund investments also increased in fiscal year 2014 by $7,033.1 million from their fair value of $58,442.0 million at June 30, 2013. The total return on pension trust fund investments for the year ended June 30, 2015, was 4.7%. This represents an annualized return of 10.6% over the past three years and 10.3% over the past five years. An explanation of investment policies and strategies as well as the portfolio's composition is included in the Investment Section. A review of investment activity and results for fiscal year 2015 also is provided in that section.

EXPENSES – DEDUCTIONS FROM PLAN NET POSITION

As shown in Figure 2.7, the primary expenses of the pension trust funds include annuity benefits for retirees and beneficiaries, refunds of contributions to former members and expenses associated with the administration of the retirement plans. Expenses for fiscal year 2015 totaled $4,263.2 million, an increase of $233.8 million, or 5.8%, over the 2014 period.

Benefit payments were $4,114.2 million in fiscal year 2015. This is an increase of $236.1 million compared to an increase of $205.5 million for fiscal year 2014. The increase in fiscal year 2015 was due to continued growth in the number of retirees and beneficiaries receiving benefits. The fiscal year 2015 benefit payments also reflect a 1.46% cost-of-living adjustment (COLA) effective July 1, 2014, for Plan 1 retirees and Plan 2 retirees.

Refunds of contributions to members who terminated employment during fiscal year 2015 amounted to $106.2 million (10,405 refunds), compared with $103.4 million refunded (10,729 refunds) during fiscal year 2014 and $81.5 million refunded (8,530 refunds) during fiscal year 2013. The change during fiscal year 2015 reflects a slight increase in the volume of refunds and in the average refund amount compared to fiscal year 2014.

Administrative and other expenses for fiscal year 2015 were $42.8 million, compared with $47.9 million for fiscal year 2014 and $36.6 million for fiscal year 2013.

FIGURE 2.7: SUMMARY OF PENSION PLAN PRIMARY EXPENSES

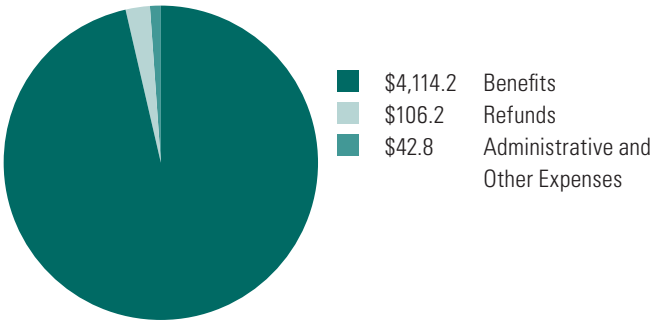
FOR THE YEARS ENDED JUNE 30 (EXPRESSED IN MILLIONS)

	2015	Increase (Decrease)	2014	Increase (Decrease)	2013
Benefits	$ 4,114.2	$ 236.1	$ 3,878.1	$ 205.5	$ 3,672.6
Refunds	106.2	2.8	103.4	21.9	81.5
Administrative and Other Expenses	42.8	(5.1)	47.9	11.3	36.6
Total Primary Expenses	**$ 4,263.2**	**$ 233.8**	**$ 4,029.4**	**$ 238.7**	**$ 3,790.7**

Administrative and other expenses decreased by $5.1 million for fiscal year 2015. This compares to an increase in fiscal year 2014 of $11.3 million. The decrease for fiscal year 2015 reflects a slight decline in the administrative expenses and a decline in other expenses categories. This decrease in administrative expenses includes additional depreciation of the capitalized software created as part of Modernization and pension reform and an increase in some of the other administrative expense categories offset by an increase in the amount of software development costs that were capitalized in fiscal year 2015. Other expenses decreased because of smaller investment income distributions to other accounts managed by the System. Further details are provided in the Schedule of Administrative Expenses following the Required Supplemental Schedules.

PENSION PLAN ACTIVITY

FISCAL YEAR 2015 (EXPRESSED IN MILLIONS)



RETIREMENT RESERVES

The funds accumulated by the pension plans to meet current and future obligations to retirees and beneficiaries are derived from the excess of revenues over expenses. The higher the level of funding a plan achieves, the larger the accumulation of assets and the greater the investment income potential. As shown in Figure 2.8, revenues exceeded expenses for fiscal year 2015, leading to a net increase of $1,908.8 million in the retirement reserves held by the plans. This follows an increase of $7,543.1 million in the retirement reserves in fiscal year 2014. The increase for fiscal year 2015 was related primarily to the increase in employer contribution rates, offset by the decline in net investment income.

ACTUARIAL VALUATIONS AND FUNDING PROGRESS – PENSION PLANS

The System's actuarial firm performs actuarial valuations of VRS, SPORS, VaLORS and JRS at least every two years to determine funding requirements. The funding policy provides for periodic employer contributions at actuarially determined rates that will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the costs of all benefits when due.

FIGURE 2.8: SUMMARY OF PENSION PLAN RESERVE BALANCES

AT JUNE 30 (EXPRESSED IN MILLIONS)

	2015	Increase (Decrease)	2014	Increase (Decrease)	2013
Member Reserves	$ 12,566.0	$ 383.1	$ 12,182.9	$ 411.3	$ 11,771.6
Employer Reserves	53,865.1	1,525.7	52,339.4	7,131.8	45,207.6
Total	**$ 66,431.1**	**$ 1,908.8**	**$ 64,522.3**	**$ 7,543.1**	**$ 56,979.2**

These balances also reflect transfers between the Member and Employer Reserves for interest credited to member accounts and member contributions transferred to the Employer Reserve upon a member's retirement. For fiscal year 2015, the amount of interest credited to member accounts was $461.8 million, and the amount of member balances transferred to the Employer Reserve for retirements was $820.8 million. For fiscal year 2014, the interest and retirement transfers were $447.4 million and $756.7 million, respectively.

The latest valuations of the pension plans were performed by Cavanaugh Macdonald Consulting, LLC, using the GASB Statement No. 67 calculation processes. Using the June 30, 2014, data, rolled forward to June 30, 2015, the plan fiduciary net position as a percentage of the total pension liability was 72.81% for the VRS state plan, 70.68% for the VRS teacher plan, 86.70% for the aggregate total of the VRS political subdivision plans, 68.89% for SPORS, 62.64% for VaLORS and 72.15% for JRS. The valuations reflect full pre-funding of the statutory cost-of-living adjustment (COLA) for retirees as well as other changes required in GASB Statement No. 67.

Additional information on plan funding is presented in Note 2 and in the Actuarial Section.

Analysis of Financial Activities – Other Employee Benefit Plans

GROUP LIFE INSURANCE PROGRAM

The Group Life Insurance Program provides basic group life insurance coverage for natural death, accidental death, accidental dismemberment and other life insurance benefits to the majority of members covered under the pension plans, as well as to other qualifying employees. Employers and their covered employees pay the premiums for group life insurance coverage; many employers pay the employee's portion.

During fiscal year 2015, the System remitted $175.8 million to the insurer for claims and administrative costs. This is an increase over the $159.4 million remitted for fiscal year 2014. Approximately 358,323 active members were covered under the Group Life Insurance Program at June 30, 2015.

The difference between the amounts collected and paid by the System is added to the reserve established to pre-fund group life insurance coverage for retirees. The reserve had a fiduciary net position restricted for benefits of $1,162.6 million at June 30, 2015. Investment income, including net securities lending income, was $52.2 million during the fiscal year. For fiscal year 2014, this reserve had investment income of $146.9 million and ended the year with a reserve balance of $1,079.3 million, an increase from the balance of $887.8 million at June 30, 2013.

For fiscal year 2015, the increase in the reserve balance was primarily the result of an increase in contributions and investment income, which exceeded the program's claims, administrative expenses and other costs. Employer contributions for the Group Life Insurance Program are discussed further in Note 12.

Approximately 163,482 retirees were covered under the Group Life Insurance Program at June 30, 2015.

Members covered under the Basic Group Life Insurance Program are eligible to elect additional coverage through the Optional Group Life Insurance Program. This program provides life insurance, accidental death and accidental dismemberment coverage as a supplement to the basic group plan. Members also may cover their spouses and dependent children. Members pay the premiums through payroll deduction. Approximately 66,882 active members and 2,764 retirees were enrolled in the Optional Group Life Insurance Program at June 30, 2015.

Additional information about the Group Life Insurance Program is provided in Note 3.

RETIREE HEALTH INSURANCE CREDIT PROGRAM

The Retiree Health Insurance Credit Program provides a tax-free reimbursement for the portion of health insurance premiums eligible retirees pay for single coverage under qualifying health insurance plans. During fiscal year 2015, the System collected $144.8 million in retiree health insurance credit contributions from participating employers and provided reimbursements to retirees of $148.0 million. During fiscal year 2014, the System collected $146.7 million in retiree health insurance credit

contributions from participating employers and provided reimbursements of $142.6 million.

There were slight increases in the contribution rates for the state employee groups and a reduction in the contribution rate for the teacher employees in fiscal year 2015. Employer contributions for the Retiree Health Insurance Credit Program are discussed further in Note 12. The growth in health insurance credit reimbursements reflects an increase in the number of eligible retirees. The Retiree Health Insurance Credit Fund reserve had a fiduciary net position restricted for benefits of $173.2 million at June 30, 2015. Investment income, including net securities lending income, was $6.8 million for the fiscal year. The reserve balances at June 30, 2014, and June 30, 2013, were $170.0 million and $146.5 million, respectively. Approximately 112,053 retirees were receiving the health insurance credit at June 30, 2015. Additional information is provided in Note 3.

VIRGINIA SICKNESS AND DISABILITY PROGRAM

The Virginia Sickness and Disability Program (VSDP), also known as the Disability Insurance Trust Fund, provides eligible state employees with sick, family and personal leave and short-term and long-term disability benefits for non-work-related and work-related illnesses and injuries. The System is responsible for administering the disability program and the payment of long-term disability benefits. Employers are responsible for administering the leave program and the payment of short-term disability benefits.

During fiscal year 2015, the System collected $23.7 million in VSDP contributions from participating employers and paid disability premiums and benefits of $37.1 million. This is an increase from the $33.7 million in benefits paid in fiscal year 2014. Administrative and other expenses increased from fiscal year 2014. Employer contributions for the Virginia Sickness and Disability Program are discussed further in Note 12.

The benefit costs reflect continued stability in the number of members receiving long-term disability benefits, the amount of these benefits, the costs of the long-term care benefits and the operating costs of the program. The Disability Insurance Trust Fund reserve had a fiduciary net position restricted for benefits of $414.5 million at June 30, 2015. Investment income, including net securities lending income, was $18.3 million during the fiscal year. The reserve balances at June 30, 2014, and June 30, 2013, were $410.1 million and $370.1 million, respectively. At June 30, 2015, approximately 73,986 active members were participating in the program and approximately 2,860 former members were receiving benefits. Additional information is provided in Note 3.

LINE OF DUTY ACT PROGRAM

The Line of Duty Act Program was a new program for the System in fiscal year 2011. The System is responsible for identifying eligible individuals, having the VRS actuary prepare an actuarial valuation, collecting contributions, reimbursing the Commonwealth of Virginia's Department of Accounts (DOA) for claims and administrative costs and managing the assets of the program. DOA is responsible for the administration of the benefits under the program and the payment of claims for death benefits and health insurance reimbursements for eligible state employees and local government employees, including volunteers, who die or become disabled as the result of the performance of their duties as a public safety officer.

During fiscal year 2015, the cost for the benefits provided by this program was $8.2 million. This is an increase from the $7.8 million in benefit costs for fiscal year 2014 and reflects the impact of the stabilization of the program's participation and claims levels. The reserve balance at June 30, 2015, was $0.7 million. Additional information is provided in Note 3.

VIRGINIA LOCAL DISABILITY PROGRAM

The Virginia Local Disability Program (VLDP) was a new program for the System in fiscal year 2014.

The program provides eligible local government employees who are members of the Hybrid Retirement Plan with sick, family and personal leave and short-term and long-term disability benefits for non-work-related and work-related illnesses and injuries. The System is responsible for administering the disability program and the payment of long-term disability benefits. Employers are responsible for administering the leave program and the payment of short-term disability benefits.

During fiscal year 2015, the cost for the benefits provided by this program was $645 thousand. This is an increase from the $139 thousand in benefit costs for fiscal year 2014 and reflects the impact of a full year of benefit payments and an increasing number of participants covered under this program. Additional information is provided in Note 3.

ACTUARIAL VALUATIONS AND FUNDING PROGRESS – OTHER EMPLOYEE BENEFIT PLANS

The System's actuarial firms perform actuarial valuations of other employee benefit plans administered by the System at least every two years to determine funding requirements. The funding policy provides for periodic employer contributions at actuarially determined rates that will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the costs of all benefits when due.

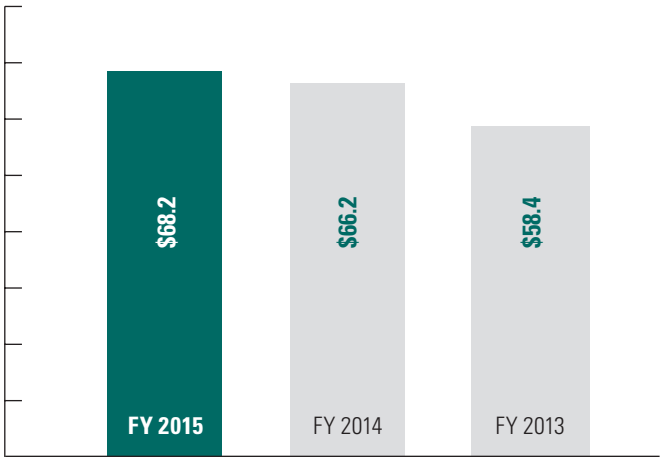
According to the latest valuations of these plans performed by Milliman, Inc., for the long-term care component of the Disability Insurance Trust Fund and by Cavanaugh Macdonald Consulting, LLC, for all other programs as of June 30, 2014, the ratio of assets accumulated by the plans to their total actuarial accrued liabilities for benefits was 36.7% for the Group Life Insurance Fund, 7.0% for the Retiree Health Insurance Credit Fund, 159.0% for the Disability Insurance Trust Fund and 3.1% for the Line of Duty Act Trust Fund. Since the Virginia Local Disability Program had no assets at June 30, 2014, its funded ratio was zero. Funding progress for these plans is presented in the Required Supplemental Schedule of Funding Progress – Other Post-Employment Benefit Plans.

Market Volatility

The System's investment performance for the fiscal year ended June 30, 2015, was 4.7%, and partially contributed to an increase in the net position restricted for benefits. As noted in this section, in the Introductory Section and in the Chief Investment Officer's letter in the Investment Section, the investment markets continue to be extremely volatile. The amount of assets and reserves required to meet future obligations is based, in part, on estimated or expected long-term investment returns. While management cannot predict future market returns, the changes in assets reflect the volatility in the market.

SYSTEM NET ASSETS

AT JUNE 30 (EXPRESSED IN BILLIONS)



REQUEST FOR INFORMATION

This financial report is designed to provide an overview of the System's finances. Questions concerning the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, Virginia Retirement System, P.O. Box 2500, Richmond, VA 23218-2500.

VIRGINIA RETIREMENT SYSTEM STATEMENT OF FIDUCIARY NET POSITION – PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

AS OF JUNE 30, 2015, WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2014

	Pension Trust Funds				
	Virginia Retirement System	State Police Officers' Retirement System	Virginia Law Officers' Retirement System	Judicial Retirement System	Total Pension Trust Funds
Assets:					
Cash (Note 5)	$12,740	$146	$237	$92	$13,215
Receivables:					
Contributions	254,072	1,408	6,408	1,465	263,353
Interest and Dividends	210,440	2,418	3,916	1,504	218,278
Receivable for Security Transactions	1,362,257	15,651	25,350	9,738	1,412,996
Other Investment Receivables	165,526	1,902	3,080	1,183	171,691
Other Receivables	3,934	6	–	–	3,940
Total receivables	**1,996,229**	**21,385**	**38,754**	**13,890**	**2,070,258**
Investments: (Note 5)					
Bonds and Mortgage Securities	19,721,956	226,595	367,028	140,983	20,456,562
Stocks	22,236,954	255,491	413,832	158,961	23,065,238
Fixed Income Commingled Funds	699,430	8,036	13,016	5,001	725,483
Index and Pooled Funds	6,551,440	75,273	121,923	46,833	6,795,469
Real Estate	6,556,323	75,328	122,014	46,868	6,800,533
Private Equity	7,655,340	87,956	142,467	54,724	7,940,487
Short–Term Investments	537,363	6,174	10,000	3,841	557,378
Hybrid Defined Contribution Investments	23,052	–	–	201	23,253
Total Investments	**63,981,858**	**734,853**	**1,190,280**	**457,412**	**66,364,403**
Collateral on Loaned Securities	3,171,558	36,440	59,023	22,672	3,289,693
Property, Plant, Furniture and Equipment (Note 6)	29,889	–	–	–	29,889
Total Assets	**69,192,274**	**792,824**	**1,288,294**	**494,066**	**71,767,458**
Liabilities:					
Retirement Benefits Payable	308,974	4,380	7,502	3,317	324,173
Refunds Payable	3,781	–	204	–	3,985
Accounts Payable and Accrued Expenses	26,821	280	454	174	27,729
Compensated Absences Payable	2,819	–	–	–	2,819
Insurance Premiums and Claims Payable	–	–	–	–	–
Payable for Security Transactions	1,339,280	15,065	24,402	9,373	1,388,120
Other Investment Payables	287,089	3,299	5,343	2,053	297,784
Other Payables	1,377	–	–	–	1,377
Obligations Under Security Lending Program	3,172,253	36,448	59,036	22,677	3,290,414
Total Liabilities	**5,142,394**	**59,472**	**96,941**	**37,594**	**5,336,401**
Net Position – Restricted for Benefits (Note 4)	**$ 64,049,880**	**$ 733,352**	**$ 1,191,353**	**$ 456,472**	**$ 66,431,057**

The accompanying Notes to Financial Statements are an integral part of this statement.

(EXPRESSED IN THOUSANDS)

Other Employee Benefit Trust Funds						Totals	
Group Life Insurance	Retiree Health Insurance Credit	Disability Insurance Trust Fund	Line of Duty Act Trust Fund	Virginia Local Disability Program	Total Other Employee Benefit Plans	2015	2014
$ 240	$ 34	$ 81	$ –	$ –	$ 355	$ 13,570	$ 444
19,657	13,539	1,209	–	653	35,058	298,411	289,461
3,964	565	1,345	2	–	5,876	224,154	214,662
25,656	3,656	8,706	13	–	38,031	6,451,027	1,300,666
3,118	444	1,058	2	–	4,622	176,313	12,492
–	5	7,504	116	4	7,629	11,569	17,006
52,395	**18,209**	**19,822**	**133**	**657**	**91,216**	**2,161,474**	**1,834,287**
371,455	52,926	126,055	187	–	550,623	21,007,185	19,971,069
418,824	59,675	142,129	213	–	620,841	23,686,079	24,853,391
13,173	1,877	4,470	7	–	19,527	745,010	659,415
123,393	17,581	41,874	63	–	182,911	6,978,380	6,167,946
123,485	17,594	41,905	63	–	183,047	6,983,580	6,173,539
144,185	20,544	48,930	73	–	213,732	8,154,219	8,941,188
10,121	1,442	3,435	5	–	15,003	572,381	415,075
–	–	–	–	–	–	23,253	1,213
1,204,636	**171,639**	**408,798**	**611**	–	**1,785,684**	**68,150,087**	**67,182,836**
59,735	8,511	20,271	30	–	88,547	3,378,240	6,022,200
–	–	–	–	–	–	29,889	30,427
1,317,006	**198,393**	**448,972**	**774**	**657**	**1,965,802**	**73,733,260**	**75,070,194**
–	–	–	–	–	–	324,173	309,774
6	157	–	–	–	163	4,148	4,503
459	12,239	3,962	–	–	16,660	44,389	41,916
–	–	–	–	–	–	2,819	2,275
64,072	–	–	–	–	64,072	64,072	58,388
24,697	3,519	8,381	13	–	36,610	1,424,730	2,322,757
5,407	771	1,835	3	–	8,016	305,800	116,118
–	–	–		657	657	2,034	10,617
59,748	8,513	20,276	30	–	88,567	3,378,981	6,022,114
154,389	**25,199**	**34,454**	**46**	**657**	**214,745**	**5,551,146**	**8,888,462**
$ 1,162,617	**$ 173,194**	**$ 414,518**	**$ 728**	**$ –**	**$ 1,751,057**	**$ 68,182,114**	**$ 66,181,732**

VIRGINIA RETIREMENT SYSTEM STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

FOR THE YEAR ENDED JUNE 30, 2015, WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2014

	Pension Trust Funds				
	Virginia Retirement System	State Police Officers' Retirement System	Virginia Law Officers' Retirement System	Judicial Retirement System	Total Pension Trust Funds
Additions:					
Contributions:					
Members	$ 758,355	$ 5,680	$ 17,081	$ 643	$ 781,759
Member Paid by Employers	51,006	–	–	2,531	53,537
Employers	2,292,248	28,427	62,084	31,560	2,414,319
Total Contributions	**3,101,609**	**34,107**	**79,165**	**34,734**	**3,249,615**
Investment Income:					
Interest, Dividends and Other Investment Income	1,232,261	14,223	22,869	8,779	1,278,132
Net Appreciation/(Depreciation) in Fair Value of Investments	1,937,819	22,334	36,013	13,793	2,009,959
Securities Lending Income	23,422	269	434	167	24,292
Total Investment Income Before Investment Expenses	3,193,502	36,826	59,316	22,739	3,312,383
Investment Expenses					
Direct Investment Expenses	(374,815)	(4,327)	(6,950)	(2,669)	(388,761)
Securities Lending Management Fees and Borrower Rebates	(2,907)	(33)	(54)	(21)	(3,015)
Total Investment Expenses	(377,722)	(4,360)	(7,004)	(2,690)	(391,776)
Net Investment Income	**2,815,780**	**32,466**	**52,312**	**20,049**	**2,920,607**
Miscellaneous Revenue	1,723	–	–	–	1,723
Transfers In	–	–	–	–	–
Total Additions	**5,919,112**	**66,573**	**131,477**	**54,783**	**6,171,945**
Deductions:					
Retirement Benefits	3,935,656	53,338	84,990	40,205	4,114,189
Refunds of Member Contributions	100,993	375	4,797	–	106,165
Insurance Premiums and Claims	–	–	–	–	–
Retiree Health Insurance Reimbursements	–	–	–	–	–
Disability Insurance Premiums and Benefits	–	–	–	–	–
Line of Duty Benefits	–	–	–	–	–
Administrative Expenses	38,898	471	743	283	40,395
Other Expenses	2,323	27	44	17	2,411
Transfers Out	–	–	–	–	–
Total Deductions	**4,077,870**	**54,211**	**90,574**	**40,505**	**4,263,160**
Net Increase (Decrease)	1,841,242	12,362	40,903	14,278	1,908,785
Net Position – Restricted for Benefits – Beginning of Year	62,208,638	720,990	1,150,450	442,194	64,522,272
Net Position – Restricted for Benefits – End of Year	**$ 64,049,880**	**$ 733,352**	**$ 1,191,353**	**$ 456,472**	**$ 66,431,057**

The accompanying Notes to Financial Statements are an integral part of this statement.

(EXPRESSED IN THOUSANDS)

Other Employee Benefit Trust Funds						Totals	
Group Life Insurance	Retiree Health Insurance Credit	Disability Insurance Trust Fund	Line of Duty Act Trust Fund	Virginia Local Disability Program	Total Other Employee Benefit Plans	2015	2014
$ 124,374	$ –	$ –	$ –	$ –	$ 124,374	$ 906,129	$ 848,648
–	–	–	–	–	–	53,541	96,192
84,089	144,834	23,674	9,121	865	262,583	2,676,902	2,129,495
208,463	**144,834**	**23,674**	**9,121**	**865**	**386,957**	**3,636,572**	**3,074,335**
22,811	2,996	8,011	97	–	33,915	1,312,047	1,349,328
35,834	4,631	12,632	115	(2)	53,210	2,063,169	8,090,384
439	57	151	1	–	648	24,940	21,441
59,084	7,684	20,794	213	(2)	87,773	3,400,156	9,461,153
(6,850)	(906)	(2,439)	(35)	–	(10,230)	(398,991)	(358,581)
(59)	(7)	(18)	1	–	(83)	(3,098)	(2,713)
(6,909)	(913)	(2,457)	(34)	–	(10,313)	(402,089)	(361,294)
52,175	**6,771**	**18,337**	**179**	**(2)**	**77,460**	**2,998,067**	**9,099,859**
–	–	342	–	10	352	2,075	762
–	–	10	–	–	–	–	10
260,638	**151,605**	**42,363**	**9,300**	**863**	**464,769**	**6,636,724**	**12,174,966**
–	–	–	–	–	–	4,114,189	3,878,071
–	–	–	–	–	–	106,165	103,399
175,760	–	–	–	–	175,760	175,760	159,358
–	147,989	–	–	–	147,989	147,989	142,610
–	–	37,086	–	645	37,731	37,731	33,820
–	–	–	8,213	–	8,213	8,213	7,824
183	465	841	170	213	1,872	42,267	42,625
1,393	5	15	189	5	1,607	4,018	9,047
–	–	–	–	10	–	10	10
177,336	**148,459**	**37,942**	**8,572**	**873**	**373,172**	**4,636,342**	**4,376,764**
83,302	3,146	4,421	728	–	91,597	2,000,382	7,798,202
1,079,315	170,048	410,097	–	–	1,659,460	66,181,732	58,383,530
$ 1,162,617	**$ 173,194**	**$ 414,518**	**$ 728**	**$ –**	**$ 1,751,057**	**$ 68,182,114**	**$ 66,181,732**

VIRGINIA RETIREMENT SYSTEM COMBINING STATEMENT OF FIDUCIARY NET POSITION

AS OF JUNE 30, 2015

(EXPRESSED IN THOUSANDS)

	State Employee Plan	Teacher Employee Plan	Political Subdivision Plans	Hybrid Defined Contribution Plan	Total VRS Plans
Assets:					
Cash (Note 5)	$ 3,270	$ 6,032	$ 3,438	$ –	$ 12,740
Receivables:					
Contributions	39,595	160,875	52,535	1,067	254,072
Interest and Dividends	54,015	99,629	56,796	–	210,440
Receivable for Security Transactions	349,636	644,891	367,638	92	1,362,257
Other Investment Receivables	42,487	78,365	44,674	–	165,526
Other Receivables	1,007	1,864	1,062	1	3,934
Total Receivables	**486,740**	**985,624**	**522,705**	**1,160**	**1,996,229**
Investments: (Note 5)					
Bonds and Mortgage Securities	5,062,161	9,336,984	5,322,811	–	19,721,956
Stocks	5,707,701	10,527,662	6,001,591	–	22,236,954
Fixed Income Commingled Funds	179,527	331,132	188,771	–	699,430
Index and Pooled Funds	1,681,600	3,101,654	1,768,186	–	6,551,440
Real Estate	1,682,853	3,103,967	1,769,503	–	6,556,323
Private Equity	1,964,945	3,624,275	2,066,120	–	7,655,340
Short-Term Investments	137,929	254,404	145,030	–	537,363
Hybrid Defined Contribution Investments	–	–	–	23,052	23,052
Total Investments	**16,416,716**	**30,280,078**	**17,262,012**	**23,052**	**63,981,858**
Collateral on Loaned Securities	814,064	1,501,514	855,980	–	3,171,558
Property, Plant, Furniture and Equipment (Note 6)	7,672	14,150	8,067	–	29,889
Total Assets	**17,728,462**	**32,787,398**	**18,652,202**	**24,212**	**69,192,274**
Liabilities:					
Retirement Benefits Payable	89,191	155,470	64,313	–	308,974
Refunds Payable	1,041	1,354	1,386	–	3,781
Accounts Payable and Accrued Expenses	6,885	12,697	7,239	–	26,821
Compensated Absences Payable	724	1,335	760	–	2,819
Insurance Premiums and Claims Payable	–	–	–	–	–
Payable for Security Transactions	343,762	634,057	361,461	–	1,339,280
Other Investment Payables	73,689	135,917	77,483	–	287,089
Other Payables	353	653	371	–	1,377
Obligations Under Security Lending Program	814,242	1,501,843	856,168	–	3,172,253
Total Liabilities	**1,329,887**	**2,443,326**	**1,369,181**	**–**	**5,142,394**
Net Position – Restricted for Benefits (Note 4)	**$ 16,398,575**	**$30,344,072**	**$ 17,283,021**	**$ 24,212**	**$64,049,880**

The accompanying Notes to Financial Statements are an integral part of this statement.

VIRGINIA RETIREMENT SYSTEM COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2015

(EXPRESSED IN THOUSANDS)

	State Employee Plan	Teacher Employee Plan	Political Subdivision Plans	Hybrid Defined Contribution Plan	Total VRS Plans
Additions:					
Contributions:					
Members	$ 195,471	$ 342,398	$ 207,292	$ 13,194	$ 758,355
Member Paid by Employers	111	31,127	19,768	–	51,006
Employers	480,657	1,267,250	533,877	10,464	2,292,248
Total Contributions	**676,239**	**1,640,775**	**760,937**	**23,658**	**3,101,609**
Investment Income:					
Interest, Dividends and Other Investment Income	318,544	580,678	333,042	(3)	1,232,261
Net Appreciation/(Depreciation) in Fair Value of Investments	500,900	913,100	523,700	119	1,937,819
Securities Lending Income	6,055	11,037	6,330	–	23,422
Total Investment Income Before Investment Expenses	825,499	1,504,815	863,072	116	3,193,502
Investment Expenses:					
Direct Investment Expenses	(96,665)	(176,398)	(101,122)	(630)	(374,815)
Securities Lending Management Fees and Borrower Rebates	(751)	(1,370)	(786)	–	(2,907)
Total Investment Expenses	(97,416)	(177,768)	(101,908)	(630)	(377,722)
Net Investment Income	**728,083**	**1,327,047**	**761,164**	**(514)**	**2,815,780**
Miscellaneous Revenue	441	817	465	–	1,723
Transfers In	–	–	–	–	–
Total Additions	**1,404,763**	**2,968,639**	**1,522,566**	**23,144**	**5,919,112**
Deductions:					
Retirement Benefits	1,136,102	1,980,353	819,201	–	3,935,656
Refunds of Member Contributions	27,724	36,058	36,898	313	100,993
Insurance Premiums and Claims	–	–	–	–	–
Retiree Health Insurance Reimbursements	–	–	–	–	–
Disability Insurance Premiums and Benefits	–	–	–	–	–
Line of Duty Benefits	–	–	–	–	–
Administrative Expenses	10,302	18,238	10,358	–	38,898
Other Expenses	595	1,101	627	–	2,323
Transfers Out	–	–	–	–	–
Total Deductions	**1,174,723**	**2,035,750**	**867,084**	**313**	**4,077,870**
Net Increase (Decrease)	230,040	932,889	655,482	22,831	1,841,242
Net Position – Restricted for Benefits – Beginning of Year	16,168,535	29,411,183	16,627,539	1,381	62,208,638
Net Position – Restricted for Benefits – End of Year	**$ 16,398,575**	**$30,344,072**	**$17,283,021**	**$ 24,212**	**$64,049,880**

The accompanying Notes to Financial Statements are an integral part of this statement.

JUDICIAL RETIREMENT SYSTEM COMBINING STATEMENT OF FIDUCIARY NET POSITION

AS OF JUNE 30, 2015

(EXPRESSED IN THOUSANDS)

	Judicial Retirement System	Hybrid Defined Contribution Plan	Total JRS Plans
Assets:			
Cash (Note 5)	$ 92	$ –	$ 92
Receivables:			
Contributions	1,453	12	1,465
Interest and Dividends	1,504	–	1,504
Receivable for Security Transactions	9,737	1	9,738
Other Investment Receivables	1,183	–	1,183
Other Receivables	–	–	–
Total Receivables	**13,877**	**13**	**13,890**
Investments: (Note 5)			
Bonds and Mortgage Securities	140,983	–	140,983
Stocks	158,961	–	158,961
Fixed Income Commingled Funds	5,001	–	5,001
Index and Pooled Funds	46,833	–	46,833
Real Estate	46,868	–	46,868
Private Equity	54,724	–	54,724
Short-Term Investments	3,841	–	3,841
Hybrid Defined Contribution Investments		201	201
Total Investments	**457,211**	**201**	**457,412**
Collateral on Loaned Securities	22,672	–	22,672
Property, Plant, Furniture and Equipment (Note 6)	–	–	–
Total Assets	**493,852**	**214**	**494,066**
Liabilities:			
Retirement Benefits Payable	3,317	–	3,317
Refunds Payable	–	–	–
Accounts Payable and Accrued Expenses	174	–	174
Compensated Absences Payable	–	–	–
Insurance Premiums and Claims Payable	–	–	–
Payable for Security Transactions	9,373	–	9,373
Other Investment Payables	2,053	–	2,053
Other Payables	–	–	–
Obligations Under Security Lending Program	22,677	–	22,677
Total Liabilities	**37,594**	**–**	**37,594**
Net Position – Restricted for Benefits (Note 4)	**$ 456,258**	**$ 214**	**$ 456,472**

The accompanying Notes to Financial Statements are an integral part of this statement.

JUDICIAL RETIREMENT SYSTEM COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2015

(EXPRESSED IN THOUSANDS)

	Judicial Retirement System	Hybrid Defined Contribution Plan	Total JRS Plans
Additions:			
Contributions:			
Members	$ 484	$ 159	$ 643
Member Paid by Employers	2,531	–	2,531
Employers	31,503	57	31,560
Total Contributions	**34,518**	**216**	**34,734**
Investment Income:			
Interest, Dividends and Other Investment Income	8,779	–	8,779
Net Appreciation/(Depreciation) in Fair Value of Investments	13,794	(1)	13,793
Securities Lending Income	167	–	167
Total Investment Income Before Investment Expenses	22,740	(1)	22,739
Investment Expenses:			
Direct Investment Expenses	(2,668)	(1)	(2,669)
Securities Lending Management Fees and Borrower Rebates	(21)	–	(21)
Total Investment Expenses	(2,689)	(1)	(2,690)
Net Investment Income	**20,051**	**(2)**	**20,049**
Miscellaneous Revenue	–	–	–
Transfers In	–	–	–
Total Additions	**54,569**	**214**	**54,783**
Deductions:			
Retirement Benefits	40,205	–	40,205
Refunds of Member Contributions	–	–	–
Insurance Premiums and Claims	–	–	–
Retiree Health Insurance Reimbursements	–	–	–
Disability Insurance Premiums and Benefits	–	–	–
Line of Duty Benefits	–	–	–
Administrative Expenses	283	–	283
Other Expenses	17	–	17
Transfers Out	–	–	–
Total Deductions	**40,505**	**–**	**40,505**
Net Increase (Decrease)	14,064	214	14,278
Net Position – Restricted for Benefits – Beginning of Year	442,194	–	442,194
Net Position – Restricted for Benefits – End of Year	**$ 456,258**	**$ 214**	**$ 456,472**

The accompanying Notes to Financial Statements are an integral part of this statement.

Notes to Financial Statements

JUNE 30, 2015 AND 2014

1. Summary of Significant Financial Policies, Administration and Management

A. FINANCIAL REPORTING ENTITY

The Virginia Retirement System (the System) is an independent agency of the Commonwealth of Virginia. The System administers two defined benefit retirement benefit structures, Plan 1 and Plan 2, and a hybrid retirement benefit structure. Although all of the following systems have employees with Plan 1 and Plan 2 benefits, only the VRS and JRS systems have employees with hybrid benefits. All of these systems are defined as pension trust funds:

- Virginia Retirement System (VRS) for state employees, teachers, other eligible school division employees, employees of participating political subdivisions and other qualifying employees.
- State Police Officers' Retirement System (SPORS) for state police officers.
- Virginia Law Officers' Retirement System (VaLORS) for non-local government Virginia law officers other than state police officers.
- Judicial Retirement System (JRS) for judges of state courts of record, state district courts and other qualifying employees.

The System also administers the Group Life Insurance Fund, Retiree Health Insurance Credit Fund, a Disability Insurance Trust Fund for state employees, the Virginia Local Disability Program Trust Fund and the funding of the Line of Duty Act Trust Fund. All of these funds are defined as other employee benefit trust funds. Both the pension and other employee benefit trust funds are classified as fiduciary funds and are included in the basic financial statements of the Commonwealth of Virginia. As required by generally accepted accounting principles (GAAP), the System's financial statements include all funds for which financial transactions are recorded in its accounting system and for which the Board of Trustees exercises administrative responsibility.

Effective January 1, 1997, the *Constitution of Virginia* was amended to strengthen the independence of the Virginia Retirement System. As set forth in Section 11 of Article X, the funds of the retirement system shall be deemed separate and independent trust funds, segregated from all other funds of the Commonwealth, and invested and administered solely in the interests of members, retirees and beneficiaries.

B. ADMINISTRATION AND MANAGEMENT

1. Pension Plans and Other Employee Benefit Plans. The Board of Trustees (the Board) is responsible for the general administration and operation of the pension plans and 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 five members appointed by the Governor and four members appointed by the Joint Rules Committee of the Virginia General Assembly, all 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 Board also retains outside managers to advise and assist in the implementation of these policies. The Board of Trustees has appointed BNY Mellon as the custodian of designated assets of the System.

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) are administered in accordance with Title 51.1, Chapters 1, 2, 2.1, 3 and 4, respectively, of the *Code of Virginia* (1950), as amended. The Group Life Insurance Fund, the Retiree Health Insurance Credit Fund, the Disability Insurance Trust Fund for state employees and the Virginia Local Disability Program

Trust Fund are administered in accordance with Title 51.1, Chapters 5, 14, 11 and 11.1, respectively, of the *Code of Virginia* (1950), as amended. The Line of Duty Act Trust Fund was created by and is administered in accordance with the provisions of the 2010 Appropriation Act (Item 258, Chapter 874, 2010 Virginia Acts of Assembly) and most recently confirmed in the 2015 Appropriation Act (Item 264, Chapter 665, 2015 Virginia Acts of Assembly).

The Optional Life Insurance Fund is administered in accordance with Sections 51.1-512 and 51.1-512.1 of the *Code of Virginia* (1950), as amended. Optional life insurance is an insured product, and the premium collection is handled by the insurer. The Board provides only oversight for the program with limited administrative responsibility.

State statutes governing the plans administered by the System may be amended only by the General Assembly of Virginia. Additional information about the plans is provided in Notes 2 and 3.

Fiduciary Responsibility of the VRS Board of Trustees – As stated in Section 51.1-124.30(C) of the *Code of Virginia*: ". . . the Board shall invest the assets of the Retirement System with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims." Accordingly, the Board must sufficiently diversify the portfolio to minimize the risk of large losses unless, under the circumstances, it is clearly prudent not to do so. Primary risk measures are volatility in the plan's assets, funded status and contribution rates.

2. Other Plans Established by the Commonwealth of Virginia. The Board has oversight, but limited administrative and no investment responsibility, for several other plans of the Commonwealth. Because of the Board's limited role, the financial transactions of these other plans are not recorded in the System's financial statements.

Therefore, these programs are not included in the System's Basic Financial Statements:

- Commonwealth of Virginia 457 Deferred Compensation Plan and the Virginia Cash Match Plan for state employees and employees of participating political subdivisions. Additional information about the 457 and Cash Match Plans is provided in the Statistical Section.
- Commonwealth of Virginia (COV) Voluntary Group Long-Term Care Insurance Program, an employee-paid program for eligible employees.
- Defined contribution plans, referred to as the Optional Retirement Plans 1 and 2 for political appointees, certain employees of public institutions of higher education and certain employees of public school divisions and teaching hospitals.
- Commonwealth Health Research Fund, which provides financial support for human health research on behalf of citizens of the Commonwealth.
- Volunteer Firefighters' and Rescue Squad Workers' Service Award Fund, which provides service awards to eligible volunteer firefighters and rescue squad workers.

C. ACCOUNTING BASIS

The accounting and presentation of the pension plans and other employee benefit plans use the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when liabilities are incurred, regardless of the timing of related cash flows. Member and employer contributions are recognized as revenues when due, pursuant to formal commitments as well as statutory or contractual requirements. Investment income is recognized as earned by the plans. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

D. ACTUARIAL BASIS AND CONTRIBUTION RATES

The funding policy for the pension plans provides for periodic employer contributions at actuarially determined rates, which will remain relatively level over time as a percentage of payroll and

will accumulate sufficient assets to meet the cost of all benefits when due. Member and employer contributions are required by Title 51.1 of the *Code of Virginia* (1950), as amended.

Contribution rates are developed using the entry age normal cost method for both normal cost and amortization of the unfunded actuarial accrued liability. Gains and losses are reflected in the unfunded Actuarial Accrued Liability (AAL), which is being amortized as a level percentage of covered payroll within 30 years or less.

In addition to determining contribution requirements, actuarial computations present an estimate of the discounted present value of the prospective accrued liability contributions that employers will have to pay to ensure that such contributions – when combined with the assets on hand, the normal contributions to be made in the future by employers and members and investment income – will be sufficient to pay all benefits due to current members in the future as well as to annuitants and designated beneficiaries. Actuarial valuations estimate the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include future employment, mortality and the use of the benefit. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future. The Required Supplemental Schedules follow the Notes to Financial Statements. For pension plans, the schedules present historical information about the increase or decrease in the employer's fiduciary net position over time related to the employer's net pension liability. For other employee benefit plans, the schedules present historical information about the increase or decrease of the actuarial values of the plans' assets over time relative to the AAL for benefits.

E. GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS

- Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, requires disclosures related to deposits, authorized investments and investment risk. Required investment risk disclosures address interest rate risk; credit risk, to include custodial credit risk and concentrations of credit risk; and foreign currency risk. The statement also requires disclosures of custodial credit risk and foreign currency risk for depository accounts. Information about the System's deposit and investment risk is provided in Note 5.
- GASB Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, requires additional reporting and disclosures for other post-employment benefits (OPEBs). The statement became effective for VRS-administered OPEBs beginning with the fiscal year ended June 30, 2007. The Required Supplemental Schedules of funding progress and employer contributions for other employee benefit plans present information about contributions in comparison to the annual required contribution (ARC), which is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost for each year and amortize any unfunded actuarial liabilities or funding excess over a period not to exceed 30 years.
- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, establishes a "specific conditions" approach to recognizing intangible assets, specifically computer software. The statement became effective beginning with the fiscal year ended June 30, 2010. Capitalized costs are incurred during the Application Development Stage and consist of design of chosen path, including software configuration and software interfaces; coding; installation of hardware; testing, including the parallel processing phase; and data conversion to the extent that the data are necessary to make the computer software operational. Other costs incurred before or after the Application Development Stage are expensed when incurred. Additional disclosures resulting from the implementation of this statement are presented in Note 6.

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, establishes accounting and financial reporting standards for governments that enter into derivative instruments. The statement became effective beginning with the fiscal year ended June 30, 2010. The objective of the statement is to enhance the usefulness and comparability of derivative financial instrument information reported by state and local governments. It provides a comprehensive framework for the measurement, recognition and disclosure of derivative instrument transactions. Additional disclosures resulting from the implementation of this statement are presented in Note 5.
- GASB Statement No. 59, *Financial Instruments Omnibus*, clarifies the definition of items that should be included in the reporting required by Statement No. 53. The statement became effective beginning with the fiscal year ended June 30, 2010. This is reflected in the disclosures in Note 5.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, establishes standards for reporting deferred outflows of resources, deferred inflows of resources and net position. The statement became effective beginning with the fiscal year ended June 30, 2013. The financial statement presentations have been updated to reflect the impact of this standard.
- GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – An Amendment of GASB Statement No. 53*, clarifies the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The statement became effective beginning with the fiscal year ended June 30, 2012. This is reflected in the disclosures in Note 5.
- GASB Statement No. 67, *Financial Reporting for Pension Plans*, replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts and that meet certain criteria. The statement became effective beginning with the fiscal year ended June 30, 2014, and required changes in the presentation of the financial statements, notes to the financial statements and required supplementary information. Significant changes include an actuarial calculation of total and net pension liability. These are presented in Note 2.C. The changes also include comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate and increased investment activity disclosures. The implementation of GASB Statement No. 67 did not significantly impact the accounting for accounts receivable and investment balances.
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, *an amendment of GASB Statement No. 27*. The statement became effective for the fiscal year beginning after June 30, 2014, and required changes in the presentation of the financial statements, notes to the financial statements and required supplementary information for the employers that participate in the VRS-administered pension plans. The information reported by the employers is their share of the information reported by VRS in fiscal year 2014 under GASB Statement No. 67. GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*, became effective simultaneously with the provision of GASB Statement No. 68. The statement clarified the adjustments necessary to the beginning deferred outflows of resources and limited that adjustment to contributions made subsequent to the measurement date.

F. INVESTMENTS

1. Investment Valuation. Investments are reported at fair value. Fair value is the amount that one can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than a forced or liquidation

sale. The fair value for the System's defined benefit investments is determined by the System's master custodian, BNY Mellon, from its Global Pricing System. This system assigns a price source, based on asset type and the vendor pricing products to which the master custodian subscribes, for every security held immediately following its acquisition. The master custodian monitors prices supplied by these sources daily.

When a pricing source is unable to provide a price, quotes are sought from major investment brokers and market-making dealers; or internal calculations are applied, if feasible. As a last resort, the master custodian will contact investment managers for a price. The master custodian prices commingled funds, partnerships and real estate assets from statements received from the funds, partnerships or investment managers.

The pricing sources used by the master custodian provide daily prices for equity securities; corporate, government and mortgage-backed fixed income securities; private placement securities; futures and options on futures; open-ended funds; and foreign exchange rates. Depending on the vendor, collateralized mortgage obligations (CMOs), adjustable rate mortgages (ARMs) and asset-backed securities are priced daily, weekly or twice a month as well as at month end. Municipal fixed income securities and options on U.S. Treasury/GNMA securities are priced at month end.

Defined contribution plan assets for hybrid plan members are held in self-directed investments for both the member and employer contributions. Contributions must be invested in the investment accounts approved by the VRS Board of Trustees.

2. Investment Transactions and Income. Security transactions and related gains and losses are recorded on a trade-date basis. The cost of investments sold is the average cost of the aggregate holding of the specific investment sold. Dividend income is recorded on the ex-dividend date, and interest income is accrued as earned. Futures contracts are valued daily, with the resulting adjustments recorded as realized gains or losses arising from the daily settlement of the variation margin. Gains and losses related to forward contracts and options are recognized at the time the contracts are settled. Investments in limited partnerships are accounted for on the equity method of accounting, and their earnings or losses for the period are included in investment income using the equity method.

3. Investment Policy. The System's defined benefit assets are pooled for investment purposes in a Pooled Assets portfolio. The allocation of investment assets within the Pooled Assets portfolio is approved by the Board of Trustees as outlined in the Board's Investment Policy. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit plans.

4. Rate of Return. For the fiscal year ended June 30, 2015, the annual money-weighted rate of return for the Pooled Assets portfolio, net of investment expenses, was 4.72%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the VRS Pooled Assets portfolio, the fiscal year 2015 money-weighted rate of return differs only slightly from the dollar-weighted rate of return because the flow of cash for contributions and benefit payments is fairly consistent over the fiscal year.

G. PROPERTY, PLANT, FURNITURE, EQUIPMENT AND INTANGIBLE ASSETS

Tangible capital assets are recorded at cost at the time of acquisition and are reported net of accumulated depreciation. The System capitalizes all property, plant and equipment that have a cost or value greater than $5,000. Depreciation is computed on the straight-line basis over the estimated useful life of the property, ranging from five years to 40 years. Intangible capital assets for the System include internal and external costs incurred during VRS' current Application Development Stage. These costs are being depreciated over the software's useful life, which is estimated at seven years.

H. ACCUMULATED LEAVE AND DISABILITY CREDITS

Employees of the System participate in the Commonwealth's annual leave program and in its sick leave program or the Virginia Sickness and Disability Program (VSDP), which is administered by the System. Additional information about VSDP is presented in Note 3. Unused annual leave may be accumulated and is paid at the time of permanent separation from service up to the maximum calendar-year limit. For vested employees who are not covered under VSDP, unused sick leave is paid at a rate of 25% of the amount accumulated, not to exceed $5,000, at the time of permanent separation. VSDP-covered employees with unused disability credits converted from sick leave at the time of enrollment may be paid in the same manner as for non-VSDP employees or may convert these credits to service credit at a rate of 173 disability credits to one month of service.

The accrued liability for unused annual leave, sick leave and disability credits for System employees at June 30, 2015 and 2014, was computed using salary rates in effect at those times and represents annual and sick leave earned up to the allowable ceilings as well as unused, converted disability credits. This information is included in the Statement of Fiduciary Net Position – Pension and Other Employee Benefit Trust Funds.

I. ADMINISTRATIVE EXPENSES AND BUDGET

The Board of Trustees approves expenses related to the administration and management of the trust fund. These expenses are included in a budget prepared in compliance with the Commonwealth's biennial budgetary system (cash basis). Appropriations are controlled at the program level and lapse at the end of the fiscal year. Administrative expenses are funded exclusively from investment income. Expenses for goods and services received but not paid for prior to the System's fiscal year-end are accrued for financial reporting purposes in accordance with generally accepted accounting principles (GAAP). A reconciliation of the difference between the GAAP basis and budgeted basis is presented in the Schedule of Administrative Expenses following the Required Supplemental Schedules.

J. INVESTMENT INCOME ALLOCATION

Income earned on investments is distributed monthly to the VRS, SPORS, VaLORS and JRS retirement plans; the Group Life Insurance Fund; the Retiree Health Insurance Credit Fund; and the Disability Insurance Trust Fund. Distribution of investment income is based on the respective equity of each trust fund in the common investment pool.

The retirement plans distribute their cumulative investment income, net of administrative expenses, in the following manner:

- Investment income is distributed to each individual member contribution account based on a rate of 4.00% applied to each member's cumulative balance as of the close of the preceding fiscal year.
- The remaining portion is allocated monthly to the participating employers' retirement allowance accounts based on the ratio of their member account and employer account balances to the total of all such balances.

K. USE OF ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of net position restricted for benefits at June 30, 2015. Actual results could differ from those estimates.

L. SUMMARIZED COMPARATIVE DATA/ RECLASSIFICATIONS

The Basic Financial Statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

2. Pension Plans

A. PLAN DESCRIPTIONS

1. Establishment of the System. The Virginia Retirement System (the System) was established March 1, 1952, as the administrator of governmental retirement plans qualified under Section 401(a) of the Internal Revenue Code. Its mission is to provide retirement benefits for state employees, teachers, other eligible school employees and employees of political subdivisions that elect to participate in the System.

The System is comprised of the following pension trust funds:

- The Virginia Retirement System (VRS), established March 1, 1952, as the Virginia Supplemental Retirement System and renamed VRS in 1990 in response to the Federal Tax Reform Act of 1986, includes a single-employer plan for state employees, a multiple-employer cost-sharing plan for teachers and an agent multiple-employer plan for employees of participating political subdivisions.
- State Police Officers' Retirement System (SPORS), established July 1, 1950, is a single-employer plan for state police officers.
- Virginia Law Officers' Retirement System (VaLORS), established October 1, 1999, is a single-employer plan for non-local government Virginia law officers other than state police.
- Judicial Retirement System (JRS), established July 1, 1970, is a single-employer plan for judges of a court of record or a district court of the state and other eligible judicial employees.

The System is required by law to use the plans' accumulated assets to pay benefits when due to eligible members, retirees and beneficiaries. Full-time permanent, salaried employees of participating employers are covered automatically under VRS, SPORS, VaLORS or JRS upon employment; some part-time permanent, salaried state employees also are covered under VRS. Information regarding the membership is presented in Figure 2.9. Teaching, research and administrative faculty of the state's public colleges and universities who elect an optional retirement plan, as well as permanent, salaried employees of the state's two public teaching hospitals, are not covered under the VRS retirement plans.

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FIGURE 2.9: ACTIVE, RETIRED AND TERMINATED MEMBERS AND BENEFICIARIES

AT JUNE 30

	VRS State Employees	VRS Teachers	VRS Political Subdivision Employees	SPORS	VaLORS	JRS	2015 Total	2014 Total
Retirees and Beneficiaries Receiving Benefits	52,521	80,436	46,300	1,234	3,781	497	184,769	177,126
Terminated Employees Entitled to Benefits but not Receiving Them	10,447	21,494	11,229	108	584	3	43,865	41,626
Total	**62,968**	**101,930**	**57,529**	**1,342**	**4,365**	**500**	**228,634**	**218,752**
Active Members:								
Vested	55,637	106,836	71,514	1,510	5,746	328	241,571	248,070
Non-Vested	22,567	38,922	33,917	490	3,033	76	99,005	93,429
Total	**78,204**	**145,758**	**105,431**	**2,000**	**8,779**	**404**	**340,576**	**341,499**

2. Pension Plan Provisions and Requirements. Under Plan 1, Plan 2 and the Hybrid Retirement Plan, members are vested in the defined benefit pension after attaining five years of service credit. They become eligible to retire with an unreduced or reduced benefit when they meet the age and service requirements for their plan. The unreduced benefit is actuarially reduced to calculate the reduced benefit amount. A cost-of-living adjustment (COLA), based on changes in the Consumer Price Index for all Urban Consumers, is granted on July 1 of the second calendar year after retirement and is effective each July 1 thereafter, when provided.

Members not covered under the Virginia Sickness and Disability Program (VSDP) for state employees (see Note 3) or the Virginia Local Disability Program (VLDP) for local government employees are eligible to be considered for disability retirement. If a member dies while in active service, his or her beneficiary or survivor may qualify for a death-in-service benefit. Provisions for the retirement plans are presented in Figure 2.10.

FIGURE 2.10: RETIREMENT PLAN PROVISIONS

AS ESTABLISHED BY TITLE 51.1 OF THE *CODE OF VIRGINIA* (1950), AS AMENDED

All full-time, salaried permanent (professional) employees of state agencies, public school divisions and employees of participating employers are automatically covered by a pension plan upon employment. Members qualify for retirement when they become vested and meet the age and service requirements for their plan, as shown in the following table. The System administers three different benefit structures for government employees: Plan 1, Plan 2 and the Hybrid Retirement Plan. Each of these is called a plan in statute and each has different provisions with a specific eligibility and benefit structure. These different benefit structures are set out in the following table:

FIGURE 2.10: RETIREMENT PLAN PROVISIONS, cont.

RETIREMENT PLAN PROVISIONS

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, 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.	**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.	**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 to opt into the plan during a special election window (see "Eligible Members"). • 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 component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. **Hybrid Opt-In Election** VRS non-hazardous duty-covered 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. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**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. **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. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • State employees* • School division employees • Political subdivision employees* • Judges appointed or elected to an original term on or after January 1, 2014, regardless if vested to VRS Plan 1 or VRS Plan 2. ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Members of the State Police Officers' Retirement System (SPORS) • Members of the Virginia Law Officers' Retirement System (VaLORS) • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

FIGURE 2.10: RETIREMENT PLAN PROVISIONS, cont.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Retirement Contributions State employees, excluding state elected officials, judges in Plan 1 or Plan 2 and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; 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.	**Retirement Contributions** State employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016.	**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. Mandatory member contributions and the employer match on the mandatory and voluntary member contributions are recorded in a 401(a) account, along with the accrued net investment income. The voluntary member contributions and accrued net investment income are recorded in a 457(b) account. Members are responsible for investing their accounts using the various investment options that are available.
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 eligibility for retirement and to calculate the retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** *Defined Benefit Component:* 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 eligibility for retirement and to calculate the retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. *Defined Contribution Component:* Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
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. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** *Defined Benefit Component:* 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.

FIGURE 2.10: RETIREMENT PLAN PROVISIONS, cont.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		Vesting, cont. *Defined Contribution Component:* 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. Members are always 100% vested in the contributions that they make. 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. • 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. Distribution is not required by law until age 70½.
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. 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.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** *Defined Benefit Component:* See definition under Plan 1. *Defined Contribution Component:* The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS and JRS Plan 1: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. SPORS, sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. VaLORS: The retirement multiplier for VaLORS employees is 1.70% or 2.00%. Members hired before July 1, 2001, have a 1.70% multiplier and are eligible for a hazardous duty supplement. They also had the option to elect the 2.00% multiplier and no supplement. Members hired on or after July 1, 2001, have a 2.00% multiplier and no supplement.	**Service Retirement Multiplier** VRS and JRS Plan 2: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. SPORS, sheriffs and regional jail superintendents: Same as Plan 1. VaLORS: The retirement multiplier for VaLORS employees is 2.00%. Political subdivision hazardous duty employees: Same as Plan 1.	**Service Retirement Multiplier** *Defined Benefit Component:* VRS and JRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. SPORS, sheriffs and regional jail superintendents: Not applicable.

FIGURE 2.10: RETIREMENT PLAN PROVISIONS, cont.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Service Retirement Multiplier, cont. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.		*Service Retirement Multiplier, cont.* VaLORS: Not applicable. Political subdivision hazardous duty employees: Not applicable. *Defined Contribution Component:* Not applicable.
Normal Retirement Age VRS: Age 65. SPORS, VaLORS and political subdivision hazardous duty employees: Age 60. JRS: Age 65.	**Normal Retirement Age** VRS: Normal Social Security retirement age. SPORS, VaLORS and political subdivision hazardous duty employees: Same as Plan 1. JRS: Same as Plan 1	**Normal Retirement Age** *Defined Benefit Component:* VRS: Same as Plan 2. SPORS, VaLORS and political subdivision hazardous duty employees: Not applicable. JRS: Same as Plan 1. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. SPORS, VaLORS and political subdivision hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service. JRS: Age 65 with at least five years of creditable service or at age 60 with at least 30 years of creditable service. Service earned under JRS is weighted. The weighting factors under Plan 1 are: • 3.5 for JRS members appointed or elected before January 1, 1995. • 2.5 for JRS members appointed or elected on or after January 1, 1995.	**Earliest Unreduced Retirement Eligibility** VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. SPORS, VaLORS and political subdivision hazardous duty employees: Same as Plan 1. JRS: Same as Plan 1. Service earned under JRS is weighted. The weighting factors under Plan 2 are: • 1.5 for JRS members appointed or elected before age 45. • 2.0 for JRS members appointed or elected between ages 45 and 54. • 2.5 for JRS members appointed or elected at age 55 or older.	**Earliest Unreduced Retirement Eligibility** *Defined Benefit Component:* VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. SPORS, VaLORS and political subdivision hazardous duty employees: Not applicable. JRS: Same as Plan 2. Service earned under JRS is weighted. The weighting factors under Plan 2 are: • 1.5 for JRS members appointed or elected before age 45. • 2.0 for JRS members appointed or elected between ages 45 and 54. • 2.5 for JRS members appointed or elected at age 55 or older. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
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. SPORS, VaLORS and political subdivision hazardous duty employees: Age 50 with at least five years of creditable service. JRS: Age 55 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility** VRS: Age 60 with at least five years (60 months) of creditable service. SPORS, VaLORS and political subdivision hazardous duty employees: Same as Plan 1. JRS: Same as Plan 1.	**Earliest Reduced Retirement Eligibility** *Defined Benefit Component:* VRS: Age 60 with at least five years (60 months) of creditable service. SPORS, VaLORS and political subdivision hazardous duty employees: Not applicable. JRS: Same as Plan 1. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.

FIGURE 2.10: RETIREMENT PLAN PROVISIONS, cont.

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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%. *Eligibility:* 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. For members who retire with a reduced benefit and who have fewer 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. *Exceptions to COLA Effective Dates:* The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • 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.	**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%. *Eligibility:* Same as Plan 1. *Exceptions to COLA Effective Dates:* Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** *Defined Benefit Component:* Same as Plan 2. *Defined Contribution Component:* Not applicable. *Eligibility:* Same as Plan 1 and Plan 2.
Disability Coverage For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement.	**Disability Coverage** For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement.	**Disability Coverage** Employees of political subdivisions and school divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY BY SYSTEM AND PLAN

AS OF JUNE 30, 2015

(EXPRESSED IN THOUSANDS)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Employers' Net Pension Liability/ (Asset) (a-b)	Plan Fiduciary Net Position as a % of the Total Pension Liability (b/a)	Covered Employee Payroll* (c)	Net Pension Liability/ (Asset) as a % of the Covered Employee Payroll (a-b)/(c)
Virginia Retirement System:						
State	$ 22,521,130	$16,398,575	$ 6,122,555	72.81%	$ 3,878,632	157.85%
Teacher	42,930,422	30,344,072	12,586,350	70.68%	7,434,932	169.29%
Political Subdivision	19,935,054	17,283,021	2,652,033	86.70%	4,513,335	58.76%
Total Virginia Retirement System	**85,386,606**	**64,025,668**	**21,360,938**		**15,826,899**	
State Police Officers' Retirement System	1,064,450	733,352	331,098	68.89%	110,059	300.84%
Virginia Law Officers' Retirement System	1,902,051	1,191,353	710,698	62.64%	338,562	209.92%
Judicial Retirement System	632,381	456,258	176,123	72.15%	61,092	288.29%
Grand Total	**$88,985,488**	**$66,406,631**	**$22,578,857**		**$16,336,612**	

** This represents only the payroll reported by the employer and covered by the pension benefit.*

SCHEDULE OF ACTUARIAL METHODS AND SIGNIFICANT ASSUMPTIONS – PENSION PLANS

	VRS State	VRS Teacher	VRS Political Subdivisions	SPORS	VaLORS	JRS
Valuation Date	June 30, 2014	June 30, 2014	June 30, 2014	June 30, 2014	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:						
Investment Rate of Return*	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Projected Salary Increases:*						
State Employees/Teachers	3.50% to 5.35%	3.50% to 5.95%	3.50% to 5.35%	3.50% to 4.75%	3.50% to 4.75%	4.50%
Political Subdivision – Non-Hazardous Duty Employees	N/A	N/A	3.50% to 5.35%	N/A	N/A	N/A
Political Subdivision – Hazardous Duty Employees	N/A	N/A	3.50% to 4.75%	N/A	N/A	N/A
Post-Retirement Benefits Increases**						
Plan 1	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Plan 2	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

** Includes inflation at 2.50%.*

*** Compounded annually.*

FIGURE 2.11: MEMBER AND EMPLOYER CONTRIBUTIONS

FOR THE YEARS ENDED JUNE 30 (EXPRESSED IN THOUSANDS)

Fiscal Year	System/Plan	Member Contributions*	Member Contributions Paid By Employer	Employer Contributions*	Total
2015	VRS – State	$ 199,697	$ 111	$ 483,795	$ 683,603
	VRS – Teacher	347,754	31,127	1,271,816	1,650,697
	VRS – Political Subdivisions	210,904	19,768	536,637	767,309
	Totals VRS	**758,355**	**51,006**	**2,292,248**	**3,101,609**
	SPORS	5,680	–	28,427	34,107
	VaLORS	17,081	–	62,084	79,165
	JRS	643	2,513	31,560	34,734
2015	**Total**	**$ 781,759**	**$ 53,537**	**$2,414,319**	**$3,249,615**
2014	**Total**	**$ 725,970**	**$ 96,192**	**$1,874,806**	**$2,696,968**

** Member and employer contributions for VRS plans include $13,194,000 and $10,464,000, respectively, in Hybrid Defined Contribution Plan contributions. Member and employer contributions for the JRS plan include $159,000 and $57,000, respectively, in Hybrid Defined Contribution Plan contributions.*

Employer contributions to the VRS cost-sharing pool for teachers represented 14.50% of covered payrolls. Employer contributions for state employees represented 12.33% of covered payrolls. Each political subdivision's contributions ranged from zero (0.00%) to 36.18% of covered payrolls. State employer contributions to SPORS, VaLORS and JRS represented 25.82%, 17.67% and 51.66%, respectively. For state and teacher employers and a small number of political subdivisions, these rates reflected the normal cost and the amortization of a portion of the unfunded actuarial accrued liability of each of the plans based on the June 30, 2013, actuarial valuation and using modified actuarial assumptions. This is discussed further in Note 12. Member contributions for both years represented 5.00% of covered payrolls.

C. EMPLOYERS' NET PENSION LIABILITY – PENSION PLANS

The most recent actuarial valuation to determine the net pension liabilities for the VRS pension plans was prepared as of June 30, 2015. The total pension liability was determined based on an actuarial valuation as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY BY SYSTEM AND PLAN

AS OF JUNE 30, 2015

(EXPRESSED IN THOUSANDS)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Employers' Net Position Liability/ (Asset) (a-b)	Plan Fiduciary Net Position as a % of the Total Pension Liability (b/a)	Covered Employee Payroll* (c)	Net Pension Liability/ (Asset) as a % of the Covered Employee Payroll (a-b)/(c)
Virginia Retirement System:						
State	$ 22,521,130	$16,398,575	$ 6,122,555	72.81%	$ 3,878,632	157.85%
Teacher	42,930,422	30,344,072	12,586,350	70.68%	7,434,932	169.29%
Political Subdivision	19,935,054	17,283,021	2,652,033	86.70%	4,513,335	58.76%
Total Virginia Retirement System	**85,386,606**	**64,025,668**	**21,360,938**		**15,826,899**	
State Police Officers' Retirement System	1,064,450	733,352	331,098	68.89%	110,059	300.84%
Virginia Law Officers' Retirement System	1,902,051	1,191,353	710,698	62.64%	338,562	209.92%
Judicial Retirement System	632,381	456,258	176,123	72.15%	61,092	288.29%
Grand Total	**$88,985,488**	**$66,406,631**	**$22,578,857**		**$16,336,612**	

** This represents only the payroll reported by the employer and covered by the pension benefit.*

SCHEDULE OF ACTUARIAL METHODS AND SIGNIFICANT ASSUMPTIONS – PENSION PLANS

	VRS State	VRS Teacher	VRS Political Subdivisions	SPORS	VaLORS	JRS
Valuation Date	June 30, 2014	June 30, 2014	June 30, 2014	June 30, 2014	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:						
Investment Rate of Return*	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Projected Salary Increases:*						
State Employees/Teachers	3.50% to 5.35%	3.50% to 5.95%	3.50% to 5.35%	3.50% to 4.75%	3.50% to 4.75%	4.50%
Political Subdivision – Non-Hazardous Duty Employees	N/A	N/A	3.50% to 5.35%	N/A	N/A	N/A
Political Subdivision – Hazardous Duty Employees	N/A	N/A	3.50% to 4.75%	N/A	N/A	N/A
Post-Retirement Benefits Increases**						
Plan 1	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Plan 2	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

** Includes inflation at 2.50%.*

*** Compounded annually.*

D. CHANGES IN 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 contributions from participating employers will be based on the actuarially determined rates based on the Board's funding policy, which certifies the required rates under Title 51.1 of the *Code of Virginia* (1950), as amended. Based in those assumptions, the fiduciary net position was projected to be available to make all of the projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability. In accordance with GASB Statement No. 67, regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the employers' net pension liability for each of the plans calculated using the discount rate of 7.00%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.00%) or 1.00% higher (8.00%) than the current rate.

SCHEDULE OF IMPACT OF CHANGES IN DISCOUNT RATE

AS OF JUNE 30, 2015

(EXPRESSED IN THOUSANDS)

	Net Pension Liability		
	1.00% Decrease	Current Discount Rate	1.00% Increase
System/Plan	(6.00%)	(7.00%)	(8.00%)
Virginia Retirement System			
State	$ 8,793,831	$ 6,122,555	$ 3,882,469
Teacher	18,418,928	12,586,350	7,784,902
Political Subdivision	5,279,959	2,652,033	468,667
Total Virginia Retirement System	32,492,718	21,360,938	12,136,038
State Police Officers' Retirement System	458,781	331,098	224,093
Virginia Law Officers' Retirement System	966,226	710,698	500,424
Judicial Retirement System	234,187	176,123	125,757
Grand Total	**$ 34,151,912**	**$ 22,578,857**	**$ 12,986,312**

3. Other Employee and Post-Employment Benefit Plans (OPEBs)

A. PLAN DESCRIPTIONS

The System administers other employee and post-employment benefit plans for active, deferred and retired members of VRS, SPORS, VaLORS and JRS. These plans are the Group Life Insurance Program, the Retiree Health Insurance Credit Program, the Virginia Sickness and Disability Program (VSDP) and the Virginia Local Disability Program (VLDP). The System also manages the assets of the Line of Duty Act Fund; the Department of Accounts (DOA) administers the benefits and payment of claims under the program.

Contributions and payments for other employee benefit plans for active members occur on a current basis; therefore, the System does not record the net position of these plans and is not required to report their funding progress and employer contributions. However, the System does record

plan net position and reports funding progress and employer contributions for post-employment benefit plans. This information is provided in the Required Supplemental Schedules following the Notes to Financial Statements. Additional information also is presented in the Statistical Section.

1. Group Life Insurance Program. The Group Life Insurance Program is a cost-sharing, multiple-employer plan. Members whose employers participate in the Group Life Insurance Program are covered automatically under the Basic Group Life Insurance Program upon employment. They also are eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program.

Participating employers and covered employees are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute to the cost of group life insurance benefits. Employers may assume employees' contributions. The premium contributions collected during members' active careers, less the amount required to cover current life insurance premiums and claims plus administrative and other expenses, are retained in the Group Life Insurance Advance Premium Deposit Reserve fund the claims for eligible retired and deferred members. Approximately 358,323 active members and 163,482 retirees were covered under the Basic Group Life Insurance Program at June 30, 2015.

For members who elect optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct the premiums from members' paychecks and pay the premiums to the insurer. Premiums are based on members' ages and are approved by the Board of Trustees. Any differences and adjustments are settled between the employer and the insurer. Approximately 66,882 active members and 2,764 retirees were covered under the Optional Group Life Insurance Program at June 30, 2015.

2. Retiree Health Insurance Credit Program. The Retiree Health Insurance Credit Program is an agent, multiple-employer plan. It provides eligible retirees a tax-free reimbursement for health insurance premiums for single coverage under qualifying health plans, including coverage under a spouse's plan, not to exceed the amount of the monthly premium or the maximum credit, whichever is less. Premiums for health plans covering specific conditions are ineligible for reimbursement. Employers are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute to the program. The amount is financed based on employer contribution rates determined by the System's actuary. Approximately 112,053 retirees were covered under the health insurance credit program at June 30, 2015.

3. Virginia Sickness and Disability Program. The Virginia Sickness and Disability Program (VSDP) is a single-employer plan. It provides state employees with sick, family and personal leave and short-term and long-term disability benefits. State agencies are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute to the cost of providing long-term disability benefits and administering the program. Approximately 73,986 members were covered under VSDP at June 30, 2015, and approximately 2,860 former members were receiving benefits from the program during the fiscal year.

4. Virginia Local Disability Program. The Virginia Local Disability Program (VLDP) is composed of two multiple-employer cost-sharing pools, one for teachers and one for employees of political subdivisions. It provides eligible employees with short-term and long-term disability benefits. Local

government employers are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to provide long-term disability benefits for their Hybrid employees, either through a local plan or though VLDP. Approximately 5,666 members were covered under VLDP at June 30, 2015, and there were no former members receiving benefits from the program during the fiscal year.

5. Line of Duty Act Program. A new program in fiscal year 2011, the Line of Duty Act Program is a cost-sharing, multiple-employer plan. It provides death and health insurance reimbursement benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer.

As required by statute, the System is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in fiscal year 2012. The employer contribution rate was determined by the System's actuary using the anticipated program costs and the number of covered individuals associated with all participating employers.

Provisions for other employee benefit and post-employment benefit plans are presented in Figure 2.12.

FIGURE 2.12: OTHER EMPLOYEE BENEFIT AND POST-EMPLOYMENT BENEFIT PLAN PROVISIONS

AS ESTABLISHED BY TITLE 51.1 OF THE *CODE OF VIRGINIA* (1950), AS AMENDED

	Eligible Employees	Coverage
VRS Group Life Insurance Program: Basic Coverage	The VRS Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: City of Richmond, City of Portsmouth, City of Roanoke, City of Norfolk and Roanoke City School Board. Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.	• Natural death benefit equal to the employee's compensation rounded to the next highest thousand and then doubled. • Accidental death benefit, which is double the natural death benefit. • Accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit and accelerated death benefit option. • Continuation of death benefit and accelerated death benefit option for employees who retire or who have met the age and service requirements for retirement upon termination. Coverage begins to reduce by 25% on the January 1 following one calendar year of retirement or termination and reduces by 25% each January 1 until it reaches 25% of its original value. If a member has at least 30 years of creditable service, coverage cannot reduce below $8,000. This minimum will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation.

FIGURE 2.12: OTHER EMPLOYEE BENEFIT AND POST-EMPLOYMENT BENEFIT PLAN PROVISIONS, cont.

	Eligible Employees	Coverage
Optional Group Life Insurance Program	Employees covered under the VRS Group Life Insurance Program are eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. Employees pay the premiums through payroll deduction. Spousal coverage ends if the employee's coverage ends or the couple divorce. Coverage for dependent children ends if the employee's coverage ends or when the children marry, become self-supporting, reach age 21 or reach age 25 as a dependent attending college full time. Coverage continues for dependent unmarried children who are disabled.	The program provides natural death and accidental death or dismemberment coverage: • Employees select one, two, three or four times their compensation, not to exceed $750,000. • Spouses may be covered for up to half the maximum amount of the employees' coverage, not to exceed $375,000. Dependent children who are at least 15 days old may be covered for $10,000, $20,000 or $30,000, depending on the option employees select. • Accidental death and dismemberment coverage ends upon retirement. Optional life insurance amounts begin to reduce by 25% based on the retiree's age, beginning with the retiree's normal retirement age under his or her plan; coverage ends at age 80. Retirees may elect to continue coverage within 31 days of retirement.
Retiree Health Insurance Credit Program	The Retiree Health Insurance Credit Program was established January 1, 1990, for retired state employees covered under VRS, SPORS, VaLORS and JRS who retire with at least 15 years of service credit. The program was opened to teachers and eligible employees of participating political subdivisions on July 1, 1993. 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 a spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.	

Health Insurance Credit Dollar Amounts at Retirement

	Amount per Year of Service	Maximum Credit per Month*
State employees	$ 4.00	No Cap
Teachers and other professional school employees	$ 4.00	No Cap
General registrars and their employees, constitutional officers and their employees and local social service employees	$ 1.50	$ 45.00
General registrars and their employees, constitutional officers and their employees and local social service employees, if the political subdivision elects the $1.00 enhancement	$ 2.50	$ 75.00
Other political subdivision employees as elected by the employer	$ 1.50	$ 45.00

FIGURE 2.12: OTHER EMPLOYEE BENEFIT AND POST-EMPLOYMENT BENEFIT PLAN PROVISIONS, cont.

Health Insurance Credit Dollar Amounts at Disability Retirement and for VSDP Long-Term Disability

Employees who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP) are eligible for the health insurance credit.**

Eligible Employees	Coverage
State employees other than state police officers	$120 per month or $4 per year of service credit per month, whichever is higher.
State police officers	Non-work-related disability: $120 per month or $4 per year of service credit per month, whichever is higher. Work-related disability: No health insurance credit for premiums qualified under the Virginia Line of Duty Act; may receive the credit for premiums paid for other qualified health plans.
Teachers and other professional school employees	Either (a) $4 multiplied by twice the amount of service credit per month; or (b) $4 multiplied by the amount of service earned had the employee been active until age 60 per month, whichever is higher.
Political subdivision employees as elected by the employer	$45 per month.

** Not to exceed the individual premium amount.*

*** Not to exceed the individual premium amount. State employees who retire from being on long-term disability under VSDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.*

FIGURE 2.12: OTHER EMPLOYEE BENEFIT AND POST-EMPLOYMENT BENEFIT PLAN PROVISIONS, cont.

	Eligible Employees	Coverage
Virginia Sickness and Disability Program (VSDP)	VSDP, also known as the Disability Insurance Trust Fund, was established January 1, 1999, to provide short-term and long-term disability benefits for non-work-related and work-related disabilities. Eligible employees are enrolled automatically upon employment. They include: • Full-time and part-time permanent, salaried state employees covered under VRS, SPORS and VaLORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP). • State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement. • Public college and university faculty members who elect the VRS defined benefit plan. They may participate in VSDP or their institution's disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.	• Sick, family and personal leave. • Short-term disability benefit beginning after a seven-calendar day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and then 60%. • Long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee's pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. • Income replacement adjustment to 80% for catastrophic conditions. • VSDP Long-Term Care Plan, a self-funded program that assists with the cost of covered long-term care services.

Note:

- Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work-related short-term disability coverage and certain income replacement levels.
- A state employee who is approved for VSDP benefits on or after the date that is five years prior to his or her normal retirement date is eligible for five years of VSDP benefits.
- Employees on work-related short-term disability receiving only a workers' compensation payment may be eligible to purchase service credit for this period if retirement contributions are not being withheld from the workers' compensation payment. The rate will be based on 5.00% of the employee's compensation.

FIGURE 2.12: OTHER EMPLOYEE BENEFIT AND POST-EMPLOYMENT BENEFIT PLAN PROVISIONS, cont.

	Eligible Employees	Coverage
Virginia Local Disability Program (VLDP)	VLDP was implemented January 1, 2014, to provide short-term and long-term disability benefits for non-work-related and work-related disabilities. Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. Eligible employees include: • Teacher or other professional employee of a local public school division • General employee of a VRS-participating political subdivision such as a city, county, town, authority or commission • Local law enforcement officer, firefighter or emergency medical technician if the employer does not provide enhanced hazardous duty benefits	Short-term disability benefit beginning after a seven-calendar day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer. • Eligibility for work-related short-term disability coverage begins upon employment. • During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go on non-work-related or work-related short-term disability. Once the eligibility period is satisfied, employees are eligible for higher income replacement levels. • VLDP long-term benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours a week. • Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation is greater than the VLDP benefit amount. • Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit provided they remain medically eligible. • VLDP Long-Term Care Plan, a self-funded program that assists with the cost of covered long-term care services.

FIGURE 2.12: OTHER EMPLOYEE BENEFIT AND POST-EMPLOYMENT BENEFIT PLAN PROVISIONS, cont.

	Eligible Employees	Coverage
Commonwealth of Virginia (COV) Voluntary Group Long-Term Care Insurance Program	The following members between the ages of 18 and 79 are eligible to apply: • State employees and public college and university faculty members • Employees of school divisions and political subdivisions whose employers have elected to participate in the program • Vested deferred members and retirees (their employers are not required to have elected the program) • Select family members of eligible members	The program provides assistance with covered long-term care expenses at group rates. Active members pay the premiums for themselves and any covered family members through payroll deduction or directly to Genworth Life Insurance Company, the insurer, provided the employer has arranged for payroll deductions with Genworth Life. All other participants pay the premiums directly to Genworth.
Line of Duty Act Program	Paid employees and volunteers in hazardous duty positions in Virginia localities, including hazardous duty employees covered under VRS, SPORS and VaLORS.	Coverage provides death and health insurance benefits, which are administered by the Virginia Department of Accounts. The System is responsible for managing the assets of the Line of Duty Act Fund.

SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFIT PLANS

AS OF JUNE 30, 2014

(DOLLARS IN MILLIONS)

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
Group Life Insurance Fund	$ 992,221	$ 2,701,509	$ 1,709,288	36.7%	$ 17,559,285	9.7%
Retiree Health Insurance Credit Fund	162,572	2,334,359	2,171,787	7.0%	14,956,015	14.5%
Disability Insurance Trust Fund	380,220	239,207	(141,013)	159.0%	3,585,486	(3.9%)
Virginia Local Disability Program*	–	8	8	–	33,935	–
Line of Duty Act Trust Fund**	6,914	225,816	218,902	3.1%	**	N/A

** The Virginia Local Disability Program was new effective January 1, 2014, as part of the Hybrid Retirement Plan for eligible non-state employers.*

*** The Line of Duty Act Program was established and set up as a trust fund effective July 1, 2010. Contributions into the trust fund will be based on the number of participants in the program using a per capita-based contribution versus a payroll-based contribution.*

B. FUNDED STATUS AND FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFIT PLANS

The most recent actuarial valuations prepared for other post-employment benefit plans administered by the System are as of June 30, 2014. Actuarial valuations for these plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The calculations in these actuarial valuations are based on the benefits provided under the terms of the plans as of June 30, 2014, and on the pattern of cost sharing between the employers and plan members at that point. These calculations reflect a long-term perspective. The actuarial methods and assumptions used in these valuations include techniques that are designed to reduce short-term volatility in the actuarial accrued liabilities and the actuarial value of assets.

The Retiree Health Insurance Credit benefit is based on a member's employer eligibility and his or her years of service. The monthly maximum credit amount cannot exceed the member's actual health insurance premium costs. The actuarial valuation for this plan assumes the maximum credit is payable for each eligible member. Because this benefit is a flat dollar amount multiplied by the member's years of service and the maximum benefit is assumed, no assumption relating to health care cost trend rates is needed or applied.

The following schedule presents selected information from that valuation report. Additional information is presented in the Required Supplemental Schedule of Funding Progress – Other Post-Employment Benefit Plans following the Notes to Financial Statements, as well as in the Actuarial Section.

Actuarial methods and assumptions for other post-employment benefit plans are presented in the Actuarial Section. The following schedule presents selected information as of the latest actuarial valuation:

SCHEDULE OF ACTUARIAL METHODS AND SIGNIFICANT ASSUMPTIONS – OTHER POST-EMPLOYMENT BENEFIT PLANS

	Group Life Insurance Fund	Retiree Health Insurance Credit Fund	Disability Insurance Fund Trust Fund	Line of Duty Act Trust Fund	Virginia Local Disability Program
Valuation Date	June 30, 2014	June 30, 2014	June 30, 2014	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Pay Closed	Level Percent of Pay Closed	Level Percent of Pay Closed	Level Percent of Pay Closed	Level Percent of Pay Closed
Payroll Growth Rate:					
State Employees	3.00%	3.00%	3.00%	3.00%	N/A
Teachers	3.00%	3.00%	N/A	N/A	3.00%
Political Subdivision Employees	3.00%	3.00%	N/A	3.00%	3.00%
State Police and Virginia Law Officers	3.00%	3.00%	3.00%	3.00%	N/A
Judges	3.00%	3.00%	N/A	N/A	N/A
Effective Amortization Period*					
State Employees	29.4 Years	29.0 Years	28.5 Years	2 and 30 Years	N/A
Teachers	29.4 Years	28.8 Years	N/A	N/A	20 Years
Political Subdivision Employee	29.4 Years	20.0 Years	N/A	2 and 30 Years	20 Years
Asset Valuation Method					
State Employees and Teachers	5-Year, Smoothed Market	5-Year, Smoothed Market	5-Year, Smoothed Market	Market Value	5-Year, Smoothed Market
Political Subdivision Employees and State-Funded Local Employees	5-Year, Smoothed Market	Market Value	N/A	Market Value	5-Year, Smoothed Market
Actuarial Assumptions					
Investment Rate of Return**	7.00%	7.00%	7.00%	4.75% and 7.00%	7.00%
Projected Salary Increases:***					
State Employees	3.50% to 5.35%	3.50% to 5.35%	3.50% to 5.35%	N/A	N/A
Teachers	3.50% to 5.95%	3.50% to 5.95%	N/A	N/A	3.50% to 5.95%
Political Subdivision Non-Hazardous Duty Employees	3.50% to 5.35%	3.50% to 5.35%	N/A	N/A	3.50% to 5.35%
Political Subdivision Hazardous Duty Employees	3.50% to 4.75%	3.50% to 4.75%	N/A	N/A	N/A
State Police and Virginia Law Officers	3.50% to 4.75%	3.50% to 4.75%	3.50% to 4.75%	N/A	N/A
Judges	4.50%	4.50%	N/A	N/A	N/A
Medical Trend Assumptions (Under Age 65)	N/A	N/A	N/A	7.75% to 5.00%	N/A
Medical Trend Assumptions (Ages 65 and Older)	N/A	N/A	N/A	5.75% to 5.00%	N/A
Year of Ultimate Trend Rate	N/A	N/A	N/A	2020	N/A

** The amortization period of the Unfunded Actuarial Accrued Liability (UAAL) was a closed 30-year period for the June 30, 2013, balance and closed 20-year period for each subsequent year. The Line of Duty Act Program amortization period is 30 years for the UAAL and two years for the loan.*

*** Includes inflation at 2.50%.The Line of Duty Act Program uses 4.25% for the investment rate of return and 7.00% for the loan interest.*

**** Projected salary increases for the Retiree Health Insurance Credit Fund are used in the application of the actuarial cost method. Projected salary increase factors are not applicable to the Line of Duty Act Program since neither the benefit nor the cost is salary-based.*

4. Reserve Accounts

The reserve account balances available for benefits at June 30, 2015 and 2014, are presented in Figure 2.13. These funds are required by Titles 51.1 and 2.2 of the *Code of Virginia* (1950), as amended, to provide for the payment of current and future benefits as follows:

- Member and employer contributions and investment income fund the member and employer reserves. Each member has a member contribution account that accumulates member contributions plus annual interest of 4.00%. Each employer has a retirement allowance account that accumulates employer contributions, transfers of investment income less administrative expenses incurred in operating the retirement plans and transfers of member contributions and accrued interest upon a member's retirement. Benefit payments are charged to employers' retirement allowance accounts.
- The Group Life Insurance Advance Premium Deposit Reserve accumulates a portion of insurance premium contributions collected during members' active careers and their investment earnings, and is charged for life insurance benefits paid and expenses incurred in operating the Group Life Insurance Program.
- Employer contributions and investment income fund the Retiree Health Insurance Credit Reserve. It is charged for credit reimbursements applied to the monthly health insurance premiums of eligible retired members and expenses incurred in operating the Retiree Health Insurance Credit Program.
- Employer contributions and investment income fund the Disability Insurance Trust Fund. It is charged for long-term disability benefits and expenses incurred in operating the Virginia Sickness and Disability Program (VSDP).
- Employer contributions and investment income fund the Line of Duty Act Trust Fund. It is charged for Line of Duty Act death and health insurance benefits and expenses incurred in operating the Line of Duty Act Program.
- Employer contributions and investment income fund the Local Disability Insurance Trust Fund. It is charged for long-term disability benefits and expenses incurred in operating the Virginia Local Disability Program (VLDP). The program was new in fiscal year 2014 and has no net position.

FIGURE 2.13: NET POSITION RESTRICTED FOR BENEFITS

AT JUNE 30 (EXPRESSED IN THOUSANDS)

	2015	2014
Virginia Retirement System		
Member Reserve	$12,200,743	$11,821,152
Employer Reserve	51,849,137	50,387,486
Total VRS	**64,049,880**	**62,208,638**
State Police Officers' Retirement System		
Member Reserve	95,394	92,637
Employer Reserve	637,958	628,353
Total SPORS	**733,352**	**720,990**
Virginia Law Officers' Retirement System		
Member Reserve	232,824	230,522
Employer Reserve	958,529	919,928
Total VaLORS	**1,191,353**	**1,150,450**
Judicial Retirement System		
Member Reserve	36,998	38,522
Employer Reserve	419,474	403,672
Total JRS	**456,472**	**442,194**
Group Life Insurance Advance Premium Deposit Reserve	**1,162,617**	**1,079,315**
Retiree Health Insurance Credit Reserve	**173,194**	**170,048**
Disability Insurance Trust Fund (VSDP)	**414,518**	**410,097**
Line of Duty Act Trust Fund	**728**	**–**
Disability Insurance Trust Fund (VLDP)	**–**	**–**
Total Pension and Other Employee Benefit Reserves	**$68,182,114**	**$66,181,732**

5. Deposits and Investment Risk Disclosures

A. DEPOSITS

Deposits of the System maintained by the Treasurer of Virginia at June 30, 2015 and 2014, as shown in Figure 2.14, were entirely insured under the Virginia Security for Public Deposits Act, Section 2.2-4400 *et seq.* of the *Code of Virginia* (1950), as amended, which provides for an assessable, multiple financial institution collateral pool. Deposits with the System's master custodian, BNY Mellon, were entirely insured by federal depository insurance coverage.

FIGURE 2.14: DEPOSITS

AT JUNE 30 (EXPRESSED IN THOUSANDS)

	2015 Carrying Amount	2014 Carrying Amount
Treasurer of Virginia	$ –	$ –
Master Custodian	13,570	444
Total Deposits	**$ 13,570**	**$ 444**

B. INVESTMENTS

1. Authorized Investments. The Board of Trustees of the System has full power to invest and reinvest the trust funds in accordance with Section 51.1-124.30 of the *Code of Virginia* (1950), as amended. This section requires the Board to discharge its duties solely in the interests of members, retirees and beneficiaries. It also requires the Board to invest the assets with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

Investment value and earnings of the investment pool are proportionally allocated among the System's trust funds on the basis of each fund's equity interest in the common investment pool. An Investment Summary is included in the Investment Section. The equity interest of each fund as of June 30, 2015 and 2014, is presented in Figure 2.15.

FIGURE 2.15: EQUITY INTERESTS

AT JUNE 30

Fund	2015	2014
Virginia Retirement System	93.88%	93.96%
State Police Officers' Retirement System	1.08%	1.09%
Virginia Law Officers' Retirement System	1.75%	1.74%
Judicial Retirement System	0.67%	0.67%
Group Life Insurance Fund	1.77%	1.67%
Retiree Health Insurance Credit Fund	0.25%	0.25%
Disability Insurance Trust Fund (VSDP)	0.60%	0.61%
Virginia Sickness and Disability Program	0.00%	0.00%
Line of Duty Act Trust Fund	0.00%	0.01%
Total Equity Interests	**100.00%**	**100.00%**

2. Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The risk is managed within the portfolio using the effective duration or option-adjusted methodology, as shown in Figure 2.16. It is widely used in the management of fixed income portfolios in that it quantifies, to a much greater degree, the risk of interest rate changes. The methodology takes into account optionality on bonds and scales the risk of price changes on bonds depending on the degree of change in rates and the slope of the yield curve. All of the System's fixed-income portfolios are managed in accordance with investment guidelines, most of which are specific as to the degree of interest rate risk that can be taken.

FIGURE 2.16: EFFECTIVE DURATION OF DEBT SECURITIES BY INVESTMENT TYPE

AS OF JUNE 30, 2015 (EXPRESSED IN THOUSANDS)

Investment Type	Fair Value	Weighted Avg. Effective Duration (Years)
U.S. Government	$ 4,277,302	4.94
Agencies	2,890,605	4.66
Municipal Securities	162,382	9.82
Asset-Backed Securities	348,126	0.58
Collateralized Mortgage Obligations	328,420	1.44
Commercial Mortgages	396,007	4.99
Corporate and Other Bonds	10,919,787	5.57
Repurchase Agreements	238,100	0.00
Fixed-Income Commingled Funds	745,010	5.90
Cash and Cash Equivalents	1,758,772	0.12
Total Debt Securities	**$22,064,511**	**4.75**

3. Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the System. As of June 30, 2015, the System's fixed income assets that are not government guaranteed represented 81% of the fixed income assets.

The System's policy for credit risk is based on the concept of a risk budget rather than specific limitations related to the rating of an individual security. The System's risk budget is allocated among the different investment strategies. The System's fixed income portfolio credit quality and exposure levels as of June 30, 2015, are summarized in Figure 2.17. Credit risk for derivative instruments held by the System results from counterparty risk assumed by the System. This is essentially the risk that the borrower will be unable to meet its obligation. Information regarding the System's credit risk related to derivatives is provided in Note 5.B.7. Policies related to credit risk pertaining to the System's securities lending program are provided in Note 5.B.5.

FIGURE 2.17: CREDIT QUALITY AND EXPOSURE LEVELS OF NONGOVERNMENT GUARANTEED SECURITIES

AS OF JUNE 30, 2015 (EXPRESSED IN THOUSANDS)

Credit Rating Level	Agencies	Municipal Securities	Asset-Backed Securities	Collateralized Mortgage Obligations	Commercial Mortgages	Corporate and Other Bonds	Repurchase Agreements	Fixed-Income Commingled Funds	Cash and Cash Equivalents
U.S. Government Agencies, Short-Term and Not Rated Debt:									
U.S. Government Agencies:									
FHLB:									
A2	$ 509	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Aaa	29,855	–	–	–	–	–	–	–	–
FHLMC:									
Aaa	960,352	–	–	94,670	56,493	–	–	–	–
FNMA:									
Aaa	1,791,161	–	–	92,044	12,697	–	–	–	–
Short-Term:									
Aaa-m	–	–	–	–	–	–	–	–	238,998
P-1	–	–	–	–	–	194,151	–	–	487,303
P-2	–	–	–	–	–	105,237	–	–	619,651
Not Rated	48,832	6,445	62,944	32,922	31,056	2,241,380	238,100	256	286,820
Long-Term Debt:									
Aaa	59,896	22,153	130,006	16,336	285,288	311,642	–	–	–
Aa1	–	37,763	–	–	–	144,708	–	–	–
Aa2	–	57,446	–	–	–	129,507	–	–	–
Aa3	–	38,404	–	–	–	246,035	–	–	–
A1	–	–	–	–	–	362,037	–	117,728	81,000
A2	–	–	–	–	–	604,548	–	–	–
A3	–	–	–	–	–	969,332	–	–	–
Baa1	–	–	–	19	–	1,049,019	–	538,026	–
Baa2	–	–	1,851	–	–	1,141,465	–	–	–
Baa3	–	–	1,108	–	–	795,618	–	–	–
Ba1	–	–	2,864	–	1,337	411,878	–	89,000	–
Ba2	–	–	4,144	–	–	321,994	–	–	–
Ba3	–	–	4,759	329	302	409,272	–	–	–
B1	–	–	13,087	2,517	–	582,753	–	–	–
B2	–	–	9,373	536	4,692	323,451	–	–	–
B3	–	171	9,386	726	4,142	352,743	–	–	–
Caa1	–	–	4,974	487	–	137,426	–	–	–
Caa2	–	–	9,790	23,948	–	52,899	–	–	–
Caa3	–	–	26,418	30,129	–	21,262	–	–	–
Ca	–	–	57,210	33,757	–	11,261	–	–	–
C	–	–	10,212	–	–	169	–	–	–
Total	**$2,890,605**	**$ 162,382**	**$ 348,126**	**$ 328,420**	**$ 396,007**	**$10,919,787**	**$ 238,100**	**$ 745,010**	**$1,758,772**

VRS used Moody's ratings for this presentation.

- Concentration of Credit Risk. This is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue. The System's investment guidelines for each specific portfolio limits investments in any corporate entity to no more that 5.00% of the market value of the account for both the internally and externally managed portfolios. The System has no investments in any commercial or industrial organization whose market value equals 5.00% or more of the System's net fiduciary position.
- Custodial Credit Risk. This is the risk that in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The System's market value of securities that were uninsured and held by a counterparty at June 30, 2015 and 2014, are presented in Figure 2.18.

FIGURE 2.18: CUSTODIAL CREDIT RISK

AT JUNE 30	(EXPRESSED IN THOUSANDS) 2015	2014
U.S. Government and Agency Mortgage Securities	$ 99,849	$ 33,502
Held by Broker-Dealer Under Securities Lending Program:		
U.S. Government and Agency Mortgage Securities	392,627	112,486
Corporate and Other Bonds	–	–
Common and Preferred Stocks	1,561,818	2,285,170
Total	**$2,054,294**	**$3,007,442**

4. Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The System's currency risk exposures, or exchange rate risk, primarily exist in the international and global equity investment holdings. From time to time, the System's external managers may hedge their portfolios' foreign currency exposures with currency-forward contracts, depending on their views about a specific foreign currency relative to the U.S. dollar. The System's exposure to foreign currency risk as of June 30, 2015, is highlighted in Figure 2.19.

FIGURE 2.19: CURRENCY EXPOSURES BY ASSET CLASS

AS OF JUNE 30, 2015

(EXPRESSED IN THOUSANDS)

Currency	Cash and Cash Equivalents	Equity	Fixed Income	Private Equity	Real Assets	International Funds	Total
Euro Currency Unit	$ 23,251	$ 1,232,524	$ (55,109)	$ 738,777	$ 59,682	$ –	$ 1,999,125
Japanese Yen	22,437	1,147,646	(1,216)	–	498	–	1,169,365
Hong Kong Dollar	2,217	673,022	(2,281)	–	4,939	–	677,897
British Pound Sterling	4,238	628,205	(316)	–	(184,953)	–	447,174
South Korean Won	1,467	395,561	(23,077)	–	–	–	373,951
Australian Dollar	1,494	390,771	(1,981)	–	(35,999)	–	354,285
Swiss Franc	4,498	302,137	7	–	1,084	–	307,726
Canadian Dollar	1,076	251,298	441	–	23,330	–	276,145
New Taiwan Dollar	3,441	255,486	–	–	–	–	258,927
U.S. Dollar	–	–	–	–	–	251,608	251,608
Brazil Real	1,743	179,751	32,295	–	–	–	213,789
South African Rand	886	168,480	44,268	–	–	–	213,634
New Turkish Lira	473	100,564	46,206	–	–	–	147,243
Norwegian Krone	717	144,307	–	–	(1,073)	–	143,951
Indian Rupee	292	87,734	35,390	–	–	–	123,416
Mexican Peso	1,238	48,886	69,970	–	810	–	120,904
Thailand Baht	404	88,130	23,901	–	–	–	112,435
Swedish Krona	109	99,552	–	–	–	–	99,661
Malaysian Ringgit	581	56,753	39,225	–	–	–	96,559
Indonesian Rupiah	1,011	57,564	37,398	–	–	–	95,973
Polish Zloty	1,204	25,038	44,933	–	–	–	71,175
Danish Krone	99	68,739	–	–	(406)	–	68,432
Chilean Peso	436	38,905	319	–	–	–	39,660
Philippines Peso	148	18,902	9,935	–	–	–	28,985
Colombian Peso	700	297	22,549	–	–	–	23,546
Russian Ruble (New)	241	2,758	15,234	–	–	–	18,233
Hungarian Forint	257	7,012	7,418	–	–	–	14,687
Turkish Lira	7,189	–	–	–	–	–	7,189
Egyptian Pound	105	6,561	–	–	–	–	6,666
Peruvian Nuevo Sol	–	9	6,411	–	–	–	6,420
Nigerian Naira	285	–	4,153	–	–	–	4,438
Romanian Leu	140	–	4,051	–	–	–	4,191
Qatari Riyal	–	1,330	–	–	–	–	1,330
UAE Dirham	–	945	–	–	–	–	945
Israeli Shekel	786	558	(525)	–	–	–	819
Czech Koruna	4	488	–	–	–	–	492
Chinese Yuan Renminbi	1	–	–	–	–	–	1
Moroccan Dirham	1	–	–	–	–	–	1
Singapore Dollar	1,774	(66,163)	(19,667)	–	–	–	(84,056)
New Zealand Dollar	342	(110,004)	260	–	–	–	(109,402)
Total	**$ 85,285**	**$ 6,303,746**	**$ 340,192**	**$ 738,777**	**$ (132,088)**	**$ 251,608**	**$ 7,587,520**

5. Securities Lending. Under authorization of the Board, the System lends its fixed income and equity securities to various broker-dealers on a temporary basis. This program is administered through an agreement with the System's custodial agent bank. All security loan agreements are collateralized by cash, securities or an irrevocable letter of credit issued by a major bank, and have a market value equal to at least 102% of the market value for domestic securities and 105% for international securities. Securities received as collateral cannot be pledged or sold by the System unless the borrower defaults. Contracts require the lending agents to indemnify the System if the borrowers fail to return the securities lent and related distributions and if the collateral is inadequate to replace the securities lent. All securities loans can be terminated on demand by either the System or the borrowers. The majority of loans are open loans, meaning the rebate is set daily. This results in a maturity of one or two days on average, although securities are often on loan for longer periods. The maturity of loans generally does not match the maturity of collateral investments, which averages 26 days. At year-end, the System had no credit risk exposure to borrowers because the amounts it owes the borrowers exceeded the amounts the borrowers owe the System. All securities are marked to market daily and carried at market value.

The market value of securities on loan at June 30, 2015 and 2014, was $7,483,719,000 and $9,233,730,000, respectively. The June 30, 2015 and 2014, balances were composed of U.S. government and agency securities of $3,074,206,000 and $3,342,276,000, respectively; corporate and other bonds of $254,079,000 and $374,137,000, respectively; and common and preferred stocks of $4,155,434,000 and $5,517,317,000, respectively.

The value of collateral (cash and non-cash) at June 30, 2015 and 2014, was $8,002,941,000 and $9,734,260,000, respectively. Securities on loan are included with investments on the statement of plan net position. The invested cash collateral is included in the statement of plan net position as an asset and corresponding liability.

At June 30, 2015, the invested cash collateral had a market value of $3,378,240,000 and was composed of commercial paper of $375,794,000, certificates of deposit of $323,022,000, floating rate notes of $2,103,576,000, asset-backed securities of $186,000, mutual and money market funds of $190,181,000 and repurchase agreements of $385,481,000.

6. Accounts Receivable/Accounts Payable for Security Transactions. In addition to unsettled purchases and sales, accounts receivable and accounts payable for security transactions at June 30, 2015 and 2014, included (1) receivables for deposits with brokers for securities sold short of $551,183,000 and $560,665,000, respectively; and (2) payables for securities sold short and not covered with market values of $478,337,000 and $518,516,000 respectively.

7. Derivative Financial Instruments. Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates or financial indexes. They include futures, forwards, options and swap contracts. Some traditional securities, such as structured notes, can have derivative-like characteristics. In this case, the return may be linked to one or more indexes and asset-backed securities, such as collateralized mortgage obligations (CMOs), which are sensitive to changes in interest rates and pre-payments. Futures, forwards, options and swaps generally are not recorded on the financial statements, whereas structured notes and asset-backed investments generally are recorded.

The System is a party, directly and indirectly, to various derivative financial investments that may or may not appear on the financial statements and that are used in the normal course of business to enhance returns on investments and manage risk exposure to changes in value resulting from fluctuations in market conditions. These investments may involve, to varying degrees, elements of credit and market risk in excess of amounts recognized on the financial statements.

At June 30, 2015, the System had four types of derivative financial instruments: futures, currency forwards, options and swaps. Futures, currency forwards and options contracts provide the System with the opportunity to build passive benchmark positions, manage portfolio duration in relation to various benchmarks, adjust portfolio yield curve exposure and gain market exposure to various indexes in a more efficient way and at lower transaction costs. Credit risks depend on whether the contracts are exchange-traded or exercised over-the-counter. Market risks arise from adverse changes in market prices, interest rates and foreign exchange rates.

8. Futures. Futures contracts are contracts to deliver or receive securities at a specified future date and at a specified price or yield. Futures contracts are traded on organized exchanges (exchange-traded) and require an initial margin (collateral) in the form of cash or marketable securities. The net change in the futures contract value is settled daily, in cash, with the exchanges. The net gains or losses resulting from the daily settlements are included in the System's financial statements. Holders of futures contracts look to the exchange for performance under the contract and not to the entity holding the offsetting futures position. Accordingly, the amount at risk posed by nonperformance of counterparties to futures contracts is minimal. The notional value of the System's investment in futures contracts at June 30, 2015 and 2014, is shown in Figure 2.20.

FIGURE 2.20: FUTURES

AT JUNE 30	(EXPRESSED IN THOUSANDS)	
	2015	2014
	Notional Value	
Cash and Cash Equivalent Derivatives Futures:		
Long	$ –	$ 77,225
Short	(183,747)	–
Equity Derivatives Futures:		
Long	827,881	61,465
Short	–	(4,295)
Fixed Income Derivatives Futures:		
Long	89,556	12,201
Short	(606,020)	(197,647)
Total Futures	**$ 127,670**	**$ (51,051)**

9. Currency Forwards. Currency forwards represent foreign exchange contracts and are used by the System to effect settlements and to protect the base currency ($US) value of portfolio assets denominated in foreign currencies against fluctuations in the exchange rates of those currencies. A forward foreign currency exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated price. The credit risk of currency contracts that are exchange-traded lies with the clearinghouse of the exchange where the contracts are traded. The credit risk of currency contracts traded over the counter lies with the counterparty, and exposure usually is equal to the unrealized profit on in-the-money contracts. The market risk in foreign currency contracts is related to adverse movements in currency exchange rates. Information on the System's currency forwards contracts at June 30, 2015 and 2014, is shown in Figure 2.21.

FIGURE 2.21: CURRENCY FORWARDS

AT JUNE 30 (EXPRESSED IN THOUSANDS)

Currency	Cost	Pending Foreign Exchange Purchases	Pending Foreign Exchange Sales	Fair Value 2015	Fair Value 2014
Australian Dollar	$ (222,668)	$ 227,230	$ (449,717)	$ (222,487)	$ (314,166)
Brazil Real	(57,621)	1,468	(58,995)	(57,527)	(51,138)
British Pound Sterling	(1,041,765)	208,787	(1,259,334)	(1,050,547)	(951,315)
Canadian Dollar	(568,352)	119,984	(686,261)	(566,277)	(446,996)
Chilean Peso	332	1,942	(1,623)	319	2,632
Chinese Yuan Renminbi	–	–	–	–	12
Colombian Peso	(7,933)	3,438	(11,252)	(7,814)	(5,860)
Danish Krone	(94,713)	29,693	(124,012)	(94,319)	(95,551)
Euro Currency Unit	(1,040,144)	406,950	(1,444,842)	(1,037,892)	(1,401,501)
Hong Kong Dollar	(166,459)	18,780	(185,240)	(166,460)	(211,954)
Hungarian Forint	1,138	7,201	(6,118)	1,083	(4,298)
Indian Rupee	19,274	24,289	(4,812)	19,477	7,245
Indonesian Rupiah	1,056	2,640	(1,583)	1,057	784
Israeli Shekel	(69,241)	2,640	(72,089)	(69,449)	(63,912)
Japanese Yen	(1,047,916)	267,131	(1,319,534)	(1,052,403)	(601,319)
Malaysian Ringgit	15,965	16,582	(742)	15,840	10,721
Mexican Peso	11,126	19,371	(8,633)	10,738	14,488
New Turkish Lira	4,437	11,827	(7,181)	4,646	6,181
New Zealand Dollar	(131,860)	75,524	(202,775)	(127,251)	(22,593)
Norwegian Krone	70,018	202,728	(134,300)	68,428	77,181
Peruvian Nuevo Sol	2,345	3,494	(1,149)	2,345	(727)
Philippines Peso	8,823	8,874	(141)	8,733	(605)
Polish Zloty	7,460	10,044	(2,766)	7,278	11,275
Romanian Leu	(1,599)	1,451	(3,081)	(1,630)	(50)
Russian Ruble (New)	(6,358)	2,983	(8,964)	(5,981)	394
Singapore Dollar	(253,653)	87,127	(340,189)	(253,062)	(191,259)
South African Rand	(2,163)	14,727	(16,808)	(2,081)	(11,809)
South Korean Won	(23,121)	268	(23,345)	(23,077)	2,784
Swedish Krona	(157,625)	79,347	(237,633)	(158,286)	(329,656)
Swiss Franc	(293,533)	162,102	(455,104)	(293,002)	(611,653)
Thailand Baht	7,465	7,924	(498)	7,426	4,585
U.S. Dollar	5,037,287	7,041,074	(2,003,787)	5,037,287	5,162,660
Total Forwards Subject to Foreign Currency Risk				**$ (4,888)**	**$ (15,420)**

10. Options. Options may be either exchange-traded or negotiated directly between two counterparties over the counter. Options grant the holder the right, but not the obligation, to purchase (call) or sell (put) a financial instrument at a specified price and within a specified period of time from the writer of the option. As a purchaser of options, the System typically pays a premium at the outset. This premium is reflected as an asset on the financial statements. The System then retains the right, but not the obligation, to exercise the options and purchase the underlying financial instrument. Should the option not be exercised, it expires worthless, and the premium is recorded as a loss.

A writer of options assumes the obligation to deliver or receive the underlying financial instrument on exercise of the option. Certain option contracts may involve cash settlements based on specified indexes such as stock indexes. As a writer of options, the System receives a premium at the outset. This premium is reflected as a liability on the financial statements, and the System bears the risk of an unfavorable change in the price of the financial instrument underlying the option. The notional value of the System's options balances at June 30, 2015 and 2014, is shown in Figure 2.22.

FIGURE 2.22: OPTIONS

AT JUNE 30	(EXPRESSED IN THOUSANDS)	
	2015	2014
	Notional Value	
Cash and Cash Equivalent Options:		
Call	$ (3)	$ (117)
Put	14	(23)
Equity Options:		
Call	–	–
Put	–	–
Fixed Income Options:		
Call	(12)	–
Put	(37)	–
Swaptions:		
Call	(12)	(110)
Put	(51)	(53)
Total Options:	**$ (101)**	**$ (303)**

11. Swap Agreements. Swaps are negotiated contracts between two counterparties for the exchange of payments at certain intervals over a predetermined timeframe. The payments are based on a notional principal amount and calculated using either fixed or floating interest rates or total returns from certain instruments or indexes. Swaps are used to manage risk and enhance returns. To reduce the risk of counterparty nonperformance, the System generally requires collateral on any material gains from these transactions. During fiscal year 2015, the System had activity in credit defaults, interest rate and total return swaps. Information on the System's swap balances at June 30, 2015 and 2014, is shown in Figure 2.23.

FIGURE 2.23: SWAPS

AS OF JUNE 30

Counterparty	Notional Amount	VRS Rate	Counterparty Rate
Credit Default Swaps:			
Barclays Bank PLC	$ 3,900		
Barclays Bank PLC	3,700		
Barclays Bank PLC	3,450		
Barclays Bank PLC	3,400		
Barclays Bank PLC	2,600		
Barclays Bank PLC	1,800		
Barclays Bank PLC	1,800		
Barclays Bank PLC	800		
Barclays Bank PLC	700		
Barclays Bank PLC	600		
Barclays Bank PLC	4,381		
Barclays Bank PLC	1,400		
Barclays Bank PLC	1,369		
Barclays Bank PLC	1,100		
Barclays Bank PLC	1,000		
Barclays Bank PLC	958		
Barclays Bank PLC	548		
Barclays Bank PLC	200		
Credit Suisse Group AG	3,400		
Credit Suisse Group AG	1,300		
Credit Suisse Group AG	800		
Credit Suisse Group AG	225		
Credit Suisse Group AG	200		
Credit Suisse Group AG	150		
Credit Suisse Group AG	6,250		
Credit Suisse Group AG	1,000		
Credit Suisse Group AG	500		
Deutsche Bank AG	8,875		
Deutsche Bank AG	5,300		
Deutsche Bank AG	2,900		
Deutsche Bank AG	2,600		
Deutsche Bank AG	1,400		
Deutsche Bank AG	1,200		
Deutsche Bank AG	800		
Deutsche Bank AG	700		
Deutsche Bank AG	400		
Deutsche Bank AG	400		
Deutsche Bank AG	6,000		
Deutsche Bank AG	3,000		
Deutsche Bank AG	3,000		
Deutsche Bank AG	2,300		
Deutsche Bank AG	1,600		
Deutsche Bank AG	1,500		
Deutsche Bank AG	1,100		
Deutsche Bank AG	1,100		
Deutsche Bank AG	700		
Deutsche Bank AG	700		

(EXPRESSED IN THOUSANDS)

Maturity Date	Buying/Selling Protection	Pay/Receive Rate	Fair Value 2015	Fair Value 2014
6/20/19	Selling	1.000%	$ 47	$ 75
12/20/18	Buying	1.000%	(64)	(63)
9/20/20	Selling	1.000%	(53)	–
6/20/19	Selling	1.000%	(57)	38
9/20/15	Selling	1.000%	(9)	2
12/20/18	Buying	1.000%	(33)	(28)
9/20/15	Selling	1.000%	(1)	(5)
9/20/15	Selling	1.000%	1	–
12/20/18	Buying	1.000%	(9)	(9)
6/20/19	Selling	1.000%	(4)	8
3/20/21	Selling	5.000%	–	536
6/20/15	Selling	1.000%	–	7
3/20/21	Selling	5.000%	–	180
12/20/18	Buying	1.000%	–	(18)
6/20/19	Selling	1.000%	–	(33)
6/20/19	Selling	5.000%	–	76
9/20/22	Selling	5.000%	–	68
3/20/19	Selling	1.000%	–	(6)
12/20/18	Buying	1.000%	(52)	(93)
6/20/20	Selling	5.000%	35	–
12/20/16	Selling	1.000%	8	14
12/20/15	Selling	5.000%	3	–
12/20/16	Selling	1.000%	2	2
12/20/16	Selling	5.000%	5	–
12/20/16	Buying	1.000%	–	(111)
12/20/18	Selling	1.000%	–	16
12/20/18	Buying	5.000%	–	(96)
6/20/19	Selling	1.000%	(421)	(341)
12/20/18	Selling	1.000%	24	64
6/20/19	Selling	1.000%	–	25
9/20/15	Selling	1.000%	(9)	2
9/20/15	Selling	1.000%	1	11
12/20/16	Selling	1.000%	12	21
9/20/15	Selling	1.000%	1	–
6/20/18	Selling	1.000%	(21)	(3)
3/20/20	Selling	1.000%	(4)	–
3/20/16	Selling	1.000%	–	–
12/20/18	Selling	1.000%	–	(63)
9/20/14	Selling	1.000%	–	–
9/20/14	Selling	1.000%	–	(2)
9/20/14	Selling	1.000%	–	2
3/20/21	Selling	5.000%	–	135
3/20/21	Selling	5.000%	–	125
12/20/18	Selling	1.000%	–	7
6/20/19	Buying	5.000%	–	(169)
12/20/18	Buying	5.000%	–	(134)
6/20/15	Selling	1.000%	–	5

FIGURE 2.23: SWAPS, cont.

AS OF JUNE 30

Counterparty	Notional Amount	VRS Rate	Counterparty Rate
Deutsche Bank AG	500		
Deutsche Bank AG	300		
Goldman Sachs Group Inc.	6,600		
Goldman Sachs Group Inc.	5,800		
Goldman Sachs Group Inc.	5,225		
Goldman Sachs Group Inc.	5,200		
Goldman Sachs Group Inc.	5,200		
Goldman Sachs Group Inc.	5,000		
Goldman Sachs Group Inc.	4,900		
Goldman Sachs Group Inc.	3,400		
Goldman Sachs Group Inc.	2,300		
Goldman Sachs Group Inc.	2,100		
Goldman Sachs Group Inc.	2,100		
Goldman Sachs Group Inc.	1,950		
Goldman Sachs Group Inc.	1,050		
Goldman Sachs Group Inc.	900		
Goldman Sachs Group Inc.	700		
Goldman Sachs Group Inc.	650		
Goldman Sachs Group Inc.	650		
Goldman Sachs Group Inc.	300		
Goldman Sachs Group Inc.	9,600		
Goldman Sachs Group Inc.	5,100		
Goldman Sachs Group Inc.	3,150		
Goldman Sachs Group Inc.	1,300		
Goldman Sachs Group Inc.	1,000		
Goldman Sachs Group Inc.	800		
Goldman Sachs Group Inc.	600		
Goldman Sachs Group Inc.	400		
Goldman Sachs Group Inc.	100		
HSBC Securities Inc.	5,300		
HSBC Securities Inc.	2,100		
HSBC Securities Inc.	1,500		
HSBC Securities Inc.	1,300		
HSBC Securities Inc.	1,100		
HSBC Securities Inc.	1,000		
HSBC Securities Inc.	900		
HSBC Securities Inc.	700		
HSBC Securities Inc.	400		
HSBC Securities Inc.	400		
HSBC Securities Inc.	200		
HSBC Securities Inc.	100		
HSBC Securities Inc.	6,000		
HSBC Securities Inc.	4,600		
HSBC Securities Inc.	1,900		
HSBC Securities Inc.	1,500		
HSBC Securities Inc.	1,400		
HSBC Securities Inc.	844		

(EXPRESSED IN THOUSANDS)

Maturity Date	Buying/Selling Protection	Pay/Receive Rate	Fair Value 2015	Fair Value 2014
9/20/14	Selling	1.000%	–	1
9/20/14	Buying	10.000%	–	1
6/20/19	Selling	1.000%	(110)	75
9/20/19	Selling	1.000%	(301)	–
3/20/20	Selling	5.000%	(37)	–
6/20/20	Selling	1.000%	(362)	–
9/20/15	Selling	1.000%	2	41
12/20/18	Selling	1.000%	(99)	30
6/20/20	Selling	5.000%	(67)	–
6/20/19	Selling	1.000%	(22)	46
3/20/19	Selling	5.000%	263	319
12/20/19	Selling	5.000%	83	–
12/20/19	Selling	1.000%	(258)	–
9/20/15	Selling	1.000%	(799)	–
12/20/20	Selling	1.000%	(33)	(60)
3/20/20	Buying	1.000%	88	–
3/20/16	Selling	1.000%	1	–
6/20/19	Buying	1.000%	(16)	(57)
6/20/20	Selling	5.000%	46	–
12/20/18	Selling	1.000%	(3)	4
9/20/14	Selling	1.000%	–	16
6/20/19	Selling	1.000%	–	20
12/20/16	Buying	1.000%	–	(58)
3/20/18	Selling	5.000%	–	(35)
3/20/21	Selling	5.000%	–	83
12/20/18	Buying	1.000%	–	(12)
3/20/15	Selling	1.000%	–	3
3/20/15	Selling	1.000%	–	(2)
9/20/18	Selling	5.000%	–	13
9/20/20	Selling	1.000%	(81)	–
3/20/20	Selling	1.000%	(21)	–
9/20/19	Selling	1.000%	(78)	–
9/20/15	Selling	1.000%	–	10
6/20/19	Selling	1.000%	(7)	15
6/20/19	Selling	1.000%	(17)	11
3/20/19	Selling	1.000%	(27)	(26)
6/20/18	Selling	1.000%	(21)	(3)
3/20/19	Selling	1.000%	(12)	(11)
6/20/19	Selling	1.000%	(11)	(33)
3/20/23	Selling	1.000%	(19)	(18)
3/20/23	Selling	1.000%	(10)	(9)
9/20/14	Selling	1.000%	–	5
9/20/14	Selling	1.000%	–	2
3/20/15	Selling	1.000%	–	10
3/20/19	Selling	1.000%	–	(44)
12/20/18	Selling	1.000%	–	23
6/20/19	Selling	1.000%	–	3

FIGURE 2.23: SWAPS, cont.

AS OF JUNE 30

Counterparty	Notional Amount	VRS Rate	Counterparty Rate
HSBC Securities Inc.	756		
Intercontinental Exchange Holdings	26,159		
Intercontinental Exchange Holdings	18,300		
Intercontinental Exchange Holdings	5,000		
Intercontinental Exchange Holdings	17,700		
Total – Credit Default Swaps	**$ 269,140**		
Interest Rate Swaps:			
Banque Nationale de Paris	$ 89,000	Brazil Cetip Interbank Deposit	13.50%
Barclays PLC	1,481	Brazil Cetip Interbank Deposit	13.78%
Barclays PLC	1,288	Brazil Cetip Interbank Deposit	12.36%
Barclays PLC	733	3-month Johannesburg (JIBAR)	8.00%
Barclays PLC	650	Mexico Interbank 28-day Index	5.00%
Barclays PLC	404	3-month Johannesburg (JIBAR)	7.50%
Barclays PLC	544	Brazil Cetip Interbank Deposit	10.63% CDI
Barclays PLC	136	Brazil Cetip Interbank Deposit	11.47%
BlackRock Inc.	786	Mexico Interbank 28-day Index	5.00%
Chicago Mercantile Exchange Inc.	183,813	3-month LIBOR	1.50%
Chicago Mercantile Exchange Inc.	140,213	3-month LIBOR	1.50%
Chicago Mercantile Exchange Inc.	12,813	6-month EURIBOR +100 bps	0.75%
Chicago Mercantile Exchange Inc.	10,397	3.00%	3-month LIBOR
Chicago Mercantile Exchange Inc.	8,300	1.30%	3-month LIBOR
Chicago Mercantile Exchange Inc.	7,400	2.00%	3-month LIBOR
Chicago Mercantile Exchange Inc.	6,290	Mexico Interbank 28-day Index	5.63%
Chicago Mercantile Exchange Inc.	5,209	1.00%	6-month LIBOR – Japanese Yen
Chicago Mercantile Exchange Inc.	4,246	2.00%	6-month LIBOR – British Pound
Chicago Mercantile Exchange Inc.	3,617	3.00%	6-month LIBOR – British Pound
Chicago Mercantile Exchange Inc.	1,785	Mexico Interbank 28-day Index	5.75%
Chicago Mercantile Exchange Inc.	1,651	Mexico Interbank 28-day Index + 100 bps	6.16%
Chicago Mercantile Exchange Inc.	1,553	1.00%	6-month LIBOR – Japanese Yen
Chicago Mercantile Exchange Inc.	1,262	Mexico Interbank 28-day Index	5.58%
Chicago Mercantile Exchange Inc.	1,114	6-month EURIBOR	0.75%
Chicago Mercantile Exchange Inc.	1,114	1.50%	6-month EURIBOR
Chicago Mercantile Exchange Inc.	196	0.50%	6-month LIBOR – Japanese Yen
Chicago Mercantile Exchange Inc.	134	Mexico Interbank 28-day Index + 100 bps	5.50%
Chicago Mercantile Exchange Inc.	49,000	2.00%	3-month LIBOR
Chicago Mercantile Exchange Inc.	37,400	3-month LIBOR	3.00%
Chicago Mercantile Exchange Inc.	8,010	2.00%	6-month EURIBOR
Chicago Mercantile Exchange Inc.	4,100	3.75%	3-month LIBOR
Chicago Mercantile Exchange Inc.	1,780	0.40%	3-month EURIBOR
Chicago Mercantile Exchange Inc.	1,369	6-month EURIBOR	1.50%
Credit Suisse Group AG	3,058	Brazil Cetip Interbank Deposit	12.23%
Deutsche Bank AG	13,907	Brazil Cetip Interbank Deposit	12.81%
Deutsche Bank AG	11,267	Brazil Cetip Interbank Deposit	13.90%
Deutsche Bank AG	6,664	10.91%	Brazil Cetip Interbank Deposit
Deutsche Bank AG	6,503	12.26%	Brazil Cetip Interbank Deposit
Deutsche Bank AG	4,603	Brazil Cetip Interbank Deposit	11.68%

(EXPRESSED IN THOUSANDS)

Maturity Date	Buying/Selling Protection	Pay/Receive Rate	Fair Value 2015	Fair Value 2014
6/20/19	Selling	1.000%	–	3
6/20/20	Selling	5.000%	1,633	–
6/20/20	Selling	1.000%	(1,685)	–
6/20/20	Selling	5.000%	346	–
6/20/19	Selling	5.000%	–	2,101
			$ (2,232)	**$ 2,712**
1/2/17			$ (155)	$ –
1/4/16			(2)	–
1/2/18			(17)	–
12/18/23			(8)	(9)
2/26/18			9	–
12/17/19			(2)	–
1/2/17			–	(5)
1/2/17			–	(1)
2/26/18			–	16
9/15/17			1,663	–
9/15/17			1,268	–
9/16/25			571	–
9/15/45			(72)	–
5/6/17			(12)	–
12/16/19			(56)	–
7/7/21			(16)	–
9/18/23			(208)	(210)
9/16/25			82	–
9/17/24			(274)	(56)
6/5/23			(41)	–
1/3/35			(168)	–
9/20/24			(10)	–
11/10/21			(13)	–
9/16/25			50	–
3/16/46			68	–
9/17/21			(2)	–
2/22/23			(5)	–
6/18/19			–	(742)
6/18/24			–	1,314
9/17/24			–	(388)
6/18/44			–	(361)
3/14/15			–	(3)
3/19/19			–	56
1/4/21			(5)	–
1/4/21			148	–
1/2/17			(2)	–
1/2/17			202	–
1/2/17			45	–
1/4/21			(97)	–

FIGURE 2.23: SWAPS, cont.

AS OF JUNE 30

Counterparty	Notional Amount	VRS Rate	Counterparty Rate
Deutsche Bank AG	1,550	Colombia IBR Overnight Interbank	5.29%
Deutsche Bank AG	1,497	Brazil Cetip Interbank Deposit	12.85%
Deutsche Bank AG	1,299	Klibor Interbank Offered Rate	3.335%
Deutsche Bank AG	1,217	Mexico Interbank 28-day Index	5.00%
Deutsche Bank AG	915	Colombia IBR Overnight Interbank	6.12%
Deutsche Bank AG	701	5.25%	Mexican Interbank Equilibrium
Deutsche Bank AG	415	Brazil Cetip Interbank Deposit	12.36%
Deutsche Bank AG	338	6-month LIBOR-Thai Baht	2.58%
Deutsche Bank AG	231	Colombia IBR Overnight Interbank	5.32%
Deutsche Bank AG	148	6-month LIBOR-Thai Baht	3.41%
Deutsche Bank AG	148	6-month LIBOR-Thai Baht	3.41%
Deutsche Bank AG	59	6-month LIBOR-Thai Baht	3.39%
Deutsche Bank AG	30	6-month LIBOR-Thai Baht	3.37%
Deutsche Bank AG	18	6-month LIBOR-Thai Baht	2.18%
Deutsche Bank AG	1,406	Brazil Cetip Interbank Deposit	10.63%
Goldman Sachs Group Inc.	4,058	3-month New Zealand Bank Bill	5.00%
Goldman Sachs Group Inc.	404	3-month Johannesburg (JIBAR)	7.50%
HSBC Securities Inc.	15,870	13.82%	Brazil Cetip Interbank Deposit
HSBC Securities Inc.	6,535	13.90%	Brazil Cetip Interbank Deposit
HSBC Securities Inc.	4,893	12.23%	Brazil Cetip Interbank Deposit
HSBC Securities Inc.	2,189	Brazil Cetip Interbank Deposit	13.77%
HSBC Securities Inc.	585	3-month Johannesburg (JIBAR)	7.50%
HSBC Securities Inc.	579	Brazil Cetip Interbank Deposit	12.80%
HSBC Securities Inc.	483	Brazil Cetip Interbank Deposit	11.50%
HSBC Securities Inc.	477	6-month LIBOR-Thai Baht	2.51%
HSBC Securities Inc.	442	Colombia IBR Overnight Interbank	6.20%
HSBC Securities Inc.	382	Mexico Interbank 28-day Index	5.50%
HSBC Securities Inc.	290	Brazil Cetip Interbank Deposit	12.06%
HSBC Securities Inc.	186	6-month Warsaw Interbank	2.75%
HSBC Securities Inc.	150	6.42%	Colombia IBR Overnight Interbank
HSBC Securities Inc.	110	6-month LIBOR-Thai Baht	2.12%
HSBC Securities Inc.	2,158	Mexico Interbank 28-day Index	5.75%
UBS AG	11,106	Brazil Cetip Interbank Deposit	12.56%
UBS AG	8,853	10.91%	Brazil Cetip Interbank Deposit
UBS AG	3,509	11.68%	Brazil Cetip Interbank Deposit
UBS AG	2,801	Brazil Cetip Interbank Deposit	11.61%
UBS AG	1,370	Mexico Interbank 28-day Index	5.63%
UBS AG	966	Brazil Cetip Interbank Deposit	9.13%
UBS AG	191	5.25%	Mexican Interbank Equilibrium
UBS AG	6,577	Brazil Cetip Interbank Deposit	12.36%
UBS AG	11,169	Mexico Interbank 28-day Index	5.63%
Total – Interest Rate Swaps	**$ 730,095**		

Total Return Swaps: *(on following pages)*

(EXPRESSED IN THOUSANDS)

Maturity Date	Buying/Selling Protection	Pay/Receive Rate	Fair Value 2015	Fair Value 2014
8/29/19			10	–
4/1/21			34	–
4/19/18			(13)	(30)
10/10/19			(6)	–
10/16/24			(6)	–
9/6/19			4	8
1/2/18			(6)	–
1/29/25			(5)	–
3/17/20			1	–
1/15/21			9	2
1/21/21			9	(2)
11/19/18			3	1
11/14/18			1	1
1/29/20			–	–
1/2/17			–	(13)
12/17/24			360	–
12/17/19			(2)	–
1/2/17			12	–
1/6/17			(1)	–
1/4/21			(8)	–
4/1/16			(7)	–
12/17/24			(29)	–
1/4/21			6	–
1/4/21			(14)	–
1/28/25			(10)	–
3/21/24			3	4
2/22/23			(13)	(19)
1/4/21			(2)	13
12/17/24			(3)	–
7/2/25			(1)	–
1/28/20			2	–
6/5/23			–	(32)
1/4/21			125	326
1/2/17			268	–
1/4/21			74	–
1/2/18			(83)	–
10/11/21			(9)	–
1/2/17			(66)	(48)
9/6/19			1	2
1/2/18			(88)	–
10/11/21			–	433
			$ 3,491	**$ 257**

FIGURE 2.23: SWAPS, cont.

AS OF JUNE 30

Counterparty	Notional Amount	VRS Rate	Counterparty Rate
Goldman Sachs Group Inc.	186,653	3-month LIBOR + 42 bps	MSCI ACWI
Goldman Sachs Group Inc.	226,219	3-month LIBOR + 42 bps	MSCI ACWI
Goldman Sachs Group Inc.	150,616	3-month LIBOR + 42 bps	MSCI ACWI IMI
Goldman Sachs Group Inc.	150,120	3-month LIBOR + 42 bps	MSCI ACWI IMI
Goldman Sachs Group Inc.	142,767	3-month LIBOR + 42 bps	MSCI Daily Small Cap
Goldman Sachs Group Inc.	32,278	3-month LIBOR	Kuraray Co. Ltd.
Goldman Sachs Group Inc.	5,533	3-month LIBOR	Shionogi Co. Ltd.
Goldman Sachs Group Inc.	5,321	3-month LIBOR	MSAD Insurance Group
Goldman Sachs Group Inc.	5,085	3-month LIBOR	Canon Inc.
Goldman Sachs Group Inc.	4,684	3-month LIBOR	Itochu Corp.
Goldman Sachs Group Inc.	4,638	3-month LIBOR	Trend Micro Inc.
Goldman Sachs Group Inc.	4,582	3-month LIBOR	Takeda Pharmaceutical
Goldman Sachs Group Inc.	4,491	3-month LIBOR	Daiichi Sankyo Co.
Goldman Sachs Group Inc.	4,428	3-month LIBOR	Dai Nippon Printing
Goldman Sachs Group Inc.	4,409	3-month LIBOR	Asahi Glass Co. Ltd.
Goldman Sachs Group Inc.	4,325	3-month LIBOR	Eisai Co. Ltd.
Goldman Sachs Group Inc.	4,166	3-month LIBOR	Mitsui Co. Ltd.
Goldman Sachs Group Inc.	4,166	3-month LIBOR	NKSJ Holdings Inc.
Goldman Sachs Group Inc.	4,164	3-month LIBOR	Sumitomo Corp.
Goldman Sachs Group Inc.	4,031	3-month LIBOR	Shiseido Co. Ltd.
Goldman Sachs Group Inc.	3,878	3-month LIBOR	Mitsubishi Corp.
Goldman Sachs Group Inc.	3,795	3-month LIBOR	Fast Retailing Co. Ltd.
Goldman Sachs Group Inc.	3,703	3-month LIBOR	Sharp Corp.
Goldman Sachs Group Inc.	3,001	3-month LIBOR	Nippon Telegraph
Goldman Sachs Group Inc.	2,746	3-month LIBOR	Marubeni Corp.
Goldman Sachs Group Inc.	2,741	3-month LIBOR	JX Holdings Inc.
Goldman Sachs Group Inc.	2,676	3-month LIBOR	Alps Electric Co. Ltd.
Goldman Sachs Group Inc.	2,290	3-month LIBOR	Sumitomo Mitsui Trust
Goldman Sachs Group Inc.	2,274	3-month LIBOR	Nippon Electric Glass
Goldman Sachs Group Inc.	2,241	3-month LIBOR	Sumitomo Mitsui Financial
Goldman Sachs Group Inc.	2,211	3-month LIBOR	Showa Shell Sekiyu
Goldman Sachs Group Inc.	2,013	3-month LIBOR	Oji Paper Co. Ltd.
Goldman Sachs Group Inc.	1,905	3-month LIBOR	Sumitomo Chemical Co.
Goldman Sachs Group Inc.	1,693	3-month LIBOR	NTN Corp.
Goldman Sachs Group Inc.	1,634	3-month LIBOR	Aozora Bank Ltd.
Goldman Sachs Group Inc.	1,409	3-month LIBOR	Denki Kagaku Kogyo
Goldman Sachs Group Inc.	1,075	3-month LIBOR	Mizuho Financial Group
Goldman Sachs Group Inc.	1,054	3-month LIBOR	NTT Docomo Inc.
Goldman Sachs Group Inc.	908	3-month LIBOR	Mitsui Engineering & Shipbuilding
Goldman Sachs Group Inc.	799	3-month LIBOR	Chubu Electric Power
Goldman Sachs Group Inc.	790	3-month LIBOR	Toyobo Co. Ltd.
Goldman Sachs Group Inc.	753	3-month LIBOR	Kansai Electric Power
Goldman Sachs Group Inc.	513	3-month LIBOR	Nippon Suisan Kaisha
Goldman Sachs Group Inc.	2	3-month LIBOR + 42 bps	MSCI ACWI
Total – Total Return Swaps	**$ 998,780**		
Total Swaps	**$ 1,998,015**		

(EXPRESSED IN THOUSANDS)

Maturity Date	Buying/Selling Protection	Pay/Receive Rate	Fair Value 2015	Fair Value 2014
7/16/15			$ (5,306)	$ –
7/16/15			(6,430)	–
7/16/15			(4,281)	–
7/16/15			(2,832)	–
8/20/14			–	11,702
8/20/14			–	(471)
8/20/14			–	(727)
8/20/14			–	(193)
8/20/14			–	65
8/20/14			–	(555)
8/20/14			–	(253)
8/20/14			–	(210)
8/20/14			–	(500)
8/20/14			–	(375)
8/20/14			–	(240)
8/20/14			–	(159)
8/20/14			–	(319)
8/20/14			–	(142)
8/20/14			–	(256)
8/20/14			–	(392)
8/20/14			–	(282)
8/20/14			–	(1,577)
8/20/14			–	(391)
8/20/14			–	(351)
8/20/14			–	(250)
8/20/14			–	(197)
8/20/14			–	(724)
8/20/14			–	(272)
8/20/14			–	(410)
8/20/14			–	(224)
8/20/14			–	(384)
8/20/14			–	10
8/20/14			–	(66)
8/20/14			–	(495)
8/20/14			–	(174)
8/20/14			–	(127)
8/20/14			–	(55)
8/20/14			–	(57)
8/20/14			–	(212)
8/20/14			–	(55)
8/20/14			–	(64)
8/20/14			–	(8)
8/20/14			–	(137)
9/24/2014			–	–
			$ (18,849)	**$ 473**
			$ (17,590)	**$ 3,442**

12. Asset Allocation. The long-term expected rate of return on the System's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 allocations are based on the Strategic Asset Allocation Implementation Schedule and Allowable Ranges document, which was approved by the VRS Board of Trustees on June 20, 2013. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation for fiscal year 2015 are summarized in Figure 2.24.

FIGURE 2.24: ASSET ALLOCATION

FOR THE YEAR ENDED JUNE 30, 2015

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	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%

** The above allocation provides a one-year expected return of 8.33%. 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 pension system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.44%, including expected inflation of 2.50%.*

6. Capital Assets

The System's non-depreciable and depreciable capital assets for the year ended June 30, 2015, and the changes by category from the prior fiscal year-end are presented in Figure 2.25.

FIGURE 2.25: PROPERTY, PLANT, FURNITURE, EQUIPMENT AND INTANGIBLE ASSETS

FOR THE YEAR ENDED JUNE 30, 2015 (EXPRESSED IN THOUSANDS)

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
Non-Depreciable Capital Assets:				
Land	$ 1,368	$ –	$ –	$ 1,368
Construction in progress	534	4,262	–	4,796
Total Non-Depreciable Capital Assets	**1,902**	**4,262**	**–**	**6,164**
Depreciable Capital and Intangible Assets:				
Building	4,632	–	–	4,632
Furniture and Equipment	6,139	327	–	6,466
Intangible Assets	31,015	–	–	31,015
Total Depreciable Capital Assets	**41,786**	**327**	**–**	**42,113**
Less Accumulated Depreciation:				
Building	1,852	116	–	1,968
Furniture and Equipment	4,566	548	–	5,114
Intangible Assets	6,843	4,463	–	11,306
Total Accumulated Depreciation	**13,261**	**5,127**	**–**	**18,388**
Total Depreciable Capital Assets – Net	**28,525**	**(4,800)**	**–**	**23,725**
Total Net Capital Assets	**$ 30,427**	**$ (538)**	**$ –**	**$ 29,889**

Depreciation expense amounted to $5,127,000 and $5,022,000 in 2015 and 2014, respectively.

7. Operating Leases

The System has commitments under various operating leases for office space and parking. In general, the leases are for a 10-year term. In most cases, the System expects that in the normal course of business, these leases will be replaced by similar leases. Total rental expense for the year ended June 30, 2015, was $2,574,000. The System's total future minimum rental payments as of June 30, 2015, are presented in Figure 2.26.

FIGURE 2.26: OPERATING LEASES – FUTURE PAYMENTS

AT JUNE 30, 2015 (EXPRESSED IN THOUSANDS)

Year	Amount
2016	$ 1,308
2017	1,303
2018	1,259
2019	1,301
2020	1,342
2021-2024	5,783
Total Future Minimum Rental Payments	**$12,296**

8. System Employee Benefit Plan Obligations

All full-time permanent, salaried employees of the System are employees of the Commonwealth of Virginia and included in the Commonwealth's participation as an employer in VRS. The Commonwealth, not the System, has overall responsibility for contributions to the VRS pension trust fund as well as other employee benefit and post-employment benefit trust funds for System employees. The state's pension contribution requirement for general employees was 12.33% for the fiscal year ended June 30, 2015, and 8.76% for the fiscal year ended June 30, 2014.

There were approximately 52,521 state retirees, including System retirees, at June 30, 2015. Note 2.B provides information on the state's contribution toward funding the defined benefit plan for state employees for fiscal year 2015 and fiscal year 2014. The System's contribution requirement for its employees for fiscal year 2015 and fiscal year 2014 was $3,064,000 and $2,178,000, respectively.

The System's financial obligations for other employee benefit and post-employment benefit plans were as follows:

- The state's contribution requirement for the Group Life Insurance Program for the years ended June 30, 2015, and June 30, 2014, was 1.19% of covered payroll. There were approximately 89,889 active state employees and 49,877 state retirees, including System employees and retirees, eligible for group life insurance coverage at June 30, 2015. The System's contribution requirement for its employees and retirees for fiscal year 2015 and fiscal year 2014 was $301,000 and $296,000, respectively.
- The state's contribution requirement for the Retiree Health Insurance Credit Program for the years ended June 30, 2015, and June 30, 2014, was 1.05% and 1.00% of covered payroll, respectively. There were approximately 42,491 state retirees, including System retirees, receiving the health insurance credit at June 30, 2015. The System's contribution requirement for its employees for fiscal year 2015 and fiscal year 2014 was $265,000 and $249,000, respectively.
- The state's contribution requirement for the Virginia Sickness and Disability Program (VSDP) for the years ended June 30, 2015, and June 30, 2014, was 0.66% and 0.47% of covered payroll, respectively. There were approximately 73,986 state employees, including System employees, enrolled in VSDP at June 30, 2015. The System's contribution requirement for its employees for fiscal year 2015 and fiscal year 2014 was $161,000 and $112,000, respectively. Information regarding the Commonwealth's funding progress is presented in the Commonwealth's Comprehensive Annual

Financial Report. Information about the pension plans is provided in Note 2; information about other employee and post-employment benefit plans is provided in Note 3.

9. Litigation

The System, including its Board of Trustees, officers and employees, is a defendant in claims and lawsuits that are pending, are in progress or have been settled since June 30, 2015. The Attorney General and outside counsel have reviewed the status of these claims, lawsuits and the System's potential liability arising from them. Based on their review, it is the opinion of management that such liability, if any, would have no material adverse effect on the System's financial condition.

10. Risk Management

To cover its exposure to various risks of loss, the System, as an independent agency of the Commonwealth of Virginia, participates in the Commonwealth's self-insurance programs for state employee health care and risk management. The latter program includes property, general (tort) liability, medical malpractice and automobile plans. The System's employees are covered by the Virginia Workers' Compensation Program administered by the Department of Human Resource Management.

In addition, the System is self-insured for fiduciary liability as well as directors' and officers' liability under a program administered by the Commonwealth's Division of Risk Management. There were no claims in excess of coverage and no reductions in coverage during fiscal year 2015 and the three preceding fiscal years.

11. Commitments

The System extends investment commitments in the normal course of business. At June 30, 2015 and 2014, these commitments amounted to $9,012,604,000 and $7,251,232,000, respectively.

12. Statutory Contribution Adjustment

For fiscal year 2014, pension contributions due or required were based on the June 30, 2011, actuarial valuation, which used a 10-year funding period for the deferred contributions from fiscal year 2011 and fiscal year 2012 and a 30-year funding period for the balance of the UAAL. The General Assembly, in accordance with Section 51.1-145(K1) of the *Code of Virginia*, funded the employer retirement contribution rates for state employees and teachers at less than the rate determined by the actuary and certified by the VRS Board of Trustees. The percentage of the certified rate funded for fiscal year 2014 was 67.02% for state employees, 69.53% for teachers, 75.84% for SPORS, 75.82% for VaLORS and 83.98% for JRS.

As a result, the fiscal year 2014 employer retirement contribution rate for state employees was reduced from 13.07% to 8.76% and for teachers from 16.77% to 11.66%. Additionally, the employer retirement contribution rates for SPORS, VaLORS and JRS were reduced from 32.62%, 19.52% and 54.11% to 24.74%, 14.80% and 45.44%, respectively. There was no adjustment to the employer contribution rates for political subdivision employers or to the member contribution rate of 5.00%.

For fiscal year 2014, other post-employment benefit plan contributions due or required also were based on the June 30, 2011, actuarial valuation, which used a 30-year funding period for the UAAL. The General Assembly again funded less than the rates determined by the actuary by increasing the investment return assumption from 7.00% to 8.00%. As a result, the fiscal year 2014 rate for the Group Life Insurance Program was reduced from 1.32% to 1.19% and for VSDP from 0.58% to 0.47%. Additionally, for the Retiree Health Insurance Credit Program, the state employer rate was reduced from 1.05% to 1.00% and the teacher employer rate from 1.17% to 1.11%.

There was no adjustment to the Retiree Health Insurance Credit Program employer contribution rates for political subdivision employers.

For fiscal year 2015, pension contributions due or required were based on the June 30, 2013, actuarial valuation, which used an 8-year funding period for the deferred contributions from fiscal year 2011 and fiscal year 2012 and a 30-year funding period for the remaining balance of the UAAL at June 30, 2013. The General Assembly, in accordance with Section 51.1-145(K1) of the *Code of Virginia*, funded the employer retirement contribution rates for state employees and teachers at less than the rate determined by the actuary and certified by the VRS Board of Trustees. The percentage of the certified rate funded for fiscal year 2015 was 78.02% for state employees, 79.69% for teachers, 83.90% for SPORS, 83.88% for VaLORS and 89.32% for JRS.

As a result, the fiscal year 2015 employer retirement contribution rate for state employees was reduced from 15.80% to 12.33% and for teachers from 18.20% to 14.50%. Additionally, the employer retirement contribution rates for SPORS, VaLORS and JRS were reduced from 30.78%, 21.06% and 57.84% to 25.82%, 17.67% and 51.66%, respectively. There was no adjustment to the employer contribution rates for political subdivision employers or to the member contribution rate of 5.00%.

For fiscal year 2015, other post-employment benefit plan contributions due or required also were based on the June 30, 2013, actuarial valuation, which used a 30-year funding period for the UAAL. The General Assembly again funded less than the rates determined by the actuary by establishing the funding level at 90% of the certified rates. As a result, the fiscal year 2015 rate for the Group Life Insurance Program was reduced from 1.32% to 1.19% and for VSDP from 0.73% to 0.66%. Additionally, for the Retiree Health Insurance Credit Program, the state employer rate was reduced from 1.17% to 1.05% and the teacher employer rate from 1.18% to 1.06%.

There was no adjustment to the Retiree Health Insurance Credit Program employer contribution rates for political subdivision employers or the VLDP employer contribution rates set for teachers and political subdivision employers.

REQUIRED SUPPLEMENTAL SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY

(EXPRESSED IN THOUSANDS)

Change in the Net Pension Liability	VRS State		VRS Teacher		VRS Political Subdivisions	
	2015	2014	2015	2014	2015	2014
Total pension liability:						
Service cost	$ 375,149	$ 369,120	$ 828,901	$ 831,501	$ 530,945	$ 524,758
Interest	1,482,951	1,436,064	2,834,138	2,722,788	1,309,484	1,243,386
Benefit changes	–	–	–	–	1,135	–
Difference between actual and expected experience	59,923	–	(212,089)	–	(185,419)	–
Assumption changes	–	–	–	–	–	–
Benefit payments	(1,136,102)	(1,081,866)	(1,980,353)	(1,874,636)	(819,201)	(754,706)
Refunds of contributions	(27,724)	(25,036)	(36,058)	(36,103)	(36,898)	(36,876)
Net change in total pension liability	754,197	698,282	1,434,539	1,643,550	800,046	976,562
Total pension liability – beginning	**21,766,933**	**21,068,651**	**41,495,883**	**39,852,333**	**19,135,008**	**18,158,446**
Total pension liability – ending (a)	**$22,521,130**	**$ 21,766,933**	**$ 42,930,422**	**$ 41,495,883**	**$19,935,054**	**$19,135,008**
Plan fiduciary net position:						
Contributions – employer	$ 480,657	$ 343,259	$ 1,267,250	$ 853,634	$ 533,877	$ 539,366
Contributions – member	195,582	198,035	373,525	371,241	227,060	225,555
Net investment income	728,083	2,243,999	1,327,047	4,042,441	761,164	2,272,284
Benefit payments	(1,136,102)	(1,081,866)	(1,980,353)	(1,874,636)	(819,201)	(754,706)
Refunds of contributions	(27,724)	(25,036)	(36,058)	(36,103)	(36,898)	(36,876)
Administrative expense	(10,302)	(12,341)	(18,238)	(22,036)	(10,358)	(12,153)
Other	(154)	123	(284)	217	(162)	120
Net change in plan fiduciary net position	230,040	1,666,173	932,889	3,334,758	655,482	2,233,590
Plan fiduciary net position – beginning	**16,168,535**	**14,502,362**	**29,411,183**	**26,076,425**	**16,627,539**	**14,393,949**
Plan fiduciary net position – ending (b)	**$16,398,575**	**$ 16,168,535**	**$30,344,072**	**$ 29,411,183**	**$17,283,021**	**$16,627,539**
Net pension liability – ending (a-b)	**$ 6,122,555**	**$ 5,598,398**	**$12,586,350**	**$ 12,084,700**	**$ 2,652,033**	**$ 2,507,469**
Plan fiduciary net position as a percentage of the total pension liability (b/a)	72.81%	74.28%	70.68%	70.88%	86.70%	86.90%
Covered employee payroll (c)	$ 3,878,632	$ 3,861,712	$ 7,434,932	$ 7,313,025	$ 4,513,335	$ 4,434,764
Net pension liability as a percentage of covered employee payroll ((a-b)/c)	157.85%	144.97%	169.29%	165.25%	58.76%	56.54%

REQUIRED SUPPLEMENTAL SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY

(EXPRESSED IN THOUSANDS)

Change in the Net Pension Liability	SPORS 2015	SPORS 2014	VaLORS 2015	VaLORS 2014	JRS 2015	JRS 2014
Total pension liability:						
Service cost	$ 18,847	$ 18,341	$ 47,531	$ 46,504	$ 23,254	$ 24,024
Interest	70,350	67,978	124,579	119,040	41,759	40,013
Benefit changes	–	–	–	–	–	–
Difference between actual and expected experience	(2,890)	–	(4,849)	–	(9,107)	–
Assumption changes	–	–	–	–	–	–
Benefit payments	(53,338)	(50,467)	(84,990)	(78,412)	(40,205)	(37,984)
Refunds of contributions	(375)	(685)	(4,797)	(4,665)	–	–
Net change in total pension liability	32,594	35,167	77,474	82,467	15,701	26,053
Total pension liability – beginning	**1,031,856**	**996,689**	**1,824,577**	**1,742,110**	**616,680**	**590,627**
Total pension liability – ending (a)	**$ 1,064,450**	**$ 1,031,856**	**$ 1,902,051**	**$ 1,824,577**	**$ 632,381**	**$ 616,680**
Plan fiduciary net position:						
Contributions – employer	$ 28,427	$ 42,683	$ 62,084	$ 67,483	$ 31,503	$ 27,727
Contributions – member	5,680	5,646	17,081	17,908	3,015	3,051
Net investment income	32,466	98,682	52,312	156,786	20,051	60,833
Benefit payments	(53,338)	(50,467)	(84,990)	(78,412)	(40,205)	(37,984)
Refunds of contributions	(375)	(685)	(4,797)	(4,665)	–	–
Administrative expense	(471)	(431)	(743)	(681)	(283)	(268)
Other	(27)	–	(44)	–	(17)	–
Net change in plan fiduciary net position	12,362	95,428	40,903	158,419	14,064	53,359
Plan fiduciary net position – beginning	**720,990**	**625,562**	**1,150,450**	**992,031**	**442,194**	**388,835**
Plan fiduciary net position – ending (b)	**$ 733,352**	**$ 720,990**	**$ 1,191,353**	**$ 1,150,450**	**$ 456,258**	**$ 442,194**
Net pension liability – ending (a-b)	**$ 331,098**	**$ 310,866**	**$ 710,698**	**$ 674,127**	**$ 176,123**	**$ 174,486**
Plan fiduciary net position as a percentage of the total pension liability (b/a)	68.89%	69.87%	62.64%	63.05%	72.15%	71.71%
Covered employee payroll (c)	$ 110,059	$ 112,010	$ 338,562	$ 352,492	$ 61,092	$ 61,020
Net pension liability as a percentage of covered employee payroll ((a-b)/c)	300.84%	277.53%	209.92%	191.25%	288.29%	285.95%

REQUIRED SUPPLEMENTAL SCHEDULE OF EMPLOYER CONTRIBUTIONS – PENSION PLANS

(EXPRESSED IN THOUSANDS)

Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contributions Deficiency (Excess)	Covered Employee Payroll*	Contributions as a Percentage of Covered Employee Payroll
VIRGINIA RETIREMENT SYSTEM (VRS) – STATE					
2015	$ 612,824	$ 478,235	$ 134,589	$ 3,878,632	12.33%
2014	504,726	338,286	166,440	3,861,712	8.76%
2013	485,577	325,452	160,125	3,715,205	8.76%
2012	309,930	117,696	192,234	3,663,475	3.21%
2011	294,363	74,113	220,250	3,479,484	2.13%
2010	285,209	176,751	108,458	3,556,222	4.97%
2009	290,653	225,782	64,871	3,624,109	6.23%
2008	260,965	218,954	42,011	3,560,228	6.15%
2007	246,458	192,997	53,461	3,362,317	5.74%
2006	124,556	125,197	(641)	3,201,969	3.91%
VIRGINIA RETIREMENT SYSTEM (VRS) – TEACHERS					
2015	$ 1,353,158	$ 1,078,065	$ 275,093	$ 7,434,932	14.50%
2014	1,226,394	852,699	373,695	7,313,025	11.66%
2013	1,203,856	837,028	366,828	7,178,629	11.66%
2012	903,655	443,078	460,577	6,999,653	6.33%
2011	891,237	271,306	619,931	6,903,465	3.93%
2010	839,550	450,218	389,332	7,090,791	6.35%
2009	845,999	629,497	216,502	7,145,260	8.81%
2008	766,559	706,222	60,337	6,856,523	10.30%
2007	733,633	603,705	129,928	6,562,008	9.20%
2006	499,861	408,528	91,333	6,171,124	6.62%
VIRGINIA RETIREMENT SYSTEM (VRS) – POLITICAL SUBDIVISIONS					
2015	$ 540,859	$ 535,919	$ 4,940	$ 4,513,335	11.87%
2014	551,822	539,131	12,691	4,434,764	12.16%
2013	537,657	525,385	12,272	4,321,565	12.16%
2012	400,879	400,879	–	4,142,150	9.68%
2011	391,531	391,531	–	4,078,580	9.60%
2010	363,982	363,982	–	4,125,087	8.82%
2009	364,366	364,366	–	4,144,638	8.79%
2008	351,469	351,469	–	3,960,566	8.87%
2007	319,516	319,516	–	3,699,629	8.64%
2006	239,827	239,827	–	3,441,325	6.97%

** This represents only the payroll reported by the employer and covered by the pension benefit.*

REQUIRED SUPPLEMENTAL SCHEDULE OF EMPLOYER CONTRIBUTIONS – PENSION PLANS, cont.

(EXPRESSED IN THOUSANDS)

Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contributions Deficiency (Excess)	Covered Employee Payroll*	Contributions as a Percentage of Covered Employee Payroll
STATE POLICE OFFICERS' RETIREMENT SYSTEM (SPORS)					
2015	$ 38,876	$ 28,417	$ 5,459	$ 110,059	25.82%
2014	36,538	27,711	8,827	112,010	24.74%
2013	34,535	26,193	8,342	105,872	24.74%
2012	26,250	11,441	14,809	102,701	11.14%
2011	24,570	7,460	17,110	96,128	7.76%
2010	23,791	15,714	8,077	98,757	15.91%
2009	24,241	20,175	4,066	100,626	20.05%
2008	22,941	20,989	1,952	101,106	20.76%
2007	19,402	16,358	3,044	97,892	16.71%
2006	23,132	15,258	7,874	92,526	16.49%
VIRGINIA LAW OFFICERS' RETIREMENT SYSTEM (VaLORS)					
2015	$ 71,301	$ 59,824	$ 11,477	$ 338,562	17.67%
2014	68,806	52,169	16,637	352,492	14.80%
2013	66,463	50,392	16,071	340,489	14.80%
2012	55,306	24,481	30,825	347,181	7.05%
2011	53,686	17,255	36,431	337,010	5.12%
2010	57,894	39,027	18,867	345,020	11.31%
2009	60,059	50,932	9,127	357,922	14.23%
2008	61,325	55,929	5,396	352,643	15.86%
2007	56,190	48,338	7,852	323,115	14.96%
2006	77,414	52,611	24,803	309,656	16.99%
JUDICIAL RETIREMENT SYSTEM (JRS)					
2015	$ 35,336	$ 31,560	$ 3,776	$ 61,092	51.66%
2014	33,018	27,728	5,290	61,020	45.44%
2013	32,185	27,028	5,157	59,481	45.44%
2012	27,631	18,907	8,724	59,053	32.02%
2011	28,101	17,303	10,798	60,058	28.81%
2010	23,638	17,065	6,573	62,139	27.46%
2009	23,148	21,000	2,148	60,853	34.51%
2008	23,600	22,386	1,214	58,896	38.01%
2007	22,557	20,530	2,027	56,293	36.47%
2006	23,871	16,206	7,665	53,047	30.55%

** This represents only the payroll reported by the employer and covered by the pension benefit.*

REQUIRED SUPPLEMENTAL SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFIT PLANS

(EXPRESSED IN MILLIONS)

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
GROUP LIFE INSURANCE FUND						
2014	$ 992	$ 2,701	$ 1,709	36.7%	$ 17,559	9.7%
2013	837	2,572	1,735	32.5%	17,132	10.1%
2012	756	2,458	1,702	30.7%	16,697	10.2%
2011	852	2,359	1,507	36.1%	16,543	9.1%
2010	929	2,245	1,316	41.4%	16,526	8.0%
2009	967	1,995	1,028	48.5%	16,728	6.1%
2008	975	1,772	797	55.0%	16,267	4.9%
2007	880	1,552	672	56.7%	14,822	4.5%
2006*	751	1,436	685	52.3%	13,923	4.9%
RETIREE HEALTH INSURANCE CREDIT FUND **						
2014	$ 162	$ 2,334	$ 2,172	7.0%	$ 14,956	14.5%
2013	139	2,273	2,134	6.1%	14,502	14.7%
2012	130	2,258	2,128	5.8%	14,211	15.0%
2011	213	2,195	1,982	9.7%	14,111	14.0%
2010	281	2,162	1,881	13.0%	14,220	13.2%
2009	296	2,007	1,711	14.8%	14,339	11.9%
2008	264	1,943	1,679	13.6%	13,686	12.3%
2007	207	1,883	1,676	11.0%	11,935	14.0%
DISABILITY INSURANCE TRUST FUND ***						
2014	$ 380	$ 239	$ (141)	159.0%	$ 3,585	(3.9%)
2013	359	228	(131)	157.4%	3,473	(3.8%)
2012	344	303	(41)	113.7%	3,433	(1.2%)
2011	369	296	(73)	124.6%	3,372	(2.2%)
2010	336	311	(25)	108.0%	3,168	(0.8%)
2009	290	291	1	99.7%	4,080	0.0%
2008	314	392	78	79.9%	4,111	1.9%
2007	264	451	187	58.5%	3,909	4.8%
2006*	192	423	231	45.4%	3,716	6.2%
VIRGINIA LOCAL DISABILITY PROGRAM ****						
2014	$ –	$ 8	$ 8	0.0%	$ 33,935	0.0%
LINE OF DUTY ACT TRUST FUND *****						
2014	$ 7	$ 226	$ 219	3.1%	N/A	N/A
2013	10	204	194	4.9%	N/A	N/A
2012	6	226	220	2.7%	N/A	N/A
2011	–	399	399	0.0%	N/A	N/A
2010*****	–	576	576	0.0%	N/A	N/A

** The June 30, 2006, actuarial valuation was the first prepared using the required parameters of GASB 43.*

*** Data includes the state-funded Retiree Health Insurance Credit benefit for local employees. Similar information for 2006 is not available so that year has been excluded.*

**** Data for 2008 and subsequent years includes the state-funded Long-Term Care (LTC) program. In prior years LTC premiums were paid to an insurance carrier. LTC benefits were paid by the carrier and the program liabilities belonged to the carrier.*

***** Fiscal year 2014 was the first actuarial valuation prepared for the Virginia Local Disability Program.*

****** Contributions into the Line of Duty Act Trust Fund are based on the number of participants in the program using a per capita-based contribution versus a payroll-based contribution. Fiscal year 2010 was the first actuarial valuation prepared for the Line of Duty Act Trust Fund.*

REQUIRED SUPPLEMENTAL SCHEDULE OF EMPLOYER CONTRIBUTIONS – OTHER POST-EMPLOYMENT BENEFIT PLANS

(EXPRESSED IN THOUSANDS)

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Statutory Required Contribution*	Percentage Contributed
GROUP LIFE INSURANCE FUND				
2015	$ 231,283	90.15%	$ 208,505	100.00%
2014	228,086	90.15%	205,623	100.00%
2013	221,622	90.15%	199,796	100.00%
2012	181,527	26.05%	47,293	100.00%
2011	177,378	25.23%	44,744	100.00%
2010	145,228	65.54%	95,185	100.00%
2009	146,545	92.13%	135,019	100.00%
2008	158,740	100.00%	158,740	100.00%
RETIREE HEALTH INSURANCE CREDIT FUND				
2015	$ 161,120	89.91%	$ 144,862	100.00%
2014	150,831	95.09%	143,425	100.00%
2013	145,416	95.09%	138,282	100.00%
2012	138,195	37.54%	51,882	100.00%
2011	133,655	36.46%	48,736	100.00%
2010	148,956	66.70%	99,356	100.00%
2009	150,048	96.63%	144,989	100.00%
2008	147,524	100.00%	147,524	100.00%
DISABILITY INSURANCE TRUST FUND				
2015	$ 26,244	90.41%	$ 23,728	100.00%
2014	20,610	81.03%	16,701	100.00%
2013	21,032	81.03%	17,043	100.00%
2012	30,285	3.62%	1,096	100.00%
2011	28,646	0.00%	–	100.00%
2010	76,530	40.32%	30,861	100.00%
2009	78,120	91.33%	71,344	100.00%
2008	97,975	80.00%	78,380	100.00%
VIRGINIA LOCAL DISABILITY PROGRAM				
2015	$ 653	100.00%	$ 653	100.00%
2014***	51	100.00%	51	100.00%
LINE OF DUTY ACT TRUST FUND				
2015	$ 23,847	41.82%	$ 9,974	100.00%
2014	22,103	46.96%	10,381	100.00%
2013	21,895	42.66%	9,341	100.00%
2012	25,033	33.25%	8,323	100.00%
2011**	N/A	N/A	N/A	N/A

** Contributions made by employers during the fiscal years ended June 30, 2008, through June 30, 2014, were not in all cases in accordance with the actuarially determined Annual Required Contribution (ARC), but they did meet statutory requirements.*

*** Fiscal year 2011 was the first year for the Line of Duty Act Trust Fund. It was funded by a loan from the Group Life Insurance Trust Fund. As a result, there were not contributions required or paid during the fiscal year. Contributions of $10,678,000 were recorded for fiscal year 2011; however, VRS did not receive contributions under the program until fiscal year 2012.*

****Fiscal year 2014 was the first year for the Virginia Local Disability Program.*

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEARS ENDED JUNE 30

(EXPRESSED IN THOUSANDS)

	2015	2014
Personal Services:		
Salaries and Wages	$ 32,933	$ 31,066
Per Diem Services	366	333
Retirement Contributions	3,170	2,282
Social Security	2,005	1,893
Group Life and Medical Insurance	4,366	3,962
Compensated Absences	850	197
Total Personal Services	**43,690**	**39,733**
Professional Services:		
Data Processing	14,671	13,133
Actuarial and Consulting Services	1,766	1,599
Legal Services	593	673
Medical Review Services	748	752
Management Services	535	873
Personnel Development Services	247	57
Total Professional Services	**18,560**	**17,087**
Communication Services:		
Media Services	18	11
Printing	716	717
Postage and Delivery Services	620	622
Telecommunications	806	856
Total Communication Services	**2,160**	**2,206**
Rentals:		
Office Space	2,574	2,270
Total Rentals	**2,574**	**2,270**
Other Services and Charges:		
Skilled and Clerical Services	359	412
Depreciation	5,127	5,022
Dues and Membership	120	122
Equipment	1,014	1,769
Insurance	60	43
Repairs and Maintenance	13	19
Supplies and Materials	171	144
Travel and Transportation	701	771
Miscellaneous	84	84
Total Other Services and Charges	**7,649**	**8,386**

SCHEDULE OF ADMINISTRATIVE EXPENSES, cont.

FOR THE YEARS ENDED JUNE 30 (EXPRESSED IN THOUSANDS)

	2015	2014
Total Administrative Expenses	**74,633**	**69,682**
Adjustment for Capitalization of Expenses	(4,262)	(1,432)
Total Administrative Expenses (GAAP Basis)	**70,371**	**68,250**
Adjustments Necessary to Convert Administrative Expenses on the GAAP Basis to the Budgetary Basis at Year-End (Net)	(978)	(3,899)
Administrative Expenses (Budgetary Basis)	**$ 69,393**	**$ 64,351**
Administrative Expenses Appropriated	**$ 70,642**	**$ 71,028**
Distribution of Administrative Expenses		
Total Administrative Expenses	$ 70,371	$ 68,250
Less In-House Investment Management	(28,104)	(25,625)
Net Administrative Expenses	**$ 42,267**	**$ 42,625**

SCHEDULE OF PROFESSIONAL AND CONSULTING SERVICES

FOR THE YEAR ENDED JUNE 30, 2015 (EXPRESSED IN THOUSANDS)

Actuarial, Legal and Oversight Services:			
Cavanaugh MacDonald Consulting, LLC	Actuarial Services & Benefits Consulting	$ 942.4	
Joint Legislative Audit Review Commission	Oversight Responsibilities	232.3	
Challa Law Offices	Legal Services	1.5	
Reed Smith, LLP	Legal Services	0.3	
Troutman Sanders, LLP	Legal Services	49.5	
Total Actuarial, Legal and Oversight Services			**$ 1,226.0**
Consulting Services:			
Advantage 2000	Social Security Advocacy & Disability Tracking	$ 140.1	
Advent Software, Inc.	Software Maintenance	43.9	
Advisor Compliance	Investment Compliance Services	10.0	
Albourne America, LLC	Investment Consulting Services	240.0	
CEM Benchmarking, Inc.	Benchmarking Analysis	72.5	
FX Transparency, LLC	Investment Advisory Services	20.0	
Gartner Group, Inc.	Research and Advisory Services	14.4	
Genex	Job Analysis of Disability Cases	1.6	
Harrison & Turk, PC	Fact-Finding Hearing Officer for Disability Cases	83.1	
Hewitt Associates	Retirement Benefits Planning Tool	32.8	
Inrarv Enterprises	Fact-Finding Hearing Officer for Disability Cases	2.3	
Katzen & Frye, PC	Fact-Finding Hearing Officer for Disability Cases	217.9	
Kroll	Investment Advisory Services	35.0	
Life Status 360, LLC	Location Services	12.9	
McGinley, Elsberg & Hutcheson, PLC	Fact-Finding Hearing Officer for Disability Cases	21.5	
McLagan Partners, Inc.	Investment Compensation Study	39.5	
Mercer Investment	Consulting Services for Hybrid Plan	13.5	
Mercer Health & Benefits	Consulting Services for VSDP	3.7	
Milliman, Inc	Long-Term Care Plan Consulting	65.6	
Pension Consulting Alliance, Inc.	Asset/Liability Study	100.0	
Property & Portfolio Research, Inc.	Investment Consulting Services	150.0	
Roy McLeod	Outplacement Services	0.6	
Sagitec Solutions, LLC	VRS "Modernization Project" Solution Vendor	2,392.1	
Strategic Economic Decisions, Inc.	Economic Advisory Services	10.0	
Strategic Public Policy & Communications	Consulting Services	5.0	
Torreycove Capital	Investment Consulting Services	60.0	
Townsend Group	Investment Consulting Services	170.0	
United Review Services, Inc.	Medical Board Review and Examinations	747.6	
Vedere Consulting, LLC	Consulting Services	0.9	
Wells Fargo Bank, NA	Recordkeeping Services	29.6	
Yardeni Research	Research and Advisory Services	7.5	
Total Consulting Services			**$ 4,743.6**
Total Professional and Consulting Services			**$ 5,969.6**

SCHEDULE OF INVESTMENT EXPENSES

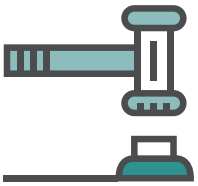
FOR THE YEARS ENDED JUNE 30

(EXPRESSED IN THOUSANDS)

	2015	2014
Management Fees:		
Domestic Managers	$ 13,882	$ 14,536
Non-U.S. Equity Managers	16,764	23,089
Global Equity Managers	28,165	24,753
Fixed Income Managers	258	421
Credit Strategies Managers	52,162	47,467
Real Assets Managers	71,253	59,111
Alternative Investment Managers	83,567	71,606
Hedge Fund Managers	87,173	72,508
Strategic Opportunities Portfolio	2,814	2,289
Total Management Fees	**356,038**	**315,780**
Performance Fees	**6,581**	**11,677**
Miscellaneous Fees and Expenses:		
Custodial Fees	4,500	4,513
Legal Fees	862	486
Other Fees and Expenses	2,275	500
Total Miscellaneous Fees and Expenses	**7,637**	**5,499**
In-House Investment Management	**28,104**	**25,625**
Total Investment Expenses	**$ 398,991**	**$ 358,581**

3 Investment Section

Chief Investment Officer's Letter
Investment Account
Portfolio Highlights
VRS Money Managers
Public Equity Commissions
Schedule of Investment Expenses
Investment Summary:
Defined Benefit Plans
Description of Hybrid Defined Contribution Plan
Description of Defined Contribution Plan Investment Options
Investment Option Performance Summary:
Defined Contribution Plans



1944

YEAR THAT POLITICAL SUBDIVISIONS WERE GIVEN THE OPTION TO JOIN THE VIRGINIA RETIREMENT SYSTEM

105,431

Number of active members in political subdivisions at June 30, 2015

1970

YEAR THAT ENHANCED BENEFITS FOR POLITICAL SUBDIVISION HAZARDOUS DUTY EMPLOYEES WERE ESTABLISHED

22,889

Number of active members at June 30, 2015

SERVING THOSE WHO SERVE VIRGINIA

Political subdivisions were given the option to join VRS in 1944. In the following years, VRS benefits were expanded to include group life insurance, death-in-service benefits, cost-of-living adjustments, a health insurance credit, severance benefits and a deferred compensation plan. In addition, political subdivision employees in hazardous duty positions became eligible for enhanced coverage in 1970.

In 1999, the Virginia Sickness and Disability Program was established to provide state employees with a managed disability program. The Hybrid Retirement Plan became effective in 2014, as did the Virginia Local Disability Program for political subdivision and school employees covered under the hybrid plan.

Chief Investment Officer's Letter

Ronald D. Schmitz, Chief Investment Officer

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December 8, 2015

To: Members of the Board of Trustees and Participants of the Virginia Retirement System

The year ended June 30, 2015, has been a bit of an enigma.

It has been a year of angst in the face of steady albeit not robust growth in Gross Domestic Product (GDP), especially in the U.S. Many have been fearful that the economy has not shown a higher level of growth. My favorite phrase uttered by pundits this past year is that "the economy is moving at stall speed." Consumers are consuming – but at a modest pace. Capital spending is occurring – but at a pace less robust than normal at this stage of recovery from a severe recession.

With U.S. economic indicators generally positive but at modest readings, the market has also been bi-modal: "a series of panic attacks followed by relief rallies," to steal a phrase used by Dr. Ed Yardeni, a prominent economist. Last summer, the fiscal year started off on a negative note in the global equity markets. A more benign environment followed during the winter and spring as stocks generated positive but modest returns. Then the fiscal year ended on a flat note. By early September, the slowdown in the Chinese economy had spooked global markets and we saw a 10% correction, followed by a slight recovery in a somewhat weak rally. More thoughts on our economic and market outlook to follow.

PERFORMANCE OVERVIEW

Against the backdrop described above, the VRS total fund generated a return of 4.7% against a benchmark return of 4.2%. This good relative performance has obviously occurred in an environment where investors have seen returns decline from the robust double-digit levels experienced in the previous two years.

Current year returns as well as longer-term performance appear in the table below:

Annualized Return for Periods Ended June 30, 2015

	10 Years	5 Years	3 Years	1 Year
VRS Total Fund	6.7%	10.3%	10.6%	4.7%
Benchmark*	6.1%	9.6%	9.9%	4.2%

** The benchmark is an asset class weighted set of indices based on the asset mix policy adopted by the Board of Trustees.*

Private market assets were the star performers for the year with real assets (real estate, natural resources and infrastructure) and private equity providing meaningfully higher returns than the traditional stock and bond asset classes. Real assets generated a return for the year of 11.8% − well ahead of its benchmark index return of 9.6%. Within the portfolio, privately held properties and other real assets performed quite well. Returns were hurt slightly by publicly held real estate securities.

Private equity also performed well, generating 8.3% for the year. This return was well ahead of the public equity portfolio return of 5.5%. However, the private equity return did fall short of its target index due to investments in the energy sector and in Europe.

The VRS public equity portfolio generated 5.5% as noted. This level of return was well ahead of the benchmark portfolio return of 3.9%. VRS benefited by strong relative performance in the non-U.S. segment of the portfolio while the U.S. holdings performed well in absolute terms, but lagged the benchmark slightly. A key reason for the overall strong performance was that, unlike private equity, the stock portfolio was underweight in energy exposure compared to the index.

Last year, I commented at some length about the Strategic Opportunities Portfolio (SOP) – a sleeve of the total fund that is earmarked for investments that have a non-traditional focus. The managers in this portfolio manage across multiple asset classes, rather than specialize in a single asset class or investment style. In addition, the SOP seeks managers that tend to look at risk in new and innovative ways. The portfolio is just in the early stages of assembly. But the results for fiscal year 2015 were encouraging. The SOP generated a 2.9% return versus its benchmark index return of 2.4%.

VRS is somewhat unusual compared to its peers in that it has a dedicated credit strategies portfolio, which is separate and distinguishable from the more common "Core Plus" approach in which managers mix investment-grade securities with high-yield bonds and emerging market debt in a single portfolio. Having a dedicated credit portfolio allows VRS to gain exposure to illiquid markets such as direct lending and distressed investments, and also allows the addition of convertible bonds, which are often overlooked in traditional bond portfolios. For fiscal year 2015 the portfolio generated a somewhat meager 1.1% return. This performance equals the benchmark when both returns are rounded to a single decimal point. But the portfolio only narrowly outperformed the index. This past year, many of the same concerns that afflicted the stock market were present in the credit markets, causing the unusual circumstance in which investment-grade credit mandates outperformed the higher-octane credit strategies. Over time, the VRS approach to credit has been quite profitable for the fund as returns have nearly equaled stock investments while outperforming traditional bond investments.

Rounding out the portfolio, fixed income generated a 1.9% return for the fiscal year. This was slightly ahead of the benchmark index, though this outperformance is lost when rounding to the nearest tenth of a percent. It was clearly a difficult time in the bond markets as central bank easing – at least in the U.S. – has come to a halt and most market-watchers are waiting for the Federal Reserve to begin raising interest rates.

In the longer-term (defined as 10 years), all asset classes have outperformed their respective indexes. In most cases, the portfolios also have performed at or above the targeted level of outperformance over the index set by the Board in its policy documents.

A LOOK AHEAD AT MARKETS AND THE ECONOMY

Looking ahead, we see a challenging environment. Europe is in the relatively early stages of its own efforts to deal with the combined economic and credit crisis from a few years ago. China's economic growth is definitely slowing considerably. And in the U.S., Federal Reserve watchers learned that the central bank would not raise interest rates for yet another quarter. All of these factors have the market on edge, as can be seen in the high level of daily volatility experienced in late August and early September.

The recent market sell-off is really, at its core, a reaction to China, the world's second-largest economy. Chinese developments are indeed noteworthy: a stock market bubble has burst and the economy is slowing well beyond what most had predicted. The "known unknowns" (with apologies to Donald Rumsfeld, former secretary of defense) are that China's growth is slowing. But is China facing a slowdown or a hard landing? The resultant pressure on commodity prices is good for consumers on the one hand, but will commodity-producing companies and countries face potential defaults due to revenue declines? This concern, in turn, puts pressure on emerging economies and currencies. Might we experience an emerging markets crisis?

No wonder investors are not in a festive mood. We have had (and may still be having) our panic attack. But is there hope for a relief rally? Consider: China is really a non-factor for U.S. corporate profitability. About 2% of S&P 500 revenues come from China, which leads to this interesting statistic put forth by Goldman Sachs: a 1% drop in the growth of Chinese GDP (a measure of economic health) translates into a .06% drop in U.S. GDP.

The market crashes and credit turmoil in 1998 and 2008, respectively, were really insolvency crises, triggered by enormous piles of debt. Conversely, China is a net creditor, not a debtor. And emerging economies today have sizable U.S. dollar reserves unlike the deficits that were the norm in 1998. The ingredients for a full-blown crisis do not seem to be in place.

Further, optimists will point out the fact that the U.S. economy is moving along nicely, thank you. Forward earnings projections for the S&P 500 rose in the summer. July job openings increased as well. Globally, we look at Europe and see slow growth, yet no serious signs of weakness. The same can be said of Japan, though recent economic releases regarding industrial production have declined a bit, continuing a pattern of economic growth that has come in fits and starts.

September and October are historically bad for the stock market on average. That may be the case again this year. We certainly feel less positive about the environment than we did in our reports to you in recent years. But we do believe that as of this writing, Main Street may be doing better than Wall Street. Therefore, we do not see a reason for panic.

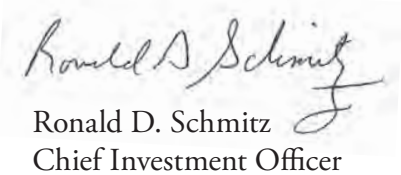
A FINAL THOUGHT

The VRS Board and staff may have what looks to some to be a reasonably aggressive portfolio – given fairly high equity and private market exposure (and correspondingly low investment-grade bond exposure). But we have put together strategies within the asset classes that are somewhat defensive. That is, our goal is to participate in bull-market environments while providing some downside protection in bear markets. That does not mean that we will avoid temporary drawdowns in a negative market. Instead, our market value adjustments should be lower in magnitude than the market, thereby mitigating the impact on funded ratio and future contributions needed to pay for retirement benefits.

Stated another way, the Board has adopted what it believes is the best investment policy that will ensure the long-term health of the retirement system. This means exposure to "risk assets" like stocks. Such assets can and do decline in value in the short term. But in the long run, the return per unit of risk is a good trade-off for employees and employers in the system.

As is normally the case, the Board works with staff and an outside investment consultant and actuary to perform periodic risk-tolerance studies. We last did this in 2012. And we anticipate the start of a new study in late 2015 or early 2016. This effort may or may not alter the Board's current target investment policy. We will, of course, report to you on that matter in next year's letter.

Sincerely,



Ronald D. Schmitz
Chief Investment Officer

The Investment Section provides detailed information regarding the structure of the investment portfolio. This information includes performance, asset allocations, portfolio highlights, a list of VRS' money managers and public equity commissions for the fiscal year. The section also presents the System's investment management fees and expenses and an investment summary.

Investment Account

The VRS Board of Trustees has fiduciary responsibility to invest the fund solely in the interest of the beneficiaries of the System. As established by the *Code of Virginia*, "the Board shall invest the assets of the Retirement System with the care, skill, prudence, and due diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims."

Benefit payments are projected to occur over a long period of time, allowing VRS to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the VRS investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. The asset-liability analysis considers both sides of the VRS balance sheet in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact on funded status and contribution rates.

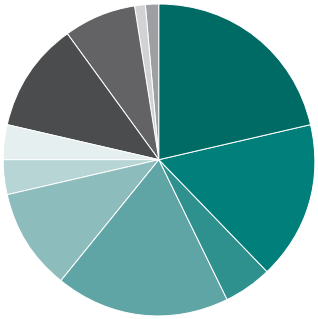
The Chief Investment Officer has been delegated authority by the Board to allocate the System's investments within the approved asset allocation policy and within the Board-approved active risk budget. The total fund active risk budget describes the degree of tolerance for yearly variation in the fund's performance relative to the Total Fund VRS Custom Benchmark. The primary risk measure used for this purpose is Total Fund Tracking Error, calculated as the standard deviation of the difference between the fund's return and the return of the Total Fund VRS Custom Benchmark. From this measure, probability estimates can be derived to help the Board estimate the risk of underperforming the benchmark by certain margins.

The investment staff manages the VRS portfolio on a day-to-day basis according to policies and guidelines established by the Board. The staff manages assets on a direct basis and through outside investment managers. Managers employ both active and passive investment strategies. The Board has established various performance benchmarks to serve as tools for measuring progress toward the achievement of long-term investment goals.

The asset allocation mix of the VRS fund as of June 30, 2015, is shown in Figure 3.1:

FIGURE 3.1: ASSET ALLOCATION MIX

AS OF JUNE 30, 2015



Public Equity
- 21.5% Domestic Equity
- 16.5% Non-U.S. Equity
- 4.8% Emerging Market Equity

Investment-Grade Fixed Income
- 18.1% Fixed Income

Credit Strategies
- 10.7% Credit
- 3.6% Convertibles
- 3.5% Emerging Market Debt

Real Assets
- 11.4% Real Assets

Private Equity
- 7.4% Private Equity

Strategic Opportunities
- 1.2% Strategic Opportunities

Cash
- 1.3% Cash

FIGURE 3.2: INVESTMENT PERFORMANCE SUMMARY

ANNUALIZED DATA FOR THE PERIOD ENDING JUNE 30, 2015

	1 Year	3 Years	5 Years
1. Total Fund			
VRS	4.7%	10.6%	10.3%
VRS Custom Benchmark[1]	4.2%	9.9%	9.6%
2. Total Public Equity			
VRS	5.5%	15.0%	13.1%
Custom Benchmark[2]	3.9%	13.9%	12.1%
3. Total Investment-Grade Fixed Income			
VRS	1.9%	2.2%	4.1%
Custom Benchmark[3]	1.9%	1.8%	3.4%
4. Total Credit Strategies			
VRS	1.1%	7.8%	7.8%
Custom Benchmark[4]	1.1%	6.5%	6.8%
5. Total Real Assets			
VRS	11.8%	12.2%	14.3%
Custom Benchmark[5]	9.6%	10.7%	12.5%
6. Total Private Equity			
VRS	8.3%	14.2%	14.2%
Custom Benchmark[6]	11.0%	15.9%	15.4%
7. Total Strategic Opportunities			
VRS	2.9%	n/a	n/a
Custom Benchmark[7]	2.4%	n/a	n/a

Investment return calculations were prepared using a time-weighted return methodology based on market value, net of investment expenses.

FIGURE 3.2: INVESTMENT PERFORMANCE SUMMARY, cont.

[1] *The VRS Custom Benchmark is a blend of the Asset Class Benchmarks at policy weights.*

[2] *Effective July 2009, the Public Equity Custom Benchmark is risk-adjusted. Effective April 2010, the risk-adjusted benchmark is based on the MSCI ACWI IMI Index with the Developed Market Currencies 50% Hedged customized for the VRS dividend withholding tax rates.*

[3] *Effective July 2014, the Investment-Grade Fixed Income Custom Benchmark consists of the Barclays Capital U.S. Aggregate Index.*

[4] *Effective July 2012, the Credit Strategies Custom Benchmark is the weighted average of the Citigroup Broad Investment Grade Index (10%), the Bank of America Merrill Lynch BB-B Constrained Index (20%), the S&P Performing Loan Index (30%), the Emerging Market Debt Custom Benchmark (20%), and the Bank of America Merrill Lynch All U.S. Convertibles Index (20%). For the four years prior to July 2012, the risk-adjusted benchmark is the weighted average of the Bank of America Merrill Lynch U.S. High Yield BB-B Constrained Index and the Bank of America All Convertibles Index.*

[5] *Effective July 2014, the Real Assets Custom Benchmark is the market value weighted blend of the Total Real Estate Benchmark, of which 85% is the NCREIF Private Real Estate Benchmark (ODCE Index (net) lagged by three months) and 15% is the Total REIT Benchmark (FTSE/EPRA/NAREIT Developed REIT Index) and the Other Real Assets Custom Benchmark (the CPI-U Index plus 400 basis points per annum lagged by three months) with modified benchmarking for Other Real Assets during the increased allocation period.*

[6] *Effective July 2013, the Private Equity Custom Benchmark is the MSCI ACWI IMI Index with the Developed Market Currencies 50% Hedged customized for the VRS dividend withholding tax rates lagged by three months plus 250 basis points per annum with modified benchmarking during the increased allocation period.*

[7] *Effective January 2015, the Strategic Opportunities Portfolio Custom Benchmark is the market value weighted average of the benchmarks of the mandates within the program.*

Portfolio Highlights

PUBLIC EQUITY

The market value of the Total Public Equity Program, including rebalance equity exposure, as of June 30, 2015, was $29.1 billion, representing approximately 43% of the total fund. Fifty percent was invested in domestic equity and 50% in international equity. Five percent was invested in passive strategies, and 36% was managed internally. The objective of the portfolio is to exceed the Custom Benchmark over longer-term periods, net of all costs. At fiscal year-end, the Custom Benchmark was comprised of 51.6% of the MSCI U.S. Investible Market Index (IMI), 37.7% of the MSCI World excluding U.S. IMI (50% hedged) and 10.7% in the MSCI Emerging IMI.

The Total Public Equity Program is dominated by traditional, long-only strategies (80.2% of program, or $23.3 billion). The program also employs traditional long-short strategies (2.0% of program, or $0.6 billion) and equity-oriented hedge fund strategies (17.7% of program, or $5.2 billion).

The Total Public Equity portfolio strategic sectors and region weights are as follows:

FIGURE 3.3: CUSTOM BENCHMARK SECTORS AND REGIONS

Strategic Sectors	VRS	Strategic Benchmark
Consumer Discretionary	14.25%	13.10%
Consumer Staples	8.68%	8.84%
Energy	4.59%	6.91%
Financials	21.24%	22.01%
Health Care	12.51%	12.08%
Industrials	12.28%	11.31%
Information Technology	13.95%	13.78%
Materials	4.66%	5.59%
Telecommunication Services	4.33%	3.33%
Utilities	3.51%	3.05%
	100.00%	100.00%

Regions	VRS	Strategic Benchmark
North America	55.40%	54.89%
Europe/Middle East/Africa	22.38%	23.98%
Asia Pacific	20.60%	19.72%
Latin and South America	1.62%	1.41%
	100.00%	100.00%

Based on Barra's classification of sectors and regions and excludes cash.

The top 10 holdings in the Total Public Equity Program comprised 6.9% of the program at fiscal year-end.

Four companies, Roche Holdings, Exxon, Samsung Electronics and Hewlett-Packard, were replaced by Comcast Corp., JPMorgan Chase, Valeant Pharmaceuticals and Allergan on this year's schedule.

FIGURE 3.4: PUBLIC EQUITY – TOP 10 EXPOSURES

AS OF JUNE 30, 2015

Company	Fair Value	Shares
Apple Inc.	$ 320,995,307	2,559,261
Microsoft Corp.	298,806,321	6,767,980
Wells Fargo	235,203,271	4,182,135
Google, Inc.	216,001,796	406,848
Johnson & Johnson	194,200,471	1,992,617
Verizon Communications	159,118,276	3,413,823
Comcast Corp.	157,713,004	2,623,192
JPMorgan Chase & Co.	152,250,800	2,246,913
Valeant Pharmaceuticals	152,234,252	685,952
Allergan PLC	134,787,245	444,168

Aggregated various share classes based on parent company.

FIXED INCOME

VRS invests a portion of its portfolio in fixed income investments to reduce total fund volatility, produce income and provide for some protection in the event of a deflationary environment. The market value of the Fixed Income Program as of June 30, 2015, was $12.3 billion, representing 18.1% of the total fund.

The Fixed Income Program is internally invested in a diversified portfolio of high-quality assets, such as government securities, corporate securities and mortgage-backed securities. The objective of the program is to exceed the return of the Barclay's U.S. Aggregate Index, while staying in compliance with risk limits. For fiscal year 2015, the return of the program was 1.9% versus a return of 1.9% for the benchmark.

FIGURE 3.5: FIXED INCOME PORTFOLIO BY SECTOR ALLOCATION

AS OF JUNE 30, 2015

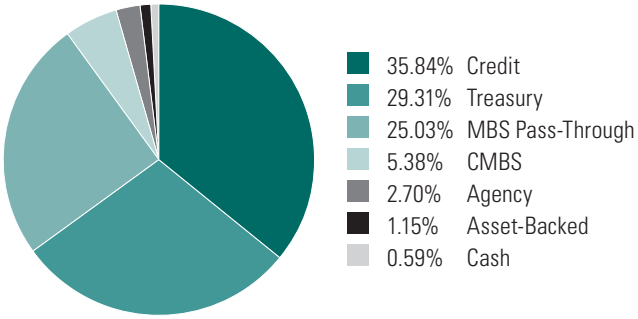


FIGURE 3.6: FIXED INCOME PORTFOLIO BY CREDIT QUALITY BREAKDOWN

AS OF JUNE 30, 2015

Source: Moody's Credit Rating Service

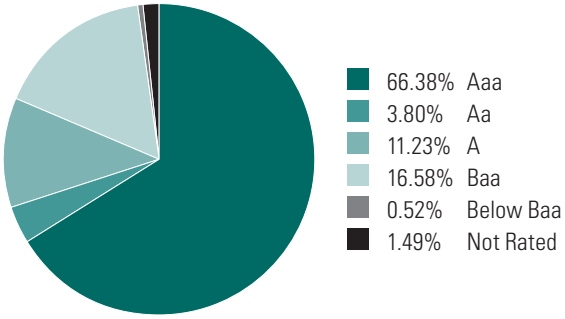


FIGURE 3.7: FIXED INCOME – TOP 10 HOLDINGS BY MARKET VALUE

AS OF JUNE 30, 2015

Security	Par Value	Fair Value
TREASURY NOTE	300,000,000.00	300,068,058.18
TREASURY NOTE	192,000,000.00	194,615,306.09
TREASURY NOTE	165,000,000.00	164,861,796.22
FHLMC MBS	164,443,685.00	163,806,856.81
TREASURY BOND	145,000,000.00	160,311,822.28
TREASURY NOTE	150,000,000.00	150,326,552.05
TREASURY NOTE	135,700,000.00	141,407,767.54
TREASURY NOTE	129,000,000.00	128,498,936.66
TREASURY NOTE	122,375,000.00	120,291,568.60
TREASURY NOTE	103,000,000.00	103,156,612.72

SHORT-TERM INVESTMENTS

Generally, VRS desires to remain fully invested at all times and seeks to minimize its holdings of cash investments. Temporary cash balances are invested in short-term money market instruments with the goal of maintaining high credit quality and liquidity.

PRIVATE EQUITY

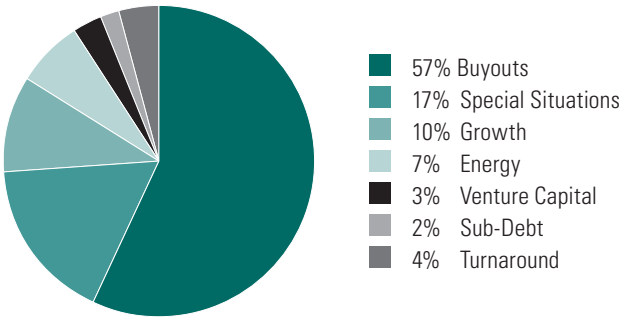
VRS invests in private equity to achieve returns greater than those available in the public equity markets. Specifically, the program seeks to outperform the Morgan Stanley Capital International – All Country World Index (MSCI ACWI) by 2.5% per year. Program returns are calculated on both a time-weighted basis and a dollar-weighted or internal rate-of-return (IRR) basis. On a time-weighted basis, the program return for fiscal year 2015 was 8.3%. On a dollar-weighted or IRR basis, the private equity one-year return was 8.5% as of March 31, 2015.

As of June 30, 2015, the carrying value of the program was approximately $5.1 billion. Most of the program is invested in limited partnerships. Sectors in which the program invests include leveraged buyouts, venture capital, growth, sub-debt, turnaround, energy and special situations.

The Private Equity Program's market value by subclass was as follows:

FIGURE 3.8: PRIVATE EQUITY PROGRAM

AS OF JUNE 30, 2015



REAL ASSETS

A portion of the VRS portfolio is invested in real assets to help diversify the total fund by providing exposure to asset classes and sectors that offer low historical correlations with the public markets and with the additional objectives of generating competitive risk-adjusted returns, significant operating cash flows and inflation linkages. The portfolio continued to grow in fiscal year 2015, producing an 11.8% return and outperforming the benchmark by 220 basis points. The private real estate portfolio delivered a 15.6% return while the real estate investment trusts (REITs) produced a

total return of 1.2%. Investments in infrastructure, natural resources and timberland produced a 3.9% return for the fiscal year.

The percentage of the total fund represented by the real assets portfolio increased over the course of the year from 10.5% to 11.4%, due primarily to new fundings as well as asset income and appreciation. At fiscal year-end, the portfolio was composed of approximately 71% private real estate, 10% REITs, 10% infrastructure, 6% timberland, and 3% energy and mining. Portfolio leverage as a percentage of total real assets was 31.6% as of June 30, 2015.

FIGURE 3.9: REAL ASSETS BY SECTOR

AS OF JUNE 30, 2015

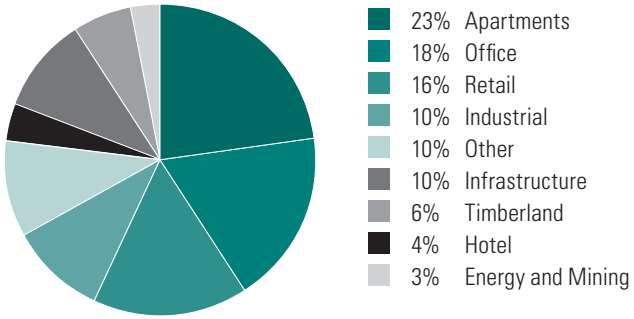
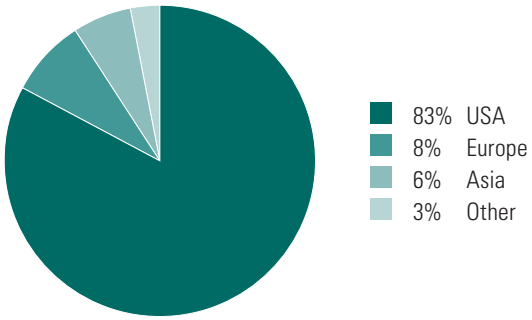


FIGURE 3.10: REAL ASSETS BY GEOGRAPHIC REGION

AS OF JUNE 30, 2015

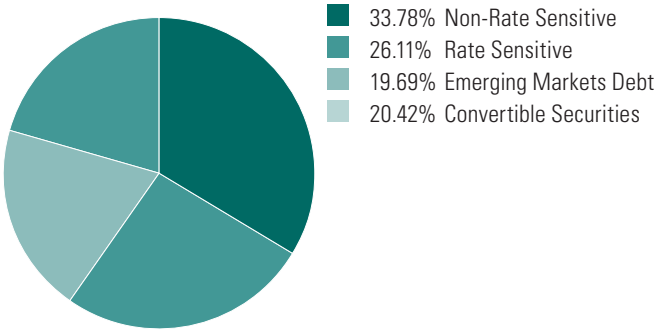


CREDIT STRATEGIES

VRS allocates a portion of the portfolio to credit-related investments. The Credit Strategies program provides an alternative arena for generating attractive returns for the plan. The objectives of the program are to provide attractive returns relative to the Custom Credit Strategies benchmark, to provide higher levels of income and to provide diversification benefits to the plan. For the fiscal year, the program returned 1.1%, while the program's custom benchmark returned 1.1%.

FIGURE 3.11: CREDIT STRATEGIES PROGRAM

AS OF JUNE 30, 2015



STRATEGIC OPPORTUNITIES PORTFOLIO

The Board of Trustees approved the Strategic Opportunities Portfolio on January 1, 2013, to manage strategies that staff believes would add value to the total fund but would otherwise not fit in individual program mandates or benchmarks. As of June 30, 2015, the portfolio had a market value of $818 million and is invested in two multi-asset class public investments funds, a multi-asset public investments separate account, two multi-asset class private investments funds and a commercial real estate mortgage separate account. During the fiscal year, it returned 2.9% against the program's custom benchmark, which returned 2.4%.

MORE INFORMATION

A complete list of the investment portfolio is available upon request. Address requests to the VRS FOIA Coordinator, Virginia Retirement System, P.O. Box 2500, Richmond, VA 23218-2500.

VRS Money Managers

The diversified investment structure as of June 30, 2015, is reflected in the following tables, which list VRS managers by investment program and style.

PUBLIC EQUITY MONEY MANAGERS

External Managers – Top 10 Managers	Style Description
Acadian Asset Management	Emerging, Non-U.S. Small
Ariel	Global
Arrowstreet Capital	Global
Baillie Gifford	Global
Epoch	Global
J.P. Morgan	U.S. Large Cap
LSV Asset Management	Global, Non-U.S. Small
Nordea	Global
Select	U.S. Small Cap
TimesSquare	U.S. Small Cap

Internal Portfolios	Style Description
Afton	U.S. Small
Dogwood	Non-U.S. Large
Madison	U.S. Large
Matoaka	Non-U.S. Large
Mobjack	U.S. Large
Piedmont	Non-U.S. Large
Potomac	U.S. Large

Top 10 Equity Hedge Funds	Style Description
Blue Ridge, LP	Long/Short
Cevian	Long/Short
Clough	Long/Short
Glenhill Capital	Long/Short
Kylin	Long/Short
Lansdowne Partners	Long/Short
Maverick Capital	Long/Short
New Mountain Capital	Long/Short
Theleme	Long/Short
ValueAct Capital	Long/Short

FIXED INCOME

Internal Portfolios	Style Description
VRS Securitized	Mortgage and other Asset-Backed Securities
VRS Credit	High-Quality Corporates
VRS Government	Treasuries, Agencies and other Government-Related

PRIVATE EQUITY – TOP 10 MANAGERS	Style Description
Grosvenor	Customized Separate Account
TPG	Buyout
Hellman and Friedman	Buyout
TA Associates	Growth
Apax	Buyout
Natural Gas Partners	Energy
Olympus Partners	Buyout
Charterhouse Capital	Buyout
Nordic Capital	Buyout
First Reserve	Energy

CREDIT STRATEGIES – TOP 10 MANAGERS	Style Description
Advent Capital	Convertibles
Beach Point Capital Management	Distressed, Leveraged Loans, Opportunistic
BlueBay Asset Management	Emerging Markets Debt
Oaktree Capital Management	Convertibles, Distressed, High-Yield, Mezzanine
Pacific Investment Management Company	Emerging Markets Debt, High-Yield, Investment-Grade
Payden & Rygel	Emerging Markets Debt
Prudential	High-Yield, Investment-Grade, Mezzanine
Solus Alternative Asset Management	Hedge Fund, Opportunistic
Western Asset Management	Emerging Markets Debt
Zazove Associates	Convertibles

STRATEGIC OPPORTUNITIES PORTFOLIO	Style Description
AQR	Multi-Asset Class Public Investments
Bridgewater	Multi-Asset Class Public Investments
Carlyle	Multi-Asset Class Private Investments
KKR	Multi-Asset Class Private Investments
VPCM	Commercial Real Estate Mortgage Investments
Windham	Multi-Asset Class Public Investments

REAL ASSETS – TOP 10 MANAGERS	Style Description
Blackstone Real Estate Partners	Core, Enhanced Core, Opportunistic Real Estate & REITs
Clarion Partners	Enhanced Core Real Estate
Hancock Natural Resource Group	Global Timberland
Industry Funds Management	Infrastructure
J.P. Morgan Asset Management, Inc.	Core Real Estate
LaSalle Investment Management	Core & Opportunistic Real Estate
Molpus Woodlands Group	U.S. Timberland
Morgan Stanley	Core, Enhanced Core, Opportunistic Real Estate & International REITs
Prudential Real Estate Investors	Core & Enhanced Core Real Estate
VRS – Internal Equity Management	U.S. REITs

Public Equity Commissions

AS OF JUNE 30, 2015

Broker	Commission
Credit Suisse, New York (CSUS)	$ 1,105,387.35
Investment Technology Group, New York	$ 847,010.51
Merrill Lynch Intl. London Equities	$ 692,251.82
Instinet Europe Limited, London	$ 578,760.42
Morgan Stanley & Co., Inc., New York	$ 516,636.95
Goldman Sachs & Co., New York	$ 450,707.75
Merrill Lynch Pierce Fenner Smith Inc., New York	$ 400,262.06
ITG Inc., New York	$ 374,250.53
Deutsche Bank Secs., Inc., New York (NWSCUS33)	$ 316,438.69
Citigroup Global Markets, Inc., New York	$ 295,284.32
Deutsche Bank Intl. Eq., London (DEUTGB22EEQ)	$ 259,586.07
UBS Securities LLC, Stamford	$ 231,569.35
Investment Technology Group Ltd., Dublin	$ 165,469.66
Loop Capital Markets, Jersey City	$ 163,269.88
Merrill Lynch Gilts Ltd., London	$ 153,300.88
J.P. Morgan Secs., Ltd., London	$ 142,617.12
Sanford C. Bernstein & Co., New York	$ 130,683.98
Jefferies & Co., Inc., New York	$ 127,960.48
SG Sec. (London) Ltd., London	$ 118,842.41
HSBC Bank PLC (Midland Bank)(JAC), London	$ 110,159.84
UBS Warburg, London	$ 107,410.85
J.P. Morgan Clearing Corp., New York	$ 105,339.05
Pershing LLC, Jersey City	$ 100,930.34
Other Brokers	$ 3,862,452.90
Total FY 2015	**$ 11,356,583.21**

SCHEDULE OF INVESTMENT EXPENSES

FOR THE YEAR ENDED JUNE 30, 2015

(EXPRESSED IN THOUSANDS)

	Assets Under Management	Management Fees and Expenses
Management Fees:		
Internally Managed Assets	$ 22,752,476	$ –
Domestic Managers	2,280,009	17,945
Non-U.S. Equity Managers	5,194,581	16,764
Global Equity Managers	4,937,350	28,165
Fixed Income Managers	1,880,802	258
Credit Strategies Managers	7,736,142	52,162
Real Assets Managers	7,780,995	73,771
Alternative Investment Managers	8,229,707	83,567
Hedge Fund Managers	6,711,031	87,173
Strategic Opportunities Portfolio*	117,728	2,814
Total Management Fees	**67,620,821**	**362,619**
Portfolio Oversight	–	28,104
Miscellaneous Fees and Expenses:		
Custodial Fees	–	4,500
Legal Fees	–	862
Other Fees and Expenses	–	2,275
Total Miscellaneous Fees and Expenses	–	**7,637**
Total Defined Benefit Investment Expenses	**$ 67,620,820**	**$ 398,360**
Total Defined Contribution Investment Expenses	**23,253**	**631**
Total	**$ 67,644,074**	**$ 398,991**

** The assets within the Strategic Opportunities Portfolio include an Active Currency Overlay program.*

The related fee is based on the managers' notional account values.

Investment Summary: Defined Benefit Plans

In accordance with Section 51.1-124.31 of the *Code of Virginia* (1950), as amended, the Board of Trustees has pooled substantially all assets of the Virginia Retirement System, the State Police Officers' Retirement System, the Judicial Retirement System, the Group Life Insurance Fund and the Retiree Health Insurance Credit Fund into a common investment pool. The common investment pool of the pension trust funds and other trust funds held the following composition of investments at June 30, 2015 and 2014.

(EXPRESSED IN THOUSANDS)

	2015 Fair Value	Percent of Total Value	2014 Fair Value	Percent of Total Value
Bonds and Mortgage Securities:				
U.S. Government and Agencies	$ 4,576,496	6.72%	$ 4,123,513	6.14%
Mortgage Securities	3,496,782	5.13%	4,074,000	6.06%
Corporate and Other Bonds	12,933,907	18.99%	11,773,556	17.52%
Total Bonds and Mortgage Securities	**21,007,185**	**30.84%**	**19,971,069**	**29.72%**
Common and Preferred Stocks	**23,686,079**	**34.77%**	**24,853,391**	**36.99%**
Index and Pooled Funds				
Equity Index and Pooled Funds	6,978,380	10.24%	6,167,946	9.18%
Fixed Income Commingled Funds	745,010	1.09%	659,415	0.98%
Total Index and Pooled Funds	**7,723,390**	**11.34%**	**6,827,361**	**10.16%**
Real Assets – Private Assets	**6,983,580**	**10.25%**	**6,173,539**	**9.19%**
Private Equity	**8,154,219**	**11.97%**	**8,941,188**	**13.31%**
Short-Term Investments				
Treasurer of Virginia – LGIP Investment Pool	283,998	0.42%	267,722	0.40%
TBC Pooled Employee Trust Fund	222,015	0.33%	30,858	0.05%
Foreign Currencies	66,368	0.10%	116,495	0.17%
Total Short-Term Investments	**572,381**	**0.84%**	**415,075**	**0.62%**
Total Investments	**$ 68,126,834**	**100.00%**	**$ 67,181,623**	**100.00%**

Description of Hybrid Defined Contribution Plan

Defined contribution plan assets for Hybrid Retirement Plan members are maintained in two separate accounts. The Hybrid 401(a) account contains the hybrid plan member and employer mandatory contributions and the employer match on the voluntary member contributions. The Hybrid Deferred Compensation Plan (457) contains the hybrid plan member's voluntary member contributions. The schedule below shows the assets in each investment option and the accumulated plan assets in each option.

HYBRID PARTICIPANT ACCOUNT PLAN ASSETS BY FUND OPTION

AS OF JUNE 30, 2015

Fund Name	Hybrid 401(a)	Hybrid 457	Total
Retirement Portfolio	$ 245,992	$ 44,187	$ 290,179
Target Date 2020 Portfolio	907,400	295,821	1,203,221
Target Date 2025 Portfolio	1,300,051	478,998	1,779,049
Target Date 2030 Portfolio	1,657,220	378,483	2,035,703
Target Date 2035 Portfolio	1,921,881	791,503	2,713,384
Target Date 2040 Portfolio	1,991,326	488,293	2,479,619
Target Date 2045 Portfolio	2,309,136	478,145	2,787,281
Target Date 2050 Portfolio	3,043,108	601,684	3,644,792
Target Date 2055 Portfolio	4,865,306	400,547	5,265,853
Target Date 2060 Portfolio	50,183	8,757	58,940
Money Market Fund	83,415	11,892	95,307
Stable Value Fund	17,716	41,418	59,134
Bond Fund	20,454	15,392	35,846
Inflation-Protected Bond Fund	4,373	4,574	8,947
High-Yield Bond Fund	12,978	23,379	36,357
Stock Fund	185,909	174,905	360,814
Small/Mid-Cap Stock Fund	85,817	104,592	190,409
International Stock Fund	43,685	44,414	88,099
Emerging Markets Stock Fund	27,603	26,064	53,667
Global Real Estate fund	36,723	29,518	66,241
VRS Investment Portfolio	–	–	–
Self-Directed Brokerage	–	–	–
Total Plan Assets	**$ 18,810,276**	**$ 4,442,566**	**$ 23,252,842**

Description of Defined Contribution Plan Investment Options

Participants with the System's Hybrid Retirement Plan benefit structure have access to a number of core investment options for their Hybrid Plan contributions. These options are intended to provide participants with a variety of investment choices while controlling the costs associated with those choices. In addition to the option-specific annual operating expense detailed in the Investment Option Performance Summary, participants pay an annual record-keeping fee of $30.50 that is deducted from their accounts on a monthly basis (approximately $2.54 per month). If participants participate in more than one Commonwealth of Virginia plan, then only one annual fee of $30.50 is applied. At June 30, 2015, the plans provided the following core investment options to plan participants.

DO-IT-FOR-ME FUNDS

Retirement Portfolio: The investment objective of the portfolio is to provide for retirement outcomes consistent with investor preferences throughout the savings and drawdown phase based on quantitatively measured risk that investors, on average, may be willing to accept. In pursuit of that objective, the portfolio will be broadly diversified across global asset classes.

U.S. Bonds–51.3% U.S. Large-Cap Stocks–19.3% International Stocks–10.8%
U.S. Inflation-Index Bonds–8.8% U.S. Small/Mid-Cap Stocks–5.5%
Commodities–3.8% Developed Real Estate–0.5%

Target Date 2020 Portfolio: The investment objective of the portfolio is to provide for retirement outcomes consistent with investor preferences throughout the savings and drawdown phase based on quantitatively measured risk that investors, on average, may be willing to accept. In pursuit of that objective, the portfolio will be broadly diversified across global asset classes, with asset allocations becoming more conservative over time.

U.S. Bonds–40.8% U.S. Large-Cap Stocks–24.2% International Stocks–15.2%
U.S. Inflation-Index Bonds–6.8% U.S. Small/Mid-Cap Stocks–6.4%
Commodities–3.7% Developed Real Estate–3.0%

Target Date 2025 Portfolio: The investment objective of the portfolio is to provide for retirement outcomes consistent with investor preferences throughout the savings and drawdown phase based on quantitatively measured risk that investors, on average, may be willing to accept. In pursuit of that objective, the portfolio will be broadly diversified across global asset classes, with asset allocations becoming more conservative over time.

U.S. Bonds–31.3% U.S. Large-Cap Stocks–28.6% International Stocks–18.6%
U.S. Small/Mid-Cap Stocks–7.2% Developed Real Estate–5.3%
U.S. Inflation-Index Bonds–5.0% Commodities–4.0%

Target Date 2030 Portfolio: The investment objective of the portfolio is to provide for retirement outcomes consistent with investor preferences throughout the savings and drawdown phase based on quantitatively measured risk that investors, on average, may be willing to accept. In pursuit of that objective, the portfolio will be broadly diversified across global asset classes, with asset allocations becoming more conservative over time.

U.S. Large-Cap Stocks–32.9% U.S. Bonds–22.3% International Stocks–22.1%
U.S. Small/Mid-Cap Stocks–7.9% Developed Real Estate–7.4%
Commodities–4.1% U.S. Inflation-Index Bonds–3.3%

Target Date 2035 Portfolio: The investment objective of the portfolio is to provide for retirement outcomes consistent with investor preferences throughout the savings and drawdown phase based on quantitatively measured risk that investors, on average, may be willing to accept. In pursuit of that objective, the portfolio will be broadly diversified across global asset classes, with asset allocations becoming more conservative over time.

U.S. Large-Cap Stocks–37.0% International Stocks–25.3% U.S. Bonds–13.5%
Developed Real Estate–9.6% U.S. Small/Mid-Cap Stocks–8.6%
Commodities–4.1% U.S. Inflation-Index Bonds–1.9%

Target Date 2040 Portfolio: The investment objective of the portfolio is to provide for retirement outcomes consistent with investor preferences throughout the savings and drawdown phase based on quantitatively measured risk that investors, on average, may be willing to accept. In pursuit of that objective, the portfolio will be broadly diversified across global asset classes, with asset allocations becoming more conservative over time.

U.S. Large-Cap Stocks–39.7% International Stocks–28.3%
Developed Real Estate–11.9% U.S. Small/Mid-Cap Stocks–9.4%
U.S. Bonds–5.8% Commodities–4.2% U.S. Inflation-Index Bonds–0.7%

Target Date 2045 Portfolio: The investment objective of the portfolio is to provide for retirement outcomes consistent with investor preferences throughout the savings and drawdown phase based on quantitatively measured risk that investors, on average, may be willing to accept. In pursuit of that objective, the portfolio will be broadly diversified across global asset classes, with asset allocations becoming more conservative over time.

U.S. Large-Cap Stocks–40.5% International Stocks–29.8%
Developed Real Estate–13.2% U.S. Small/Mid-Cap Stocks–10.1%
Commodities–4.4% U.S. Bonds–1.8% U.S. Inflation-Index Bonds–0.2%

Target Date 2050 Portfolio: The investment objective of the portfolio is to provide for retirement outcomes consistent with investor preferences throughout the savings and drawdown phase based on quantitatively measured risk that investors, on average, may be willing to accept. In pursuit of that objective, the portfolio will be broadly diversified across global asset classes, with asset allocations becoming more conservative over time.

U.S. Large-Cap Stocks–40.7% International Stocks–30.1% Developed Real Estate–13.5%
U.S. Small/Mid-Cap Stocks–10.2% Commodities–4.4% U.S. Bonds–1.1%

Target Date 2055 Portfolio: The investment objective of the portfolio is to provide for retirement outcomes consistent with investor preferences throughout the savings and drawdown phase based on quantitatively measured risk that investors, on average, may be willing to accept. In pursuit of that objective, the portfolio will be broadly diversified across global asset classes, with asset allocations becoming more conservative over time.

U.S. Large-Cap Stocks–40.7% International Stocks–30.1% Developed Real Estate–13.5%
U.S. Small/Mid-Cap Stocks–10.2% Commodities–4.4% U.S. Bonds–1.1%

Target Date 2060 Portfolio: The investment objective of the portfolio is to provide for retirement outcomes consistent with investor preferences throughout the savings and drawdown phase based on quantitatively measured risk that investors, on average, may be willing to accept. In pursuit of that objective, the portfolio will be broadly diversified across global asset classes, with asset allocations becoming more conservative over time.

U.S. Large-Cap Stocks–40.7% International Stocks–30.1% Developed Real Estate–13.5%
U.S. Small/Mid-Cap Stocks–10.2% Commodities–4.4% U.S. Bonds–1.1%

DO–IT–FOR–ME FUNDS

Money Market Fund: Seeks to provide a high level of current income as is consistent liquidity and stability of principal.

Government Agency Debt–55.6% Government Agency Repurchase Agreements–44.4%

Stable Value Fund: Seeks to provide safety of principal while earning a reasonable level of interest income consistent with an underlying portfolio of short to intermediate duration high-quality fixed-income (bond) securities, and liquidity to accommodate participant transactions.

Agency MBS–22.8% Corporates–21.9% Asset-Backed–17.1% Cash/Equivalents–13.0% U.S. Treasury/Agency–8.6% CMBS–6.7%
Other U.S. Government–6.4% Taxable Municipals–3.4% Municipal MBS–0.1%

Bond Fund: Seeks to track the performance of the Barclays Aggregate Bond Index. The Index is an unmanaged index that represents the broad U.S. investment grade bond market and is comprised of U.S. treasury securities, government agency bonds, corporate bonds, mortgage-backed securities, asset-backed securities and a small amount of foreign bonds traded in the U.S.

Treasury–36.4% Mortgages–27.6% Industrials–14.4% Financials–7.8%
Non-U.S. Credit–5.2% Agencies–2.8% CMBS–2.0% Utilities–1.8%
Taxable Municipals–0.9% Asset-Backed Securities–0.6% Hybrid ARM–0.3% Cash–0.2%

Inflation-Protected Bond Fund: Seeks to track the performance of the Barclays U.S. Treasury Inflation-Protected Securities Index. The Index is an unmanaged index that represents the U.S. Treasury Inflation-Protection Securities (TIPS) market. The index includes investment grade TIPS with one or more years to final maturity.

U.S. Treasury–100.0%

High-Yield Bond Fund: Seeks to achieve returns that exceed, over time, its benchmark, the Bank of America (BofA) Merrill Lynch U.S. High-Yield BB-B Rated Constrained Index. The Index is an unmanaged index of BB-B rated securities that caps any single issuer exposure to 2.00%. The index is indicative of the higher quality high-yield bond market.

Communications–21.1% Consumer Non-Cyclical–18.2% Consumer Cyclical–16.4%
Energy–10.3% Technology–9.8% Capital Goods–9.4% Basic Industry–5.3%
Financial/REIT–4.2% Other/Cash–2.7% Transportation–1.7% Utilities–0.9%

Stock Fund: Seeks to track the performance of the Standard & Poor's 500 Index. The Index is an unmanaged index that represents the broad large capitalization U.S. stock market and is comprised of 500 widely held U.S. stocks chosen by Standard & Poor's.

Information Technology–19.5% Financials–16.6% Health Care–15.5% Consumer Discretionary–12.8%
Industrials–10.1% Consumer Staples–9.4% Energy–7.9% Materials–3.1%
Utilities–2.8% Telecommunications Services–2.3%

Small/Mid-Capitalization Stock Fund: Seeks to track the performance of the Russell 2500 Index. The Index is an unmanaged index that represents the broad middle to smaller capitalization U.S. stock market.

Financials–24.2% Information Technology–15.2% Consumer Discretionary–14.8%
Industrials–14.7% Health Care–13.1% Materials–6.0% Energy–4.4%
Utilities–4.0% Consumer Staples–2.9% Telecommunication Services–0.7%

International Stock Fund: Seeks to track the performance of the Morgan Stanley Capital International World ex-U.S. (MSCI World ex-U.S.) Index. The Index is an unmanaged index that is comprised of foreign stocks representing companies located in Canada and in developed countries across Western Europe and the Pacific Rim.

Financials–27.2% Consumer Discretionary–12.6% Industrials–12.2% Health Care–10.9%
Consumer Staples–10.4% Materials–7.6% Energy–6.6%
Telecommunication Services–4.6% Information Technology–4.5% Utilities–3.4%

Emerging Markets Stock Fund: Seeks to track the performance of the Morgan Stanley Capital International Emerging Markets (MSCI Emerging Markets) Index. The Index is an unmanaged index that is comprised of foreign stocks representing companies located in 26 emerging markets.

Financials–29.7% Information Technology–17.9% Consumer Discretionary–9.0% Energy–8.4%
Consumer Staples–8.1% Telecommunication Services-7.3% Industrials–6.9%
Materials–6.9% Utilities–3.3% Health Care–2.5%

Global Real Estate Fund: Seeks to track the performance of the FTSE EPRA/NAREIT Developed Index. This Index is an unmanaged index designed to reflect the performance of listed real estate companies worldwide including the U.S.

Retail REITs–23.0% Diversified REITs–12.2% Office REITs–12.1%
Diversified Real Estate Activities–12.0% Residential REITs–9.7%
Real Estate Operating Companies–7.9% Health Care REITs–6.8% Specialized REITs–6.0%
Industrial REITs–4.9% Hotel & Resort REITs–4.3% Real Estate Development–0.8%
Health Care Facilities–0.2% Asset Management & Custody Banks–0.1%

VRS Investment Portfolio (VRSIP): Seeks to maximize return while managing risk within an acceptable range. Due to the long-term nature of the defined benefit plan's liabilities, the horizon for investment decisions is generally defined as 10 years or longer.

Domestic Equity–21.5% Fixed Income–18.1% Non-U.S. Equity–16.5% Real Assets–11.4% Credit–10.7% Private Equity–7.4%
Emerging Market Equity–4.8% Convertibles–3.6% Emerging Market Debt–3.5% Cash–1.3% Strategic Opportunities–1.2%

DO-IT-MYSELF FUNDS

Self-Directed Brokerage Account (SDBA): Allows investors to select from thousands of publicly traded mutual funds, exchange-traded funds (ETFs) and individual securities in addition to the available core investment options. The SDBA option is offered through TD Ameritrade. The SDBA option is for knowledgeable investors who acknowledge and understand the risks and costs associated with the investments contained in this option. In addition to the annual recordkeeping fee and operating expenses, this option is subject to transaction fees charged by TD Ameritrade and investment management related fees and expenses for the funds or investments selected. ICMA-RC charges a $50 setup fee when a member establishes a SDBA and deducts the fee from the member's ICMA-RC account.

Investment Option Performance Summary: Defined Contribution Plans

AS OF JUNE 30, 2015 (RETURNS GREATER THAN ONE YEAR ARE ANNUALIZED)

DO-IT-FOR-ME PATH: TARGET DATE PORTFOLIOS

Investment Options	1 Year	3 Years	5 Years	Total Annual Operating Expenses As a %	Total Annual Operating Expenses Per $1,000
Retirement Portfolio	1.20%	5.80%	7.15%	0.08%	$0.80
Custom Benchmark[1]	1.16%	5.75%	7.11%		
Target Date 2020 Portfolio	1.34%	7.57%	8.83%	0.08%	$0.80
Custom Benchmark[1]	1.25%	7.50%	8.77%		
Target Date 2025 Portfolio	1.45%	8.58%	9.70%	0.08%	$0.80
Custom Benchmark[1]	1.33%	8.52%	9.62%		
Target Date 2030 Portfolio	1.57%	9.50%	10.45%	0.08%	$0.80
Custom Benchmark[1]	1.42%	9.42%	10.35%		
Target Date 2035 Portfolio	1.62%	10.30%	11.14%	0.08%	$0.80
Custom Benchmark[1]	1.51%	10.22%	11.01%		
Target Date 2040 Portfolio	1.72%	11.05%	11.75%	0.09%	$0.90
Custom Benchmark[1]	1.56%	10.96%	11.60%		
Target Date 2045 Portfolio	1.72%	11.73%	12.30%	0.09%	$0.90
Custom Benchmark[1]	1.55%	11.63%	12.14%		
Target Date 2050 Portfolio	1.62%	12.31%	12.80%	0.09%	$0.90
Custom Benchmark[1]	1.48%	12.22%	12.64%		
Target Date 2055 Portfolio	1.46%	12.82%	13.10%	0.09%	$0.90
Custom Benchmark[1]	1.32%	12.73%	12.92%		
Target Date 2060 Portfolio	N/A	N/A	N/A	0.09%	$0.90
Custom Benchmark[1]	N/A	N/A	N/A		

HELP-ME-DO-IT PATH: INDIVIDUAL OPTIONS

Investment Options	1 Year	3 Years	5 Years	Total Annual Operating Expenses as a %	Total Annual Operating Expenses Per $1,000
Money Market Fund	0.00%	0.02%	0.09%	0.10%	$1.00
Benchmark: Barclays 3-Month Treasury Bill Index					
Yield as of June 30, 2015, was 0.03%	0.03%	0.08%	0.10%		
Stable Value Fund	1.45%	1.73%	2.09%	0.30%	$3.00
Custom Benchmark[2]					
Yield as of June 30, 2015, was 1.50%	1.48%	1.20%	1.19%		

HELP-ME-DO-IT PATH: INDIVIDUAL OPTIONS, cont.

Investment Options	1 Year	3 Years	5 Years	Total Annual Operating Expenses as a %	Total Annual Operating Expenses Per $1,000
Bond Fund	1.94%	1.94%	3.41%	0.04%	$0.40
Benchmark: Barclays Aggregate Bond Index	1.86%	1.83%	3.35%		
Inflation-Protected Bond Fund	-1.72%	-0.71%	3.34%	0.04%	$0.40
Benchmark: Barclays U.S. Treasury Inflation-Protected Securities Index	-1.73%	-0.76%	3.29%		
High-Yield Bond Fund	1.06%	6.70%	8.49%	0.39%	$3.90
Benchmark: BofA Merrill Lynch U.S. High-Yield BB-B Constrained Index	0.70%	6.76%	8.32%		
Stock Fund	7.52%	17.37%	17.38%	0.01%	$0.10
Benchmark: S&P 500 Index	7.42%	17.31%	17.34%		
Small/Mid-Cap Stock Fund	6.04%	18.75%	17.78%	0.04%	$0.40
Benchmark: Russell 2500 Index[3]	5.92%	18.66%	17.71%		
International Stock Fund	-5.05%	11.44%	9.38%	0.06%	$0.60
Benchmark: MSCI World ex-U.S. Index[4]	-5.28%	11.15%	9.05%		
Emerging Markets Stock Fund	-5.32%	3.28%	3.62%	0.14%	$1.40
Benchmark: MSCI Emerging Markets Index	-5.12%	3.71%	3.68%		
Global Real Estate Fund	0.21%	9.18%	14.63%	0.12%	$1.20
Benchmark: FTSE EPRA/NAREIT Developed Index[5]	-0.36%	8.69%	14.44%		
VRS Investment Portfolio (VRSIP)	4.73%	10.65%	10.35%	0.56%	$5.60
VRS Custom Benchmark[6]	4.22%	9.93%	9.61%		

[1] *Benchmarks are calculated using blended returns of third-party indices that proportionately reflect the respective weightings of the Portfolios' asset classes. Weightings are adjusted quarterly to reflect the Portfolios' asset allocation shifts over time. Indices currently used to calculate the custom benchmarks are S&P 500 Index, Dow Jones U.S. Completion Total Stock Market Index, MSCI ACWI ex-U.S. IMI Index, Barclays U.S. Aggregate Bond Index, Barclays U.S. Treasury Inflation-Protected Securities Index, FTSE EPRA/NAREIT Developed Index and the Bloomberg Commodity Index Total Return.*

[2] *The benchmark represents the hypothetical return generated by the monthly yield of actively traded U.S. Treasuries with a three-year maturity plus an annualized spread of 0.50% and representative of the Fund's expected return profile, given its mandate and book value accounting treatment.*

[3] *Effective July 2012, the performance benchmark is the Russell 2500 Index. Prior to July 2012, the performance benchmark was the Russell Small Cap Completeness Index. The benchmark returns are linked.*

[4] *Effective July 2012, the performance benchmark is the MSCI World ex-U.S. Index. Prior to July 2012, the performance benchmark was the MSCI EAFE Index. The benchmark returns are linked.*

[5] *Effective July 2012, the performance benchmark is FTSE EPRA/NAREIT Developed Index. Prior to July 2012, the performance benchmark was the Dow Jones U.S. Select REIT Index. The benchmark returns are linked.*

[6] *The VRS Custom Benchmark is a blend of the asset class benchmarks at policy weights.*

NYC

4 Actuarial Section

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1950

YEAR THAT THE STATE POLICE OFFICERS' RETIREMENT SYSTEM (SPORS) WAS CREATED

2,000

Number of active members at June 30, 2015

1999

YEAR THAT THE VIRGINIA LAW OFFICERS' RETIREMENT SYSTEM (VaLORS) WAS CREATED

8,779

Number of active members at June 30, 2015

SERVING THOSE WHO SERVE VIRGINIA

The State Police Officers' Retirement System (SPORS) was established in 1950 to provide enhanced hazardous duty coverage to state police officers. The Virginia Law Enforcement Officers' Retirement System (VaLORS) was created in 1999 for state law enforcement officers, other than state police. To serve its growing membership, VRS automated operations, computerized records and expanded communications to include annual benefit statements, counseling, member handbooks and newsletters.

Actuary's Certification Letter – Pension Plans

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

October 30, 2015

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

Dear Trustees:

We are pleased to submit the results of the annual actuarial valuation for the following retirement plans administered by the Virginia Retirement System (VRS), prepared as of June 30, 2014:

- State Employees (VRS)
- Teachers (VRS)
- State Police (SPORS)
- Virginia Law Officers (VaLORS)
- Judicial (JRS)

In addition, this report includes information in aggregate on the actuarial valuations of the Political Subdivisions participating in the VRS plan as of June 30, 2014. We have prepared and provided separately, actuarial valuation reports for each of the Political Subdivisions. Please refer to the individual reports for the valuation results, summary of actuarial assumptions and methods, and plan provisions for each of the Political Subdivision plans.

The purpose of this report is to provide a summary of the funded status of the plans administered by VRS as of June 30, 2014, to recommend rates of contribution, and to provide accounting information under Governmental Accounting Standards Board (GASB) Statement No. 27 (GASB 27). While not verifying the data at source, the actuary performed tests for consistency and reasonability.

The valuation results indicate that the employer contribution rates shown in the table on the following page are sufficient to fund the normal cost for all members and finance the unfunded accrued liability of the plans. We also present the expected employer contributions to be actually funded based on the percentage of the full rate adopted by the General Assembly. For comparison, in the table on the following page we present the employer contribution rates based on the June 30, 2014, actuarial valuation, the employer contribution

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www.CavMacConsulting.com

System	Fiscal Years 2013 & 2014		Fiscal Years 2015 & 2016		Informational Only		
	Board Approved	General Assembly Approved	Board Approved	General Assembly Approved	Full Employer Contribution Rate for Defined Plan	Employer Rate For Hybrid DC Component	Total Employer Contribution Rate Plans
	2011 Valuation		2013 Valuation		2014 Valuation		
State	13.07%	8.76%	15.79%	12.32%	15.14%	0.03%	15.17%
Teachers	16.77%	11.66%	18.19%	14.50%	17.51%	0.01%	17.52%
SPORS	32.62%	24.74%	32.93%	27.63%	29.58%	N/A	29.58%
VaLORS	19.52%	14.80%	21.74%	18.24%	20.78%	N/A	20.78%
Judicial	54.11%	45.44%	57.84%	51.66%	53.44%	N/A	53.44%
Political Subdivisions (Average rates)	10.63%	N/A	9.91%	9.91%	8.81%	0.02%	8.83%

rates approved by the General Assembly for fiscal years ending June 30, 2013 and 2014, and the employer contribution rates approved by the General Assembly for the fiscal years ending June 30, 2015 and 2016. Contribution rates for VRS employers are established every two years. The actuarially calculated employer contribution rates based on the June 30, 2014, valuation presented in this report are for informational purposes only. The June 30, 2014, valuation includes Hybrid Retirement Plan members for the first time. In the table on this page we present the employer rate for the defined benefit component of the Hybrid Plan and the average employer rate for the defined contribution component.

The promised benefits of VRS are included in the calculated contribution rates which are developed using the entry age normal cost method. The valuation takes into account the differentiation between Plan 1 vested members, Plan 1 non-vested members as of January 1, 2013, resulting from HB 1130 and SB 498, and Plan 2 members. The June 30, 2014, valuation is the first valuation to reflect the Hybrid Retirement Plan for eligible new hires on or after January 1, 2014, and for members who elected to opt into the Hybrid Plan. Five-year smoothed market value of assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded accrued liability. In accordance with the supplemental contribution provision under the 2011 Appropriations Act, Item 469(I)(6), the portion of the unfunded accrued liability with respect to deferred contributions for the 2010-2012 biennium is amortized using a level-dollar, closed, 10-year period beginning June 30, 2011. In accordance with the funding policy adopted by the Board of Trustees in 2013, the balance of the unfunded accrued liability as of June 30, 2013, is being amortized by regular annual contributions as a level percentage of payroll over a closed 29-year period and the change in the unfunded accrued liability for the year ended June 30, 2014, over a closed 20-year period. The amortization of the unfunded liability assumes that payroll will increase by 3% annually and the amortization period will decrease by one year until reaching 0 years. The assumptions recommended by

the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the Fund and to reasonable expectations of anticipated experience under the Fund, and meet the parameters for disclosures under GASB 27.

We have prepared the Schedule of Funding Progress and Trend Information shown in the Financial Section of the Comprehensive Annual Financial Report and all supporting schedules, including the Schedule of Active Member Valuation Data, the Solvency Test and the Analysis of Financial Experience shown in the Actuarial Section of the Comprehensive Annual Financial Report. For completeness, the table of Changes in Unfunded Actuarial Accrued Liabilities in Section VII, the Solvency Test in Schedule A, and the Retiree and Beneficiary Data in Schedule I include the information with respect to the Political Subdivisions participating in VRS.

In addition, the following schedules (or updates to them) were prepared by VRS from information prepared by us during the 2014 and prior actuarial valuations or from supplemental information prepared by us for use in the System's Comprehensive Annual Financial Report. Historical information that references a valuation date prior to June 30, 2008, was prepared by a previous actuarial firm. We have reviewed the following schedules for the periods indicated for inclusion in the System's 2015 Comprehensive Annual Financial Report:

- Schedule of Funding Progress (Fiscal Year 2005)
- Schedule of Employer Contributions (All Years)
- Solvency Test (Fiscal Year 2005-Fiscal Year 2006)
- Schedule of Active Member Valuation Data (Fiscal Year 2005-Fiscal Year 2009)
- Schedule of Retirees and Beneficiaries (All Years)

Our organization has only a contractual relationship with the Virginia Retirement System to provide actuarial consulting services, and we do not provide other services to nor have a financial interest in the Virginia Retirement System. There are no known interests or relationships that our firm has with the Virginia Retirement System that may impair or appear to impair the objectivity of our work.

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the System and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

Jose I. Fernandez, ASA, FCA, EA, MAAA
Principal and Consulting Actuary

John J. Garrett, ASA, FCA, MAAA
Principal and Consulting Actuary

Micki R. Taylor, ASA, FCA, MAAA
Senior Actuary

The Actuarial Section presents information about the assumptions adopted by the Board of Trustees and used by the VRS actuary to evaluate the funded status of the pension plans. This information includes trend data about retirements, disabilities, terminations and salary increase rates. The section also provides summaries of the provisions of and changes to the pension plans administered by the System.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS – PENSION PLANS

	2005-2009	2010	2011-2012	2013-2014
Investment Rate of Return	7.50%	7.00%	7.00%	7.00%
Inflation Assumption	2.50%	2.50%	2.50%	2.50%
Cost of Living (COLA) Assumption				
Plan 1	2.50%	2.50%	2.50%	2.50%
Plan 2	N/A	N/A	2.25%	2.25%
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Change in Decremental Assumptions	Yes	No	No	Yes
Value of Ancillary Benefits Included	Yes	Yes	Yes	Yes
Value of Post-Retirement Adjustments to Date Included	Yes	Yes	Yes	Yes
Assets Valuation Method	5-Year Smoothed Market	5-Year Smoothed Market	5-Year Smoothed Market	5-Year Smoothed Market

SOLVENCY TEST – PENSION PLANS

(EXPRESSED IN THOUSANDS)

Valuation Date (June 30)	Aggregate Accrued Liabilities for (1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Members*	Valuation Assets	Portion of Accrued Liabilities Covered by Assets (1)	(2)	(3)
VIRGINIA RETIREMENT SYSTEM (VRS)							
2014	$ 11,819,771	$ 44,469,489	$ 25,794,124	$ 57,144,567	100.00%	100.00%	3.32%
2013	11,420,836	42,383,697	25,273,058	52,124,581	100.00%	96.00%	0.00%
2012	9,479,988	39,996,442	28,382,426	51,211,915	100.00%	100.00%	6.11%
2011	9,116,662	37,539,539	28,528,577	52,558,997	100.00%	100.00%	20.69%
2010	9,246,421	35,117,915	28,436,065	52,728,575	100.00%	100.00%	29.41%
2009	8,876,564	31,589,747	25,856,699	53,185,033	100.00%	100.00%	49.19%
2008	8,389,773	29,225,652	24,939,054	52,548,375	100.00%	100.00%	59.88%
2007	8,154,046	23,339,386	23,623,041	47,815,450	100.00%	100.00%	56.39%
2006	6,988,172	23,055,815	22,777,916	42,668,752	100.00%	100.00%	55.43%
2005	6,555,402	21,140,882	21,932,204	40,372,648	100.00%	100.00%	57.80%
STATE POLICE OFFICERS' RETIREMENT SYSTEM (SPORS)							
2014	$ 92,637	$ 562,413	$ 374,105	$ 662,244	100.00%	100.00%	1.92%
2013	88,814	548,115	359,761	591,983	100.00%	91.80%	0.00%
2012	78,465	563,612	371,201	587,160	100.00%	90.30%	0.00%
2011	74,943	540,097	370,664	616,603	100.00%	100.00%	0.42%
2010	77,759	510,491	360,642	633,415	100.00%	100.00%	12.52%
2009	74,662	474,622	329,896	646,960	100.00%	100.00%	29.61%
2008	71,160	444,025	329,010	646,277	100.00%	100.00%	39.84%
2007	70,796	408,085	327,147	594,985	100.00%	100.00%	35.49%
2006	66,055	378,636	285,236	538,646	100.00%	100.00%	32.94%
2005	62,917	337,017	273,239	514,330	100.00%	100.00%	41.87%
VIRGINIA LAW OFFICERS' RETIREMENT SYSTEM (VaLORS)							
2014	$ 230,522	$ 977,848	$ 611,675	$ 1,058,010	100.00%	84.60%	0.00%
2013	223,467	916,886	601,757	941,933	100.00%	78.40%	0.00%
2012	176,172	861,342	715,499	909,399	100.00%	85.10%	0.00%
2011	174,963	763,631	744,597	926,082	100.00%	98.40%	0.00%
2010	186,792	682,378	710,151	925,443	100.00%	100.00%	7.92%
2009	181,760	581,887	648,197	912,922	100.00%	100.00%	23.03%
2008	173,039	510,878	597,560	873,473	100.00%	100.00%	31.72%
2007	169,393	458,383	538,203	766,243	100.00%	100.00%	25.73%
2006	156,310	412,767	527,291	656,668	100.00%	100.00%	16.61%
2005	148,890	330,502	500,705	575,327	100.00%	100.00%	19.16%
JUDICIAL RETIREMENT SYSTEM (JRS)							
2014	$ 38,522	$ 370,265	$ 199,382	$ 406,053	100.00%	99.30%	0.00%
2013	38,439	360,470	191,717	368,671	100.00%	91.60%	0.00%
2012	38,578	335,501	208,377	361,097	100.00%	96.10%	0.00%
2011	37,981	312,423	219,091	371,051	100.00%	100.00%	9.42%
2010	43,217	310,305	206,398	372,096	100.00%	100.00%	9.00%
2009	41,793	287,543	192,127	378,212	100.00%	100.00%	25.44%
2008	38,785	271,276	184,707	373,850	100.00%	100.00%	34.54%
2007	38,675	242,825	160,998	340,200	100.00%	100.00%	36.46%
2006	34,756	240,005	149,637	302,734	100.00%	100.00%	18.69%
2005	32,143	229,942	140,216	287,825	100.00%	100.00%	18.36%

** Employer-financed portion.*

Aggregate Accrued Liabilities are determined under the entry age normal cost method (System-funded method used to determine employer contribution requirements).

The progress of a retirement system in accumulating assets to pay benefits when due can be measured by examining the extent to which assets accumulated for benefits cover 1) active member contributions to the System; 2) liabilities for future benefits to retirees and beneficiaries; and 3) liabilities for the employer-financed portion of service already rendered by active members. In a system receiving actuarially determined employer contributions, the liabilities for member contributions and future benefits to retirees and beneficiaries will generally be fully covered by accumulated assets. In addition, the liabilities for service already rendered will be partially covered by the remainder of the accumulated assets and will increase over time.

SOLVENCY TEST – VRS PENSION PLANS

(EXPRESSED IN THOUSANDS)

Valuation Date (June 30)	Aggregate Accrued Liabilities for (1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Members*	Valuation Assets	Portion of Accrued Liabilities Covered by Assets (1)	(2)	(3)
VRS – STATE							
2014	$ 3,202,604	$12,433,349	$ 6,186,983	$14,826,208	100.00%	93.50%	0.00%
2013	3,113,926	11,954,023	6,000,702	13,714,404	100.00%	88.70%	0.00%
2012	2,559,930	11,363,015	7,021,313	13,740,366	100.00%	98.40%	0.00%
2011	2,475,123	10,844,164	7,088,671	14,406,275	100.00%	100.00%	15.33%
2010	2,511,650	10,279,653	6,748,150	14,700,854	100.00%	100.00%	28.30%
2009	2,501,163	9,024,592	6,400,124	15,049,901	100.00%	100.00%	55.06%
2008	2,398,033	8,411,441	6,287,468	15,046,348	100.00%	100.00%	67.39%
2007	2,361,187	7,707,539	6,211,055	13,857,242	100.00%	100.00%	61.00%
2006**	2,023,931	6,865,383	6,174,748	12,542,390	100.00%	100.00%	59.16%
VRS – TEACHER							
2014	$ 5,494,752	$22,720,375	$13,082,542	$ 27,026,576	100.00%	94.80%	0.00%
2013	5,310,701	21,627,490	12,914,143	24,724,679	100.00%	89.80%	0.00%
2012	4,573,244	20,361,089	14,156,075	24,391,761	100.00%	97.30%	0.00%
2011	4,394,657	19,066,272	14,310,803	25,166,124	100.00%	100.00%	11.92%
2010	4,376,385	17,935,907	14,776,284	25,447,677	100.00%	100.00%	21.22%
2009	4,155,034	16,383,311	13,322,169	25,764,665	100.00%	100.00%	39.23%
2008	3,922,647	15,181,246	12,854,428	25,502,482	100.00%	100.00%	49.78%
2007	3,826,300	13,670,111	12,173,427	23,204,871	100.00%	100.00%	46.89%
2006**	3,284,393	12,086,579	11,903,092	20,731,192	100.00%	100.00%	45.03%
VRS – POLITICAL SUBDIVISIONS							
2014	$ 3,122,415	$ 9,315,765	$ 6,524,599	$15,291,783	100.00%	100.00%	43.74%
2013	2,996,209	8,802,184	6,358,213	13,685,498	100.00%	100.00%	29.68%
2012	2,346,814	8,272,338	7,205,038	13,079,788	100.00%	100.00%	34.15%
2011	2,246,882	7,629,103	7,129,103	12,986,598	100.00%	100.00%	43.63%
2010	2,358,386	6,902,355	6,911,631	12,580,044	100.00%	100.00%	48.02%
2009	2,220,367	6,181,844	6,134,406	12,370,467	100.00%	100.00%	64.69%
2008	2,069,093	5,632,966	5,797,158	11,999,545	100.00%	100.00%	74.13%
2007	1,966,559	4,961,736	5,238,559	10,753,337	100.00%	100.00%	73.02%
2006**	1,679,848	4,103,853	4,700,076	9,395,170	100.00%	100.00%	76.84%
VRS – TOTAL							
2014	$ 11,819,771	$44,469,489	$25,794,124	$57,144,567	100.00%	100.00%	3.32%
2013	11,420,836	42,383,697	25,273,058	52,124,581	100.00%	96.00%	0.00%
2012	9,479,988	39,996,442	28,382,426	51,211,915	100.00%	100.00%	6.11%
2011	9,116,662	37,539,539	28,528,577	52,558,997	100.00%	100.00%	20.69%
2010	9,246,421	35,117,915	28,436,065	52,728,575	100.00%	100.00%	29.41%
2009	8,876,564	31,589,747	25,856,699	53,185,033	100.00%	100.00%	49.19%
2008	8,389,773	29,225,652	24,939,054	52,548,375	100.00%	100.00%	59.88%
2007	8,154,046	26,339,386	23,623,041	47,815,450	100.00%	100.00%	56.39%
2006**	6,988,172	23,055,815	22,777,916	42,668,752	100.00%	100.00%	55.43%

** Employer-financed portion.*

*** Plan-level information is not available for periods prior to 2006.*

Aggregate Accrued Liabilities are determined under the entry age normal cost method (System-funded method used to determine employer contribution requirements).

The progress of a retirement system in accumulating assets to pay benefits when due can be measured by examining the extent to which assets accumulated for benefits cover 1) active member contributions to the System; 2) liabilities for future benefits to retirees and beneficiaries; and 3) liabilities for the employer-financed portion of service already rendered by active members. In a system receiving actuarially determined employer contributions, the liabilities for member contributions and future benefits to retirees and beneficiaries will generally be fully covered by accumulated assets. In addition, the liabilities for service already rendered will be partially covered by the remainder of the accumulated assets and will increase over time.

SCHEDULE OF FUNDING (ACTUARIAL VALUE OF ASSETS BASIS) – ALL PENSION PLANS

(EXPRESSED IN MILLIONS)

Actuarial Valuation Date June 30	Market Value of Assets (MVA) (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Net Pension Liability (AAL-MVA) (b-a)	Funded Ratio Funded (MVA/AAL) (a/b)	Covered Payroll (c)	Net Pension Liability as a Percentage of Covered Payroll (b-a)/(c)
VIRGINIA RETIREMENT SYSTEM (VRS) **						
2014	$ 57,145	$ 82,083	$ 24,938	69.6%	$ 15,671	159.1%
2013*	52,125	79,078	26,953	65.9%	15,269	176.5%
2012	51,212	77,859	26,647	65.8%	14,880	179.1%
2011	52,559	75,185	22,626	69.9%	14,709	153.8%
2010	52,729	72,801	20,072	72.4%	14,758	136.0%
2009*	53,185	66,323	13,138	80.2%	14,948	87.9%
2008	52,548	62,554	10,006	84.0%	14,559	68.7%
2007	47,815	58,116	10,301	82.3%	13,834	74.5%
2006	42,669	52,822	10,153	80.8%	13,002	78.1%
2005*	40,372	49,628	9,256	81.3%	12,212	75.8%
2004	39,691	43,958	4,267	90.3%	11,510	37.1%
STATE POLICE OFFICERS' RETIREMENT SYSTEM (SPORS)						
2014	$ 662	$ 1,029	$ 367	64.3%	$ 112	326.7%
2013*	592	997	405	59.4%	109	371.3%
2012	587	1,013	426	57.9%	104	409.0%
2011	617	986	369	62.6%	100	370.3%
2010	634	949	315	66.8%	98	323.2%
2009*	647	879	232	73.6%	101	230.0%
2008	646	844	198	76.6%	103	193.2%
2007	595	806	211	73.8%	101	209.4%
2006	539	730	191	73.8%	94	204.1%
2005*	514	673	159	76.4%	91	174.8%
2004	510	656	146	77.8%	82	178.0%
VIRGINIA LAW OFFICERS' RETIREMENT SYSTEM (VaLORS)						
2014	$ 1,058	$ 1,820	$ 762	58.1%	$ 353	216.1%
2013*	942	1,742	800	54.1%	342	233.9%
2012	909	1,753	844	51.9%	345	244.8%
2011	926	1,683	757	55.0%	356	212.5%
2010	925	1,579	654	58.6%	346	189.0%
2009*	913	1,412	499	64.7%	359	138.9%
2008	873	1,281	408	68.2%	368	110.8%
2007	766	1,166	400	65.7%	341	117.2%
2006	656	1,096	440	59.9%	321	137.0%
2005*	575	980	405	58.7%	307	132.0%
2004	509	927	418	54.9%	298	140.3%
JUDICIAL RETIREMENT SYSTEM (JRS)						
2014	$ 406	$ 608	$ 202	66.8%	$ 59	340.4%
2013*	369	591	222	62.4%	57	388.6%
2012	361	582	221	62.0%	57	388.6%
2011	371	569	198	65.2%	59	336.8%
2010	372	560	188	66.5%	61	307.8%
2009*	378	521	143	72.5%	63	228.4%
2008	374	495	121	75.6%	61	199.9%
2007	340	442	102	76.9%	58	177.3%
2006	302	424	122	71.3%	54	224.1%
2005*	288	402	114	71.5%	52	220.7%
2004	285	366	81	78.0%	48	168.8%

** Revised economic and demographic assumptions due to experience study.*

*** The breakdown of VRS data into state, teacher and political subdivisions is also presented in the Statistical Section.*

SCHEDULE OF FUNDING (ACTUARIAL VALUE OF ASSETS BASIS) – VRS PENSION PLANS

(EXPRESSED IN MILLIONS)

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
VIRGINIA RETIREMENT SYSTEM (VRS) – STATE						
2014	$ 14,826,208	$ 21,822,936	$ 6,966,728	67.9%	$ 3,854,779	181.5%
2013*	13,714,404	21,068,651	7,354,247	65.1%	3,716,548	197.9%
2012	13,740,366	20,944,258	7,203,892	65.6%	3,713,119	194.0%
2011	14,406,275	20,407,958	6,001,683	70.6%	3,686,259	162.8%
2010	14,700,854	19,539,453	4,838,599	75.2%	3,514,396	137.7%
2009*	15,049,901	17,925,879	2,875,978	84.0%	3,619,478	79.5%
2008	15,046,348	17,096,942	2,050,594	88.0%	3,640,692	56.3%
2007	13,857,342	16,279,781	2,422,439	85.1%	3,467,388	69.9%
2006	12,542,390	15,064,062	2,521,672	83.3%	3,301,286	76.4%
2005*	12,018,175	14,007,274	1,989,099	85.8%	3,100,479	64.2%
2004	11,981,566	12,669,013	687,447	94.6%	2,946,067	23.3%
VIRGINIA RETIREMENT SYSTEM (VRS) – TEACHER						
2014	$ 27,026,576	$ 41,297,669	$ 14,271,093	65.4%	$ 7,362,793	193.8%
2013*	24,724,679	39,852,334	15,127,655	62.0%	7,211,543	209.8%
2012	24,391,761	39,090,408	14,698,647	62.4%	7,004,577	209.8%
2011	25,166,124	37,771,732	12,605,608	66.6%	6,922,130	182.1%
2010	25,447,677	37,088,576	11,640,899	68.6%	7,119,889	163.5%
2009*	25,764,665	33,860,514	8,095,849	76.1%	7,160,842	113.1%
2008	25,502,482	31,958,321	6,455,839	79.8%	6,896,432	93.6%
2007	23,204,871	29,669,838	6,464,967	78.2%	6,604,643	97.9%
2006	20,731,192	27,274,064	6,542,872	76.0%	6,195,421	105.6%
2005*	19,639,994	25,205,725	5,565,731	77.9%	5,844,860	95.2%
2004	19,343,319	22,173,218	2,829,899	87.2%	5,491,142	51.5%
VIRGINIA RETIREMENT SYSTEM (VRS) – POLITICAL SUBDIVISIONS						
2014	$ 15,291,783	$ 18,962,779	$ 3,670,996	80.6%	$ 4,453,787	82.4%
2013 *	13,685,498	18,156,606	4,471,108	75.4%	4,340,988	103.0%
2012	13,079,788	17,824,190	4,744,402	73.4%	4,162,579	114.0%
2011	12,986,598	17,005,070	4,018,472	76.4%	4,100,470	98.0%
2010	12,580,044	16,172,372	3,592,328	77.8%	4,123,505	87.1%
2009*	12,370,467	14,536,618	2,166,151	85.1%	4,167,324	52.0%
2008	11,999,545	13,499,216	1,499,671	88.9%	4,021,468	37.3%
2007	10,753,237	12,166,854	1,413,617	88.4%	3,761,991	37.6%
2006	9,395,170	10,483,777	1,088,607	89.6%	3,504,844	31.1%
2005*	8,714,479	10,415,489	1,701,010	83.7%	3,266,806	52.1%
2004	8,366,677	9,116,119	749,442	91.8%	3,072,693	24.4%
VIRGINIA RETIREMENT SYSTEM (VRS) – TOTAL						
2014	$ 57,144,567	$ 82,083,384	$ 24,938,817	69.6%	$15,671,359	159.1%
2013*	52,124,581	79,077,591	26,953,010	65.9%	15,269,079	176.5%
2012	51,211,915	77,858,856	26,646,941	65.8%	14,880,275	179.1%
2011	52,558,997	75,184,760	22,625,763	69.9%	14,708,859	153.8%
2010	52,728,575	72,800,401	20,071,826	72.4%	14,757,790	136.0%
2009*	53,185,033	66,323,011	13,137,978	80.2%	14,947,644	87.9%
2008	52,548,375	62,554,479	10,006,104	84.0%	14,558,592	68.7%
2007	47,815,450	58,116,473	10,301,023	82.3%	13,834,022	74.5%
2006	42,668,752	52,821,903	10,153,151	80.8%	13,001,551	78.1%
2005*	40,372,648	49,628,488	9,255,840	81.3%	12,212,145	75.8%
2004	39,691,562	43,958,350	4,266,788	90.3%	11,509,902	37.1%

** Revised economic and demographic assumptions due to experience study.*

SCHEDULE OF ACTIVE MEMBER VALUATION DATA – PENSION PLANS

Valuation Date (June 30)	Active Members: Number	Annual Payroll (000s)	Average Annual Pay	Annualized % Change in Average Pay	Number of Employers
VIRGINIA RETIREMENT SYSTEM (VRS)					
2014	328,494	$ 15,671,359	$ 47,707	2.6%	601
2013	328,277	15,269,079	46,513	2.6%	599
2012	328,385	14,880,275	45,314	0.5%	599
2011	326,357	14,708,859	45,070	0.6%	594
2010	329,374	14,757,790	44,806	-0.2%	592
2009	333,049	14,947,644	44,881	2.3%	587
2008	331,851	14,558,592	43,871	3.5%	583
2007	326,218	13,834,022	42,407	4.4%	578
2006	320,065	13,001,551	40,622	4.1%	575
2005	312,981	12,212,145	39,019	3.5%	571
STATE POLICE OFFICERS' RETIREMENT SYSTEM (SPORS)					
2014	2,011	$ 112,303	$ 55,844	2.6%	1
2013	2,002	109,006	54,449	-1.7%	1
2012	1,881	104,189	55,390	-3.4%	1
2011	1,738	99,669	57,347	3.8%	1
2010	1,767	97,601	55,235	0.0%	1
2009	1,828	100,974	55,237	-0.2%	1
2008	1,852	102,466	55,327	3.8%	1
2007	1,890	100,785	53,325	2.1%	1
2006	1,795	93,742	52,224	4.1%	1
2005	1,811	90,865	50,174	7.3%	1
VIRGINIA LAW OFFICERS' RETIREMENT SYSTEM (VaLORS)					
2014	9,429	$ 352,709	$ 37,407	2.5%	1
2013	9,372	342,154	36,508	-0.6%	1
2012	9,383	344,616	36,728	-0.7%	1
2011	9,631	356,240	36,989	4.0%	1
2010	9,734	346,040	35,550	-0.1%	1
2009	10,087	359,070	35,597	0.2%	1
2008	10,370	368,255	35,512	6.3%	1
2007	10,213	341,035	33,392	3.1%	1
2006	9,904	320,869	32,398	3.8%	1
2005	9,819	306,574	31,222	2.0%	1
JUDICIAL RETIREMENT SYSTEM (JRS)					
2014	385	$ 59,373	$ 154,216	2.9%	1
2013	381	57,110	149,895	0.0%	1
2012	380	56,958	149,889	0.2%	1
2011	394	58,919	149,541	0.0%	1
2010	408	61,021	149,561	0.4%	1
2009	421	62,709	148,952	1.5%	1
2008	412	60,486	146,811	7.9%	1
2007	424	57,687	136,054	4.0%	1
2006	415	54,289	130,818	4.4%	1
2005	414	51,874	125,300	5.1%	1

SCHEDULE OF ACTIVE MEMBER VALUATION DATA – VRS PENSION PLANS

Valuation Date (June 30)	Active Members				Number of Employers
	Number	Annual Payroll (000s)	Average Annual Pay	Annualized % Change in Average Pay	
VRS – STATE					
2014	75,730	$ 3,854,779	$ 50,902	3.9%	1
2013	75,879	3,716,548	48,980	0.6%	1
2012	76,274	3,713,119	48,681	0.1%	1
2011	75,820	3,686,259	48,619	5.2%	1
2010*	76,033	3,514,396	46,222	N/A	1
VRS – TEACHER					
2014	146,977	$ 7,362,793	$ 50,095	2.3%	145
2013	147,257	7,211,543	48,972	2.9%	145
2012	147,216	7,004,577	47,580	0.5%	144
2011	146,152	6,922,130	47,363	-1.2%	144
2010*	148,462	7,119,889	47,958	N/A	144
VRS – POLITICAL SUBDIVISIONS					
2014	105,787	$ 4,453,787	$ 42,101	2.0%	455
2013	105,141	4,340,988	41,287	4.0%	453
2012	104,895	4,162,579	39,683	1.0%	454
2011	104,385	4,100,470	39,282	-0.1%	449
2010*	104,879	4,123,505	39,317	N/A	447
VRS – TOTAL					
2014	328,494	$ 15,671,359	$ 47,707	2.6%	601
2013	328,277	15,269,079	46,513	2.6%	599
2012	328,385	14,880,275	45,314	0.5%	599
2011	326,357	14,708,859	45,070	0.6%	594
2010*	329,374	14,757,790	44,806	N/A	592

** Plan-level statistics for this presentation are not available for years prior to 2010.*

SCHEDULE OF RETIREE AND BENEFICIARY VALUATION DATA – PENSION PLANS

Valuation Date (June 30)	Retirees and Beneficiaries							
	Added to Rolls		Removed from Rolls		Rolls at End of Year		Annualized % Increase in Annual Allowances	Average Annual Allowance
	Number	Allowances*	Number	Allowances	Number	Allowances		
VIRGINIA RETIREMENT SYSTEM (VRS)								
2014	11,912	$ 289,092,000	4,719	$ 89,997,000	172,687	$3,632,652,000	5.8%	$ 21,036
2013	11,297	303,240,000	4,574	83,618,000	165,494	3,433,557,000	6.8%	20,747
2012	10,493	305,440,000	4,411	91,446,000	158,771	3,213,935,000	7.1%	20,243
2011	11,630	248,784,000	4,210	31,978,000	152,689	2,999,941,000	7.8%	19,647
2010	10,780	234,416,000	4,011	65,755,000	145,269	2,783,135,000	6.5%	19,158
2009	9,474	278,307,000	4,202	63,388,000	138,500	2,614,474,000	9.0%	18,877
2008	9,610	284,577,000	3,869	68,575,000	133,228	2,399,555,000	9.9%	18,011
2007	9,475	277,466,000	3,774	66,307,000	127,487	2,183,553,000	10.7%	17,128
2006	8,949	190,775,000	3,834	33,172,000	121,786	1,972,394,000	8.7%	16,196
2005	9,151	187,247,000	4,250	48,631,000	116,671	1,814,791,000	8.3%	15,555
STATE POLICE OFFICERS' RETIREMENT SYSTEM (SPORS)								
2014	55	$ 2,972,000	24	$ 1,124,000	1,239	$ 48,853,000	3.9%	$ 39,429
2013	44	2,652,000	36	1,491,000	1,208	47,005,000	2.5%	38,912
2012	54	3,619,000	20	1,543,000	1,200	45,844,000	4.7%	38,203
2011	68	2,954,000	24	412,000	1,166	43,768,000	6.2%	37,537
2010	62	2,450,000	22	1,085,000	1,122	41,226,000	3.4%	36,743
2009	72	3,604,000	23	777,000	1,082	39,861,000	7.6%	36,840
2008	68	4,207,000	26	548,000	1,033	37,034,000	11.0%	35,851
2007	52	3,292,000	18	1,311,000	991	33,375,000	6.3%	33,678
2006	57	2,378,000	23	170,000	957	31,394,000	7.6%	32,805
2005	70	3,035,000	9	210,000	923	29,186,000	10.7%	31,620
VIRGINIA LAW OFFICERS' RETIREMENT SYSTEM (VaLORS)								
2014	311	$ 7,736,000	59	$ 6,956,000	3,465	$ 76,150,000	1.0%	$ 21,977
2013	336	8,561,000	34	(2,847,000)**	3,213	75,370,000	17.8%	23,458
2012	347	9,437,000	37	2,505,000	2,911	63,962,000	12.2%	21,973
2011	316	6,677,000	33	1,145,000	2,601	57,030,000	10.7%	21,926
2010	281	6,667,000	24	932,000	2,318	51,498,000	12.5%	22,216
2009	264	6,903,000	17	671,000	2,061	45,763,000	15.8%	22,204
2008	224	5,774,000	28	3,817,000	1,814	39,531,000	5.2%	21,792
2007	253	7,118,000	16	1,393,000	1,618	37,574,000	18.0%	23,222
2006	209	4,692,000	34	129,000	1,381	31,849,000	16.7%	23,062
2005	248	7,541,000	12	678,000	1,206	27,286,000	33.6%	22,625
JUDICIAL RETIREMENT SYSTEM (JRS)								
2014	32	$ 2,952,000	16	$ 2,045,000	505	$ 37,076,000	2.5%	$ 73,418
2013	40	3,483,000	14	205,000	489	36,169,000	10.0%	73,966
2012	34	3,354,000	17	1,022,000	463	32,891,000	7.6%	71,039
2011	25	1,717,000	30	1,514,000	446	30,559,000	0.7%	68,518
2010	29	2,116,000	17	1,022,000	451	30,356,000	3.7%	67,308
2009	36	2,919,000	20	1,491,000	439	29,262,000	5.1%	66,657
2008	36	3,567,000	17	1,746,000	423	27,834,000	7.0%	65,802
2007	24	2,831,000	19	1,723,000	404	26,013,000	4.4%	64,390
2006	25	1,983,000	21	814,000	399	24,905,000	4.9%	62,420
2005	25	2,017,000	17	70,000	395	23,736,000	8.9%	60,092

** Additions to allowances include added retirees and the annual COLA provided to existing retirees and beneficiaries.*

*** Reflects adjustment to benefits attributable to this plan. Adjustment of prior amounts removed from payroll.*

SCHEDULE OF RETIREE AND BENEFICIARY VALUATION DATA – VRS PENSION PLANS

Valuation Date (June 30)	Retirees and Beneficiaries							
	Added to Rolls		Removed from Rolls		Rolls at End of Year		Annualized % Increase in Annual Allowances	Average Annual Allowance
	Number	Allowances*	Number	Allowances	Number	Allowances		
VRS – STATE								
2014	3,152	$ 80,896,000	1,718	$ 34,128,000	51,263	$1,068,340,000	4.6%	$ 20,840
2013	2,864	81,985,000	1,650	28,163,000	49,829	1,021,572,000	5.6%	20,502
2012	2,739	85,005,000	1,618	30,250,000	48,615	967,750,000	6.0%	19,906
2011	2,994	66,569,000	1,564	14,936,000	47,494	912,995,000	6.0%	19,223
2010**	3,728	88,557,000	1,432	22,536,000	46,064	861,362,000	N/A	18,699
VRS – TEACHER								
2014	5,086	$ 135,345,000	1,596	$ 32,303,000	77,398	$1,821,825,000	6.0%	$ 23,538
2013	4,929	142,836,000	1,607	35,947,000	73,908	1,718,783,000	6.6%	23,256
2012	4,520	147,153,000	1,550	36,908,000	70,586	1,611,894,000	7.3%	22,836
2011	5,291	123,035,000	1,433	14,549,000	67,616	1,501,649,000	7.8%	22,208
2010**	4,045	95,290,000	1,432	28,977,000	63,758	1,393,163,000	N/A	21,851
VRS – POLITICAL SUBDIVISIONS								
2014	3,674	$ 72,851,000	1,405	$ 23,566,000	44,026	$ 742,487,000	7.1%	$ 16,865
2013	3,504	78,419,000	1,317	19,508,000	41,757	693,202,000	9.3%	16,601
2012	3,234	73,282,000	1,243	24,288,000	39,570	634,291,000	8.4%	16,030
2011	3,345	59,180,000	1,213	2,493,000	37,579	585,297,000	10.7%	15,575
2010**	3,007	50,569,000	1,147	14,242,000	35,447	528,610,000	N/A	14,913
VRS – TOTAL								
2014	11,912	$ 289,092,000	4,719	$ 89,997,000	172,687	$3,632,652,000	5.8%	$ 21,036
2013	11,297	303,240,000	4,574	83,618,000	165,494	3,433,557,000	6.8%	20,747
2012	10,493	305,440,000	4,411	91,446,000	158,771	3,213,935,000	7.1%	20,243
2011	11,630	248,784,000	4,210	31,978,000	152,689	2,999,941,000	7.8%	19,647
2010**	10,780	234,416,000	4,011	65,755,000	145,269	2,783,135,000	N/A	19,158

** Additions to Allowances include added retirees and the annual COLA provided to existing retirees and beneficiaries.*

*** Plan-level statistics for this presentation are not available for years prior to 2010.*

FIGURE 4.1: ANALYSIS OF ACTUARIAL GAINS AND LOSSES – PENSION PLANS

FOR THE YEAR ENDED JUNE 30, 2014

(EXPRESSED IN THOUSANDS)

	VRS	SPORS	VaLORS	JRS	Total
A. Calculation of Expected Unfunded Actuarial Accrued Liability (UAAL)					
1. UAAL as of June 30, 2013	$26,954,931	$ 404,707	$ 800,177	$ 221,955	$28,381,770
2. Normal Cost for Previous Year	1,612,503	17,141	43,462	22,452	1,695,558
3. Actual Contributions During the Year	(2,531,550)	(48,329)	(85,391)	(30,778)	(2,696,048)
4. Interest at Previous Year's Rate of 7.00%					
a. On UAAL	1,886,845	28,329	56,012	15,537	1,986,723
b. On Normal Cost	112,875	1,200	3,042	1,572	118,689
c. On contributions	(88,604)	(1,692)	(2,989)	(1,077)	(94,362)
d. Total	**1,911,116**	**27,837**	**56,065**	**16,032**	**2,011,050**
5. Expected UAAL as of June 30, 2014 (A1+A2+A3+A4)	27,947,000	401,356	814,313	229,661	29,392,330
6. Actual UAAL as of June 30, 2014	24,938,817	366,911	762,035	202,116	26,269,879
7. Total Gain/(Loss) (A5-A6)	**3,008,183**	**34,445**	**52,278**	**27,545**	**3,122,451**
B. Calculation of Asset Gain / (Loss)					
1. Actuarial Value of Assets (AVA) as of June 30, 2013	52,124,581	591,983	941,933	368,671	54,027,168
2. Contributions During the Year	2,531,550	48,329	85,391	30,778	2,696,048
3. Benefit Payments During the Year	(3,809,223)	(51,152)	(83,077)	(37,984)	(3,981,436)
4. Interest at Previous Year's Rate of 7.00%					
a. On AVA at Beginning of Year	3,648,721	41,439	65,935	25,807	3,781,902
b. On Contributions	88,604	1,692	2,989	1,077	94,362
c. On Benefit Payments	(133,323)	(1,790)	(2,908)	(1,329)	(139,350)
d. Total	**3,604,002**	**41,341**	**66,016**	**25,555**	**3,736,914**
5. Expected AVA as of June 30, 2014 (B1+B2+B3+B4)	54,450,910	630,501	1,010,263	387,020	56,478,694
6. Actual AVA as of June 30, 2014	57,144,567	662,244	1,058,010	406,053	59,270,874
7. Total Gain/(Loss) on Assets (B6-B5)	**2,693,657**	**31,743**	**47,747**	**19,033**	**2,792,180**
C. Calculation of Liability Gain/(Loss)					
1. Gain/(Loss) Due to Changes in Actuarial Assumptions	–	–	–	–	–
2. Gain/(Loss) Due to Plan Amendments	(1,135)	–	–	–	(1,135)
3. Gain/(Loss) Due to Change in Methods	–	–	–	–	–
4. Liability Experience Gain/(Loss) (A7-B7-C1-C2-C3)	**$ 315,661**	**$ 2,702**	**$ 4,531**	**$ 8,512**	**$ 331,406**

FIGURE 4.2: ANALYSIS OF ACTUARIAL GAINS AND LOSSES – VRS PENSION PLANS

FOR THE YEAR ENDED JUNE 30, 2014

(EXPRESSED IN THOUSANDS)

	State	Teacher	Political Subdivisions	Total
A. Calculation of Expected Unfunded Actuarial Accrued Liability (UAAL)				
1. UAAL as of June 30, 2013	$ 7,354,247	$ 15,127,655	$ 4,473,029	$ 26,954,931
2. Normal Cost for Previous Year	344,972	777,103	490,428	1,612,503
3. Actual Contributions During the Year	(541,417)	(1,225,092)	(765,041)	(2,531,550)
4. Interest at Previous Year's Rate of 7.00%				
a. On UAAL	514,797	1,058,936	313,112	1,886,845
b. On Normal Cost	24,148	54,397	34,330	112,875
c. On Contributions	(18,950)	(42,878)	(26,776)	(88,604)
d. Total	**519,995**	**1,070,455**	**320,666**	**1,911,116**
5. Expected UAAL as of June 30, 2014 (A1+A2+A3+A4)	7,677,797	15,750,121	4,519,082	27,947,000
6. Actual UAAL as of June 30, 2014	6,996,728	14,271,093	3,670,996	24,938,817
7. Total Gain/(Loss) (A5-A6)	**681,069**	**1,479,028**	**848,086**	**3,008,183**
B. Calculation of Asset Gain / (Loss)				
1. Actuarial Value of Assets (AVA) as of June 30, 2013	13,714,404	24,724,679	13,685,498	52,124,581
2. Contributions During the Year	541,417	1,225,092	765,041	2,531,550
3. Benefit Payments During the Year	(1,106,902)	(1,910,739)	(791,582)	(3,809,223)
4. Interest at Previous Year's Rate of 7.00%				
a. On AVA at Beginning of Year	960,008	1,730,728	957,985	3,648,721
b. On Contributions	18,950	42,878	26,776	88,604
c. On Benefit Payments	(38,742)	(66,876)	(27,705)	(133,323)
d. Total	**940,216**	**1,706,730**	**957,056**	**3,604,002**
5. Expected AVA as of June 30, 2014 (B1+B2+B3+B4)	14,089,135	25,745,762	14,616,013	54,450,910
6. Actual AVA as of June 30, 2014	14,826,208	27,026,576	15,291,783	57,144,567
7. Total Gain/(Loss) on Assets (B6-B5)	**737,073**	**1,280,814**	**675,770**	**2,693,657**
C. Calculation of Liability Gain/(Loss)				
1. Gain/(Loss) Due to Changes in Actuarial Assumptions	–	–	–	–
2. Gain/(Loss) Due to Plan Amendments	–	–	(1,135)	(1,135)
3. Gain/(Loss) Due to Change in Methods	–	–	–	–
4. Liability Experience Gain/(Loss) (A7–B7–C1–C2–C3)	**$ (56,004)**	**$ 198,214**	**$ 173,451**	**$ 315,661**

Actuarial Assumptions and Methods

On June 20, 2013, the VRS Board of Trustees adopted most of the actuarial assumptions and methods on the recommendation of its actuary. The assumptions for the pension plans include 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). They were based on an analysis of plan experience for the four-year period July 1, 2008, through June 30, 2012, and were used for the June 30, 2014, valuation.

ACTUARIAL ASSUMPTIONS AND METHODS – PENSION PLANS

FOR THE JUNE 30, 2014, VALUATION

Investment Return Rate: 7.00% per annum, compounded annually, composed of an assumed 2.50% inflation rate and a 4.50% real rate of return. Benefits are assumed to increase annually by 2.50% for Plan 1 retirees and by 2.25% for Plan 2 retirees due to the cost-of-living adjustment (COLA).

Mortality Rates

Pre-Retirement: RP-2000 Employee Mortality Table Projected with Scale AA to 2020:

- State – Males set forward 2 years and females set back 3 years
- Teachers – Males set back 3 years and females set back 5 years
- State Police – Males set forward 5 years and females set back 3 years
- VaLORS – Males set forward 5 years and females set back 3 years
- Judicial – Males set forward 2 years and females set back 3 years
- Political subdivisions, Non-LEOS – Males set forward 4 years and females set back 2 years
- Political subdivisions, LEOS – Males set back 2 years and females set back 2 years

Post-Retirement: RP-2000 Combined Mortality Table Projected with Scale AA to 2020:

- State – Females set back 1 year
- Teachers – Males set back 2 years and females set back 3 years
- State Police – Females set back 1 year
- VaLORS – Females set back 1 year
- Judicial – Females set back 1 year
- Political subdivisions, Non-LEOS – Males set forward 1 year
- Political subdivisions, LEOS – Males set forward 1 year

Post-Disablement: RP-2000 Disability Life Mortality Table:

- State – Males set back 3 years and no provision for future mortality improvement
- Teachers – Males set back 1 year and no provision for future mortality Improvement
- State Police – Males set back 3 years and no provision for future mortality improvement
- VaLORS – Males set back 3 years and no provision for future mortality improvement
- Judicial – Males set back 3 years and no provision for future mortality improvement
- Political subdivisions, Non-LEOS – Males set back 3 years and no provision for future mortality improvement
- Political subdivisions, LEOS – Males set back 3 years and no provision for future mortality improvement

FIGURE 4.3: RETIREMENT RATES – PENSION PLANS

Sample rates of retirement for members eligible to retire are shown below.

State Employees

Plan 1

	Retirement With Fewer Than 30 Years of Service		Retirement With 30 or More Years of Service	
Age	Male	Female	Male	Female
50	3.00%	3.20%	10.00%	10.00%
55	5.00%	5.00%	10.00%	10.00%
59	5.00%	5.50%	10.00%	10.00%
60	5.00%	5.50%	10.00%	15.00%
61	10.00%	10.00%	15.00%	20.00%
62	15.00%	15.00%	25.00%	30.00%
64	15.00%	15.00%	20.00%	20.00%
65	30.00%	30.00%	30.00%	40.00%
67	30.00%	30.00%	25.00%	25.00%
> = 70	100.00%	100.00%	100.00%	100.00%

Plan 2 and Hybrid – Males
Years of Service

Age	30	31	33	35	37	39	> = 40
50	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	35.00%
55	0.00%	0.00%	0.00%	35.00%	10.00%	10.00%	10.00%
59	0.00%	35.00%	10.00%	10.00%	10.00%	10.00%	10.00%
60	35.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
61	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
62	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
64	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
65	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
67	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	25.00%
> = 70	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Rate is 35.00% when age plus service equals 90.

FIGURE 4.3: RETIREMENT RATES – PENSION PLANS, cont.

Sample rates of retirement for members eligible to retire are shown below.

State Employees

Plan 2 and Hybrid – Females
Years of Service

Age	30	31	33	35	37	39	> = 40
50	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	35.00%
55	0.00%	0.00%	0.00%	35.00%	10.00%	10.00%	10.00%
59	0.00%	35.00%	10.00%	10.00%	10.00%	10.00%	10.00%
60	35.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
61	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
62	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
64	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
65	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%
67	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	25.00%
> = 70	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Rate is 35.00% when age plus service equals 90.

Teachers

Plan 1

	Retirement With Fewer Than 30 Years of Service		Retirement With 30 or More Years of Service	
Age	Male	Female	Male	Female
50	2.00%	2.00%	17.50%	15.00%
55	5.70%	6.10%	22.50%	22.50%
59	7.00%	7.50%	22.50%	22.50%
60	7.50%	8.50%	22.50%	22.50%
61	11.00%	12.00%	30.00%	30.00%
62	17.00%	17.00%	35.00%	35.00%
64	18.00%	16.50%	30.00%	35.00%
65	30.00%	30.00%	40.00%	35.00%
67	30.00%	30.00%	40.00%	35.00%
> = 70	100.00%	100.00%	100.00%	100.00%

FIGURE 4.3: RETIREMENT RATES – PENSION PLANS, cont.

Sample rates of retirement for members eligible to retire are shown below.

Teachers

Plan 2 and Hybrid – Males
Years of Service

Age	30	31	33	35	37	39	> = 40
50	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	40.00%
55	0.00%	0.00%	0.00%	40.00%	22.50%	22.50%	22.50%
59	0.00%	40.00%	22.50%	22.50%	22.50%	22.50%	22.50%
60	40.00%	22.50%	22.50%	22.50%	22.50%	22.50%	22.50%
61	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
62	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
64	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
65	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%
67	30.00%	30.00%	40.00%	40.00%	40.00%	40.00%	40.00%
> = 70	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Rate is 40.00% when age plus service equals 90.

Plan 2 and Hybrid – Females
Years of Service

Age	30	31	33	35	37	39	> = 40
50	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	35.00%
55	0.00%	0.00%	0.00%	35.00%	22.50%	22.50%	22.50%
59	0.00%	35.00%	22.50%	22.50%	22.50%	22.50%	22.50%
60	35.00%	22.50%	22.50%	22.50%	22.50%	22.50%	22.50%
61	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
62	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	35.00%
64	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	35.00%
65	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	35.00%
67	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	35.00%
> = 70	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Rate is 35.00% when age plus service equals 90.

FIGURE 4.3: RETIREMENT RATES – PENSION PLANS, cont.

Political Subdivision Employees Not Receiving Enhanced Hazardous Duty Benefits – Ten Largest Employers

	Plan 1				Plan 2			
	Reduced Retirement		Unreduced Retirement		Reduced Retirement		Unreduced Retirement	
Age	Male	Female	Male	Female	Male	Female	Male	Female
50	3.50%	3.50%	13.00%	15.60%	0.00%	0.00%	13.00%	15.60%
55	5.00%	5.00%	11.50%	14.30%	0.00%	0.00%	11.50%	14.30%
59	4.50%	6.00%	13.50%	13.40%	0.00%	0.00%	13.50%	13.40%
60	6.00%	7.50%	17.00%	12.80%	6.00%	7.50%	17.00%	12.80%
61	10.50%	10.00%	19.00%	17.70%	10.50%	10.00%	19.00%	17.70%
62	17.50%	15.50%	31.00%	28.00%	17.50%	15.50%	31.00%	28.00%
64	16.50%	17.00%	29.00%	18.30%	16.50%	17.00%	29.00%	18.30%
65	30.00%	30.00%	41.00%	29.60%	30.00%	30.00%	41.00%	29.60%
67	30.00%	30.00%	24.00%	33.20%	30.00%	30.00%	24.00%	33.20%
> = 70	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Political Subdivision Employees Not Receiving Enhanced Hazardous Duty Benefits – All Other Employers

	Plan 1				Plan 2			
	Reduced Retirement		Unreduced Retirement		Reduced Retirement		Unreduced Retirement	
Age	Male	Female	Male	Female	Male	Female	Male	Female
50	5.00%	4.00%	9.00%	8.00%	0.00%	0.00%	9.00%	8.00%
55	5.00%	5.50%	14.00%	11.50%	0.00%	0.00%	14.00%	11.50%
59	6.00%	5.00%	11.00%	11.50%	0.00%	0.00%	11.00%	11.50%
60	6.00%	7.50%	11.00%	13.00%	6.00%	7.50%	11.00%	13.00%
61	10.00%	7.50%	25.00%	17.50%	10.00%	7.50%	25.00%	17.50%
62	17.00%	17.00%	35.00%	25.00%	17.00%	17.00%	35.00%	25.00%
64	15.00%	13.00%	27.00%	17.50%	15.00%	13.00%	25.00%	25.00%
65	30.00%	30.00%	33.00%	40.00%	30.00%	30.00%	25.00%	25.00%
67	30.00%	30.00%	20.00%	25.00%	30.00%	30.00%	33.00%	40.00%
> = 70	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Political Subdivision Employees Receiving Enhanced Hazardous Duty Benefits – Ten Largest Employers – All Plans

Age	Reduced Retirement	Unreduced Retirement
50	9.00%	25.00%
55	8.50%	18.00%
59	13.50%	31.50%
60	20.00%	35.00%
> = 65	100.00%	100.00%

FIGURE 4.3: RETIREMENT RATES – PENSION PLANS, cont.

Political Subdivision Employees Receiving Enhanced Hazardous Duty Benefits – All Other Employers – All Plans

Age	Reduced Retirement	Unreduced Retirement
50	8.50%	25.00%
55	8.50%	17.50%
59	11.50%	28.50%
60	20.00%	35.00%
> = 65	100.00%	100.00%

State Police Officers – All Plans

Age	Reduced Retirement	Unreduced Retirement
50	10.00%	15.00%
55	10.00%	15.00%
59	12.00%	20.00%
60	25.00%	40.00%
> = 64	100.00%	100.00%

Virginia Law Officers – All Plans

Age	Reduced Retirement	Unreduced Retirement
50	9.20%	25.00%
55	9.50%	25.00%
59	12.00%	40.00%
60	20.00%	40.00%
> = 65	100.00%	100.00%

Judges – All Plans

	Service Multiplier = 1.5 Years of Service			Service Multiplier = 2.0 Years of Service		
Age	2-19	20	> =20	2-14	15	> =16
60	0.00%	50.00%	50.00%	0.00%	50.00%	50.00%
65	50.00%	50.00%	15.00%	50.00%	50.00%	15.00%
69	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
> = 70	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

	Service Multiplier = 2.5 Years of Service			Service Multiplier = 3.5 Years of Service		
Age	2-11	12	> =13	1-8	9	> =10
60	0.00%	50.00%	50.00%	0.00%	50.00%	50.00%
65	50.00%	50.00%	15.00%	50.00%	50.00%	15.00%
69	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
> = 70	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

FIGURE 4.4: DISABILITY RATES – PENSION PLANS

As shown below for selected ages.

State Employees

14% of disability cases are assumed to be service-related.

Age	Male	Female
20	0.0900%	0.0100%
30	0.1800%	0.1500%
40	0.1800%	0.2900%
50	0.4500%	0.5500%
60	0.7200%	1.0000%

Teachers

5% of disability cases are assumed to be service-related.

Age	Male	Female
20	0.0000%	0.0000%
30	0.0100%	0.0100%
40	0.0210%	0.0360%
50	0.1330%	0.0900%
60	0.3080%	0.2400%

Political Subdivision Employees Not Receiving Enhanced Hazardous Duty Benefits – Ten Largest Employers

14% of disability cases are assumed to be service-related.

Age	Male	Female
20	0.0000%	0.0000%
30	0.0600%	0.0500%
40	0.1800%	0.0500%
50	0.2400%	0.1800%
60	0.7200%	0.4500%

Political Subdivision Employees Not Receiving Enhanced Hazardous Duty Benefits – All Other Employers

14% of disability cases are assumed to be service-related.

Age	Male	Female
20	0.0200%	0.0100%
30	0.0600%	0.0200%
40	0.1400%	0.0800%
50	0.3100%	0.2700%
60	0.8200%	0.7000%

FIGURE 4.4: DISABILITY RATES – PENSION PLANS, cont.

Political Subdivision Employees Receiving Enhanced Hazardous Duty Benefits – Ten Largest Employers

60% of disability cases are assumed to be service-related.

Age	Male	Female
20	0.0000%	0.0000%
30	0.0500%	0.0500%
40	0.1800%	0.2400%
50	0.4000%	0.5300%
60	0.6500%	0.8100%

Political Subdivision Employees Receiving Enhanced Hazardous Duty Benefits – All Other Employers

60% of disability cases are assumed to be service-related.

Age	Rate
20	0.0000%
30	0.0300%
40	0.1100%
50	0.3800%
60	0.6400%

State Police Officers

60% of disability cases are assumed to be service-related.

Age	Rate
20	0.0000%
30	0.0280%
40	0.2100%
50	0.6750%
60	0.0000%

Virginia Law Officers

50% of disability cases are assumed to be service-related.

Age	Rate
20	0.1500%
30	0.6000%
40	0.8000%
50	1.2000%
60	1.0000%

FIGURE 4.4: DISABILITY RATES – PENSION PLANS, cont.

Judges

5% of disability cases are assumed to be service-related.

Age	Male	Female
20	0.0000%	0.0000%
30	0.0070%	0.0070%
40	0.1420%	0.0900%
50	0.4800%	0.3970%
60	0.0000%	0.0000%

FIGURE 4.5: TERMINATION RATES – PENSION PLANS

Withdrawal rates are based on age and years of service. Sample rates for selected ages and years of service are shown below for causes other than death, disability or retirement.

State Employees – Plan 1

SEPARATIONS FROM ACTIVE SERVICE DUE TO TERMINATION

	Years of Service – Males				Years of Service – Females			
Age	0-2	3-4	5-9	10+	0–2	3-4	5-9	10+
25	22.10%	13.00%	13.00%	0.00%	25.60%	15.70%	15.70%	0.00%
35	16.70%	9.30%	9.30%	4.50%	17.80%	11.00%	11.00%	5.00%
45	12.90%	7.00%	7.00%	2.30%	13.90%	7.40%	7.40%	2.50%
55	10.20%	6.00%	6.00%	0.00%	12.50%	8.60%	0.00%	0.00%
65	11.30%	11.00%	0.00%	0.00%	14.00%	12.00%	0.00%	0.00%

State Employees – Plan 2 and Hybrid

SEPARATIONS FROM ACTIVE SERVICE DUE TO TERMINATION

	Years of Service – Males				Years of Service – Females			
Age	0-2	3-4	5-9	10+	0-2	3-4	5-9	10+
25	22.10%	13.00%	13.00%	0.00%	25.60%	15.70%	15.70%	0.00%
35	16.70%	9.30%	9.30%	4.50%	17.80%	11.00%	11.00%	5.00%
45	12.90%	7.00%	7.00%	2.30%	13.90%	7.40%	7.40%	2.50%
55	10.20%	6.00%	6.00%	0.40%	12.50%	6.00%	6.00%	0.40%
65	11.30%	11.00%	0.00%	0.00%	14.00%	12.00%	0.00%	0.00%

Teachers – Plan 1

SEPARATIONS FROM ACTIVE SERVICE DUE TO TERMINATION

	Years of Service – Males				Years of Service – Females			
Age	0-2	3-4	5-9	10+	0-2	3-4	5-9	10+
25	15.40%	11.80%	11.80%	0.80%	14.60%	12.00%	12.00%	15.00%
35	14.10%	7.30%	7.30%	3.10%	14.90%	9.00%	9.00%	3.90%
45	14.70%	7.50%	7.50%	1.90%	11.70%	6.40%	6.40%	2.10%
55	14.30%	7.00%	0.00%	0.00%	12.40%	5.80%	0.00%	0.00%
65	17.00%	8.30%	0.00%	0.00%	13.00%	8.00%	0.00%	0.00%

FIGURE 4.5: TERMINATION RATES – PENSION PLANS, cont.

Teachers – Plan 2 and Hybrid

SEPARATIONS FROM ACTIVE SERVICE DUE TO TERMINATION

	Years of Service – Males				Years of Service – Females			
Age	0-2	3-4	5-9	10+	0-2	3-4	5-9	10+
25	15.40%	11.80%	11.80%	0.80%	14.60%	12.00%	12.00%	15.00%
35	14.10%	7.30%	7.30%	3.10%	14.90%	9.00%	9.00%	3.90%
45	14.70%	7.50%	7.50%	1.90%	11.70%	6.40%	6.40%	2.10%
55	14.30%	7.00%	7.00%	0.30%	12.40%	5.80%	5.80%	0.30%
65	17.00%	8.30%	0.00%	0.00%	13.00%	8.00%	0.00%	0.00%

Political Subdivision Employees Not Receiving Enhanced Hazardous Duty Benefits – Ten Largest Employers – All Plans

SEPARATIONS FROM ACTIVE SERVICE DUE TO TERMINATION

	Years of Service – Males			Years of Service – Females		
Age	0-2	3-9	10+	0-2	3-9	10+
25	21.80%	13.70%	0.00%	23.30%	16.70%	0.00%
35	17.20%	9.70%	5.80%	18.60%	10.60%	5.10%
45	14.30%	7.10%	2.90%	14.80%	7.70%	2.80%
55	10.90%	5.30%	0.70%	11.90%	6.30%	0.00%
65	13.60%	8.20%	0.00%	12.60%	8.20%	0.00%

Political Subdivision Employees Not Receiving Enhanced Hazardous Duty Benefits – All Other Employers – All Plans

SEPARATIONS FROM ACTIVE SERVICE DUE TO TERMINATION

	Years of Service – Males			Years of Service – Females		
Age	0-2	3-9	10+	0-2	3-9	10+
25	23.50%	14.00%	0.00%	25.50%	16.50%	0.00%
35	18.50%	10.50%	5.50%	19.00%	11.50%	6.00%
45	15.50%	8.00%	3.00%	15.00%	8.00%	3.50%
55	12.00%	6.50%	1.00%	12.50%	6.50%	0.00%
65	12.00%	8.00%	0.00%	13.00%	9.00%	0.00%

FIGURE 4.5: TERMINATION RATES – PENSION PLANS, cont.

Political Subdivision Employees Receiving Enhanced Hazardous Duty Benefits – Ten Largest Employers – All Plans

SEPARATIONS FROM ACTIVE SERVICE DUE TO TERMINATION

	Years of Service – Males			Years of Service – Females		
Age	0-2	3-9	10+	0-2	3-9	10+
25	7.80%	6.80%	0.00%	7.80%	6.80%	0.00%
35	8.00%	4.40%	2.40%	8.00%	4.40%	2.40%
45	9.20%	4.60%	1.50%	9.20%	4.60%	1.50%
55	8.30%	6.30%	0.00%	8.30%	6.30%	0.00%
60	8.70%	6.50%	0.00%	8.70%	6.50%	0.00%

Political Subdivision Employees Receiving Enhanced Hazardous Duty Benefits – All Other Employers – All Plans

SEPARATIONS FROM ACTIVE SERVICE DUE TO TERMINATION

	Years of Service – Males			Years of Service – Females		
Age	0-2	3-9	10+	0-2	3-9	10+
25	13.00%	8.50%	0.00%	13.00%	10.00%	0.00%
35	11.00%	7.00%	3.80%	14.00%	8.00%	4.50%
45	13.00%	6.00%	2.40%	12.00%	6.00%	3.50%
55	15.00%	8.00%	0.50%	12.00%	5.00%	0.50%
60	11.00%	10.00%	0.50%	12.00%	5.00%	0.50%

State Police Officers – Plan 1

SEPARATIONS FROM ACTIVE SERVICE DUE TO TERMINATION

	Years of Service – Males				Years of Service – Females			
Age	0-2	3-4	5-9	10+	2	5	9	10+
25	7.50%	5.50%	5.50%	3.00%	10.80%	10.50%	5.40%	4.40%
35	7.50%	4.80%	4.80%	2.40%	12.10%	7.40%	6.00%	6.10%
45	10.00%	4.50%	4.50%	1.40%	10.80%	8.20%	6.40%	5.90%
55	10.00%	6.70%	0.00%	0.00%	7.40%	12.60%	6.70%	4.10%
65	10.00%	7.50%	0.00%	0.00%	1.50%	20.50%	6.90%	0.60%

Virginia Law Officers – All Plans

SEPARATIONS FROM ACTIVE SERVICE DUE TO TERMINATION

	Years of Service – Males			Years of Service – Females		
Age	0-2	3-9	10+	0-2	3-9	10+
25	20.00%	15.00%	5.00%	20.00%	15.00%	7.50%
35	20.00%	12.50%	5.00%	20.00%	12.50%	6.00%
45	15.00%	10.50%	4.00%	17.50%	8.00%	4.00%
55	12.00%	6.50%	4.00%	10.00%	12.00%	4.00%
65	15.00%	7.00%	4.00%	10.00%	10.00%	4.00%

Judges – All Plans

There are no assumed rates of withdrawal prior to service retirement for causes other than death, disability or retirement.

FIGURE 4.6: SALARY INCREASE RATES – PENSION PLANS

Sample salary increase rates are shown below.

State Employees

Inflation of 2.50% plus a productivity component of 1.00% and a step-rate/promotional component as shown. It is assumed state employees who are covered under the Virginia Sickness and Disability Program (VSDP) receive a 3.50% annual increase in pay while disabled. This adjusted pay is used to determine deferred retirement benefits payable from the System.

Years of Service	Annual Step-Rate/Promotional Rates of Increase	Total Annual Rate of Increase
1	1.85%	5.35%
3	1.25%	4.75%
6	0.95%	4.45%
9	0.50%	4.00%
11	0.15%	3.65%
15	0.15%	3.65%
19	0.15%	3.65%
20 or more	0.00%	3.50%

Teachers

Inflation of 2.50% plus a productivity component of 1.00% and a step-rate/promotional component as shown.

Years of Service	Annual Step-Rate/Promotional Rates of Increase	Total Annual Rate of Increase
1	2.45%	5.95%
3	2.35%	5.85%
6	1.95%	5.45%
9	1.85%	5.35%
11	1.35%	4.85%
15	1.15%	4.65%
19	0.95%	4.45%
20 or more	0.00%	3.50%

FIGURE 4.6: SALARY INCREASE RATES – PENSION PLANS, cont.

Political Subdivision Employees Not Receiving Enhanced Hazardous Duty Benefits – Ten Largest Employers

Inflation of 2.50% plus a productivity component of 1.00% and a step-rate/promotional component as shown.

Years of Service	Annual Step-Rate/Promotional Rates of Increase	Total Annual Rate of Increase
1	1.85%	5.35%
3	1.25%	4.75%
6	0.95%	4.45%
9	0.50%	4.00%
11	0.15%	3.65%
15	0.15%	3.65%
19	0.15%	3.65%
20 or more	0.00%	3.50%

Political Subdivision Employees Not Receiving Enhanced Hazardous Duty Benefits – All Other Employers

Inflation of 2.50% plus a productivity component of 1.00% and a step-rate/promotional component as shown.

Years of Service	Annual Step-Rate/Promotional Rates of Increase	Total Annual Rate of Increase
1	1.85%	5.35%
3	1.25%	4.75%
6	0.95%	4.45%
9	0.50%	4.00%
11	0.15%	3.65%
15	0.15%	3.65%
19	0.15%	3.65%
20 or more	0.00%	3.50%

Political Subdivision Employees Receiving Enhanced Hazardous Duty Benefits – Ten Largest Employers

Inflation of 2.50% plus a productivity component of 1.00% and a step-rate/promotional component as shown.

Years of Service	Annual Step-Rate/Promotional Rates of Increase	Total Annual Rate of Increase
1	1.25%	4.75%
3	1.25%	4.75%
6	0.90%	4.40%
9	0.90%	4.40%
11	0.50%	4.00%
15	0.50%	4.00%
19	0.50%	4.00%
20 or more	0.00%	3.50%

FIGURE 4.6: SALARY INCREASE RATES – PENSION PLANS, cont.

Political Subdivision Employees Receiving Enhanced Hazardous Duty Benefits – All Other Employers

Inflation of 2.50% plus a productivity component of 1.00% and a step-rate/promotional component as shown.

Years of Service	Annual Step-Rate/Promotional Rates of Increase	Total Annual Rate of Increase
1	1.25%	4.75%
3	1.25%	4.75%
6	0.90%	4.40%
9	0.90%	4.40%
11	0.50%	4.00%
15	0.50%	4.00%
19	0.50%	4.00%
20 or more	0.00%	3.50%

State Police Officers

Inflation of 2.50% plus a productivity component of 1.00% and a step-rate/promotional component as shown. It is assumed state police officers who are covered under the Virginia Sickness and Disability Program (VSDP) receive a 3.50% annual increase in pay while disabled. This adjusted pay is used to determine deferred retirement benefits payable from the System.

Years of Service	Annual Step-Rate/Promotional Rates of Increase	Total Annual Rate of Increase
1	1.25%	4.75%
3	1.25%	4.75%
6	0.90%	4.40%
9	0.90%	4.40%
11	0.50%	4.00%
15	0.50%	4.00%
19	0.50%	4.00%
20 or more	0.00%	3.50%

Virginia Law Officers

Inflation of 2.50% plus a productivity component of 1.00% and a step-rate/promotional component as shown. It is assumed Virginia law officers who are covered under the Virginia Sickness and Disability Program (VSDP) receive a 3.50% annual increase in pay while disabled. This adjusted pay is used to determine deferred retirement benefits payable from the System.

Years of Service	Annual Step-Rate/Promotional Rates of Increase	Total Annual Rate of Increase
1	1.25%	4.75%
3	1.25%	4.75%
6	0.90%	4.40%
9	0.90%	4.40%
11	0.50%	4.00%
15	0.50%	4.00%
19	0.50%	4.00%
20 or more	0.00%	3.50%

Judges

Salary increase rates are 4.50%.

ADDITIONAL INFORMATION ABOUT ACTUARIAL ASSUMPTIONS AND METHODS – PENSION PLANS

Percent Electing a Refund or Deferred Annuity (excluding JRS Members). Terminating members are assumed to elect a refund of their member contributions and accrued interest or a deferred annuity based on the option any given member would consider most valuable at the time of termination. The deferred annuity, if elected, is assumed to commence at the age at which the member first becomes eligible for an unreduced benefit.

Provision for Expense. The assumed investment return represents the anticipated net rate of return after payment of all administrative expenses.

Asset Valuation Method. The method of valuing assets is intended to recognize a "smoothed" market value of assets. Under this method, the difference between actual return on market value from investment experience and the expected return on market value is recognized over a five-year period. The resulting actuarial value of assets cannot be less than 80% or more than 120% of the market value of assets.

Actuarial Cost Method. The valuation was prepared using the entry age normal actuarial cost method. Under this method, a calculation is made for pension benefits to determine the uniform and constant percentage rate of employer contributions that, if applied to the compensation of the average new member during the entire period of his or her anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on the member's behalf.

The unfunded actuarial accrued liability is determined by subtracting the current assets and the present value of prospective employer normal contributions and member contributions from the present value of expected benefits to be paid from VRS. The accrued liability contribution amortizes the balance of the unfunded accrued liability over a period of years from the valuation date.

Actuarial Gains and Losses. Actuarial gains and losses are reflected in the unfunded actuarial accrued liability and are amortized as part of that balance.

Payroll Growth Rates. For state employees, teachers and members of SPORS, VaLORS and JRS, the payroll growth rate is assumed to be 3.00% based on a zero population growth assumption. For political subdivision employees, the payroll growth rate also is assumed to be 3.00% based on a zero population growth assumption.

Funding Period. The legacy unfunded actuarial accrued liability less the deferred contribution as of June 30, 2013, is amortized over a closed 30-year period from June 30, 2013. The amortization period of the unfunded, less the deferred contribution, will decrease by one each year until reaching 0 years. The deferred contribution, as defined under the 2011 Appropriations Act, Item 469(I)(6), is to be amortized using a level-dollar, closed 10-year period beginning June 30, 2011. The actuarial gains and losses and other changes in the unfunded due to benefits and actuarial assumption and method changes for each valuation subsequent to the June 30, 2013, valuation will be amortized over a closed 20-year period.

Cost-of-Living Adjustment (COLA). For Plan 1 employees receiving benefits or vested as of January 1, 2013, the COLA is assumed to be 2.50% per year compounded annually for the Basic Benefit option. The hazardous duty supplement for Plan 1 SPORS members, VaLORS members and political subdivision employees receiving enhanced hazardous duty benefits is assumed to increase at an inflation rate of 2.50% per year compounded annually. For Plan 1 employees who were not vested as of January 1, 2013, Plan 2 employees and Hybrid Plan employees, the COLA is assumed to be 2.25% per year compounded annually.

Summary of Pension Plan Provisions

Retirement Plans

ADMINISTRATION

The Virginia Retirement System (the System) pension Plan 1, Plan 2 and Hybrid Retirement Plan are administered by the Board of Trustees of the System.

TYPE OF PLANS

1. Virginia Retirement System, effective March 1, 1952. VRS is a qualified governmental pension system that administers two defined benefit structures, Plan 1 and Plan 2, and a Hybrid Plan with a benefit structure that combines both defined benefit and defined contribution features. The Governmental Accounting Standards Board (GASB) defines VRS as an agent multiple-employer public employee retirement system. Covered employees include full-time permanent, salaried state employees; faculty members of the state's public colleges and universities who do not elect to participate in an optional retirement plan; teachers and administrative employees of the state's local public school divisions; and employees of Virginia cities, towns, counties and other political subdivisions that have elected to participate in VRS. Some part-time permanent, salaried state employees also are covered under VRS. VRS has separate cost-sharing pools for state and school employers.

Members are covered under Plan 1, Plan 2 or the Hybrid Plan according to their membership date:

- **Plan 1:** Members hired before July 1, 2010, and who were vested with at least five years of service as of January 1, 2013. These members also include deferred members who have returned to covered employment with service credit in VRS or an account balance in an optional retirement plan (ORP) authorized or administered by VRS as of June 30, 2010, and members retired under Plan 1 who have returned to covered employment and resumed active membership.

- **Plan 2:** Members hired or rehired between July 1, 2010, and December 31, 2013, and former Plan 1 members who did not have five years of service on January 1, 2013. Members in the State Police and the Virginia Law Officers plans hired on after January 1, 2014.

- **Hybrid Plan:** Members hired on or after January 1, 2014, or Plan 1 and Plan 2 members who elected, during a one-time opt-in period, to be covered under the Hybrid Plan. Employees in positions with hazardous duty benefits are not eligible to participate in the Hybrid Plan and become members of Plan 2.

2. Single-Employer Public Employee Retirement Systems as Defined by GASB. The provisions for the Plan 1 and Plan 2 benefit structures for the following systems are the same as those for VRS:

- State Police Officers' Retirement System (SPORS) established July 1, 1950, for full-time permanent, salaried state police officers.

- Virginia Law Officers' Retirement System (VaLORS) established October 1, 1999, for full-time permanent, salaried Virginia law officers other than state police.

- Judicial Retirement System (JRS) established July 1, 1970, for full-time permanent, salaried state judges and other qualifying employees. Members hired on or after January 1, 2014, are covered under the Hybrid Plan.

MEMBER CONTRIBUTIONS

Member contributions vary by plan.

Defined Benefit: Active members in Plan 1 and Plan 2 contribute 5% of their creditable compensation per year. Active members in the Hybrid Plan contribute 4% of their creditable compensation per year Contributions paid by employers on behalf of employees are governed by Section 414(h) of the Internal Revenue Code.

Defined Contribution: Active members in the Hybrid Plan are required to contribute 1% of their creditable compensation per year to the defined contribution component of the Hybrid Plan. Active members can make voluntary additional contributions of up to 4% of their creditable compensation.

Members' contribution accounts accrue 4.00% interest each year, calculated on the balance as of the previous June 30.

CREDITABLE COMPENSATION

Creditable compensation is the member's salary reported to VRS by the employer. It does not include payments for overtime, temporary employment, extra duties or other additional payments.

AVERAGE FINAL COMPENSATION

Average final compensation is one of the factors used to calculate the member's retirement benefit.

Plan 1. Average of the member's 36 consecutive months of highest compensation as a covered employee.

Plan 2 and Hybrid Plan. Average of the member's 60 consecutive months of highest compensation as a covered employee.

VESTING

VRS members become vested after accumulating five years of service credit.

SERVICE CREDIT

1. VRS; SPORS and VaLORS Members in Plan 1 and Plan 2; and Hybrid Plan. These members receive one month of service credit for each month they are employed in a covered position and the employer is contributing to the System.

2. JRS Members in Plan 1. Judges appointed or elected before January 1, 1995, receive one month of service credit multiplied by a weighting factor of 3.5 for each month they are employed in a JRS-covered position and the employer is contributing to the System. The weighting factor for judges appointed or elected on or after January 1, 1995, is 2.5.

3. JRS Members in Plan 2 and Hybrid Plan. Judges appointed or elected on or after July 1, 2010, receive one month of service credit multiplied by the following weighting factors for each month they are employed in a JRS-covered position and the employer is contributing to the System: 1.5 for those appointed or elected before age 45; 2.0 for those appointed or elected between the ages 45 and 54; and 2.5 for those appointed or elected at age 55 or older.

PRIOR SERVICE CREDIT

Members may purchase prior service as credit in their plan. Eligible prior service includes active duty military service; full-time salaried federal service; full-time salaried public service with an employer or school system of another state or United States territory, or with a Virginia public employer that does not participate in VRS; non-covered service with a VRS-participating employer; approved leave from a VRS-covered position for the birth or adoption of a child; approved educational leave; unused sick leave at retirement, if the member is eligible; and VRS-refunded service. Members also

can apply for no-cost military leave, provided they are not dishonorably discharged, return to covered employment within one year of discharge and do not take a refund of their member contributions and interest.

Prior service credit counts toward vesting, eligibility for retirement and eligibility for the health insurance credit. Prior service credit for refunded VRS hazardous duty service or for an eligible period of leave while covered under VRS in a hazardous duty position also counts toward the hazardous duty supplement for eligible members, provided they purchase or, in the case of no-cost military leave, are granted this service. Other types of prior service credit, such as active duty military service or hazardous duty service with a non-VRS participating employer, do not count toward the supplement.

Members may arrange to purchase prior service through a lump-sum payment using a personal check, a trustee-to-trustee transfer of funds or a pre-tax rollover of funds; an after-tax payroll deduction contract or a pre-tax salary reduction contract (if the employer offers the pre-tax salary reduction option); or a combination of these methods. Members must be within their eligibility period to use a contract. Other special rules and limits govern the purchase of prior service.

The cost basis and eligibility periods for members are as follows:

VRS Refunded Service, Plan 1 and Plan 2. The cost is 5.00% of compensation or average final compensation at the time of purchase, whichever is higher, multiplied by the number of months to purchase. If the member uses a contract to purchase VRS refunded service, the cost is based on compensation, even if average final compensation is higher. If the member has not purchased VRS refunded service within three years, the cost basis will remain 5.00%, but the member will be required to use a lump-sum payment.

VRS Refunded Service, Hybrid Plan. The cost is 4.00% of compensation or average final compensation at the time of purchase, whichever is higher, multiplied by the number of months to purchase. If the member uses a contract to purchase VRS refunded service, the cost is based on compensation, even if average final compensation is higher. If the member has not purchased VRS refunded service within one year, the cost basis will remain 4.00%, but the member will be required to use a lump-sum payment.

Other Types of Eligible Service, Plan 1. Within the three-year cost window: 5.00% of compensation or average final compensation at the time of purchase, whichever is higher, multiplied by the number of months to purchase. If the member uses a contract to purchase service, the cost is based on compensation, even if average final compensation is higher. After the three-year cost window: Actuarial equivalent rate.

Other Types of Eligible Service, Plan 2 and Hybrid Plan. Within the one-year cost window: Approximate normal cost rate as a percentage of compensation or average final compensation at the time of purchase, whichever is higher, multiplied by the number of months to purchase. If the member uses a contract to purchase service, the cost is based on compensation, even if average final compensation is higher. Normal cost rates vary depending on whether the member is covered under VRS, SPORS, VaLORS or JRS, or employed in a political subdivision position eligible for enhanced hazardous duty coverage. After the one-year cost window: Actuarial equivalent rate.

NORMAL (UNREDUCED) AND REDUCED RETIREMENT ELIGIBILITY AND BENEFIT CALCULATIONS

EARLIEST UNREDUCED RETIREMENT ELIGIBILITY

PLAN 1	PLAN 2 & HYBRID PLAN	BENEFIT CALCULATIONS
VRS: Age 65 with at least five years of service credit, or age 50 with at least 30 years of service credit.	Normal Social Security retirement age with at least five years of service credit or when age and service equal 90. Example: Age 60 with 30 years of service credit.	• Plan 1: 1.70% of average final compensation X years of service • Plan 2: 1.65% of average final compensation X years of service • Hybrid Plan: 1.00% of average final compensation X years of service
SPORS, VaLORS and political subdivision hazardous duty employees: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.	Plan 2 SPORS, VaLORS and political subdivision hazardous duty employees: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit. (Hybrid Plan not applicable.)	• SPORS, sheriffs and regional jail superintendents: 1.85% of average final compensation for each year of service credit. • VaLORS: 1.70% or 2.00% of average final compensation for each year of service credit as elected by the member. Note: VaLORS members retiring under the 2.00% multiplier are not eligible for the hazardous duty supplement. • Political subdivision hazardous duty employees: 1.70% or 1.85% of average final compensation for each year of service credit, as elected by the employer.
JRS: Age 65 with at least five years of service credit or age 60 with at least 30 years of service credit.	Same as Plan 1.	• Plan 1: 1.70% of average final compensation for each year of service credit (if appointed or elected to an original term prior to January 1, 2013. For judges appointed or elected to an original term between January 1, 2013, and December 31, 2013: 1.70% on service prior to January 1, 2013, and 1.65% on service on or after January 1, 2013. • Plan 2: 1.70% of average final compensation for each year of service credit on service prior to January 1, 2013; 1.65% percent on service on or after January 1, 2013. • Hybrid Plan: 1.00% of average final compensation for each year of service credit.

NORMAL (UNREDUCED) AND REDUCED RETIREMENT ELIGIBILITY AND BENEFIT CALCULATIONS

EARLIEST REDUCED RETIREMENT ELIGIBILITY

PLAN 1	PLAN 2 & HYBRID PLAN	BENEFIT CALCULATIONS
VRS: Age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.	Age 60 with at least five years of service credit.	• Plan 1: For members at least age 55, a reduction of 0.5% per month for the first 60 months of retirement and 0.4% per month for the next 60 months of retirement. The reduction is applied for each month until the member reaches age 65 or, if more favorable to the member, for each month the member's service credit is less than 30 years (less than 25 years for hazardous duty members). For members younger than 55 at retirement, the reduction factor is determined as though the member were 55 is further reduced by multiplying it by a second factor, to reflect a 0.6% reduction for each month retirement precedes age 55. • Plan 2 and Hybrid Plan: Calculated the same as normal retirement benefit, using actual service at retirement and multiplied by an actuarially equivalent reduction factor. No reduction applies if the sum of the member's age and service equals 90.
SPORS, VaLORS and political subdivision hazardous duty employees: Age 50 with at least five years of service credit.	Same as Plan 1.	
JRS: Age 55 with at least five years of weighted service credit.	Same as Plan 1.	

BENEFIT PAYOUT OPTIONS

VRS members eligible for retirement must elect one of the following benefit payout options when they apply for retirement. This election is irrevocable, except for the Survivor Option under certain circumstances. These options are available on an actuarially equivalent basis:

1. Basic Benefit. Members may choose the Basic Benefit, which is the unreduced benefit amount. An early retirement reduction factor is applied for the reduced benefit. The Basic Benefit does not provide a continuation of a lifetime monthly benefit to a survivor.

2. Survivor Option. Members may choose a whole percentage of their benefit, between 10% and 100%, to continue as a lifetime benefit to a survivor upon their death. The member's benefit is actuarially reduced accordingly.

3. Partial Lump-Sum Option Payment (PLOP). Members who are in active service for one or more years beyond the date they become eligible for an unreduced retirement benefit may elect a partial lump-sum payment of their member contributions and accrued interest equal to one, two or three times their annual retirement benefit, depending on how long they work beyond their unreduced retirement eligibility date. The monthly benefit is actuarially reduced accordingly. This option is available with the Basic Benefit and the Survivor Option.

4. Advance Pension Option. With this option, members elect to receive a temporary higher benefit until at least age 62 up to their normal retirement age under Social Security, as elected by the member. At that point, the monthly benefit is permanently reduced on an actuarially equivalent basis. The benefit can never be reduced by more than 50%.

PAYMENT FORM

The retirement benefit is paid as a lifetime monthly annuity. Upon the member's death in retirement, the member's beneficiary receives a lump-sum payment of any remaining member contributions and accrued interest in the member's account. If the member has elected the Survivor Option, a lifetime monthly benefit is paid to his or her survivor instead of a lump-sum payment.

HAZARDOUS DUTY SUPPLEMENT

An annual supplement is payable to members of SPORS and VRS political subdivision members eligible for enhanced hazardous duty coverage who retire with at least 20 years of eligible hazardous duty service credit. The supplement begins when they retire and continues until they reach their normal retirement age under Social Security. VaLORS members retiring under the 1.70% multiplier who have at least 20 years of eligible hazardous duty service credit receive the supplement beginning when they retire and continuing until age 65; VaLORS members retiring under the 2.00% multiplier are not eligible for the supplement. Vested members hired in eligible hazardous duty positions before July 1, 1974, are not required to have 20 years of hazardous duty service credit to qualify for the supplement, provided they take an immediate annuity.

The supplement is a dollar amount added to the member's monthly retirement benefit payment.

It is adjusted biennially based on increases in Social Security benefits during interim periods, as determined by the VRS actuary.

COST-OF-LIVING ADJUSTMENT (COLA)

The cost-of living adjustment (COLA) is deferred for one full calendar year after the member reaches unreduced retirement age. The deferred COLA does not apply to employees within five years of eligibility for unreduced retirement as of January 1, 2013, and to members who retire with 20 or more years of service. The COLA is effective each July 1 thereafter, when provided. During periods of no inflation or deflation, the COLA is zero (0.00%).

The COLA is calculated based on changes in the Consumer Price Index for all Urban Consumers (CPI-U) as follows:

1. The CPI-U for the most recent calendar year used to determine the VRS COLA is subtracted from the most recent average annual CPI-U to arrive at the index point change.

2. The index point change is divided by the CPI-U for the most recent calendar year in which a COLA was paid.

3. The result is multiplied by 100 to convert it to a percentage.

Under Plan 1, automatic cost-of-living increases are calculated as the first 3.00% of the increase of the CPI-U, plus half of each percentage increase from 3.00% to 7.00%.

Under Plan 2 and the Hybrid Plan, automatic cost-of-living increases are calculated as the first 2.00% of the increase of the CPI-U, plus half of each percentage increase from 2.00% to 4.00%, with a maximum COLA increase of 3.00%.

Refunds and Deferred Membership

1. Refunds. Vested members in Plan 1, Plan 2 and the Hybrid Plan who leave or are involuntarily separated from employment for causes other than job performance or misconduct are eligible for a full refund of their member contribution account balance, including accrued interest. Non-vested members are eligible for a refund of the balance, excluding any employer-paid member contributions made to their accounts after July 1, 2010, and the accrued interest on these contributions.

Hybrid Plan members are also immediately vested to any funds they contribute to the defined contribution component of their plan. They become vested over a four-year period to the funds their employer contributes on their behalf. Members with fewer than two years of creditable service forfeit the employer contributions.

Taking a refund cancels membership and eligibility for any future benefits under the retirement plans. Members who take a refund and return to covered employment will be rehired under the currently applicable plan. They are eligible to purchase their VRS refunded service as credit in their plan.

2. Deferred membership. Members separating from employment have the option to leave their funds with VRS and become deferred members. If they are vested or involuntarily separated from employment, they may be eligible for a future retirement benefit if they meet the age and service requirements for their plan. The benefit is calculated based on the member's service credit and average final compensation at the time of separation. Upon the member's death, the member's beneficiary receives a lump-sum payment of any remaining member contributions and accrued interest. If the member retires and elects the Survivor Option, a lifetime monthly benefit is paid to the survivor upon the member's death.

Deferred members remain eligible to receive a full or partial refund of their member contribution account balance, depending on whether or not they are vested. If a deferred member returns to covered employment, member contributions and the service credit the member earns upon reemployment are added to the member's record.

Death-in-Service Benefit

If a member dies while in active service, his or her named beneficiary or spouse, natural or legally adopted minor child or parent may be eligible for a death-in-service benefit in addition to VRS life insurance benefits, if applicable.

NON-WORK-RELATED CAUSE OF DEATH

If the member dies from a non-work-related cause, the member's named beneficiary will be eligible for a refund of any funds remaining in the member's contribution account. If the member is vested at the time of death and his or her spouse, natural or legally adopted minor child or parent is one of the member's named beneficiaries or is the beneficiary based on order of precedence, he or she will be eligible for a refund or a monthly benefit to the exclusion of all other primary beneficiaries. Any benefits minor children receive will end when they reach age 18. If the member is not vested at the time of death, his or her spouse, natural or legally adopted minor child or parent will be eligible for a refund only, which will be shared with any other primary beneficiaries the member has designated, if applicable.

The monthly non-work-related benefit is a lifetime monthly annuity based on the 100% Survivor Option. Members covered under Plan 1 who die before age 55 are assumed to be age 55 at the time of death for the purpose of calculating the benefit. The calculation for members covered under Plan 2 and the Hybrid Plan uses age 60. The calculation for Plan 1 and Plan 2 members of SPORS and VaLORS and members of VRS who are eligible for enhanced hazardous duty coverage uses age 50.

WORK-RELATED CAUSE OF DEATH

If the member dies from a work-related cause, the member's named beneficiary will be eligible for a lump-sum payment of any funds remaining in the member's contribution account. In addition, the member's spouse, natural or legally adopted minor child or parent will be eligible for a monthly benefit, whether or not this individual is a named beneficiary.

The monthly work-related benefit is a lifetime monthly annuity based on 33⅓% of the member's average final compensation if the spouse, minor child or parent qualifies for Social Security survivor benefits, or 50% of the member's average final compensation if the spouse, minor child or parent does not qualify for Social Security survivor benefits. The benefit is then adjusted by any workers' compensation survivor benefits.

Disability Benefits

DISABILITY RETIREMENT

Plan 1 and Plan 2 members who are not covered under the Virginia Sickness and Disability Program (VSDP) are eligible to apply for disability retirement from the first day of covered employment if they have a physical or cognitive disability that prevents them from performing their job and is likely to be permanent. Members covered under Plan 1 and Plan 2 who retire on disability before age 60 are credited with the lesser of (1) twice their total service credit at disability retirement; or (2) their total service credit plus the number of years remaining between their age at disability retirement and age 60.

The disability benefit for non-vested members is the minimum guaranteed benefit, which is either (1) 50% of the member's average final compensation (66⅔% if the disability is work-related) if the member does not qualify for primary Social Security benefits; or (2) 33⅓% of average final compensation (50% if the disability is work-related) if the member qualifies for primary Social Security benefits.

Vested members receive the greater of the minimum guaranteed benefit or 1.70% of average final compensation for each year of service credit at the time of disability retirement. The benefit for members retiring on work-related disability is reduced by any workers' compensation benefits. The payout options available to members retiring on disability are the Basic Benefit and Survivor Option.

VIRGINIA SICKNESS AND DISABILITY PROGRAM

The Virginia Sickness and Disability Program (VSDP) was established on January 1, 1999, to provide state employees covered under VRS, SPORS and VaLORS income protection if they suffer a non-work-related or work-related illness or injury. Enrollment in VSDP is automatic upon employment. State employees hired before January 1, 1999, had the option to elect VSDP or retain their eligibility to be considered for disability retirement. Employees enrolled in VSDP are not eligible to retire on disability. Additional information about VSDP is provided in the "Summary of Other Post-Employment Benefit (OPEB) Plan Provisions" in the next discussion on OPEBs. Additional information also is provided in the Financial Section.

VIRGINIA LOCAL DISABILITY PROGRAM

The Virginia Local Disability Program (VLDP) was implemented January 1, 2014, to provide short-term and long-term disability benefits for non-work-related and work-related disabilities. Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. Eligible employees include

- Teacher or other professional employee of a local public school division.
- General employee of a VRS-participating political subdivision such as a city, county, town, authority or commission.
- Local law enforcement officer, firefighter or emergency medical technician if the employer does not provide enhanced hazardous duty benefits.

Additional information about VLDP is provided in the "Summary of Other Post-Employment Benefit (OPEB) Plan Provisions" in the next discussion on OPEBs. Additional information also is provided in the Financial Section.

Summary of Pension Plan Changes

The following actuarially material changes have occurred to the pension plan provisions in recent years.

2005 VALUATION: No actuarially material changes are made to the plan provisions. On May 19, 2005, the Board adopts the recommended economic and demographic assumptions proposed by the actuary as a result of the June 2004 actuarial experience study.

2006 VALUATION: No actuarially material changes are made to the plan provisions.

2007 VALUATION: The retirement multiplier for VRS-covered sheriffs and SPORS members changes from 1.70% to 1.85% of average final compensation, effective July 1, 2008.

2008 VALUATION: No actuarially material changes are made to the plan provisions.

2009 VALUATION: No actuarially material changes are made to the plan provisions. There are three changes of note:

1. On April 16, 2009, the Board adopts the recommended economic and demographic assumptions proposed by the actuary as a result of the June 2008 experience study.

2. The temporary retirement supplement for SPORS members, VaLORS members and political subdivision employees eligible for enhanced hazardous duty coverage changes from $11,508 to $12,456 annually.

3. For the June 30, 2009, valuation, the Board suspends application of the 80% to 120% market value-of-assets corridor on the actuarial value of assets.

2010 VALUATION: No actuarially material changes are made to the plan provisions. There are two changes of note:

1. For the June 30, 2010, valuation, the application of the 80% to 120% market value-of-assets corridor on the actuarial value of assets is reinstated.

2. The Board reduces the investment rate-of-return assumption from 7.50% to 7.00%.

2011 VALUATION: In 2010, VRS adopts a second retirement plan, Plan 2. All employees hired on or after July 1, 2010, are automatically enrolled in this plan. The differences between Plan 1 and Plan 2 are listed below:

1. Under Plan 2, average final compensation is based on the highest 60 consecutive months of service.

2. The Plan 2 cost-of-living adjustment (COLA) is based on the first 2.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) plus half of each percent from 2.00% to 10.00%, with a maximum COLA of 6.00%.

3. Under Plan 2, normal retirement age is Social Security normal retirement age with at least five years of service credit. A Plan 2 member is eligible for unreduced early retirement when the sum of his or her age plus service credit is 90 (Rule of 90). Eligibility for reduced early retirement is at age 60 with five years of service credit.

4. Weighted service factors for first-term Plan 2 judges are 1.5 for judges less than age 45; 2.0 for judges age 45-54; and 2.5 for judges age 55 or older.

New general state employees, teachers and general political subdivision employees under VRS are subject to changes 1, 2 and 3 above. New state police officers (SPORS), Virginia law officers (VaLORS) and political

subdivision employees eligible for enhanced hazardous duty coverage (VRS) are subject to changes 1 and 2 above. New employees covered under JRS are subject to changes 1, 2 and 4 above.

2012 VALUATION: In 2012 House Bill 1130/Senate Bill 498 was enacted and was effective on January 1, 2013. The changes resulting from this legislation as listed below:

1. Active non-vested members of Plan 1 have their Average Final Compensation based on the highest 60 consecutive months of service instead of the highest 36 consecutive months of service. This provision applies to all plans.

2. Active non-vested members of Plan 1 and all Plan 2 members accrue benefits at 1.65% as of the effective date. This provision applies to the state and teacher plans and to members in political subdivision plans who are not covered by hazardous duty benefits.

3. Active members in the judicial plan hired after January 1, 2013, accrue benefits at 1.65%.

4. Active non-vested members of Plan 1 have to satisfy the Rule of 90 (sum of age and service at least 90) or reach their Social Security normal retirement age to be eligible for unreduced retirement. These same members must attain age 60 with five years of service to be eligible for early retirement. This provision applies to the state and teacher plans and to members of political subdivision plans who are not covered by hazardous duty benefits.

5. Non-vested members of Plan 1 and all members of Plan 2 have a maximum cost-of-living adjustment (COLA) of 3.00%. This provision applies to all plans.

6. All active employees not within five years of eligibility for an unreduced retirement as of January 1, 2013, and retiring with fewer than 20 years of service have their cost-of-living adjustment (COLA) deferred to one year following their unreduced retirement date after beginning to receive benefits. All active employees within five years of eligibility for unreduced retirement as of January 1, 2013, are grandfathered into the old provisions with no deferral of the COLA.

2013 VALUATION: No actuarially material changes are made to the plan provisions. There are two changes of note:

1. On June 20, 2013, the Board adopts the recommended economic and demographic assumptions proposed by the actuary as a result of the June 2012 experience study.

2. Changes noted in the 2012 valuation information, with effective dates in fiscal year 2013, were implemented.

2014 VALUATION: No actuarially material changes are made to the plan provisions. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The Hybrid Plan covers eligible employees hired on or after January 1, 2014, in the state, teacher and judicial plans or Plan 1 and Plan 2 members who elected, during a one-time opt-in period, to be covered under the Hybrid Plan. The Hybrid Plan does not apply to members in the SPORS and VaLORS plans. The Hybrid Plan consists of defined benefit plan and defined contribution plan components.

Actuary's Certification Letter – OPEB Plans

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

October 30, 2015

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

Dear Trustees:

Governmental Accounting Standards Board Statements No. 43 and 45 (GASB 43 and 45) require actuarial valuations of retiree health care and other post-employment benefit (OPEB) plans. Cavanaugh Macdonald Consulting, LLC (CMC) is submitting the results of the annual actuarial valuation of the Virginia Retirement System (VRS) Group Life Insurance Program, the Health Insurance Credit Program the long-term disability (LTD) benefits payable by the Virginia Sickness and Disability Program (VSDP) and the Virginia Local Disability Program (VLDP) prepared as of June 30, 2014. While not verifying the data at source, the actuary performed tests for consistency and reasonability.

Group Life Insurance Program. This valuation covers only the portion of the Group Life Insurance Program providing benefits for current retirees and active employees upon retirement. This valuation does not value the plan's benefits for members who die while actively employed. Death benefits for active employees are covered under a group life insurance arrangement. The valuation indicates that the Annual Required Contribution (ARC) under GASB 43 and 45 is 0.97% of active covered payroll. Adjusted to include the costs for deaths in active service, the total contribution rate for the plan is 1.31% of active covered payroll. Contribution rates for VRS employers are established every two years. The actuarially calculated employer contribution rates based on the June 30, 2014, results presented in this report are for informational purposes only.

Retiree Health Insurance Credit Program. The valuation indicates that the Annual Required Contribution (ARC) under GASB 43 and 45 is 1.17% of active covered payroll for state employees [including state police (SPORS), judicial employees (JRS), Virginia law officers (VaLORS), Optional Retirement Plan (ORP) participants, and the University of Virginia (UVA) members]; 1.20% of active teachers' payroll; varying percentages of active covered payroll for employees of political subdivisions that have elected to provide this benefit; 0.34% for employees who are eligible for the state-funded benefit for Constitutional Officers and their employees, 0.39% for employees who are eligible for the state-funded benefit for General Registrars and their employees; and 0.40% for employees who are eligible for the state-funded benefit for local Social Services employees. Contribution rates for VRS employers are established every two years. The actuarially

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calculated employer contribution rates based on the June 30, 2014, results presented in this report are for informational purposes only.

Virginia Sickness and Disability Program (VSDP). The valuation indicates that the Annual Required Contribution (ARC) under GASB 43 and 45 for long-term disability (LTD) benefits is 0.64% of active covered payroll for members covered by VSDP. Contribution rates for VRS employers are established every two years. The actuarially calculated employer contribution rates based on the June 30, 2014, results presented in this report are for informational purposes only.

Virginia Local Disability Program (VLDP). The valuation indicates that the Annual Required Contribution (ARC) under GASB 43 and 45 for long-term disability (LTD) benefits of applicable members of [participating local public school divisions (teachers) is 0.30% of active covered payroll and 0.59% of active covered payroll for applicable members of participating political subdivisions (Political Subdivisions). Contribution rates for VRS employers are established every two years. The actuarially calculated employer contribution rates based on the June 30, 2014, results presented in this report are for informational purposes only.

The promised post-employment death benefit under the Group Life Insurance Program, the health care benefits under the Retiree Health Insurance Credit Program of VRS, and the long-term disability benefits under VSDP and VLDP are included in the actuarially calculated contribution rates, which were developed using the entry age normal actuarial cost method with projected benefits. The valuation takes into account the differentiation between Plan 1 vested members, Plan 1 non-vested members as of January 1, 2013, resulting from HB 1130 and SB 498, and Plan 2 members. The June 30, 2014, valuation is the first valuation to reflect the Hybrid Retirement Plan for eligible new hires on or after January 1, 2014, and for members who elected to opt into the Hybrid Plan.

Five-year smoothed market value of assets is used for actuarial valuation purposes for the Group Life Insurance Program and the state and teacher components of the Retiree Health Insurance Credit Program. The actual market value of assets is used for actuarial valuation purposes for the political subdivision components of the Retiree Health Insurance Credit Program and for VSDP.

GASB 43 and 45 require that the discount rate used to value a plan be based on the likely return of the assets used to pay benefits. As of June 30, 2014, each of the plans had assets in trust solely to provide benefits to eligible recipients. Therefore, the discount rate has been set at 7.00%. In accordance with the new funding policy adopted by the Board of Trustees, the unfunded accrued liability is being amortized by regular contributions as a level percentage of payroll within a closed 30-year period for the unfunded liability as of June 30, 2013, and gains and losses in subsequent years are amortized within a closed 20-year period, on the assumption that payroll will increase by 3.00% annually and the amortization period will decrease by one years until reaching 0 years. In the event that the funding policy produces an effective amortization period of greater than 30 years, a 30-year amortization period is used in accordance with GASB 43 and 45.

The assumptions recommended by the actuary are in the aggregate reasonably related to the experience under each of the Plans and to reasonable expectations of anticipated experience under each of the Plans, and meet the parameters for the disclosures under GASB 43 and 45.

The liability associated with long-term care (LTC) benefits for VSDP was calculated by Milliman. In addition, all historical information that references a valuation date prior to June 30, 2008, was prepared by a previous actuarial firm.

The following schedules (or updates to them) were prepared by VRS from information prepared by us during the 2014 actuarial valuation or from supplemental information prepared by us for use in the System's Comprehensive Annual Financial Report. We have reviewed them for inclusion in the 2015 Comprehensive Annual Financial Report:

- Schedule of Funding Progress
- Schedule of Actuarial Methods and Significant Assumptions
- Schedule of Employer Contributions
- Schedules of Selected Experience Rates

Our organization has only a contractual relationship with the Virginia Retirement System to provide actuarial consulting services and we do not provide other services to nor have a financial interest in the Virginia Retirement System. There are no known interests or relationships that our firm has with the Virginia Retirement System that may impair or appear to impair the objectivity of our work.

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems; that the valuations were prepared in accordance with principles of practice prescribed by the Actuarial Standards Board; and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the individual Plans and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System and the individual Plans.

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: Plan experience differing from that anticipated by the economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in Plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

Respectfully submitted,

Jose I. Fernandez, ASA, FCA, EA, MAAA
Principal and Consulting Actuary

Eric H. Gary, FSA, FCA, MAAA
Chief Health Actuary

Actuary's Certification Letter – OPEB Plans – VSDP Long-Term Care Plan

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October 30, 2015

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

Dear Trustees:

Purpose

This report presents the required disclosures to comply with the Government Accounting Standards Board (GASB) No. 43 based on the results of the June 30, 2014, actuarial valuation of the self-funded long-term care (LTC) benefits provided to the Virginia Sickness and Disability Program (VSDP) and Virginia Local Disability Program (VLDP) eligible members. This benefit program is an employer-paid self-funded plan. The funding for this plan is a percent of payroll determined by the Board to sustain both the active and ported group long-term care benefits.

VLDP is a new managed disability program for political subdivision and school division employees who are in the Hybrid Retirement Plan that went into effect on January 1, 2014. Employees had a one-time opportunity to opt out and provide the same managed disability coverage either through self-insurance of from another provider; 201 local employers opted to participate in VLDP. All members of the Hybrid Retirement System employed by participating entities are covered by VLDP, with the exception of hazardous duty employees whose employers have opted for enhanced benefits. As a participant in VLDP, members are covered automatically under the VLDP Long-Term Care Plan. Members pay no cost for this coverage while they are employed in a VLDP-covered position and have the option to continue coverage upon termination from a VRS-covered position. The employers' contributions for VLDP members began to be made as of January 1, 2014, and are accumulated in the same fund as the LTD contributions for VLDP members.

This report determines the funded status of the program under the parameters of GASB Statement No. 43 and calculates the annual required contribution sufficient to fund the program's normal cost, amortize any unfunded legacy liability over a period of 29 years (for valuation years, fiscal years 2010-2013), and amortize new unfunded liability as of June 30, 2014, over a period of 20 years. Please note that the valuations for fiscal years 2007-2009 used amortization periods of 29, 28, and 27 years respectively. We have used this method to amortize the gain/loss over the past year for this valuation. The results of this report apply to the plan's fiscal year ending June 30, 2014.

Liabilities and Costs

Section II of this report provides the results of the calculations of liabilities and annual required contributions of the program under the Unit Credit Cost Method. The Actuarial Liability represents the present value of long-term care benefits allocated to the service of active participants performed up to the valuation date. The unfunded actuarial accrued liability equals the difference between the total actuarial accrued liability and the value of the assets accumulated for the future payment of the benefits. The normal cost represents the annual ongoing cost of the post-retirement benefits accruing to active participants.

The required level of funding for the LTC program is 0.117% of payroll from each participating employer. This contribution funds both current employee and future retiree benefits. This is the seventh valuation to determine the actuarial accrued liabilities and GASB Statement No. 43-compliant required funding necessary to fund the retiree long-term care benefits.

Changes made in this year's valuation were for the following items, which are described in detail in the July 1, 2014, valuation report.

- Update to the fiscal year 2014 census (which now includes VLDP-eligible members),
- Adjustment to termination rates, and
- Adjustment to the claim selection factors.

This work product was prepared solely for VRS for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

Actuarial Methods and Assumptions

The methods and assumptions are those used in the July 1, 2014, actuarial valuation of the self-funded long-term care benefit that is part of the VSDP and VLDP programs. The methods and assumptions used herein comply with the parameters specified by GASB Statement Nos. 43 and 45.

Valuation Results and Supplemental Information

The following schedules (or updates to them) were prepared by VRS from information prepared by us during the 2014 actuarial valuation or from supplemental information prepared by us for use in the System's Comprehensive Annual Financial Report. We have reviewed them for inclusion in the 2015 Comprehensive Annual Financial Report:

- Schedule of Funding Progress
- Schedule of Actuarial Methods and Significant Assumptions
- Schedule of Employer Contributions
- Schedules of Selected Experience Rates

Limitations

In preparing this report, we relied, without audit, on information provided by VRS. This information includes, but is not limited to, benefit provisions, benefit payments, employee data, and financial information. In our examination of these data, we found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ to the extent that the underlying data are incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions used in this valuation. It is certain that actual experience will not conform exactly to the assumptions used in this valuation. Actual liability amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

Milliman's work product was prepared exclusively for VRS for a specific and limited purpose. It is a complex technical analysis that assumes a high level of knowledge concerning the plan's operations, and uses data which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs. Any distribution of this report must be provided in its entirety unless prior written consent is obtained from Milliman.

The consultants who worked on this assignment are pension and health actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of this work.

Certification

On the basis of the foregoing, I certify that, to the best of my knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with Actuarial Standards of Practice, the Code of Professional Conduct and Qualification Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries. I am a member of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Best regards,

Amy Pahl

Amy Pahl, FSA, MAAA
Consulting Actuary

Actuary's Certification Letter –
OPEB Plans – Line of Duty Act Fund

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

October 30, 2015

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

Dear Trustees:

Government Accounting Standards Board Statements No. 43 and 45 (GASB 43 and 45) require the actuarial valuations of retiree health care and other post-employment benefit (OPEB) plans. Cavanaugh Macdonald Consulting, LLC (CMC) is submitting the results of the annual actuarial valuation of the Virginia Retirement System (VRS) Line of Duty Act Fund (the Plan) prepared as of June 30, 2014.

CMC has relied on the plan provisions and eligibility provisions provided by the Commonwealth of Virginia's Line of Duty Act Program (LODA Program) provided by §9.1-400 of the *Code of Virginia* (Code) and Item 264 of the 2014 Appropriations Act (the Act). Additionally, CMC has received active participant data from the Virginia Retirement System (VRS) and inactive data provided by the Commonwealth of Virginia's Department of Accounts (DOA). CMC has reviewed the data for reasonableness only, and has not performed a formal audit of the data used for this valuation. Because the census data was collected from a wide range of sources with varying and, at times, limited content, the data is incomplete. Adjustments have been made to account for this incompleteness. Along with the valuation results, commentary is provided regarding the various aspects of developing the cost structure for LODA Program benefits to be financed through the Plan.

The valuation results are provided on a blended, single group cost basis comprised of two individual segments of the total population: state employees and political subdivision employees. State employees include state employees, Virginia law officers (VaLORS), state police (SPORS), Department of Motor Vehicles (DMV) employees, and members of the National Guard. Political subdivision employees include Emergency Medical Technicians (EMTs), fire personnel and employees performing hazardous duties in political subdivisions within VRS, as well as one retirement system independent of VRS.

Projections estimate annual Full-Time Equivalent (FTE) employee contributions for the fiscal year 2016 to be $528.40. The estimated contribution rate assumes plan participation of 11,796.20 state FTE employees and 7,423.25 political subdivision FTE employees for a total of 19,219.45 FTE employees. The contribution

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rate represents, in total, the estimated cost of providing benefits payable in fiscal year 2016, including administrative expenses; the cost of benefits incurred and reported to the administrator but awaiting processing (additional reserves); and the final loan installment to repay the LODA Program's costs financed via loans from the Group Life Insurance Program. Contribution rates for participating employer groups are established every two years. Based upon the June 30, 2013, valuation results, the Board approved a rate for fiscal years 2015 and 2016 of $518.84. The results of the June 30, 2014, valuation are for informational purposes only.

The results provided do not account for the potential, long-term incurred but not reported claims resulting from a lack of employer or beneficiary education about the Plan's benefits. The potential cost and liability for these claims may be considerable. A margin for these costs may need to be considered. Additionally, the State Comptroller may want to consider this potential risk in regards to its authority to waive the five-year statute of limitation on claims.

The promised death benefits and post-employment health care benefits provided through the plan are included in all of the actuarially estimated contribution rates. The Plan is a cost-sharing, multiple-employer plan, and the liability for the Plan is developed and reported, as a whole, under the requirements of GASB Statement No. 43. The measurement of the cost-sharing employers' OPEB expense and liabilities under GASB Statement No. 45 is based upon the employers' contractually required contributions to the Plan. The actuarially calculated contribution rates based upon the requirements of GASB 43 and 45 were developed using the entry age normal cost method with projected benefits. As the Act requires contributions to be determined on a current disbursement basis, the Plan has minimal assets in trust solely to provide benefits, and GASB 43 and 45 requires that the discount rate used to value a plan be based on the likely return of the assets held in trust to pay benefits, the GASB 43 and 45 valuation results provided in this report reflect a discount rate of 4.75%. The assumed annual rate of return of 4.75% is assumed to be consistent with the long-term rate of return for Virginia's Local Government Investment Pool (LGIP). The unfunded accrued liability is being amortized by regular annual contributions as a level percentage of payroll within a 30-year period on the assumption that payroll will increase by 3.00% annually. The assumptions recommended by the actuary are in the aggregate reasonably related to the experience under the Plan and to reasonable expectations of anticipated experience under the Plan, and meet the parameters for disclosures under GASB 43 and 45.

Additionally, assumptions and methods specific to the valuation of the Plan were made, including adjustments to the percentage of death benefit payments made as direct or proximate result of the performance of duty, the assumed per capita health care costs, the assumed rates of health care inflation, and a change in the methodology used to determine additional reserves.

The following schedules (or updates to them) were prepared by VRS from information prepared by us during the 2014 actuarial valuation or from supplemental information prepared by us for use in the System's Comprehensive Annual Financial Report. We have reviewed them for inclusion in the 2015 Comprehensive Annual Financial Report:

- Schedule of Funding Progress
- Schedule of Actuarial Methods and Significant Assumptions
- Schedule of Employer Contributions
- Schedules of Selected Experience Rates

Our organization has only a contractual relationship with the Virginia Retirement System to provide actuarial consulting services and we do not provide other services to nor have a financial interest in the Virginia Retirement System. There are no known interests or relationships that our firm has with the Virginia Retirement System that may impair or appear to impair the objectivity of our work.

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the Plan and on actuarial assumptions that are internally consistent and reasonably based on the actuarial experience of the VRS. The aggregate assumptions recommended by the actuary are reasonably related to the experience under the Plan and are reasonable expectations of anticipated experience under the Plan.

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: potential variance in the number and/or type of covered lives; Plan experience differing from that anticipated by the economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the Plan's funded status); and changes in Plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

Respectfully submitted,

Jose I. Fernandez, ASA, FCA, EA, MAAA
Principal and Consulting Actuary

Eric H. Gary, FSA, FCA, MAAA
Chief Health Actuary

The Actuarial Section for VRS-administered Other Post-Employment Benefit (OPEB) Plans presents information about the assumptions adopted by the Board of Trustees and used by the VRS actuaries to evaluate the funded status of these plans. This information includes assumptions about retirements, disabilities, terminations and salary increase rates. The section also provides a summary of OPEB plan provisions and changes.

Summary of Actuarial Assumptions and Methods

On June 20, 2013, the VRS Board of Trustees adopted most of the actuarial assumptions and methods on the recommendation of its actuary. The following assumptions include the Group Life Insurance Program, the Retiree Health Insurance Credit Program, the Virginia Sickness and Disability Program, the Virginia Local Disability Program and the Line of Duty Act Program. They were based on an analysis of plan experience for the four-year period July 1, 2008, through June 30, 2012, and were used for the June 30, 2014, valuation.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS – OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS

FOR THE JUNE 30, 2014, ACTUARIAL VALUATION

Actuarial Assumptions and Methods	Group Life Insurance Program	Retiree Health Insurance Credit Program	Virginia Sickness and Disability Program	Line of Duty Act Program	Virginia Local Disability Program
Valuation Interest Rate	7.00%	7.00%	7.00%	4.75%	7.00%
Salary Scale Inflation Factor	2.50%	2.50%	2.50%	2.50%	2.50%
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Effective Amortization Period – State	29.4 Years	29.0 Years	28.5 Years	2 and 30 Years	N/A
Effective Amortization Period – Teacher	29.4 Years	28.8 Years	N/A	N/A	20 Years
Effective Amortization Period – Political Subdivisions	29.4 Years	20.0 Years	N/A	2 and 30 Years	20 Years
Amortization Method	Level Percent of Pay	Level Percent of Pay	Level Percent of Pay	Level Percent of Pay	Level Percent of Pay
	Closed	Closed	Closed	Closed	Closed
Payroll Growth Rate	3.00%	3.00%	3.00%	3.00%	3.00%
Assets Valuation Method – State and Teacher	5-Year Smoothed Market	5-Year Smoothed Market	5-Year Smoothed Market	Market Value	5-Year Smoothed Market
Assets Valuation Method – Political Subdivisions	5-Year Smoothed Market	Market Value *	N/A	Market Value	5-Year Smoothed Market

**Includes state-funded retiree health insurance for certain local government employees.*

SOLVENCY TEST – OPEB PLANS

(EXPRESSED IN THOUSANDS)

Valuation Date (June 30)	Aggregate Accrued Liabilities for (1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Members*	Valuation Assets	Portion of Accrued Liabilities Covered by Assets (1)	(2)	(3)
GROUP LIFE INSURANCE							
2014	N/A	$ 1,522,758	$ 1,178,751	$ 992,221	N/A	65.16%	0.00%
2013	N/A	1,422,423	1,149,268	836,547	N/A	58.81%	0.00%
2012	N/A	1,308,096	1,150,214	755,889	N/A	57.79%	0.00%
2011	N/A	1,228,335	1,130,642	852,424	N/A	69.40%	0.00%
2010	N/A	1,140,158	1,105,157	928,920	N/A	81.47%	0.00%
2009	N/A	995,206	999,593	967,188	N/A	97.18%	0.00%
2008***	N/A	912,508	858,862	974,869	N/A	100.00%	7.26%
RETIREE HEALTH INSURANCE CREDIT – STATE EMPLOYEES**							
2014	N/A	$ 577,291	$ 384,851	$ 60,645	N/A	10.51%	0.00%
2013	N/A	562,448	382,134	54,773	N/A	9.74%	0.00%
2012	N/A	542,874	374,294	55,510	N/A	10.23%	0.00%
2011	N/A	530,461	366,099	110,791	N/A	20.89%	0.00%
2010	N/A	521,153	373,888	159,163	N/A	30.54%	0.00%
2009	N/A	466,457	375,654	169,287	N/A	36.29%	0.00%
2008***	N/A	422,996	379,164	153,738	N/A	36.35%	0.00%
RETIREE HEALTH INSURANCE CREDIT – TEACHERS							
2014	N/A	$ 761,301	$ 536,420	$ 79,177	N/A	10.40%	0.00%
2013	N/A	728,612	529,180	67,012	N/A	9.20%	0.00%
2012	N/A	732,146	536,924	58,286	N/A	7.96%	0.00%
2011	N/A	707,436	522,769	85,933	N/A	12.15%	0.00%
2010	N/A	666,263	536,175	108,187	N/A	16.24%	0.00%
2009	N/A	614,050	494,120	115,880	N/A	18.87%	0.00%
2008***	N/A	554,541	523,484	98,266	N/A	17.72%	0.00%
RETIREE HEALTH INSURANCE CREDIT – STATE-FUNDED LOCALITY BENEFITS							
2014	N/A	$ 20,768	$ 18,531	$ 4,145	N/A	19.96%	0.00%
2013	N/A	20,001	17,794	1,510	N/A	7.55%	0.00%
2012	N/A	19,817	18,456	1,807	N/A	9.12%	0.00%
2011	N/A	18,271	18,406	2,338	N/A	12.80%	0.00%
2010	N/A	17,045	17,724	2,743	N/A	16.09%	0.00%
2009	N/A	15,289	16,049	3,040	N/A	19.88%	0.00%
2008***	N/A	14,960	19,726	3,311	N/A	22.13%	0.00%

SOLVENCY TEST – OPEB PLANS, cont.

(EXPRESSED IN THOUSANDS)

Valuation Date (June 30)	Aggregate Accrued Liabilities for (1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Members*	Valuation Assets	Portion of Accrued Liabilities Covered by Assets (1)	(2)	(3)
RETIREE HEALTH INSURANCE CREDIT – POLITICAL SUBDIVISIONS							
2014	N/A	$ 17,371	$ 17,826	$ 18,605	N/A	100.00%	6.92%
2013	N/A	16,268	17,036	16,137	N/A	99.19%	0.00%
2012	N/A	15,054	16,369	14,275	N/A	94.83%	0.00%
2011	N/A	14,503	15,688	13,918	N/A	95.97%	0.00%
2010	N/A	13,223	16,861	11,218	N/A	84.84%	0.00%
2009	N/A	11,943	13,548	8,332	N/A	69.76%	0.00%
2008***	N/A	15,388	12,722	8,553	N/A	55.58%	0.00%
VIRGINIA SICKNESS AND DISABILITY PROGRAM							
2014	N/A	$ 138,511	$ 50,027	$ 325,354	N/A	100.00%	373.48%
2013	N/A	132,842	50,104	313,480	N/A	100.00%	360.53%
2012	N/A	125,578	136,151	305,170	N/A	100.00%	131.91%
2011	N/A	123,339	139,505	330,079	N/A	100.00%	148.20%
2010	N/A	133,728	148,251	302,683	N/A	100.00%	113.97%
2009	N/A	120,811	146,773	266,635	N/A	100.00%	99.35%
2008***	N/A	147,518	215,357	286,164	N/A	100.00%	64.38%
LINE OF DUTY ACT PROGRAM							
2014	N/A	$ 152,120	$ 73,696	$ 6,914	N/A	4.55%	0.00%
2013	N/A	139,835	64,249	10,084	N/A	7.21%	0.00%
2012	N/A	131,501	94,673	6,052	N/A	4.60%	0.00%
2011	N/A	207,186	191,770	–	N/A	0.00%	0.00%
2010***	N/A	200,908	375,134	–	N/A	0.00%	0.00%

** Employer-financed portion.*

*** State employees include state, SPORS, JRS, VaLORS, ORP and University of Virginia.*

**** Data for prior fiscal years is unavailable.*

The progress of a plan in accumulating assets to pay benefits when due can be measured by examining the extent to which assets accumulated for benefits cover 1) any active member contributions to the plan; 2) liabilities for future benefits to retirees and beneficiaries; and 3) liabilities for the employer-financed portion of service already rendered by active members. In a plan receiving actuarially determined employer contributions, the liabilities for future benefits to retirees and beneficiaries will generally be fully covered by accumulated assets. In addition, the liabilities for service already rendered will be partially covered by the remainder of the accumulated assets and will increase over time.

SCHEDULE OF ACTIVE MEMBER VALUATION DATA – OPEB PLANS

Valuation Date (June 30)	Active Members			
	Number	Annual Payroll (000s)	Average Annual Pay	Annualized % Change in Average Pay
GROUP LIFE INSURANCE				
2014	360,855	$ 17,559,285	$ 48,660	2.56%
2013	361,080	17,132,176	47,447	2.47%
2012	360,602	16,696,961	46,303	0.36%
2011	358,536	16,542,753	46,140	0.97%
2010	361,644	16,526,260	45,698	-0.10%
2009	365,682	16,728,060	45,745	2.67%
2008**	365,103	16,267,352	44,556	N/A
RETIREE HEALTH INSURANCE CREDIT – STATE EMPLOYEES*				
2014	106,815	$ 5,930,862	$ 55,525	3.57%
2013	106,780	5,724,611	53,611	1.22%
2012	106,517	5,641,862	52,967	-0.91%
2011	105,186	5,622,425	53,452	5.21%
2010	105,106	5,340,134	50,807	0.45%
2009	107,791	5,452,111	50,580	0.79%
2008**	104,774	5,257,958	50,184	N/A
RETIREE HEALTH INSURANCE CREDIT – TEACHERS				
2014	146,977	$ 7,362,793	$ 50,095	2.61%
2013	147,257	7,188,884	48,819	2.60%
2012	147,216	7,004,577	47,580	0.46%
2011	146,152	6,922,130	47,363	-1.24%
2010	148,462	7,119,889	47,958	-0.37%
2009	148,762	7,160,842	48,136	3.29%
2008**	147,833	6,889,702	46,605	N/A
RETIREE HEALTH INSURANCE CREDIT – STATE-FUNDED LOCALITY BENEFITS				
2014	16,894	$ 786,875	$ 46,577	1.00%
2013	16,093	742,121	46,115	4.07%
2012	16,175	716,748	44,312	1.13%
2011	16,894	740,253	43,818	-0.02%
2010	17,021	745,952	43,825	-0.34%
2009	17,052	749,841	43,974	1.53%
2008**	16,168	700,231	43,310	N/A
VIRGINIA SICKNESS AND DISABILITY PROGRAM				
2014	74,399	$ 3,585,486	$ 48,193	2.94%
2013	74,178	3,472,669	46,815	0.50%
2012	73,707	3,433,322	46,581	0.08%
2011	72,440	3,371,773	46,546	5.10%
2010	71,529	3,167,849	44,288	0.04%
2009	73,003	3,231,897	44,271	0.15%
2008**	72,854	3,220,489	44,205	N/A

** State employees include state, SPORS, JRS, VaLORS, ORP and University of Virginia.*

*** Data for prior fiscal years is unavailable.*

SCHEDULE OF RETIREE AND BENEFICIARY VALUATION DATA – OPEB PLANS

GROUP LIFE INSURANCE

Valuation Date (June 30)	Retirees: Added to Rolls Number	Retirees: Added to Rolls Number	Total	Current Total Life Insurance Amount	Annualized % Increase in Life Insurance Amount	Average Life Insurance Amount	% Increase in Average Life Insurance Amount
2014	10,922	4,306	159,238	$7,369,106,000	5.18%	$ 46,277	0.81%
2013	10,511	4,203	152,622	7,006,128,000	5.22%	45,905	0.87%
2012	9,828	3,905	146,314	6,658,865,000	4.58%	45,511	0.35%
2011	11,216	4,325	140,391	6,366,958,000	8.35%	45,352	3.03%
2010	10,048	2,577	133,500	5,876,393,000	8.49%	44,018	2.42%
2009	8,296	10,816	126,029	5,416,588,000	8.66%	42,979	10.83%
2008 **	N/A	N/A	128,549	4,984,937,000	N/A	38,778	N/A

RETIREE HEALTH INSURANCE CREDIT – STATE EMPLOYEES*

Valuation Date (June 30)	Retirees: Added to Rolls Number	Retirees: Added to Rolls Number	Total	Current Total Life Insurance Amount	Annualized % Increase in Life Insurance Amount	Average Life Insurance Amount	% Increase in Average Life Insurance Amount
2014	2,652	1,548	42,189	$ 62,655,000	3.01%	$ 1,485	0.34%
2013	2,542	1,503	41,085	60,823,000	2.79%	1,480	0.14%
2012	2,539	1,453	40,046	59,170,000	2.99%	1,478	0.20%
2011	2,684	1,986	38,960	57,451,000	2.08%	1,475	0.27%
2010	3,521	1,279	38,262	56,283,000	7.45%	1,471	1.17%
2009	3,201	1,368	36,020	52,382,000	8.98%	1,454	3.41%
2008 **	N/A	N/A	34,187	48,067,000	N/A	1,406	N/A

RETIREE HEALTH INSURANCE CREDIT – TEACHERS

Valuation Date (June 30)	Retirees: Added to Rolls Number	Retirees: Added to Rolls Number	Total	Current Total Life Insurance Amount	Annualized % Increase in Life Insurance Amount	Average Life Insurance Amount	% Increase in Average Life Insurance Amount
2014	3,729	1,291	58,121	$ 80,257,000	4.32%	$ 1,381	-0.07%
2013	3,557	1,389	55,683	76,934,000	4.20%	1,382	0.14%
2012	3,240	1,214	53,515	73,836,000	3.91%	1,380	0.00%
2011	4,073	1,163	51,489	71,059,000	6.29%	1,380	0.29%
2010	3,216	1,101	48,579	66,851,000	4.80%	1,376	0.22%
2009	5,375	1,002	46,464	63,789,000	9.90%	1,373	-0.44%
2008 **	N/A	N/A	42,091	58,045,000	N/A	1,379	N/A

SCHEDULE OF RETIREE AND BENEFICIARY VALUATION DATA – OPEB PLANS, cont.

VIRGINIA SICKNESS AND DISABILITY PROGRAM							
Valuation Date (June 30)	Added to Rolls Number	Added to Rolls Number	Total	Current Total Life Insurance Amount	Annualized % Increase in Life Insurance Amount	Average Life Insurance Amount	% Increase in Average Life Insurance Amount
2014	369	305	2,701	$ 27,315,000	5.96%	$ 10,113	3.45%
2013	401	434	2,637	25,779,000	6.39%	9,776	7.72%
2012	424	374	2,670	24,230,000	3.43%	9,075	1.49%
2011	411	365	2,620	23,427,000	0.04%	8,942	-1.71%
2010	445	265	2,574	23,417,000	8.98%	9,098	1.37%
2009	377	297	2,394	21,487,000	-3.64%	8,975	-6.87%
2008 **	N/A	N/A	2,314	22,299,000	N/A	9,637	N/A

** State employees include state, SPORS, JRS, VaLORS, ORP and University of Virginia.*

*** Details of retirees added to and removed from the rolls was not available for these periods.*

**** Data for prior fiscal years is unavailable.*

FIGURE 4.7: RETIREMENT RATES – OPEB PLANS

Sample rates of retirement for members eligible to retire are shown below. For the Retiree Health Insurance Credit, 95% of the state employees, teachers, state police officers, Virginia law officers and judges who retire with 15 or more years of service will utilize the benefit. For all political subdivision employees, 85% of the employees with 15 or more years of service will utilize the benefit.

State Employees

	Plan 1				Plan 2 and Hybrid			
	Retirement With Fewer Than 30 Years of Service		Retirement With 30 or More Years of Service		Age and Service Meet Rule of 90			
					No		Yes	
Age	Male	Female	Male	Female	Male	Female	Male	Female
50	3.00%	3.20%	10.00%	10.00%	0.00%	0.00%	35.00%	35.00%
55	5.00%	5.00%	10.00%	10.00%	0.00%	0.00%	10.00%	10.00%
59	5.00%	5.50%	10.00%	10.00%	0.00%	0.00%	10.00%	10.00%
60	5.00%	5.50%	10.00%	15.00%	5.00%	5.50%	10.00%	15.00%
61	10.00%	10.00%	15.00%	20.00%	10.00%	10.00%	15.00%	20.00%
62	15.00%	15.00%	25.00%	30.00%	15.00%	15.00%	25.00%	30.00%
64	15.00%	15.00%	20.00%	20.00%	15.00%	15.00%	20.00%	20.00%
65	30.00%	30.00%	30.00%	40.00%	30.00%	30.00%	30.00%	40.00%
67	30.00%	30.00%	25.00%	25.00%	30.00%	30.00%	25.00%	25.00%
> = 70	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

FIGURE 4.7: RETIREMENT RATES – OPEB PLANS, cont.

Teachers

	Plan 1				Plan 2 and Hybrid			
	Retirement With Fewer Than 30 Years of Service		Retirement With 30 or More Years of Service		Age and Service Meet Rule of 90			
					No		Yes	
Age	Male	Female	Male	Female	Male	Female	Male	Female
50	2.00%	2.00%	17.50%	15.00%	0.00%	0.00%	40.00%	35.00%
55	5.70%	6.10%	22.50%	22.50%	0.00%	0.00%	22.50%	22.50%
59	7.00%	7.50%	22.50%	22.50%	0.00%	0.00%	22.50%	22.50%
60	7.50%	8.50%	22.50%	22.50%	7.50%	8.50%	22.50%	22.50%
61	11.00%	12.00%	30.00%	30.00%	11.00%	12.00%	30.00%	30.00%
62	17.00%	17.00%	35.00%	35.00%	17.00%	17.00%	35.00%	35.00%
64	18.00%	16.50%	30.00%	35.00%	18.00%	16.50%	30.00%	35.00%
65	30.00%	30.00%	40.00%	35.00%	30.00%	30.00%	40.00%	35.00%
67	30.00%	30.00%	40.00%	35.00%	30.00%	30.00%	40.00%	35.00%
> = 70	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Political Subdivision Employees Not Receiving Enhanced Hazardous Duty Benefits – Ten Largest Employers

	Plan 1				Plan 2 and Hybrid			
	Reduced Retirement		Unreduced Retirement		Reduced Retirement		Unreduced Retirement	
Age	Male	Female	Male	Female	Male	Female	Male	Female
50	3.50%	3.50%	13.00%	15.60%	0.00%	0.00%	13.00%	15.60%
55	5.00%	5.00%	11.50%	14.30%	0.00%	0.00%	11.50%	14.30%
59	4.50%	6.00%	13.50%	13.40%	0.00%	0.00%	13.50%	13.40%
60	6.00%	7.50%	17.00%	12.80%	6.00%	7.50%	17.00%	12.80%
61	10.50%	10.00%	19.00%	17.70%	10.50%	10.00%	19.00%	17.70%
62	17.50%	15.50%	31.00%	28.00%	17.50%	15.50%	31.00%	28.00%
64	16.50%	17.00%	29.00%	18.30%	16.50%	17.00%	29.00%	18.30%
65	30.00%	30.00%	41.00%	29.60%	30.00%	30.00%	41.00%	29.60%
67	30.00%	30.00%	24.00%	33.20%	30.00%	30.00%	24.00%	33.20%
> = 70	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

FIGURE 4.7: RETIREMENT RATES – OPEB PLANS, cont.

Political Subdivision Employees Not Receiving Enhanced Hazardous Duty Benefits – All Other Employers

	Plan 1				Plan 2 and Hybrid			
	Reduced Retirement		Unreduced Retirement		Reduced Retirement		Unreduced Retirement	
Age	Male	Female	Male	Female	Male	Female	Male	Female
50	5.00%	4.00%	9.00%	8.00%	0.00%	0.00%	9.00%	8.00%
55	5.00%	5.50%	14.00%	11.50%	0.00%	0.00%	14.00%	11.50%
59	6.00%	5.00%	11.00%	11.50%	0.00%	0.00%	11.00%	11.50%
60	6.00%	7.50%	11.00%	13.00%	6.00%	7.50%	11.00%	13.00%
61	10.00%	7.50%	25.00%	17.50%	10.00%	7.50%	25.00%	17.50%
62	17.00%	17.00%	35.00%	25.00%	17.00%	17.00%	35.00%	25.00%
64	15.00%	13.00%	27.00%	17.50%	15.00%	13.00%	25.00%	25.00%
65	30.00%	30.00%	33.00%	40.00%	30.00%	30.00%	25.00%	25.00%
67	30.00%	30.00%	20.00%	25.00%	30.00%	30.00%	33.00%	40.00%
> = 70	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Political Subdivision Employees Receiving Enhanced Hazardous Duty Benefits – Ten Largest Employers – All Plans

Age	Reduced Retirement	Unreduced Retirement
50	9.00%	25.00%
55	8.50%	18.00%
59	13.50%	31.50%
60	20.00%	35.00%
> = 65	100.00%	100.00%

Political Subdivision Employees Receiving Enhanced Hazardous Duty Benefits – All Other Employers – All Plans

Age	Reduced Retirement	Unreduced Retirement
50	8.50%	25.00%
55	8.50%	17.50%
59	11.50%	28.50%
60	20.00%	35.00%
> = 65	100.00%	100.00%

State Police Officers – All Plans

Age	Reduced Retirement	Unreduced Retirement
50	10.00%	15.00%
55	10.00%	15.00%
59	12.00%	20.00%
60	25.00%	40.00%
> = 64	100.00%	100.00%

FIGURE 4.7: RETIREMENT RATES – OPEB PLANS, cont.

Virginia Law Officers – All Plans

Age	Reduced Retirement	Unreduced Retirement
50	9.20%	25.00%
55	9.50%	25.00%
59	12.00%	40.00%
60	20.00%	40.00%
> = 65	100.00%	100.00%

Judges – All Plans

	Service Multiplier = 1.5 Years of Service			Service Multiplier = 2.0 Years of Service		
Age	2-19	20	> = 20	2-14	15	> = 16
60	0.00%	50.00%	50.00%	0.00%	50.00%	50.00%
65	50.00%	50.00%	15.00%	50.00%	50.00%	15.00%
69	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
> = 70	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

	Service Multiplier = 2.5 Years of Service			Service Multiplier = 3.5 Years of Service		
Age	2-11	12	> = 13	1-8	9	> = 10
60	0.00%	50.00%	50.00%	0.00%	50.00%	50.00%
65	50.00%	50.00%	15.00%	50.00%	50.00%	15.00%
69	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
> = 70	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

FIGURE 4.8: DISABILITY RATES – OPEB PLANS

As shown below for selected ages.

State Employees

14% of disability cases are assumed to be service-related.

Age	Male	Female
20	0.0900%	0.0100%
30	0.1800%	0.1500%
40	0.1800%	0.2900%
50	0.4500%	0.5500%
60	0.7200%	1.0000%

FIGURE 4.8: DISABILITY RATES – OPEB PLANS, cont.

Teachers

5% of disability cases are assumed to be service-related.

Age	Male	Female
20	0.0000%	0.0000%
30	0.0100%	0.0100%
40	0.0210%	0.0360%
50	0.1330%	0.0900%
60	0.3080%	0.2400%

Political Subdivision Employees Not Receiving Enhanced Hazardous Duty Benefits – Ten Largest Employers

14% of disability cases are assumed to be service-related.

Age	Male	Female
20	0.0000%	0.0000%
30	0.0600%	0.0450%
40	0.1800%	0.0450%
50	0.2400%	0.1800%
60	0.7200%	0.4500%

Political Subdivision Employees Not Receiving Enhanced Hazardous Duty Benefits – All Other Employers

14% of disability cases are assumed to be service-related.

Age	Male	Female
20	0.0180%	0.0060%
30	0.0600%	0.0240%
40	0.1440%	0.1260%
50	0.3120%	0.4500%
60	0.8160%	0.5520%

Political Subdivision Employees Receiving Enhanced Hazardous Duty Benefits – Ten Largest Employers

60% of disability cases are assumed to be service-related.

Age	Male	Female
20	0.0000%	0.0000%
30	0.0500%	0.0500%
40	0.1800%	0.2400%
50	0.4000%	0.5300%
60	0.6500%	0.8100%

FIGURE 4.8: DISABILITY RATES – OPEB PLANS, cont.

Political Subdivision Employees Receiving Enhanced Hazardous Duty Benefits – All Other Employers

60% of disability cases are assumed to be service-related.

Age	Rate
20	0.0000%
30	0.0300%
40	0.1130%
50	0.3830%
60	0.6380%

State Police Officers

60% of disability cases are assumed to be service-related.

Age	Rate
20	0.0000%
30	0.0280%
40	0.2100%
50	0.6750%
60	0.0000%

Virginia Law Officers

60% of disability cases are assumed to be service-related.

Age	Rate
20	0.1500%
30	0.6000%
40	0.8000%
50	1.2000%
60	1.0000%

Judges

5% of disability cases are assumed to be service-related.

Age	Male	Female
20	0.0000%	0.0000%
30	0.0070%	0.0070%
40	0.1420%	0.0900%
50	0.4800%	0.3970%
60	0.0000%	0.0000%

FIGURE 4.9: TERMINATION RATES – OPEB PLANS

Withdrawal rates are based on age and years of service credit. Sample rates for selected ages and years of service are shown below for causes other than death, disability or retirement.

State Employees – Plan 1

SEPARATIONS FROM ACTIVE SERVICE DUE TO TERMINATION

	Years of Service – Males				Years of Service – Females			
Age	0-2	3-4	5-9	10+	0–2	3-4	5-9	10+
25	22.10%	13.00%	13.00%	0.00%	25.60%	15.70%	15.70%	0.00%
35	16.70%	9.30%	9.30%	4.50%	17.80%	11.00%	11.00%	5.00%
45	12.90%	7.00%	7.00%	2.30%	13.90%	7.40%	7.40%	2.50%
55	10.20%	6.00%	6.00%	0.00%	12.50%	6.00%	0.00%	0.00%
65	11.30%	11.00%	0.00%	0.00%	14.00%	12.00%	0.00%	0.00%

State Employees – Plan 2 and Hybrid

SEPARATIONS FROM ACTIVE SERVICE DUE TO TERMINATION

	Years of Service – Males				Years of Service – Females			
Age	0-2	3-4	5-9	10+	0–2	3-4	5-9	10+
25	22.10%	13.00%	13.00%	0.00%	25.60%	15.70%	15.70%	0.00%
35	16.70%	9.30%	9.30%	4.50%	17.80%	11.00%	11.00%	5.00%
45	12.90%	7.00%	7.00%	2.30%	13.90%	7.40%	7.40%	2.50%
55	10.20%	6.00%	6.00%	0.40%	12.50%	6.00%	6.00%	0.40%
65	11.30%	11.00%	0.00%	0.00%	14.00%	12.00%	0.00%	0.00%

Teachers – Plan 1

SEPARATIONS FROM ACTIVE SERVICE DUE TO TERMINATION

	Years of Service – Males				Years of Service – Females			
Age	0-2	3-4	5-9	10+	0-2	3-4	5-9	10+
25	15.40%	11.80%	11.80%	0.80%	14.60%	12.00%	12.00%	15.00%
35	14.10%	7.30%	7.30%	3.10%	14.90%	9.00%	9.00%	3.90%
45	14.70%	7.50%	7.50%	1.90%	11.70%	6.40%	6.40%	2.10%
55	14.30%	7.00%	0.00%	0.00%	12.40%	5.80%	0.00%	0.00%
65	17.00%	8.30%	0.00%	0.00%	13.00%	8.00%	0.00%	0.00%

Teachers – Plan 2 and Hybrid

SEPARATIONS FROM ACTIVE SERVICE DUE TO TERMINATION

	Years of Service – Males				Years of Service – Females			
Age	0-2	3-4	5-9	10+	0-2	3-4	5-9	10+
25	15.40%	11.80%	11.80%	0.80%	14.60%	12.00%	12.00%	15.00%
35	14.10%	7.30%	7.30%	3.10%	14.90%	9.00%	9.00%	3.90%
45	14.70%	7.50%	7.50%	1.90%	11.70%	6.40%	6.40%	2.10%
55	14.30%	7.00%	7.00%	0.30%	12.40%	5.80%	5.80%	0.30%
65	17.00%	8.30%	0.00%	0.00%	13.00%	8.00%	0.00%	0.00%

FIGURE 4.9: TERMINATION RATES – OPEB PLANS, cont.

Political Subdivision Employees Not Receiving Enhanced Hazardous Duty Benefits – Ten Largest Employers – All Plans

	SEPARATIONS FROM ACTIVE SERVICE DUE TO TERMINATION					
	Years of Service – Males			Years of Service – Females		
Age	0-2	3-9	10+	0-2	3-9	10+
25	21.80%	13.70%	0.00%	23.30%	16.70%	0.00%
35	17.20%	9.70%	5.80%	18.60%	10.60%	5.10%
45	14.30%	7.10%	2.90%	14.80%	7.70%	2.80%
55	10.90%	5.30%	0.70%	11.90%	6.30%	0.00%
65	13.60%	8.20%	0.00%	12.60%	8.20%	0.00%

Political Subdivision Employees Not Receiving Enhanced Hazardous Duty Benefits – All Other Employers – All Plans

	SEPARATIONS FROM ACTIVE SERVICE DUE TO TERMINATION					
	Years of Service – Males			Years of Service – Females		
Age	0-2	3-9	10+	0-2	3-9	10+
25	23.50%	14.00%	0.00%	25.50%	16.50%	0.00%
35	18.50%	10.50%	5.50%	19.00%	11.50%	6.00%
45	15.50%	8.00%	3.00%	15.00%	8.00%	3.50%
55	12.00%	6.50%	1.00%	12.50%	6.50%	0.00%
65	12.00%	8.00%	0.00%	13.00%	9.00%	0.00%

Political Subdivision Employees Receiving Enhanced Hazardous Duty Benefits – Ten Largest Employers – All Plans

	SEPARATIONS FROM ACTIVE SERVICE DUE TO TERMINATION					
	Years of Service – Males			Years of Service – Females		
Age	0-2	3-9	10+	0-2	3-9	10+
25	7.80%	6.80%	0.00%	7.80%	6.80%	0.00%
35	8.00%	4.40%	2.40%	8.00%	4.40%	2.40%
45	9.20%	4.60%	1.50%	9.20%	4.60%	1.50%
55	8.30%	6.30%	0.00%	8.30%	6.30%	0.00%
60	8.70%	6.50%	0.00%	8.70%	6.50%	0.00%

FIGURE 4.9: TERMINATION RATES – OPEB PLANS, cont.

Political Subdivision Employees Receiving Enhanced Hazardous Duty Benefits – All Other Employers – All Plans

SEPARATIONS FROM ACTIVE SERVICE DUE TO TERMINATION

	Years of Service – Males			Years of Service – Females		
Age	0-2	3-9	10+	0-2	3-9	10+
25	13.00%	8.50%	0.00%	13.00%	10.00%	0.00%
35	11.00%	7.00%	3.80%	14.00%	8.00%	4.50%
45	13.00%	6.00%	2.40%	12.00%	6.00%	3.50%
55	15.00%	8.00%	0.50%	12.00%	5.00%	0.50%
60	11.00%	10.00%	0.50%	12.00%	5.00%	0.50%

State Police Officers – Plan 1

SEPARATIONS FROM ACTIVE SERVICE DUE TO TERMINATION

	Years of Service – Males				Years of Service – Females			
Age	0-2	3-4	5-9	10+	2	5	9	10+
25	7.50%	5.50%	5.50%	3.00%	10.80%	10.50%	5.40%	4.40%
35	7.50%	4.80%	4.80%	2.40%	12.10%	7.40%	6.00%	6.10%
45	10.00%	4.50%	4.50%	1.40%	10.80%	8.20%	6.40%	5.90%
55	10.00%	6.70%	0.00%	0.00%	7.40%	12.60%	6.70%	4.10%
65	10.00%	7.50%	0.00%	0.00%	1.50%	20.50%	6.90%	0.60%

Virginia Law Officers – All Plans

SEPARATIONS FROM ACTIVE SERVICE DUE TO TERMINATION

	Years of Service – Males			Years of Service – Females		
Age	0-2	3-9	10+	0-2	3-9	10+
25	20.00%	15.00%	5.00%	20.00%	15.00%	7.50%
35	20.00%	12.50%	5.00%	20.00%	12.50%	6.00%
45	15.00%	10.50%	4.00%	17.50%	8.00%	4.00%
55	12.00%	6.50%	4.00%	10.00%	12.00%	4.00%
65	15.00%	7.00%	4.00%	10.00%	10.00%	4.00%

Judges – All Plans

There are no assumed rates of withdrawal prior to service retirement for causes other than death, disability or retirement.

FIGURE 4.10: SALARY INCREASE RATES – OPEB PLANS

The sample salary increase rates are shown below. These factors are not applicable to the Line of Duty Act program since neither the benefit nor the cost are salary-based.

State Employees

Inflation of 2.50% plus a productivity component of 1.00% and a step-rate/promotional component as shown. It is assumed state employees who are covered under the Virginia Sickness and Disability Program (VSDP) receive a 3.50% annual increase in pay while disabled. This adjusted pay is used to determine deferred retirement benefits payable from the System.

Years of Service	Annual Step-Rate/Promotional Rates of Increase	Total Annual Rate of Increase
1	1.85%	5.35%
3	1.25%	4.75%
6	0.95%	4.45%
9	0.50%	4.00%
11	0.15%	3.65%
15	0.15%	3.65%
19	0.15%	3.65%
20 or more	0.00%	3.50%

Teachers

Inflation of 2.50% plus a productivity component of 1.00% and a step-rate/promotional component as shown.

Years of Service	Annual Step-Rate/Promotional Rates of Increase	Total Annual Rate of Increase
1	2.45%	5.95%
3	2.35%	5.85%
6	1.95%	5.45%
9	1.85%	5.35%
11	1.35%	4.85%
15	1.15%	4.65%
19	0.95%	4.45%
20 or more	0.00%	3.50%

Political Subdivision Employees Not Receiving Enhanced Hazardous Duty Benefits – Ten Largest Employers

Inflation of 2.50% plus a productivity component of 1.00% and a step-rate/promotional component as shown.

Years of Service	Annual Step-Rate/Promotional Rates of Increase	Total Annual Rate of Increase
1	1.85%	5.35%
3	1.25%	4.75%
6	0.95%	4.45%
9	0.50%	4.00%
11	0.15%	3.65%
15	0.15%	3.65%
19	0.15%	3.65%
20 or more	0.00%	3.50%

FIGURE 4.10: SALARY INCREASE RATES – OPEB PLANS, cont.

Political Subdivision Employees Not Receiving Enhanced Hazardous Duty Benefits – All Other Employers

Inflation of 2.50% plus a productivity component of 1.00% and a step-rate/promotional component as shown.

Years of Service	Annual Step-Rate/Promotional Rates of Increase	Total Annual Rate of Increase
1	1.85%	5.35%
3	1.25%	4.75%
6	0.95%	4.45%
9	0.50%	4.00%
11	0.15%	3.65%
15	0.15%	3.65%
19	0.15%	3.65%
20 or more	0.00%	3.50%

Political Subdivision Employees Receiving Enhanced Hazardous Duty Benefits – Ten Largest Employers

Inflation of 2.50% plus a productivity component of 1.00% and a step-rate/promotional component as shown.

Years of Service	Annual Step-Rate/Promotional Rates of Increase	Total Annual Rate of Increase
1	1.25%	4.75%
3	1.25%	4.75%
6	0.90%	4.40%
9	0.90%	4.40%
11	0.50%	4.00%
15	0.50%	4.00%
19	0.50%	4.00%
20 or more	0.00%	3.50%

Political Subdivision Employees Receiving Enhanced Hazardous Duty Benefits – All Other Employers

Inflation of 2.50% plus a productivity component of 1.00% and a step-rate/promotional component as shown.

Years of Service	Annual Step-Rate/Promotional Rates of Increase	Total Annual Rate of Increase
1	1.25%	4.75%
3	1.25%	4.75%
6	0.90%	4.40%
9	0.90%	4.40%
11	0.50%	4.00%
15	0.50%	4.00%
19	0.50%	4.00%
20 or more	0.00%	3.50%

FIGURE 4.10: SALARY INCREASE RATES – OPEB PLANS, cont.

State Police Officers

Inflation of 2.50% plus a productivity component of 1.00% and a step-rate/promotional component as shown. It is assumed state police officers who are covered under the Virginia Sickness and Disability Program (VSDP) receive a 3.50% annual increase in pay while disabled. This adjusted pay is used to determine deferred retirement benefits payable from the System.

Years of Service	Annual Step-Rate/Promotional Rates of Increase	Total Annual Rate of Increase
1	1.25%	4.75%
3	1.25%	4.75%
6	0.90%	4.40%
9	0.90%	4.40%
11	0.50%	4.00%
15	0.50%	4.00%
19	0.50%	4.00%
20 or more	0.00%	3.50%

Virginia Law Officers

Inflation of 2.50% plus a productivity component of 1.00% and a step-rate/promotional component as shown. It is assumed Virginia law officers who are covered under the Virginia Sickness and Disability Program (VSDP) receive a 3.50% annual increase in pay while disabled. This adjusted pay is used to determine deferred retirement benefits payable from the System.

Years of Service	Annual Step-Rate/Promotional Rates of Increase	Total Annual Rate of Increase
1	1.25%	4.75%
3	1.25%	4.75%
6	0.90%	4.40%
9	0.90%	4.40%
11	0.50%	4.00%
15	0.50%	4.00%
19	0.50%	4.00%
20 or more	0.00%	3.50%

Judges

Salary increase rates are 4.50%.

FIGURE 4.11: EMPLOYMENT TERMINATION RATES – LONG-TERM CARE

The termination rates used for the long-term care plan valuation differ from those used for other valuations, particularly at the older ages. For example, whereas other valuations assume a 100% retirement rate by age 70 for all categories of employees, this is not the case for long-term care, which is typically accessed at older ages. Since termination rates are a critical and sensitive set of assumptions for the valuation of the long-term care benefit, a more detailed age by employment duration grid of termination rates appropriate for this purpose was developed.

FIGURE 4.11: EMPLOYMENT TERMINATION RATES – LONG-TERM CARE, cont.

Current Assumption: Selected Employment Turnover Assumptions by Hire Age and Accrued Service

	Employment Duration (years) – Females				
Hire Age	0	10	20	30	40
20	0.553	0.121	0.030	0.056	0.099
30	0.289	0.057	0.022	0.085	0.242
40	0.273	0.043	0.041	0.239	0.333
50	0.244	0.042	0.215	0.264	0.355
60	0.253	0.174	0.247	0.362	0.565
70	0.387	0.204	0.371	0.572	0.800

	Employment Duration (years) – Males				
Hire Age	0	10	20	30	40
20	0.478	0.077	0.035	0.115	0.158
30	0.272	0.047	0.028	0.090	0.220
40	0.240	0.037	0.046	0.226	0.294
50	0.221	0.043	0.211	0.343	0.307
60	0.215	0.160	0.267	0.342	0.316
70	0.209	0.195	0.244	0.300	0.277

FIGURE 4.12: PORTING RATES – LONG-TERM CARE

Porting rates represent the probability that an individual will choose to port the coverage upon employment termination. Porting rates are assumed to increase with longevity because the contributions for terminated employees are based upon the age at which they started the program (either 2002 or age at hire, if later).

Current Selected Policy Porting Rate Assumptions by Policy Issue Age and Policy Duration

	Policy Duration (years)				
Issue Age	0	10	20	30	40
30	0.1000	0.1234	0.2185	0.4537	0.7574
40	0.1000	0.1608	0.3423	0.5526	0.9230
50	0.1027	0.2244	0.4116	0.6790	1.0000
60	0.1162	0.2667	0.4986	0.8407	1.0000
70	0.1485	0.3308	0.6099	0.9985	1.0000
80	0.1875	0.4043	0.7524	1.0000	1.0000
90	0.2012	0.4601	0.9347	1.0000	1.0000
100	0.2171	0.5261	1.0000	1.0000	1.0000
110	0.2354	0.6042	1.0000	1.0000	1.0000

ADDITIONAL INFORMATION ABOUT ACTUARIAL ASSUMPTIONS AND METHODS:

OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS

MORTALITY RATES:

- Pre-Retirement: RP-2000 Employee Mortality Table Projected with Scale AA to 2020:
  - State – Males set forward 2 years and females set back 3 years
  - Teachers – Males set back 3 years and females set back 5 years
  - State Police – Males set forward 5 years and females set back 3 years
  - VaLORS – Males set forward 5 years and females set back 3 years
  - Judicial – Males set forward 2 years and females set back 3 years
  - Political subdivisions, Non-LEOS – Males set forward 4 years and females set back 2 years
  - Political subdivisions, LEOS – Males set back 2 years and females set back 2 years

- Post-Retirement: RP-2000 Combined Mortality Table Projected with Scale AA to 2020:
  - State – Females set back 1 year
  - Teachers – Males set back 2 years and females set back 3 years
  - State Police – Females set back 1 year
  - VaLORS – Females set back 1 year
  - Judicial – Females set back 1 year
  - Political subdivisions, Non-LEOS – Males set forward 1 year
  - Political subdivisions, LEOS – Males set forward 1 year

- Post-Disablement: RP-2000 Disability Life Mortality Table:
  - State – Males set back 3 years and no provision for future mortality improvement
  - Teachers – Males set back 1 year and no provision for future mortality Improvement
  - State Police – Males set back 3 years and no provision for future mortality improvement
  - VaLORS – Males set back 3 years and no provision for future mortality improvement
  - Judicial – Males set back 3 years and no provision for future mortality improvement
  - Political subdivisions, Non-LEOS – Males set back 3 years and no provision for future mortality improvement
  - Political subdivisions, LEOS – Males set back 3 years and no provision for future mortality improvement

Provision for Expense. The assumed investment return represents the anticipated net rate of return after payment of all administrative expenses.

Asset Valuation Method. For the Group Life Insurance Program, the state and teacher employer groups for the Retiree Health Insurance Credit Program, VSDP and VLDP, the method of valuing assets is intended to recognize a "smoothed" market value of assets. Under this method, the difference between actual return on market value from investment experience and the expected return on market value is recognized over a five-year period. The resulting actuarial value of assets cannot be less than 80% or more than 120% of the market value of assets. For the Line of Duty Act Program and the political subdivision employer groups in the Retiree Health Insurance Credit Program or employees who are eligible for the state-funded benefit for Constitutional Officers and their employees, General Registrars and their employees and local Social Services employees, the actuarial value of assets is equal to the market value of assets.

Actuarial Cost Method. For the Group Life Insurance, Retiree Health Insurance Credit Programs, VSDP, VLDP and the Line of Duty Act Program, the normal contribution is determined using the entry age normal method. Under this method, a calculation is made for the cost of benefits to determine the uniform and constant percentage rate of the employer contribution which, if applied to the compensation of the average new member during the entire period of the member's anticipated covered service, would meet the cost of all benefits payable on the member's behalf. The unfunded accrued liability is determined by subtracting the

current assets and the present value of prospective employer normal contributions from the present value of the expected benefits to be paid. The accrued liability contribution amortizes the balance of the unfunded accrued actuarial liability (UAAL) over a period of years from the valuation date.

Actuarial Gains and Losses. Actuarial gains and losses are reflected in the unfunded actuarial accrued liability and are amortized as part of that balance.

Payroll Growth Rates. The payroll growth rate is assumed to be 3.00% based on a zero population growth assumption.

Funding Period. For all programs, the amortization of the legacy UAAL began at 30 years on June 30, 2013, and this amortization period is to decrease by one year on each subsequent valuation date until the legacy UAAL is fully amortized (amortization period is 0 years). With each subsequent valuation, a new amortization base will be used to amortize that portion of the UAAL not covered by the current balances of the previously established amortization bases. Here, each valuation's newly allocated share of the UAAL will be amortized over a closed 20-year period. In the event this funding policy produces an effective amortization period of greater than 30 years, a 30-year amortization period for the aggregate UAAL is used in accordance with GASB 43 and 45.

Summary of Other Post-Employment Benefit Plan Provisions

Group Life Insurance Program

ADMINISTRATION

The plan is administered by the Board of Trustees of the Virginia Retirement System (the System). Contributions received are held in trust. Payments are made to the Minnesota Life Insurance Company as reimbursement for the payment of life insurance proceeds to the beneficiaries.

An addition to the contribution requirement for the active member benefit provides for the retiree death benefit. The active portion of the contribution is used to purchase group term life insurance from an insurance company; the retired member portion is held in a trust until required for benefit payments. When a covered retiree dies, the Minnesota Life Insurance Company pays the insurance claim and then collects a premium equal to the cost of the claim.

The retired member contribution is determined actuarially. The Board sets administrative policy and determines the allocation of the assets held for investment.

ELIGIBILITY

The following employees are covered under the Group Life Insurance Program upon employment:

- Full-time permanent, salaried employees of the Commonwealth of Virginia, including state employees, faculty members of the state's public colleges and universities, state police officers (SPORS), Virginia law officers (VaLORS) and judicial employees (JRS);
- Full-time permanent, salaried teachers and other administrative employees of local public school divisions;
- Full-time permanent, salaried sheriffs, deputy sheriffs and other eligible non-hazardous duty and hazardous duty employees of political subdivisions that have elected to participate in the Group Life Insurance Program; and
- Employees of five localities that do not participate in VRS for retirement: City of Richmond, City of Portsmouth, City of Roanoke, City of Norfolk and Roanoke City School Board.

Certain members who were employed at the time of initial coverage under the Group Life Insurance Program had the option to decline coverage.

ACTIVE MEMBER BENEFIT

Active members are covered for the following benefits:

- Natural death benefit equal to the member's compensation rounded to the next highest thousand and then doubled
- Accidental death benefit, which is double the natural death benefit

- Accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit and an accelerated death benefit option

Covered employees may elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. Optional group life benefits are not included in the valuations of the OPEB plans.

RETIREE BENEFIT

1. Service Retirement. A death benefit equal to the active member's natural death benefit and the accelerated death benefit option continue for retirees and for deferred members who have met the eligibility requirements for retirement upon leaving employment. Coverage begins to reduce by 25% on the January 1 following one calendar year of retirement and by 25% each January 1 thereafter, until it reaches 25% of its original value. If a member has at least 30 years of creditable service, that coverage cannot reduce below $8,000. The minimum will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation.

2. Disability Retirement. The benefits available to disability retirees are the same as those for service retirees, except that the first 25% annual reduction begins on the January 1 following the first full year from the date the retiree reaches normal retirement age.

Retiree Health Insurance Credit Program

ADMINISTRATION

The plan is administered by the System's Board of Trustees. Contributions received are held in trust. The Board sets administrative policy and determines the allocation of the assets held for investment.

ELIGIBILITY

The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against the portion of qualified health insurance premiums retirees pay for single coverage. The credit cannot exceed the amount of the premium and ends upon the retiree's death.

If a member has worked for more than one employer under VRS, SPORS, VaLORS or JRS, for the purpose of this valuation, the most current (or last) employer assumes the full liability for that employee.

CREDIT AMOUNTS

The dollar amounts vary depending on the employee type, as shown in the following table:

Health Insurance Credit Dollar Amounts at Retirement

ELIGIBLE EMPLOYEES	AMOUNT PER YEAR OF SERVICE	MAXIMUM CREDIT PER MONTH
State employees	$ 4.00	No Cap
Teachers and other administrative school employees	$ 4.00	No Cap
General registrars and their employees, constitutional officers and their employees and local social service employees	$ 1.50	$45.00
General registrars and their employees, constitutional officers and their employees and local social service employees, if the political subdivision elects the $1.00 enhancement	$ 2.50	$75.00
Other political subdivision employees as elected by the employer	$ 1.50	$45.00

Virginia Sickness and Disability Program (VSDP)

ADMINISTRATION

The plan is administered by the System's Board of Trustees. Contributions received are held in trust. The Board sets administrative policy and determines the allocation of the assets held for investment.

ELIGIBILITY

The following state employees are covered automatically under the Virginia Sickness and Disability Program (VSDP) upon employment:

- Full-time permanent, salaried employees of the Commonwealth of Virginia (VRS) and part-time permanent, salaried state employees who work at least 20 hours a week;
- Public college and university faculty members who elect to participate in VRS instead of an optional retirement plan. These faculty members can elect VSDP or a disability plan offered by their institution;
- Full-time permanent, salaried state police officers (SPORS); and
- Full-time permanent, salaried Virginia law officers other than state police (VaLORS).

State employees hired before January 1, 1999, had the option to elect VSDP or retain their eligibility to be considered for disability retirement.

SHORT-TERM AND LONG-TERM DISABILITY BENEFITS

VSDP coverage provides short-term and long-term disability benefits for non-work-related and work-related illnesses and injuries. Eligible members who become disabled receive short-term disability benefits for up to 125 workdays, following a seven-calendar day waiting period from the first day of disability. Members who are still disabled after 125 workdays are evaluated for long-term disability. Members hired or rehired on or after July 1, 2009, must satisfy eligibility periods for non-work-related disability coverage and certain income replacement levels.

The long-term disability benefit provides income replacement equal to 60% of the member's pre-disability income. While members are on long-term disability, they are not considered employees of the Commonwealth of Virginia. Members who can work at least 20 hours a week but cannot perform their full duties may be eligible for long-term disability benefits while working. They must have returned to work with modified duties while on short-term disability.

The long-term disability benefit is adjusted by any salary, wages, workers' compensation benefits or other disability payments the member receives for the same condition. If a member's condition becomes catastrophic, income replacement will increase to 80% of pre-disability income for as long as the condition is considered catastrophic. A disability is determined to be catastrophic if a member is unable to perform at least two of a specified list of activities of daily living without assistance.

Long-term disability benefits end if the member can perform the full duties of his or her pre-disability position without any restrictions during the first 24 months of disability; can perform the regular duties of any job for which the member is reasonably qualified after 24 months of disability and earning 80% or more of his or her pre-disability income; takes a refund of his or her member contributions and interest; does not cooperate or comply with the requirements of VSDP; or begins receiving a VRS service retirement benefit. Benefits also end in the event of the member's death.

VSDP LONG-TERM CARE PLAN

VSDP plan members are eligible for no-cost long-term care coverage under the VSDP Long-Term Care Plan. The plan provides a two-year maximum coverage period with a maximum $96-per-day daily benefit for nursing home care and other covered services. The benefit of many of the other services is less than the nursing home benefit, which means those needing these services will take longer to reach their lifetime maximum amount, resulting in longer coverage duration.

Benefits begin after 90 days from the date the member is certified by a licensed healthcare professional as eligible for benefits. The benefit schedule includes the possibility of an increase for inflation every five years in the amount of 5.00% compounded annually since the last inflation increase. Since such increases are not pre-funded, they are accompanied by a corresponding increase in contributions. Upon retirement or termination from employment, VSDP plan members may elect to continue their long-term care coverage by paying the premiums.

Virginia Local Disability Program (VLDP)

ADMINISTRATION

The plan is administered by the System's Board of Trustees. Contributions received are held in trust. The Board sets administrative policy and determines the allocation of the assets held for investment.

ELIGIBILITY

The following state employees are covered automatically under the Virginia Local Disability Program (VLDP) upon employment:

- Full-time permanent, salaried Hybrid Retirement Plan employees of participating local public schools divisions (Teachers); and
- Full-time permanent, salaried Hybrid Retirement Plan employees of participating political subdivisions.

SHORT-TERM AND LONG-TERM DISABILITY BENEFITS

VLDP coverage provides short-term and long-term disability benefits for non-work-related and work-related illnesses and injuries. Eligible members who become disabled receive short-term disability benefits for up to 125 workdays, following a seven-calendar day waiting period from the first day of disability. Members who are still disabled after 125 workdays are evaluated for long-term disability.

The long-term disability benefit provides income replacement equal to 60% of the member's pre-disability income. While members are on long-term disability, they are not considered employees. Members who can work at least 20 hours a week but cannot perform their full duties may be eligible for long-term disability benefits while working. They must have returned to work with modified duties while on short-term disability.

The long-term disability benefit is adjusted by any salary, wages, workers' compensation benefits or other disability payments the member receives for the same condition. If a member's condition becomes catastrophic, income replacement will increase to 80% of pre-disability income for as long as the condition is considered catastrophic. A disability is determined to be catastrophic if a member is unable to perform at least two of a specified list of activities of daily living without assistance.

Long-term disability benefits end if the member can perform the full duties of his or her pre-disability position without any restrictions during the first 24 months of disability; can perform the regular duties of any job for which the member is reasonably qualified after 24 months of disability and earning 80% or more of his or her pre-disability income; takes a refund of his or her member contributions and interest; does not cooperate or comply with the requirements of VLDP; or begins receiving a VRS service retirement benefit. Benefits also end in the event of the member's death.

VLDP LONG-TERM CARE PLAN

VLDP plan members are eligible for no-cost long-term care coverage under the VSDP Long-Term Care Plan. The plan provides a two-year maximum coverage period with a maximum $96-per-day daily benefit for nursing home care and other covered services. The benefit of many of the other services is less than the nursing home benefit, which means those needing these services will take longer to reach their lifetime maximum amount, resulting in longer coverage duration.

Benefits begin after 90 days from the date the member is certified by a licensed healthcare professional as eligible for benefits. The benefit schedule includes the possibility of an increase for inflation every five years in the amount of 5.00% compounded annually since the last inflation increase. Since such increases are not pre-funded, they are accompanied by a corresponding increase in contributions. Upon retirement or termination from employment, VLDP plan members may elect to continue their long-term care coverage by paying the premiums.

Line of Duty Act Program

ADMINISTRATION

The plan is administered by the System's Board of Trustees. Contributions received are held in trust. The Board sets administrative policy and determines the allocation of the assets held for investment.

ELIGIBILITY

Members of SPORS and VaLORS as well as members of VRS who are eligible for enhanced hazardous duty coverage are covered under the Line of Duty Act. Paid employees and volunteers in hazardous duty positions in all VRS-participating and non-VRS participating localities also are covered under the act.

BENEFITS

Coverage provides death and health insurance benefits, which are administered by the Virginia Department of Accounts (DOA). The System is responsible for managing the assets of the Line of Duty Act Fund.

Summary of OPEB Plan Changes

The following changes have occurred to the OPEB plan provisions.

2009 VALUATION: No actuarially material changes are made to the plan provisions. There are two changes of note:

1. On April 16, 2009, the Board adopts the recommended economic and demographic assumptions proposed by the actuary as a result of the June 2008 actuarial experience study.

2. For the June 30, 2009, valuation, the Board suspends application of the 80% to 120% market value-of-assets corridor on the actuarial value of assets for the Group Life Insurance Program and the Retiree Health Insurance Credit Program.

2010 VALUATION: No actuarially material changes are made to the plan provisions. There are two changes of note:

1. For the June 30, 2010, valuation, the application of the 80% to 120% market value-of-assets corridor on the actuarial value of assets is reinstated.

2. The Board reduces the investment rate-of-return assumption for the Group Life Insurance Program, the Retiree Health Insurance Credit Program and the Virginia Sickness and Disability Program (VSDP) from 7.50% to 7.00%.

2011 VALUATION: No actuarially material changes are made to the plan provisions.

2012 VALUATION: The changes resulting from recent legislation are listed below:

1. Under House Bill 791, effective July 1, 2012, the life insurance amount reduction start date for disabled retirees was changed to January 1 following the first full year from the date the retiree reaches normal retirement age.

2. In 2012 House Bill 1130/Senate Bill 498 was enacted and was effective on January 1, 2013, requiring active non-vested members of Plan 1 have to satisfy the Rule of 90 (sum of age and service at least 90) or reach their Social Security normal retirement age to be eligible for unreduced retirement. These same members must attain age 60 with five years of service to be eligible for early retirement. This provision applies to the state and teacher plans and to members of political subdivision plans who are not covered by hazardous duty benefits. In addition, state employees on long-term disability (LTD) are assumed to receive cost-of-living adjustments to their LTD benefits in an amount of 2.25% per year, compounded annually.

3. Benefit offset adjustments for VSDP were adjusted to reflect actual VRS experience.

2013 VALUATION: No actuarially material changes are made to the plan provisions. There are two changes of note:

1. On June 20, 2013, the Board adopts the recommended economic and demographic assumptions proposed by the actuary as a result of the June 2012 experience study.

2. Changes noted in the 2012 valuation information, with effective dates in fiscal year 2013, were implemented.

2014 VALUATION: No actuarially material changes are made to the plan provisions. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The Hybrid Plan covers eligible employees hired on or after January 1, 2014, in the state, teacher and judicial plans or Plan 1 or Plan 2 members who elected during a one-time opt-in period, to be covered under the Hybrid Plan. The Hybrid Plan does not apply to members in the SPORS and VaLORS plans. The Hybrid Plan consists of defined benefit plan and defined contribution plan components.

5 Statistical Section

Pension Trust Funds:

- Schedule of Retirement Contributions by System and Plan
- Schedule of Pension Trust Fund Additions by Source
- Schedule of Pension Trust Fund Deductions by Type
- Schedule of Retirement Benefits by System and Plan
- Schedule of Retirement Benefits by Type
- Schedule of Refunds by Type
- Schedule of Retirees and Beneficiaries by Type of Retirement
- Schedule of Retirees and Beneficiaries by Type of Retirement and Plan
- Schedule of Retirees and Beneficiaries by Payout Option Selected
- Schedule of Average Benefit Payments
- Schedule of Funding (Market Value of Assets Basis) – All Pension Plans
- Schedule of Funding (Market Value of Assets Basis) – VRS Pension Plans

Other Employee Benefit Trust Funds:

- Schedule of Group Life Insurance Additions by Source
- Schedule of Group Life Insurance Deductions by Type
- Schedule of Retiree Health Insurance Credit Additions by Source
- Schedule of Retiree Health Insurance Credit Deductions by Type
- Schedule of Disability Insurance Trust Fund Additions by Source
- Schedule of Disability Insurance Trust Fund Deductions by Type
- Schedule of Retired Members and Beneficiaries by Plan
- Schedule of Average Benefit Payments by Plan
- VRS-Participating Employers
- Commonwealth of Virginia 457 Deferred Compensation and Cash Match Plans

1970

YEAR THAT THE JUDICIAL RETIREMENT SYSTEM WAS CREATED

404

Number of active members at June 30, 2015

SERVING THOSE WHO SERVE VIRGINIA

The Judicial Retirement System (JRS) was created in 1970 for Virginia's judges, just as VRS began a decades-long period of growth. As the first public pension system in the United States to create a website, VRS recognized the importance of technology-supported customer service, in addition to personal service through the Customer Call Center. In 2006, the agency began a long-range modernization effort to provide members and retirees secure online access to their accounts through *my*VRS. Today, VRS continues to enhance its technology and retirement planning offerings in its quest to better serve those who serve Virginia.

The Statistical Section presents detailed historical information regarding the pension and other employee benefit plans administered by the System. This information includes a 10-year analysis of changes in plan net position, plan enrollment, contributions, plan additions and deductions, benefits and refunds. In addition, this section provides information regarding retirees and an analysis of funding, enrollment and investment activity related to the Commonwealth of Virginia 457 Deferred Compensation Plan and the Virginia Cash Match Plan. The Statistical Section also lists the employers as of the end of the fiscal year.

Pension Trust Funds

FIGURE 5.1: ANALYSIS OF CHANGES AND GROWTH IN FIDUCIARY NET POSITION – ALL PENSION TRUST FUNDS

FOR THE YEARS ENDED JUNE 30 (EXPRESSED IN MILLIONS)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fiduciary Net Position Restricted – Beginning of Year	**$ 43,060**	**$ 47,627**	**$ 56,890**	**$ 53,600**	**$ 41,348**	**$ 46,287**	**$ 53,151**	**$ 52,091**	**$ 56,979**	**$ 64,522**
Funding:										
Member and Employer Contributions and Other Additions	1,567	1,944	2,148	2,097	1,862	1,549	1,821	2,600	2,697	3,250
Benefits and Administrative Expenses and Transfers	(2,214)	(2,434)	(2,665)	(2,857)	(3,157)	(3,397)	(3,518)	(3,791)	(4,029)	(4,263)
Net Funding	(647)	(490)	(517)	(760)	(1,295)	(1,848)	(1,697)	(1,191)	(1,332)	(1,013)
Investment Income:										
Interest, Dividends and Other Investment Income	823	1,157	983	762	775	1,031	1,052	911	984	912
Net Appreciation (Depreciation) in Fair Value	4,391	8,596	(3,756)	(12,254)	5,459	7,681	(415)	5,168	7,891	2,010
Net Investment Income	5,214	9,753	(2,773)	(11,492)	6,234	8,712	637	6,079	8,875	2,922
Net Increase (Decrease)	**4,567**	**9,263**	**(3,290)**	**(12,252)**	**4,939**	**6,864**	**(1,060)**	**4,888**	**7,553**	**1,909**
Fiduciary Net Position Restricted – End of Year	**$ 47,627**	**$ 56,890**	**$ 53,600**	**$ 41,348**	**$ 46,287**	**$ 53,151**	**$ 52,091**	**$ 56,979**	**$ 64,522**	**$ 66,431**

FIGURE 5.2: NUMBER OF ACTIVE MEMBERS

AT JUNE 30 (EXPRESSED IN THOUSANDS)

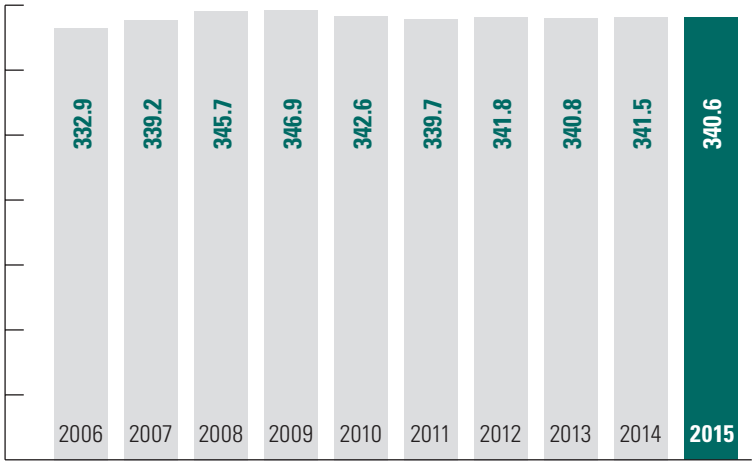

FIGURE 5.3: ANALYSIS OF CHANGES AND GROWTH IN FIDUCIARY NET POSITION BY PENSION TRUST FUND

FOR THE YEARS ENDED JUNE 30

VIRGINIA RETIREMENT SYSTEM PENSION TRUST FUND

(EXPRESSED IN MILLIONS)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fiduciary Net Position Restricted – Beginning of Year	**$ 41,640**	**$46,021**	**$54,948**	**$ 51,743**	**$ 39,890**	**$44,646**	**$51,280**	**$ 50,267**	**$54,973**	**$62,209**
Funding:										
Member and Employer Contributions and Other Additions	1,459	1,834	2,022	1,979	1,765	1,482	1,740	2,471	2,533	3,102
Benefits and Administrative Expenses and Transfers	(2,121)	(2,333)	(2,550)	(2,735)	(3,024)	(3,254)	(3,368)	(3,629)	(3,855)	(4,077)
Net Funding	(662)	(499)	(528)	(756)	(1,259)	(1,772)	(1,628)	(1,158)	(1,322)	(975)
Investment Income:										
Interest, Dividends and Other Investment Income	796	1,118	948	736	748	995	1,016	878	948	878
Net Appreciation (Depreciation) in Fair Value	4,247	8,308	(3,625)	(11,833)	5,267	7,411	(401)	4,986	7,610	1,938
Net Investment Income	5,043	9,426	(2,677)	(11,097)	6,015	8,406	615	5,864	8,558	2,816
Net Increase (Decrease)	**4,381**	**8,927**	**(3,205)**	**(11,853)**	**4,756**	**6,634**	**(1,013)**	**4,706**	**7,236**	**1,841**
Fiduciary Net Position Restricted – End of Year	**$ 46,021**	**$54,948**	**$51,743**	**$ 39,890**	**$ 44,646**	**$51,280**	**$50,267**	**$ 54,973**	**$62,209**	**$64,050**

STATE POLICE OFFICERS' RETIREMENT SYSTEM PENSION TRUST FUND

(EXPRESSED IN MILLIONS)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fiduciary Net Position Restricted – Beginning of Year	**$ 530**	**$ 581**	**$ 684**	**$ 636**	**$ 484**	**$ 534**	**$ 599**	**$ 575**	**$ 625**	**$ 721**
Funding:										
Member and Employer Contributions and Other Additions	20	21	26	25	21	13	16	31	48	34
Benefits and Administrative Expenses and Transfers	(33)	(35)	(41)	(41)	(43)	(47)	(47)	(49)	(51)	(54)
Net Funding	(13)	(14)	(15)	(16)	(22)	(34)	(31)	(18)	(3)	(20)
Investment Income:										
Interest, Dividends and Other Investment Income	10	14	12	9	9	12	12	11	11	10
Net Appreciation (Depreciation) in Fair Value	54	103	(45)	(145)	63	87	(5)	57	88	22
Net Investment Income	64	117	(33)	(136)	72	99	7	68	99	32
Net Increase (Decrease)	**51**	**103**	**(48)**	**(152)**	**50**	**65**	**(24)**	**50**	**96**	**12**
Fiduciary Net Position Restricted – End of Year	**$ 581**	**$ 684**	**$ 636**	**$ 484**	**$ 534**	**$ 599**	**$ 575**	**$ 625**	**$ 721**	**$ 733**

VIRGINIA LAW OFFICERS' RETIREMENT SYSTEM PENSION TRUST FUND

(EXPRESSED IN MILLIONS)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fiduciary Net Position Restricted – Beginning of Year	**$ 593**	**$ 700**	**$ 868**	**$ 853**	**$ 691**	**$ 792**	**$ 911**	**$ 895**	**$ 992**	**$ 1,150**
Funding:										
Member and Employer Contributions and Other Additions	69	64	74	69	56	35	42	68	85	79
Benefits and Administrative Expenses and Transfers	(34)	(40)	(45)	(50)	(58)	(64)	(69)	(76)	(84)	(90)
Net Funding	35	24	29	19	(2)	(29)	(27)	(8)	1	(11)
Investment Income:										
Interest, Dividends and Other Investment Income	11	17	16	12	12	18	18	16	18	16
Net Appreciation (Depreciation) in Fair Value	61	127	(60)	(193)	91	130	(7)	89	139	36
Net Investment Income	72	144	(44)	(181)	103	148	11	105	157	52
Net Increase (Decrease)	**107**	**168**	**(15)**	**(162)**	**101**	**119**	**(16)**	**97**	**158**	**41**
Fiduciary Net Position Restricted – End of Year	**$ 700**	**$ 868**	**$ 853**	**$ 691**	**$ 792**	**$ 911**	**$ 895**	**$ 992**	**$ 1,150**	**$ 1,191**

JUDICIAL RETIREMENT SYSTEM PENSION TRUST FUND

(EXPRESSED IN MILLIONS)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fiduciary Net Position Restricted – Beginning of Year	**$ 296**	**$ 326**	**$ 390**	**$ 367**	**$ 284**	**$ 315**	**$ 361**	**$ 354**	**$ 389**	**$ 442**
Funding:										
Member and Employer Contributions and Other Additions	19	23	25	24	20	20	22	30	31	35
Benefits and Administrative Expenses and Transfers	(24)	(25)	(29)	(29)	(31)	(32)	(34)	(37)	(39)	(40)
Net Funding	(5)	(2)	(4)	(5)	(11)	(12)	(12)	(7)	(8)	(5)
Investment Income:										
Interest, Dividends and Other Investment Income	5	8	7	5	5	7	7	6	7	6
Net Appreciation (Depreciation) in Fair Value	30	58	(26)	(83)	37	51	(2)	36	54	14
Net Investment Income	35	66	(19)	(78)	42	58	5	42	61	20
Net Increase (Decrease)	**30**	**64**	**(23)**	**(83)**	**31**	**46**	**(7)**	**35**	**53**	**15**
Fiduciary Net Position Restricted – End of Year	**$ 326**	**$ 390**	**$ 367**	**$ 284**	**$ 315**	**$ 361**	**$ 354**	**$ 389**	**$ 442**	**$ 457**

SCHEDULE OF RETIREMENT CONTRIBUTIONS BY SYSTEM AND PLAN

FISCAL YEARS 2006 – 2015 (EXPRESSED IN THOUSANDS)

Year Ended June 30	Virginia Retirement System				State Police Officers' Retirement System	Virginia Law Officers' Retirement System	Judicial Retirement System	Total
	State	Teacher	Political	Sub-Total				
2015	$ 683,602	$ 1,650,697	$ 767,310	$ 3,101,609	$ 34,107	$ 79,165	$ 34,734	$ 3,249,615
2014	541,816	1,225,175	765,479	2,532,470	48,329	85,391	30,778	2,696,968
2013	519,319	1,204,021	746,040	2,469,380	31,553	67,654	30,000	2,598,587
2012**	307,843	814,681	613,572	1,736,096	16,611	42,202	21,875	1,816,784
2011**	252,110	622,904	605,908	1,480,922	12,343	34,423	20,338	1,548,026
2010*	359,827	820,193	583,864	1,763,884	20,747	56,347	20,206	1,861,184
2009	416,921	986,116	575,951	1,978,988	25,280	69,071	24,064	2,097,403
2008	409,685	1,055,498	557,230	2,022,413	26,218	74,039	25,498	2,148,168
2007	377,117	945,243	511,687	1,834,047	21,466	64,820	23,437	1,943,770
2006	303,183	731,929	423,724	1,458,836	20,188	68,688	18,967	1,566,679

**The General Assembly suspended employer contributions for all state employees, SPORS, VaLORS and JRS for April, May and the first half of June 2010 and for teachers for the entire fourth quarter of fiscal year 2010.*

***The General Assembly funded contribution rates for all state employee groups and teachers significantly below those certified by the Board of Trustees for fiscal year 2011. For fiscal year 2012, the funding for all state employee groups remained at low levels for the first three quarters of the year.*

FIGURE 5.4: NUMBER OF RETIREES AND BENEFICIARIES

AT JUNE 30 (EXPRESSED IN THOUSANDS)

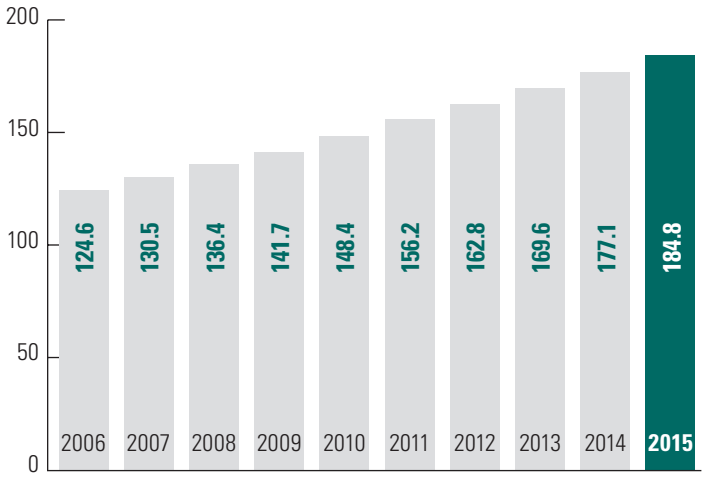

FIGURE 5.5: RETIREMENT BENEFITS PAID

FISCAL YEARS ENDED JUNE 30, 2006 – 2015 (EXPRESSED IN MILLIONS)

SCHEDULE OF PENSION TRUST FUND ADDITIONS BY SOURCE

FISCAL YEARS 2006 – 2015

(EXPRESSED IN THOUSANDS)

Year Ended June 30	Member Contributions	Employer Contributions: For Members	Employer Contributions: Employer Share	Investment Income (Loss)	Other	Total
VIRGINIA RETIREMENT SYSTEM (VRS)						
2015	$ 758,355	$ 51,006	$ 2,292,248	$ 2,815,780	$ 1,723	$ 5,919,112
2014**	702,089	93,468	1,736,913	8,558,759	460	11,091,689
2013**	572,543	207,695	1,689,142	5,864,628	1,547	8,335,555
2012*	208,243	557,522	970,331	614,613	3,782	2,354,491
2011	26,529	712,560	741,833	8,405,834	1,290	9,888,046
2010	26,225	736,413	1,001,246	6,014,601	1,083	7,779,568
2009	20,254	743,762	1,214,972	(11,106,018)	8,668	(9,118,362)
2008	24,843	716,797	1,280,773	(2,677,358)	290	(654,655)
2007	29,489	680,023	1,124,535	9,426,035	338	11,260,420
2006	38,825	638,242	781,769	5,042,575	185	6,501,596
STATE POLICE OFFICERS' RETIREMENT SYSTEM (SPORS)						
2015	$ 5,680	$ –	$ 28,427	$ 32,466	$ –	$ 66,573
2014	5,646	–	42,683	98,682	–	147,011
2013	5,361	–	26,192	67,067	–	98,620
2012*	5,167	1	11,443	6,853	–	23,464
2011	121	4,742	7,480	99,209	–	111,552
2010	47	4,945	15,755	72,609	–	93,356
2009	57	5,034	20,189	(135,929)	87	(110,562)
2008	149	5,061	21,008	(33,367)	20	(7,129)
2007	213	4,895	16,358	117,501	–	138,967
2006	304	4,627	15,257	63,475	–	83,663
VIRGINIA LAW OFFICERS' RETIREMENT SYSTEM (VaLORS)						
2015	$ 17,081	$ 0	$ 62,084	$ 52,312	$ –	$ 131,477
2014	17,908	–	67,483	156,786	–	242,177
2013	17,256	–	50,398	105,084	27	172,765
2012*	17,510	48	24,644	11,195	110	53,507
2011	941	16,102	17,380	147,982	130	182,535
2010	196	17,208	38,943	103,488	104	159,939
2009	212	17,871	50,988	(181,112)	519	(111,522)
2008	291	17,723	56,025	(44,270)	274	30,043
2007	371	16,127	48,322	143,664	171	208,655
2006	534	15,492	52,662	71,905	255	140,848
JUDICIAL RETIREMENT SYSTEM (JRS)						
2015	$ 643	$ 2,531	$ 31,560	$ 20,049	$ –	$ 54,783
2014	327	2,724	27,727	60,833	–	91,611
2013	179	2,795	27,026	41,557	–	71,557
2012	47	2,921	18,907	4,576	–	26,451
2011	32	3,003	17,303	58,587	–	78,925
2010	30	3,108	17,068	42,430	–	62,636
2009	20	3,043	21,001	(77,947)	50	(53,833)
2008	21	2,945	22,532	(19,305)	–	6,193
2007	92	2,815	20,530	65,964	–	89,401
2006	108	2,653	16,206	35,368	–	54,335

**Member contributions and employer contributions for members reflect the shift to member-paid retirement contributions for state employees, except judges, effective July 1, 2011.*

***Member contributions and employer contributions for members reflect the shift to member-paid retirement contributions for teachers and political subdivision employees, effective July 1, 2012.*

SCHEDULE OF PENSION TRUST FUND DEDUCTIONS BY TYPE

FISCAL YEARS 2006 – 2015

(EXPRESSED IN THOUSANDS)

Year Ended June 30	Retirement Benefits	Refunds	Administrative Expenses	Other	Total
VIRGINIA RETIREMENT SYSTEM (VRS)					
2015	$ 3,935,656	$ 100,993	$ 38,898	$ 2,323	$ 4,077,870
2014	3,711,208	98,049	39,785	6,745	3,855,787
2013	3,516,219	77,588	31,154	4,579	3,629,540
2012	3,257,359	84,577	25,475	694	3,368,105
2011	3,125,772	96,209	25,082	6,464	3,253,527
2010	2,907,204	88,671	23,720	3,911	3,023,506
2009	2,617,313	86,688	30,692	668	2,735,361
2008	2,427,543	97,574	24,677	298	2,550,092
2007	2,219,350	89,716	23,686	178	2,332,930
2006	2,015,557	85,804	19,724	258	2,121,343
STATE POLICE OFFICERS' RETIREMENT SYSTEM (SPORS)					
2015	$ 53,338	$ 375	$ 471	$ 27	$ 54,211
2014	50,467	685	353	78	51,583
2013	47,884	364	227	51	48,526
2012	46,113	319	243	7	46,682
2011	46,259	279	222	68	46,828
2010	42,714	496	257	46	43,513
2009	40,919	469	340	–	41,728
2008	39,382	730	299	–	40,411
2007	33,867	1,221	301	–	35,389
2006	32,309	596	231	–	33,136
VIRGINIA LAW OFFICERS' RETIREMENT SYSTEM (VaLORS)					
2015	$ 84,990	$ 4,797	$ 743	$ 44	$ 90,574
2014	78,412	4,665	557	124	83,758
2013	71,638	3,586	344	82	75,650
2012	64,849	4,027	366	15	69,257
2011	59,749	4,051	395	103	64,298
2010	53,758	3,919	373	66	58,116
2009	45,890	4,151	471	–	50,512
2008	40,805	4,586	378	–	45,769
2007	35,019	4,828	365	–	40,212
2006	29,202	4,830	263	–	34,295
JUDICIAL RETIREMENT SYSTEM (JRS)					
2015	$ 40,205	$ –	$ 283	$ 17	$ 40,505
2014	37,984	–	221	47	38,252
2013	36,800	–	141	31	36,972
2012	33,454	–	143	5	33,602
2011	32,115	5	158	40	32,318
2010	31,598	–	151	27	31,776
2009	29,101	40	198	–	29,339
2008	28,538	45	168	–	28,751
2007	25,253	–	169	–	25,422
2006	24,717	–	130	–	24,847

SCHEDULE OF RETIREMENT BENEFITS BY SYSTEM AND PLAN

FISCAL YEARS 2006 – 2015 (EXPRESSED IN THOUSANDS)

Year Ended June 30	Virginia Retirement System				State Police Officers' Retirement System	Virginia Law Officers' Retirement System	Judicial Retirement System	Total
	State	Teachers	Political	Sub-Total				
2015	$ 1,136,102	$ 1,980,353	$ 819,201	$ 3,935,656	$ 53,338	$ 84,990	$ 40,205	$ 4,114,189
2014	1,081,866	1,874,636	754,706	3,711,208	50,467	78,412	37,984	3,878,071
2013	1,024,464	1,788,548	703,207	3,516,219	47,884	71,638	36,800	3,672,541
2012	961,209	1,654,377	641,773	3,257,359	46,113	64,849	33,454	3,401,775
2011	931,893	1,599,208	594,671	3,125,772	46,259	59,749	32,115	3,263,895
2010	898,226	1,462,638	546,340	2,907,204	42,714	53,758	31,598	3,035,274
2009	790,472	1,338,776	488,065	2,617,313	40,919	45,890	29,101	2,733,223
2008	736,053	1,245,201	446,289	2,427,543	39,382	40,805	28,538	2,536,268
2007	686,258	1,138,980	394,112	2,219,350	33,867	35,019	25,253	2,313,489
2006	623,571	1,037,509	354,477	2,015,557	32,309	29,202	24,717	2,101,785

SCHEDULE OF RETIREMENT BENEFITS BY TYPE

FISCAL YEARS 2006 – 2015 (EXPRESSED IN THOUSANDS)

Year Ended June 30	Service Benefits	Disability Benefits	Survivor Benefits	Total
2015	$ 3,767,418	$ 314,309	$ 32,462	$ 4,114,189
2014	3,538,504	308,548	31,019	3,878,071
2013	3,341,532	301,045	29,964	3,672,541
2012	3,080,562	293,336	27,877	3,401,775
2011	2,948,702	288,951	26,242	3,263,895
2010	2,724,900	285,802	24,572	3,035,274
2009	2,434,353	276,382	22,488	2,733,223
2008	2,252,981	263,427	19,860	2,536,268
2007	2,045,400	250,212	17,877	2,313,489
2006	1,849,239	236,266	16,280	2,101,785

SCHEDULE OF REFUNDS BY TYPE

FISCAL YEARS 2006 – 2015 (EXPRESSED IN THOUSANDS)

Year Ended June 30	Separations	Death	Total
2015	$ 87,757	$ 18,408	$ 106,165
2014	88,151	15,248	103,399
2013	66,694	14,844	81,538
2012	75,668	13,255	88,923
2011	87,221	13,323	100,544
2010	79,600	13,486	93,086
2009	77,498	13,850	91,348
2008	88,732	14,203	102,935
2007	88,661	7,104	95,765
2006	79,744	11,486	91,230

SCHEDULE OF RETIREES AND BENEFICIARIES BY TYPE OF RETIREMENT

AS OF JUNE 30, 2015

Minimum Guaranteed Benefit Amount	Number of Retirees	Type of Retirement: Service Retirement	Early Retirement Window	50/30 Service Retirement	1991 Early Faculty Ret. Window	Regular Disability	Survivor Death-in-Service	Line-of-Duty (LOD) Disability	Survivor LOD Death-in-Service	50/10 Service Retirement
$ 1-200	14,510	12,461	3	–	1	560	592	41	3	849
201-400	21,167	17,142	145	4	–	1,885	529	104	10	1,348
401-600	18,406	14,260	339	29	2	2,340	350	231	23	832
601-800	15,550	11,796	412	67	1	2,079	230	373	24	568
801-1,000	13,928	10,446	553	180	5	1,733	162	388	24	437
1,001-1,200	12,393	9,323	506	370	5	1,382	135	318	14	340
1,201-1,400	10,599	7,889	470	484	15	1,094	92	274	8	273
1,401-1,600	9,895	7,413	413	650	21	831	82	226	9	250
1,601-1,800	9,389	7,029	297	940	27	652	52	179	5	208
1,801-2,000	9,864	7,312	230	1,335	30	554	72	183	1	147
Over 2,000	49,068	39,906	446	5,833	103	1,587	245	585	9	354
Totals	**184,769**	**144,977**	**3,814**	**9,892**	**210**	**14,697**	**2,541**	**2,902**	**130**	**5,606**

SCHEDULE OF RETIREES AND BENEFICIARIES BY TYPE OF RETIREMENT AND PLAN

AS OF JUNE 30, 2015

Plan	Number of Retirees	Type of Retirement: Service Retirement	Early Retirement Window	50/30 Service Retirement	1991 Early Faculty Ret. Window	Regular Disability	Survivor Death-in-Service	Line-of-Duty (LOD) Disability	Survivor LOD Death-in-Service	50/10 Service Retirement
VRS – State	51,713	39,340	2,053	3,103	209	3,525	1,103	934	28	1,418
VRS – Teacher	81,632	66,121	1,534	5,482	1	4,729	642	186	6	2,931
VRS – Political Subdivisions	45,991	34,643	227	1,306	–	6,220	681	1,578	79	1,257
SPORS	1,215	992	–	–	–	40	12	155	16	–
VaLORS	3,726	3,421	–	1	–	174	80	49	1	–
JRS	492	458	–	–	–	9	25	–	–	–
All Plans	**184,769**	**144,975**	**3,814**	**9,892**	**210**	**14,697**	**2,543**	**2,902**	**130**	**5,606**

SCHEDULE OF RETIREES AND BENEFICIARIES BY PAYOUT OPTION SELECTED

AS OF JUNE 30, 2015

Minimum Guaranteed Benefit Amount	Payout Option Selected															
	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
$ 1-200	11,868	20	504	106	598	2	54	–	–	1	607	–	427	132	177	14
201-400	16,994	13	568	162	584	4	746	18	2	32	578	–	900	168	353	45
401-600	14,064	14	451	209	604	10	1,112	33	–	79	452	–	797	163	384	34
601-800	11,469	7	340	228	618	9	959	33	–	90	404	–	797	163	394	39
801-1,000	9,892	1	293	282	688	14	680	24	1	59	419	–	830	165	502	78
1,001-1,200	8,504	–	286	268	569	12	496	18	2	42	257	–	891	185	734	129
1,201-1,400	7,165	–	239	259	381	19	326	10	1	18	189	–	840	167	838	147
1,401-1,600	6,517	–	232	247	256	27	205	2	–	22	142	–	769	160	1,091	225
1,601-1,800	6,141	–	188	233	151	28	118	3	–	9	87	–	765	169	1,234	263
1,801-2,000	6,258	–	160	245	108	26	97	2	–	7	81	–	739	161	1,652	328
Over 2,000	26,101	–	571	740	171	160	140	8	–	16	143	–	5,489	1,169	12,211	2,149
Totals	**124,973**	**55**	**3,832**	**2,979**	**4,728**	**311**	**4,933**	**151**	**6**	**375**	**3,359**	**–**	**13,244**	**2,802**	**19,570**	**3,451**

A: Basic Benefit
B: Increased Basic Benefit
C: 100% Survivor Option
D: Variable Survivor Option
E: Social Security Leveling Benefit
F: Special Survivor Option
G: Minimum Guaranteed Disability Basic Benefit
H: Minimum Guaranteed Disability Variable Survivor Option
I: Disability 100% Survivor Option
J: Special Disability Survivor Option
K: Leveling Benefit
L: Leveling Benefit/Rollover
M: Survivor Option
N: Advance Pension Option
O: Partial Lump-Sum Option Payment (PLOP) with Basic Benefit
P: PLOP with Survivor Option

SCHEDULE OF AVERAGE BENEFIT PAYMENTS

FOR RETIREMENTS EFFECTIVE JULY 1, 2008, TO JUNE 30, 2015

			Years of Credited Service					
			1-10	11-15	16-20	21-25	26-30	Over 30
FY 2015	State	Average Monthly Benefit	$392.12	$694.37	$1,030.11	$1,446.53	$1,930.58	$3,016.49
		Number of Active Retirees	329	327	369	301	388	1,170
	Teacher	Average Monthly Benefit	$381.68	$714.22	$1,066.14	$1,541.72	$2,476.42	$3,096.71
		Number of Active Retirees	559	669	696	704	732	1,453
	Political Subdivisions	Average Monthly Benefit	$330.59	$513.35	$843.10	$1,254.45	$2,059.40	$2,708.39
		Number of Active Retirees	592	620	478	458	572	846
	Total VRS	Average Monthly Benefit	$363.56	$633.14	$988.43	$1,432.21	$2,210.28	$2,974.96
		Number of Active Retirees	1,480	1,616	1,543	1,463	1,692	3,469
	SPORS	Average Monthly Benefit	$1,078.60	$969.65	–	$2,506.63	$2,539.27	$3,697.36
		Number of Active Retirees	1	1	–	2	16	34
	VaLORS	Average Monthly Benefit	$455.80	$585.05	$946.20	$1,161.28	$1,715.68	$2,141.37
		Number of Active Retirees	23	50	52	95	93	56
	JRS	Average Monthly Benefit	–	–	–	–	$5,408.75	$7,674.09
		Number of Active Retirees	–	–	–	–	1	31
	All Plans	Average Monthly Benefit	$365.45	$631.90	$987.05	$1,417.08	$2,189.44	$3,009.36
		Number of Active Retirees	1,504	1,667	1,595	1,560	1,802	3,590

SCHEDULE OF AVERAGE BENEFIT PAYMENTS, cont.

FOR RETIREMENTS EFFECTIVE JULY 1, 2008, TO JUNE 30, 2015

			Years of Credited Service					
			1-10	11-15	16-20	21-25	26-30	Over 30
FY 2014	State	Average Monthly Benefit	$374.40	$674.96	$1,035.41	$1,308.58	$1,913.24	$2,766.37
		Number of Active Retirees	341	363	299	315	333	1,185
	Teacher	Average Monthly Benefit	$408.27	$701.52	$1,083.91	$1,559.04	$2,383.18	$3,055.18
		Number of Active Retirees	604	651	611	690	804	1,463
	Political Subdivisions	Average Monthly Benefit	$308.87	$542.75	$855.38	$1,248.49	$2,007.63	$2,668.41
		Number of Active Retirees	569	563	456	448	524	676
	Total VRS	Average Monthly Benefit	$363.28	$638.73	$997.01	$1,408.99	$2,170.49	$2,873.56
		Number of Active Retirees	1,514	1,577	1,366	1,453	1,661	3,324
	SPORS	Average Monthly Benefit	$0.00	$0.00	$615.19	$1,631.99	$2,809.19	$3,597.68
		Number of Active Retirees	–	–	1	2	10	28
	VaLORS	Average Monthly Benefit	$383.32	$695.40	$899.70	$1,133.65	$1,700.98	$2,537.26
		Number of Active Retirees	25	29	45	75	72	36
	JRS	Average Monthly Benefit	$0.00	$0.00	$0.00	$0.00	$5,051.59	$7,400.90
		Number of Active Retirees	–	–	–	–	3	22
	All Plans	Average Monthly Benefit	$363.61	$639.75	$993.63	$1,395.78	$2,159.73	$2,905.16
		Number of Active Retirees	1,539	1,606	1,412	1,530	1,746	3,410
FY 2013*	State	Average Monthly Benefit	$373.47	$636.41	$1,035.61	$1,362.08	$1,881.63	$2,813.81
		Number of Active Retirees	291	299	261	283	340	1,086
	Teacher	Average Monthly Benefit	$429.20	$689.55	$1,128.94	$1,537.48	$2,304.17	$2,915.42
		Number of Active Retirees	531	574	536	636	747	1,672
	Political Subdivisions	Average Monthly Benefit	$295.20	$525.24	$803.27	$1,220.49	$1,920.03	$2,666.07
		Number of Active Retirees	562	512	396	394	496	753
	Total VRS	Average Monthly Benefit	$363.12	$617.34	$1,000.42	$1,404.56	$2,093.05	$2,830.51
		Number of Active Retirees	1,384	1,385	1,193	1,313	1,583	3,511
	SPORS	Average Monthly Benefit	$0.00	$0.00	$0.00	$2,263.68	$2,752.85	$3,282.00
		Number of Active Retirees	–	–	–	3	10	17
	VaLORS	Average Monthly Benefit	$332.59	$632.67	$883.09	$1,223.64	$1,709.19	$2,246.63
		Number of Active Retirees	29	30	39	67	70	49
	JRS	Average Monthly Benefit	$0.00	$0.00	$3,645.63	$4,738.37	$0.00	$7,490.90
		Number of Active Retirees	–	–	3	1	–	28
	All Plans	Average Monthly Benefit	$362.24	$617.66	$1,003.13	$1,400.06	$2,080.06	$2,860.90
		Number of Active Retirees	1,413	1,415	1,235	1,384	1,663	3,605

SCHEDULE OF AVERAGE BENEFIT PAYMENTS, cont.

FOR RETIREMENTS EFFECTIVE JULY 1, 2008, TO JUNE 30, 2015

			Years of Credited Service					
			1-10	11-15	16-20	21-25	26-30	Over 30
FY 2012	All Plans	Average Monthly Benefit	$349.17	$628.04	$950.15	$1,360.69	$2,149.70	$2,843.02
		Number of Active Retirees	1,331	1,309	1,176	1,273	1,453	3,367
FY 2011	All Plans	Average Monthly Benefit	$346.15	$590.10	$923.89	$1,364.97	$2,058.50	$2,791.19
		Number of Active Retirees	1,218	1,196	1,164	1,383	1,637	4,318
FY 2010	All Plans	Average Monthly Benefit	$319.83	$585.59	$895.47	$1,309.38	$1,977.48	$2,750.03
		Number of Active Retirees	1,106	954	980	1,251	1,543	4,303
FY 2009	All Plans	Average Monthly Benefit	$344.16	$578.17	$880.56	$1,269.17	$2,024.64	$2,669.86
		Number of Active Retirees	986	859	916	1,090	1,377	3,063
FY 2008	All Plans	Average Monthly Benefit	$327.19	$575.47	$861.72	$1,234.89	$2,024.96	$2,610.24
		Number of Active Retirees	994	857	995	1,091	1,615	3,271

**Fiscal year 2013 is the first year for which information is available to support this detailed presentation by plan.*

FIGURE 5.6: DISTRIBUTION OF RETIREES BY PAYOUT OPTION SELECTED

ALL RETIREES AT JUNE 30, 2015

	Basic Benefit	Survivor Option	PLOP with Basic Benefit	PLOP with Survivor Option	Advance Payment Option	Total
VRS	71.27%	10.82%	10.28%	1.73%	5.90%	100.00%
SPORS	50.96%	28.76%	12.52%	7.11%	0.65%	100.00%
VaLORS	61.31%	16.07%	15.17%	3.71%	3.74%	100.00%
JRS	43.31%	32.73%	10.58%	10.98%	2.40%	100.00%
All Plans	**70.86%**	**11.10%**	**10.40%**	**1.83%**	**5.81%**	**100.00%**

FISCAL YEAR 2015 RETIREES

	Basic Benefit	Survivor Option	PLOP with Basic Benefit	PLOP with Survivor Option	Advance Payment Option	Total
VRS	67.81%	11.19%	16.67%	2.85%	1.48%	100.00%
SPORS	36.06%	14.75%	34.43%	11.48%	3.28%	100.00%
VaLORS	61.07%	11.20%	18.93%	3.73%	5.07%	100.00%
JRS	38.47%	33.33%	10.26%	15.38%	2.56%	100.00%
All Plans	**67.34%**	**11.28%**	**16.81%**	**2.96%**	**1.61%**	**100.00%**

Retirement Benefit Payout Options

Basic Benefit. The Basic Benefit is based on the unreduced (normal) retirement benefit calculation. It does not provide for a continuation of a benefit to a survivor. Upon the member's death, any remaining member contributions and accrued interest are paid in a lump sum to the member's beneficiary.

Partial Lump-Sum Option Payment (PLOP). Members who are in active service for one or more years beyond their eligibility for an unreduced retirement benefit are eligible to elect a partial lump-sum payment of their member contributions and accrued interest equal to one, two or three times their annual retirement benefit, depending on how long they work beyond their unreduced retirement eligibility. The monthly benefit is actuarially reduced accordingly. This option is available with the Basic Benefit or Survivor Option.

Survivor Option. Members may choose a whole percentage of their benefit, between 10% and 100%, to continue as a lifetime benefit to a survivor upon their death. The member's benefit is actuarially reduced accordingly.

Advance Pension Option. With this option, members elect to receive a temporary higher benefit until at least age 62 up to their normal retirement age under Social Security, as elected by the member. At that point, the monthly benefit is permanently reduced on an actuarially equivalent basis.

FIGURE 5.7: DISTRIBUTION OF RETIREES BY YEARS OF SERVICE

ALL RETIREES AT JUNE 30, 2015

	1-10 Years	11-20 Years	21-30 Years	Over 30 Years	Total
VRS	11.43%	24.15%	29.51%	34.91%	100.00%
SPORS	2.46%	3.54%	22.44%	71.56%	100.00%
VaLORS	7.82%	20.62%	52.39%	19.17%	100.00%
JRS	0.69%	2.60%	6.59%	90.12%	100.00%
All Plans	**11.27%**	**23.88%**	**29.85%**	**35.00%**	**100.00%**

FISCAL YEAR 2015 RETIREES

	1-10 Years	11-20 Years	21-30 Years	Over 30 Years	Total
VRS	13.14%	28.05%	28.01%	30.80%	100.00%
SPORS	1.85%	1.85%	33.33%	62.97%	100.00%
VaLORS	6.23%	27.64%	50.95%	15.18%	100.00%
JRS	0.00%	0.00%	3.13%	96.87%	100.00%
All Plans	**12.83%**	**27.84%**	**28.69%**	**30.64%**	**100.00%**

FIGURE 5.8: DISTRIBUTION OF RETIREES BY AGE AT RETIREMENT

ALL RETIREES AT JUNE 30, 2015

	Under 55	55 - 59	60 - 65	Over Age 65	Total
VRS	16.26%	25.77%	45.91%	12.06%	100.00%
SPORS	48.10%	33.31%	16.14%	2.45%	100.00%
VaLORS	42.76%	25.86%	26.96%	4.42%	100.00%
JRS	1.32%	11.84%	41.67%	45.17%	100.00%
All Plans	**16.83%**	**25.78%**	**45.42%**	**11.97%**	**100.00%**

FISCAL YEAR 2015 RETIREES

	Under 55	55 - 59	60 - 65	Over Age 65	Total
VRS	9.99%	19.35%	47.86%	22.80%	100.00%
SPORS	51.78%	25.00%	14.29%	8.93%	100.00%
VaLORS	39.29%	25.75%	31.17%	3.79%	100.00%
JRS	0.00%	6.25%	28.13%	65.62%	100.00%
All Plans	**11.08%**	**19.54%**	**47.13%**	**22.25%**	**100.00%**

FIGURE 5.9: DISTRIBUTION OF RETIREES BY AVERAGE FINAL COMPENSATION

ALL RETIREES AT JUNE 30, 2015

	Up to $10,000	$10,001 - 20,000	$20,001 - 30,000	$30,001 - 40,000	$40,001 - 50,000	$50,001 - 70,000	Over $70,000	Total
VRS	6.43%	18.00%	17.62%	16.13%	14.10%	17.67%	10.05%	100.00%
SPORS	3.95%	5.59%	7.49%	13.62%	17.57%	29.64%	22.14%	100.00%
VaLORS	0.00%	0.07%	10.76%	48.64%	26.57%	12.15%	1.81%	100.00%
JRS	3.36%	1.75%	1.02%	4.24%	5.41%	10.38%	73.84%	100.00%
All Plans	**6.30%**	**17.58%**	**17.41%**	**16.61%**	**14.30%**	**17.64%**	**10.16%**	**100.00%**

FISCAL YEAR 2015 RETIREES

	Up to $10,000	$10,001 - 20,000	$20,001 - 30,000	$30,001 - 40,000	$40,001 - 50,000	$50,001 - 70,000	Over $70,000	Total
VRS	0.63%	7.19%	11.61%	14.37%	15.05%	28.82%	22.33%	100.00%
SPORS	0.00%	0.00%	0.00%	0.00%	0.00%	39.29%	60.71%	100.00%
VaLORS	0.00%	0.00%	1.36%	55.01%	27.91%	12.47%	3.25%	100.00%
JRS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	100.00%
All Plans	**0.61%**	**6.92%**	**11.20%**	**15.53%**	**15.34%**	**28.27%**	**22.13%**	**100.00%**

SCHEDULE OF FUNDING (MARKET VALUE BASIS) – ALL PENSION PLANS

(EXPRESSED IN MILLIONS)

Actuarial Valuation Date June 30	Market Value of Assets (MVA)(a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Net Pension Liability (AAL-MVA) (b-a)	Funded Ratio Funded (MVA/AAL) (a/b)	Covered Payroll (c)	Net Pension Liability as a Percentage of Covered Payroll (b-a)/(c)
VIRGINIA RETIREMENT SYSTEM (VRS)**						
2014	$ 62,207	$ 82,083	$ 19,876	75.8%	$ 15,671	126.8%
2013*	54,973	79,078	24,105	69.5%	15,269	157.9%
2012	50,267	77,859	27,592	64.6%	14,880	185.4%
2011	51,280	75,185	23,905	68.2%	14,709	162.5%
2010	44,646	72,801	28,155	61.3%	14,758	190.8%
2009*	39,890	66,323	26,433	60.1%	14,948	176.8%
2008	51,743	62,554	10,811	82.7%	14,559	74.3%
2007	54,948	58,116	3,168	94.5%	13,834	22.9%
2006	46,021	52,822	6,801	87.1%	13,002	52.3%
2005*	41,640	49,628	7,988	83.9%	12,212	65.4%
2004	37,784	43,958	6,174	86.0%	11,510	53.6%
STATE POLICE OFFICERS' RETIREMENT SYSTEM (SPORS)						
2014	$ 721	$ 1,029	$ 308	70.1%	$ 112	274.0%
2013*	625	997	372	62.7%	109	341.0%
2012	575	1,013	438	56.8%	104	420.6%
2011	599	986	387	60.8%	100	388.3%
2010	534	949	415	56.3%	98	425.3%
2009*	484	879	395	55.1%	101	391.4%
2008	636	844	208	75.5%	103	202.9%
2007	684	806	122	84.9%	101	121.3%
2006	581	730	149	79.6%	94	159.4%
2005*	530	673	143	78.8%	91	157.2%
2004	486	656	170	74.2%	82	207.3%
VIRGINIA LAW OFFICERS' RETIREMENT SYSTEM (VaLORS)						
2014	$ 1,150	$ 1,820	$ 670	63.2%	$ 353	190.0%
2013*	992	1,742	750	56.9%	342	219.0%
2012	895	1,753	858	51.1%	345	248.9%
2011	911	1,683	772	54.1%	356	216.8%
2010	792	1,579	787	50.2%	346	227.5%
2009*	691	1,412	721	48.9%	359	200.7%
2008	853	1,281	428	66.7%	368	116.2%
2007	868	1,166	298	74.4%	341	87.3%
2006	700	1,096	396	63.9%	321	123.3%
2005*	593	980	387	60.5%	307	126.2%
2004	498	927	429	53.7%	298	144.0%
JUDICIAL RETIREMENT SYSTEM (JRS)						
2014	$ 442	$ 608	$ 166	72.7%	$ 59	279.4%
2013*	389	591	202	65.8%	57	353.5%
2012	354	582	228	60.8%	57	400.9%
2011	361	569	208	63.4%	59	353.7%
2010	315	560	245	56.4%	61	401.2%
2009*	284	521	237	54.4%	63	377.6%
2008	367	495	128	74.1%	61	211.3%
2007	390	442	52	88.2%	58	91.1%
2006	326	424	98	77.0%	54	179.7%
2005*	296	402	106	73.5%	52	205.3%
2004	271	366	95	74.1%	48	197.9%

**Revised economic and demographic assumptions due to experience study.*

***The breakdown of VRS data into state, teacher and political subdivisions is also presented in the Statistical Section.*

SCHEDULE OF FUNDING (MARKET VALUE BASIS)– VRS PENSION PLANS

(EXPRESSED IN THOUSANDS)

Actuarial Valuation Date June 30	Market Value of Assets (MVA)(a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Net Pension Liability (AAL-MVA) (b-a)	Funded Ratio Funded (MVA/AAL) (a/b)	Covered Payroll (c)	Net Pension Liability as a Percentage of Covered Payroll (b-a)/(c)
VIRGINIA RETIREMENT SYSTEM (VRS) – STATE						
2014	$ 16,168,535	$ 21,822,936	$ 5,654,401	74.1%	$ 3,854,779	146.7%
2013*	14,502,362	21,068,651	6,566,289	68.8%	3,716,548	176.7%
2012	13,469,215	20,944,258	7,475,043	64.3%	3,713,119	201.3%
2011	13,992,901	20,407,958	6,415,057	68.6%	3,686,259	174.0%
2010	12,384,638	19,539,453	7,154,815	63.4%	3,514,396	203.6%
2009*	11,253,767	17,925,879	6,672,112	62.8%	3,619,478	184.3%
2008	14,856,159	17,096,942	2,240,783	86.9%	3,640,692	61.5%
2007	15,987,528	16,279,781	292,253	98.2%	3,467,388	8.4%
2006	13,549,153	15,064,062	1,514,909	89.9%	3,301,286	45.9%
2005*	12,398,345	14,007,274	1,608,929	88.5%	3,100,479	51.9%
2004	11,379,685	12,669,013	1,289,328	89.8%	2,946,067	43.8%
VIRGINIA RETIREMENT SYSTEM (VRS) – TEACHER						
2014	$ 29,411,183	$ 41,297,669	$ 11,886,486	71.2%	$ 7,362,793	161.4%
2013*	26,076,425	39,852,334	13,775,909	65.4%	7,211,543	191.0%
2012	23,930,149	39,090,408	15,160,259	61.2%	7,004,577	216.4%
2011	24,520,362	37,771,732	13,251,370	64.9%	6,922,130	191.4%
2010	21,517,178	37,088,576	15,571,398	58.0%	7,119,889	218.7%
2009*	19,302,368	33,860,514	14,558,146	57.0%	7,160,842	203.3%
2008	25,076,413	31,958,321	6,881,908	78.5%	6,896,432	99.8%
2007	26,618,235	29,669,838	3,051,603	89.7%	6,604,643	46.2%
2006	22,330,731	27,274,064	4,943,333	81.9%	6,195,421	79.8%
2005*	20,239,648	25,205,725	4,966,077	80.3%	5,844,860	85.0%
2004	18,406,676	22,173,218	3,766,542	83.0%	5,491,142	68.6%
VIRGINIA RETIREMENT SYSTEM (VRS) – POLITICAL SUBDIVISIONS						
2014	$ 16,627,539	$ 18,962,779	$ 2,335,240	87.7%	$ 4,453,787	52.4%
2013*	14,393,949	18,156,606	3,762,657	79.3%	4,340,988	86.7%
2012	12,867,357	17,824,190	4,956,833	72.2%	4,162,579	119.1%
2011	12,767,072	17,005,070	4,237,998	75.1%	4,100,470	103.4%
2010	10,744,000	16,172,372	5,428,372	66.4%	4,123,505	131.6%
2009*	9,333,619	14,536,618	5,202,999	64.2%	4,167,324	124.9%
2008	11,810,904	13,499,216	1,688,312	87.5%	4,021,468	42.0%
2007	12,342,460	12,166,854	(175,606)	101.4%	3,761,991	(4.7%)
2006	10,140,847	10,483,777	342,930	96.7%	3,504,844	9.8%
2005*	9,002,488	10,415,489	1,413,001	86.4%	3,266,806	43.3%
2004	7,997,944	9,116,119	1,118,175	87.7%	3,072,693	36.4%
VIRGINIA RETIREMENT SYSTEM (VRS) – TOTAL						
2014	$ 62,207,257	$ 82,083,384	$ 19,876,127	75.8%	$15,671,359	126.8%
2013*	54,972,736	79,077,591	24,104,855	69.5%	15,269,079	157.9%
2012	50,266,721	77,858,856	27,592,135	64.6%	14,880,275	185.4%
2011	51,280,335	75,184,760	23,904,425	68.2%	14,708,859	162.5%
2010	44,645,816	72,800,401	28,154,585	61.3%	14,757,790	190.8%
2009*	39,889,754	66,323,011	26,433,257	60.1%	14,947,644	176.8%
2008	51,743,476	62,554,479	10,811,003	82.7%	14,558,592	74.3%
2007	54,948,223	58,116,473	3,168,250	94.5%	13,834,022	22.9%
2006	46,020,731	52,821,903	6,801,172	87.1%	13,001,551	52.3%
2005*	41,640,481	49,628,488	7,988,007	83.9%	12,212,145	65.4%
2004	37,784,305	43,958,350	6,174,045	86.0%	11,509,902	53.6%

**Revised economic and demographic assumptions due to experience study.*

Other Employee Benefit Trust Funds

FIGURE 5.10: ANALYSIS OF CHANGES AND GROWTH IN FIDUCIARY NET POSITION – GROUP LIFE INSURANCE FUND

FOR THE YEARS ENDED JUNE 30 (EXPRESSED IN THOUSANDS)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fiduciary Net Position Restricted – Beginning of Year	**$771,817**	**$751,361**	**$962,328**	**$937,146**	**$713,812**	**$783,058**	**$833,065**	**$746,619**	**$887,773**	**$1,079,315**
Funding:										
Member and Employer Contributions and Other Additions	52	169,824	158,823	135,063	94,860	45,048	47,285	201,688	205,586	208,463
Benefits and Administrative Expenses	(112,695)	(119,738)	(133,407)	(153,083)	(139,344)	(146,550)	(141,026)	(150,700)	(160,909)	(177,336)
Net Funding	(112,643)	50,086	25,416	(18,020)	(44,484)	(101,502)	(93,741)	50,988	44,677	31,127
Investment Income:										
Interest, Dividends and Other Investment Income	14,546	19,078	17,908	13,582	14,128	17,924	16,301	13,669	16,981	16,341
Net Appreciation (Depreciation) in Fair Value	77,641	141,803	(68,506)	(218,896)	99,602	133,585	(9,006)	76,497	129,884	35,834
Net Investment Income	92,187	160,881	(50,598)	(205,314)	113,730	151,509	7,295	90,166	146,865	52,175
Net Increase (Decrease)	**(20,456)**	**210,967**	**(25,182)**	**(223,334)**	**69,246**	**50,007**	**(86,446)**	**141,154**	**191,542**	**83,302**
Fiduciary Net Position Restricted – End of Year	**$751,361**	**$962,328**	**$937,146**	**$713,812**	**$783,058**	**$833,065**	**$746,619**	**$887,773**	**$1,079,315**	**$1,162,617**

**The group life insurance contribution rates for the last quarter of fiscal year 2010 and for all of fiscal year 2006 were zero as a result of a statutory premium holiday. Amounts shown in premium holiday years are adjustments and contributions for new employers.*

SCHEDULE OF GROUP LIFE INSURANCE ADDITIONS BY SOURCE

FISCAL YEARS 2006 – 2015

(EXPRESSED IN THOUSANDS)

Year Ended June 30	Contributions				Investment Income (Loss)	Other	Total
	State	Teacher	Political Subdivisions	Sub-Total			
2015	$ 63,927	$ 88,871	$ 55,665	$ 208,463	$ 52,175	$ –	$ 260,638
2014	64,151	86,807	54,628	205,586	146,865	–	352,451
2013	61,541	85,725	53,449	200,715	90,166	973	291,854
2012	14,243	20,183	12,108	46,534	7,295	751	54,580
2011	13,348	19,427	11,920	44,695	151,509	353	196,557
2010*	28,685	40,502	25,673	94,860	113,730	–	208,590
2009	40,369	58,855	35,839	135,063	(205,314)	–	(70,251)
2008	52,503	60,405	45,915	158,823	(50,598)	–	108,225
2007	51,116	74,442	44,266	169,824	160,881	–	330,705
2006*	(2)	–	54	52	92,187	–	92,239

**The group life insurance contribution rates for the last quarter of fiscal year 2010 and for all of fiscal years 2006, 2005 and 2004 were zero as a result of a statutory premium holiday. Amounts shown in premium holiday years are adjustments and contributions for new employers.*

SCHEDULE OF GROUP LIFE INSURANCE DEDUCTIONS BY TYPE

FISCAL YEARS 2006 – 2015

(EXPRESSED IN THOUSANDS)

Year Ended June 30	Group Life Claims			Administrative Expenses	Other	Total
	Active	Retired	Sub-Total			
2015	$ 55,429	$ 120,331	$ 175,760	$ 183	$ 1,393	$ 177,336
2014	53,478	105,880	159,358	275	1,276	160,909
2013	47,875	101,612	149,487	65	1,148	150,700
2012	54,605	85,338	139,943	77	1,006	141,026
2011	51,236	93,791	145,027	484	1,039	146,550
2010	46,263	91,570	137,833	663	848	139,344
2009	64,119	87,550	151,669	700	714	153,083
2008	55,814	76,279	132,093	686	628	133,407
2007	46,322	72,305	118,627	568	543	119,738
2006	43,140	68,350	111,490	716	489	112,695

FIGURE 5.11: ANALYSIS OF CHANGES AND GROWTH IN FIDUCIARY NET POSITION – RETIREE HEALTH INSURANCE CREDIT FUND

FOR THE YEARS ENDED JUNE 30 (EXPRESSED IN THOUSANDS)

	2006	2007	2008*	2009	2010**	2011	2012	2013	2014	2015
Fiduciary Net Position Restricted – Beginning of Year	**$146,956**	**$178,068**	**$224,606**	**$251,634**	**$231,994**	**$244,958**	**$209,033**	**$127,234**	**$146,472**	**$170,048**
Funding:										
Employer Contributions and Other Additions	86,913	92,919	148,908	146,333	100,613	50,052	51,356	145,031	146,742	144,834
Reimbursements and Administrative Expenses	(72,819)	(80,803)	(109,426)	(115,878)	(120,872)	(126,963)	(131,435)	(137,906)	(143,088)	(148,459)
Net Funding	14,094	12,116	39,482	30,455	(20,259)	(76,911)	(80,079)	7,125	3,654	(3,625)
Investment Income:										
Interest, Dividends and Other Investment Income	2,685	4,082	4,407	3,314	4,127	4,849	2,997	1,856	2,226	2,140
Net Appreciation (Depreciation) in Fair Value	14,333	30,340	(16,861)	(53,409)	29,096	36,137	(4,717)	10,257	17,696	4,631
Net Investment Income	17,018	34,422	(12,454)	(50,095)	33,223	40,986	(1,720)	12,113	19,922	6,771
Net Increase (Decrease)	**31,112**	**46,538**	**27,028**	**(19,640)**	**12,964**	**(35,925)**	**(81,799)**	**19,238**	**23,576**	**3,146**
Fiduciary Net Position Restricted – End of Year	**$178,068**	**$224,606**	**$251,634**	**$231,994**	**$244,958**	**$209,033**	**$127,234**	**$146,472**	**$170,048**	**$173,194**

**The health insurance credit for teachers increased to $4 per month for each year of service with no cap on the benefit. The balance in the Enhanced Retiree Health Insurance Credit Program for teachers was refunded to employers.*

***The health insurance credit contribution rate for the last quarter of fiscal year 2010 was zero as a result of a statutory contribution holiday.*

SCHEDULE OF RETIREE HEALTH INSURANCE CREDIT ADDITIONS BY SOURCE

FISCAL YEARS 2006 – 2015

(EXPRESSED IN THOUSANDS)

Year Ended June 30	State	Teacher	Political Subdivisions	Sub-Total	Investment Income (Loss)	Other	Total
2015	$ 64,027	$ 78,874	$ 1,933	$ 144,834	$ 6,771	–	$ 151,605
2014	64,146	80,720	1,876	146,742	19,922	–	166,664
2013	62,597	80,489	1,945	145,031	12,113	–	157,144
2012	7,137	42,245	1,974	51,356	(1,720)	–	49,636
2011	6,702	41,410	1,940	50,052	40,986	–	91,038
2010*	44,485	53,114	3,014	100,613	33,223	–	133,836
2009	66,256	77,205	2,872	146,333	(50,095)	–	96,238
2008	65,696	79,518	3,694	148,908	(12,454)	–	136,454
2007	55,289	34,019	3,611	92,919	34,422	–	127,341
2006	50,979	34,758	1,176	86,913	17,018	–	103,931

**The health insurance credit contribution rate for the last quarter of fiscal year 2010 was zero as a result of a statutory contribution holiday.*

SCHEDULE OF RETIREE HEALTH INSURANCE CREDIT DEDUCTIONS BY TYPE

FISCAL YEARS 2006 – 2015

(EXPRESSED IN THOUSANDS)

	Retiree Health Insurance Reimbursements						
Year Ended June 30	State	Teacher	Political Subdivisions	Sub-Total	Administrative Expenses	Other	Total
2015	$ 66,576	$ 79,457	$ 1,956	$ 147,989	$ 465	$ 5	$ 148,459
2014	64,422	76,389	1,799	142,610	463	15	143,088
2013	62,795	72,997	1,746	137,538	358	10	137,906
2012	59,882	69,638	1,582	131,102	333	–	131,435
2011	58,433	66,608	1,459	126,500	463	–	126,963
2010	56,337	62,573	1,359	120,269	603	–	120,872
2009	52,742	61,229	1,307	115,278	600	–	115,878
2008*	49,248	58,748	993	108,989	437	–	109,426
2007	47,263	32,308	876	80,447	356	–	80,803
2006	41,560	30,177	745	72,482	337	–	72,819

**The health insurance credit reimbursement for teachers was increased to $4 per month per year of service with no cap on the benefit.*

FIGURE 5.12: ANALYSIS OF CHANGES AND GROWTH IN FIDUCIARY NET POSITION – DISABILITY INSURANCE TRUST FUND

FOR THE YEARS ENDED JUNE 30 (EXPRESSED IN THOUSANDS)

	2006	2007	2008	2009	2010*	2011*	2012*	2013	2014	2015
Fiduciary Net Position Restricted – Beginning of Year	**$144,234**	**$191,872**	**$263,586**	**$313,521**	**$290,481**	**$336,213**	**$369,071**	**$343,972**	**$370,121**	**$410,097**
Funding:										
Employer Contributions and Other Additions	57,991	65,726	99,430	71,337	31,021	6	78	17,267	17,693	24,026
Disability Insurance Benefits and Administrative Expenses	(27,915)	(34,048)	(32,697)	(28,800)	(28,415)	(29,001)	(28,955)	(30,668)	(34,290)	(37,942)
Net Funding	30,076	31,678	66,733	42,537	2,606	(28,995)	(28,877)	(13,401)	(16,597)	(13,916)
Investment Income:										
Interest, Dividends and Other Investment Income	2,771	4,749	5,946	4,339	5,358	7,317	7,048	5,919	6,264	5,705
Net Appreciation (Depreciation) in Fair Value	14,791	35,287	(22,744)	(69,916)	37,768	54,536	(3,270)	33,631	50,309	12,632
Net Investment Income	17,562	40,036	(16,798)	(65,577)	43,126	61,853	3,778	39,550	56,573	18,337
Net Increase (Decrease)	**47,638**	**71,714**	**49,935**	**(23,040)**	**45,732**	**32,858**	**(25,099)**	**26,149**	**39,976**	**4,421**
Fiduciary Net Position Restricted – End of Year	**$191,872**	**$263,586**	**$313,521**	**$290,481**	**$336,213**	**$369,071**	**$343,972**	**$370,121**	**$410,097**	**$414,518**

**The disability insurance contribution rate for fiscal year 2011 and fiscal year 2012 and the last quarter of fiscal year 2010 was zero as a result of a statutory contribution holiday.*

SCHEDULE OF DISABILITY INSURANCE TRUST FUND ADDITIONS BY SOURCE

FISCAL YEARS 2008 – 2015

(EXPRESSED IN THOUSANDS)

Year Ended June 30	Contributions	Investment Income	Transfers and Other Additions**	Total
LONG-TERM DISABILITY PROGRAM				
2015	$ 19,458	$ 15,884	$ –	$ 35,342
2014	14,393	49,603	–	63,996
2013	14,061	35,090	–	49,151
2012	67	3,378	–	3,445
2011	5	55,686	–	55,691
2010	24,196	39,586	7,029	70,811
2009	61,371	(59,852)	–	1,519
2008*	66,606	(15,332)	–	51,274
LONG-TERM CARE PROGRAM				
2015	$ 4,557	$ 2,454	$ 10	$ 7,021
2014	2,998	6,970	302	10,270
2013	2,929	4,460	277	7,666
2012	11	400	–	411
2011	1	6,167	–	6,168
2010	6,825	3,540	–	10,365
2009	9,966	(5,725)	–	4,241
2008*	11,754	(1,466)	21,070	31,358
TOTAL DISABILITY INSURANCE TRUST FUND				
2015	$ 24,015	$ 18,338	$ 10	$ 42,363
2014	17,391	56,573	302	74,266
2013	16,990	39,550	277	56,817
2012	78	3,778	–	3,856
2011	6	61,853	–	61,859
2010	31,021	43,126	7,029	81,176
2009	71,337	(65,577)	–	5,760
2008*	78,360	(16,798)	21,070	82,632

**Fiscal year 2008 was the first year for program activity with the current program design.*

***Transfers and Other Additions in fiscal year 2008 was a transfer of assets from a fully insured plan. Transfers and Other Additions in fiscal year 2010 includes a transfer of $7,029,000 between long-term care and long-term disability.*

SCHEDULE OF DISABILITY INSURANCE TRUST FUND DEDUCTIONS BY TYPE

FISCAL YEARS 2008–2015 (EXPRESSED IN THOUSANDS)

Year Ended June 30	Long-Term Disability Benefits	Long-Term Care and Costs	Third-Party Administrator Administrative Services	VRS Administrative Expenses	Transfers and Other Expenses**	Total
LONG-TERM DISABILITY PROGRAM						
2015	$ 28,504	$ –	$ 7,953	$ 729	$ 13	$ 37,199
2014	24,920	–	7,830	486	39	33,275
2013	23,015	–	6,320	449	26	29,810
2012	20,924	–	6,974	425	32	28,355
2011	20,050	–	7,512	585	148	28,295
2010	19,771	–	7,191	747	25	27,734
2009	19,076	–	8,285	716	–	28,077
2008*	19,675	–	8,438	583	–	28,696
LONG-TERM CARE PROGRAM						
2015	$ –	$ 628	$ –	$ 113	$ 2	$ 743
2014	–	931	–	69	15	1,015
2013	–	798	–	57	3	858
2012	–	546	–	50	4	600
2011	–	624	–	65	17	706
2010	–	612	–	67	7,031	7,710
2009	–	655	–	68	–	723
2008*	–	3,098	–	903	–	4,001
TOTAL DISABILITY INSURANCE TRUST FUND						
2015	$ 28,504	$ 628	$ 7,953	$ 842	$ 15	$ 37,942
2014	24,920	931	7,830	555	54	34,290
2013	23,015	798	6,320	506	29	30,668
2012	20,924	546	6,974	475	36	28,955
2011	20,050	624	7,512	650	165	29,001
2010	19,771	612	7,191	814	7,056	35,444
2009	19,076	655	8,285	784	–	28,800
2008*	19,675	3,098	8,438	1,486	–	32,697

**Fiscal year 2008 was the first year for program activity with the current program design.*

***Transfers and Other Expenses in fiscal year 2010 include a transfer of $7,029,000 between long-term care and long-term disability.*

FIGURE 5.13: OTHER POST-EMPLOYMENT BENEFIT PLAN STATISTICS

SCHEDULE OF RETIRED MEMBERS AND BENEFICIARIES BY PLAN

At June 30	Group Life Insurance	Retiree Health Insurance Credit	Disability Insurance	Line of Duty*
2015	163,482	112,053	2,860	525
2014	156,549	108,076	2,764	551
2013	149,926	103,952	2,757	536
2012	143,657	99,836	2,722	788
2011	137,784	96,671	2,698	801
2010	130,915	92,126	2,592	N/A
2009**	124,646	87,538	2,483	N/A

**This was a new program in fiscal year 2011. The reduction in cases resulted from employers that opted out of the Line of Duty program and are self-administering their line-of-duty cases and funding their benefits.*

***Fiscal year 2009 was the first year that this data was available.*

FIGURE 5.13: OTHER POST-EMPLOYMENT BENEFIT PLAN STATISTICS, cont.

SCHEDULE OF AVERAGE BENEFIT PAYMENTS BY PLAN

Group Life Insurance

Year Ended June 30	Number of Claims Paid	Average Claim Amount
2015	4,520	$ 24,757
2014	4,259	$ 23,489
2013	4,206	$ 21,816
2012	4,013	$ 21,737
2011	3,999	$ 21,896
2010	3,852	$ 22,118
2009*	3,650	$ 21,301

Fiscal year 2009 was the first year that this data was available.

Retiree Health Insurance Credit

Payment Period	Number of Recipients	Average Monthly Credit Amount
June 2015	112,053	$ 108
June 2014	108,076	$ 107
June 2013	103,952	$ 107
June 2012	99,834	$ 107
June 2011	96,671	$ 107
June 2010	92,125	$ 106
June 2009*	87,537	$ 105

Fiscal year 2009 was the first year that this data was available.

Disability Insurance

Payment Period	Number of Claims Paid	Average Gross Monthly Benefit	Average Net Monthly Benefit*
June 2015	2,829	$ 1,820	$ 885
June 2014	2,814	$1,852	$ 843
June 2013	2,707	$1,852	$ 814
June 2012	2,683	$1,828	$ 762
June 2011	2,650	$1,770	$ 759
June 2010	2,564	$1,738	$ 779
June 2009**	2,428	$1,714	$ 797

The net monthly benefit reflects adjustments for Social Security, workers' compensation and other offsets.

***Fiscal year 2009 was the first year that this data was available.*

Line of Duty*

Line of Duty Death Benefits**

Year Ended June 30	LOD Death	Presumptive LOD Death
2015	–	3
2014	3	2
2013	2	3
2012	4	4
2011***	6	11

Health Insurance Benefits

Year Ended June 30	Number of Active Claims	Average Annual Health Insurance Benefit
2015	525	$15,198
2014	573	$12,725
2013	552	$10,807
2012	781	$12,298
2011	801	$11,138

The Line of Duty Program was funded by a trust fund beginning in fiscal year 2011. In that year and fiscal year 2012 employers had the option to opt-out and self-fund the benefits provided by the program. Data for fiscal year 2011 and fiscal year 2012 are not representative of the program's expected activity going forward.

***The Line of Duty Program provides a $100,000 death benefit for an eligible individual whose death was a direct or proximate result of the performance of duty. The program also provides a $25,000 death benefit for certain individuals whose death arose out of their employment or was within five years of the date of retirement.*

****Fiscal year 2011 was the first year that this data was available.*

VRS-Participating Employers

More than 800 employers participate in the Virginia Retirement System (VRS) on behalf of their employees. Employers include state agencies, public colleges and universities, school divisions and political subdivisions.

The following employers were participating in VRS as of June 30, 2015:

PARTICIPATING POLITICAL SUBDIVISIONS: 455

A: retirement only B: retirement and group life insurance C: retirement, group life insurance and retiree health insurance credit
D: retirement and retiree health insurance credit

COUNTIES: 93

Accomack County - B
Albemarle County - B
Alleghany County - B
Amelia County - C
Amherst County - C
Appomattox County - B
Augusta County - B
Bath County - B
Bedford County - B
Bland County - C
Botetourt County - B
Brunswick County - B
Buchanan County - B
Buckingham County - B
Campbell County - B
Caroline County - B
Carroll County - B
Charles City County - B
Charlotte County - B
Chesterfield County - B
Clarke County - B
Craig County - C
Culpeper County - B
Cumberland County - B
Dickenson County - A
Dinwiddie County - B
Essex County - B
Fauquier County - B
Floyd County - B
Fluvanna County - C
Franklin County - B
Frederick County - B
Giles County - B
Gloucester County - C
Goochland County - B
Grayson County - B
Greene County - C
Greensville County - C
Halifax County - C
Hanover County - C
Henrico County - B
Henry County - C
Highland County - B
Isle of Wight County - C
James City County - C
King & Queen County - B
King George County - B
King William County - B
Lancaster County - B
Lee County - B
Loudoun County - B
Louisa County - C
Lunenburg County - B
Madison County - C
Mathews County - B
Mecklenburg County - B
Middlesex County - B
Montgomery County - B
Nelson County - B
New Kent County - B
Northampton County - B
Northumberland County - C
Nottoway County - B
Orange County - B
Page County - B
Patrick County - B
Pittsylvania County - C
Powhatan County - B
Prince Edward County - B
Prince George County - B
Prince William County - C
Pulaski County - C
Rappahannock County - C
Richmond County - B
Roanoke County - C
Rockbridge County - B
Rockingham County - B
Russell County - C
Scott County - B
Shenandoah County - C
Smyth County - B
Southampton County - C
Spotsylvania County - B
Stafford County - C
Surry County - B
Sussex County - B
Tazewell County - C
Warren County - B
Washington County - C
Westmoreland County - C
Wise County - C
Wythe County - C
York County - C

CITIES AND TOWNS: 162

City of Alexandria - A
City of Bedford - B
City of Bristol - B
City of Buena Vista - B
City of Chesapeake - B
City of Colonial Heights - B
City of Covington - C
City of Danville - A
City of Emporia - B
City of Fairfax - A
City of Falls Church - B
City of Franklin - B
City of Fredericksburg - B
City of Galax - B
City of Hampton - B
City of Harrisonburg - B
City of Hopewell - B
City of Lexington - B
City of Lynchburg - B
City of Manassas - C
City of Manassas Park - B
City of Martinsville - B
City of Newport News - B
City of Norfolk - B
City of Norton - B
City of Petersburg - B
City of Poquoson - C
City of Portsmouth - B
City of Radford - C
City of Richmond - B
City of Roanoke - C
City of Salem - B
City of Staunton - B
City of Suffolk - B
City of Virginia Beach - B
City of Waynesboro - B
City of Williamsburg - B
City of Winchester - C
Town of Abingdon - B
Town of Alberta - B
Town of Altavista - B
Town of Amherst - B
Town of Appomattox - A
Town of Ashland - B
Town of Berryville - B
Town of Big Stone Gap - A
Town of Blacksburg - B
Town of Blackstone - B
Town of Bluefield - B
Town of Bowling Green - B
Town of Boyce - B
Town of Boydton - B
Town of Boykins - A
Town of Bridgewater - B
Town of Broadway - B
Town of Brodnax - A

CITIES AND TOWNS, cont.

Town of Brookneal - B
Town of Burkeville - B
Town of Cape Charles - B
Town of Chase City - B
Town of Chatham - B
Town of Chilhowie - B
Town of Chincoteague - B
Town of Christiansburg - A
Town of Clarksville - B
Town of Clifton Forge - B
Town of Coeburn - B
Town of Colonial Beach - B
Town of Courtland - B
Town of Craigsville - B
Town of Crewe - B
Town of Culpeper - B
Town of Dayton - B
Town of Dillwyn - A
Town of Dublin - B
Town of Dumfries - C
Town of Edinburg - A
Town of Elkton - B
Town of Exmore - A
Town of Floyd - B
Town of Front Royal - B
Town of Gate City - A
Town of Glasgow - B
Town of Gordonsville - B
Town of Gretna - B
Town of Grottoes - B
Town of Grundy - B
Town of Halifax - B
Town of Hamilton - C
Town of Haymarket - A
Town of Haysi - A
Town of Herndon - B
Town of Hillsville - B
Town of Hurt - B
Town of Independence - A
Town of Iron Gate - B
Town of Jarratt - A
Town of Jonesville - B
Town of Kenbridge - C
Town of Kilmarnock - C
Town of La Crosse - A
Town of Lawrenceville - C
Town of Lebanon - A
Town of Leesburg - B
Town of Louisa - B
Town of Lovettsville - B
Town of Luray - B
Town of Madison - B
Town of Marion - B
Town of McKenney - B
Town of Middleburg - B
Town of Middletown - D
Town of Mineral - A
Town of Montross - B
Town of Mt. Jackson - B
Town of Narrows - A
Town of New Market - B
Town of Onancock - B
Town of Onley - B
Town of Orange - B
Town of Parksley - B
Town of Pearisburg - C
Town of Pembroke - B
Town of Pennington Gap - A
Town of Pound - A
Town of Pulaski - B
Town of Purcellville - B
Town of Quantico - B
Town of Remington - B
Town of Rich Creek - A
Town of Richlands - A
Town of Rocky Mount - B
Town of Round Hill - B
Town of Rural Retreat - A
Town of Saltville - A
Town of Scottsville - B
Town of Shenandoah - C
Town of Smithfield - B
Town of South Boston - B
Town of South Hill - A
Town of St. Paul - B
Town of Stanley - C
Town of Stephens City - B
Town of Strasburg - C
Town of Stuart - B
Town of Tappahannock - A
Town of Tazewell - A
Town of Timberville - B
Town of Urbanna - B
Town of Victoria - B
Town of Vienna - B
Town of Vinton - B
Town of Wakefield - A
Town of Warrenton - B
Town of Warsaw - B
Town of Waverly - A
Town of Weber City - B
Town of West Point - B
Town of Windsor - B
Town of Wise - B
Town of Woodstock - C
Town of Wytheville - B

AUTHORITIES, COMMISSIONS, DISTRICTS, REGIONAL INSTITUTIONS AND COMMUNITY SERVICES BOARDS: 200

Accomack-Northampton Planning District Commission - B
Albemarle County Service Authority - B
Albemarle-Charlottesville Regional Jail - B
Alexandria Redevelopment & Housing Authority - B
Alexandria Renew Enterprises - A
Alleghany Highlands Community Services Board - B
Amherst County Service Authority - C
Anchor Commission - B
Appalachian Juvenile Commission - C
Appomattox Regional Library - B
Appomattox River Water Authority - B
Augusta County Service Authority - B
Bedford Public Library - B
Bedford Regional Water Authority - B
Big Sandy Soil & Water Conservation District - A
Big Stone Gap Redevelopment & Housing Authority - A
Big Walker Soil & Water Conservation District - A
Blacksburg-Christiansburg-VPI Water Authority - B
Blacksburg-VPI Sanitation Authority - B
Blue Ridge Behavioral Healthcare - B
Blue Ridge Juvenile Detention Center - B
Blue Ridge Regional Jail Authority - B
Bristol Redevelopment & Housing Authority - B
Bristol Virginia Utilities Authority - B
Brunswick Industrial Development Authority - B
Campbell County Utilities & Service Authority - B
Capital Region Airport Commission - B
Castlewood Water & Sewage Authority - B
Central Rappahannock Regional Library - B
Central Virginia Community Services Board - B
Central Virginia Regional Jail - B
Central Virginia Waste Management Authority - C
Charles Pinckney Jones Memorial Library - B
Charlottesville-Albemarle Airport Authority - B
Charlottesville Redevelopment & Housing Authority - B
Chesapeake Bay Bridge & Tunnel District - B
Chesapeake Redevelopment & Housing Authority - B
Chesterfield County Health Center Commission - B
Clinch Valley Soil & Water Conservation District - B
Coeburn-Norton-Wise Regional Water Treatment Authority - B
Colonial Behavioral Health - C
Colonial Soil & Water Conservation District - B
Commonwealth Regional Council - A
Crater Youth Care Commission - B
Culpeper Soil & Water Conservation District - B
Cumberland Mountain Community Services Board - B
Cumberland Plateau Regional Housing Authority - B
Daniel Boone Soil & Water Conservation District - B
Danville-Pittsylvania Community Services Board - B
Danville Redevelopment & Housing Authority - B
Dinwiddie County Water Authority - B

AUTHORITIES, COMMISSIONS, DISTRICTS, REGIONAL INSTITUTIONS AND COMMUNITY SERVICES BOARDS, cont.

District 19 Community Services Board - C
Eastern Shore Community Services Board - B
Eastern Shore Public Library - B
Eastern Shore Soil & Water Conservation District - B
Economic Development Authority of Henrico County - B
Evergreen Soil & Water Conservation District - B
Fauquier County Water & Sanitation Authority - B
Ferrum Water & Sewage Authority - A
Franklin Redevelopment & Housing Authority - B
Frederick County Sanitation Authority - C
Giles County Public Service Authority - B
Goochland-Powhatan Community Services Board - B
Greensville County Water & Sewer Authority - C
Greensville-Emporia Department of Social Services - C
Halifax Service Authority - B
Hampton-Newport News Community Services Board - A
Hampton Redevelopment & Housing Authority - B
Hampton Roads Planning District Commission - B
Hampton Roads Regional Jail Authority - B
Hampton Roads Sanitation District - C
Hampton Roads Transit - B
Handley Regional Library - B
Harrisonburg-Rockingham Community Services Board - C
Harrisonburg-Rockingham Regional Sewer Authority - B
Henricopolis Soil & Water Conservation District - B
Henry County Public Service Authority - C
Holston River Soil & Water Conservation District - A
Hopewell Redevelopment & Housing Authority - A
Institute for Advanced Learning and Research - A
James City Service Authority - C
John Marshall Soil & Water Conservation District - B
Lee County Public Service Authority - B
Lee County Redevelopment & Housing Authority - B
Lenowisco Planning District Commission - B
Lonesome Pine Regional Library - B
Lonesome Pine Soil & Water Conservation District - A
Loudoun County Sanitation Authority - B
Massanutten Regional Library - B
Meherrin Regional Library - C
Meherrin River Regional Jail Authority - C
Middle Peninsula-Northern Neck Community Services Board - B
Middle Peninsula Planning District Commission - B
Middle Peninsula Regional Security Center - B
Middle River Regional Jail Authority - B
Monacan Soil & Water Conservation District - C
Montgomery Regional Solid Waste Authority - B
Mount Rogers Community Services Board - B
Nelson County Service Authority - B
New River Resource Authority - C
New River Soil & Water Conservation District - B
New River Valley Community Services Board - A
New River Valley Juvenile Detention Home Commission - B
New River Valley Planning District Commission - A
New River Valley Regional Jail - B
Norfolk Airport Authority - B
Norfolk Redevelopment & Housing Authority - B
Northern Neck-Essex County Group Home Commission - B
Northern Neck Regional Jail - B
Northern Shenandoah Valley Regional Commission - B
Northern Virginia Health Care Center Commission - A
Northern Virginia Juvenile Detention Home – B
Northern Virginia Transportation Authority - C
Northwestern Community Services Board - B
Opportunity Inc. of Hampton Roads - B
Pamunkey Regional Jail - B
Peaks of Otter Soil & Water Conservation District - B
Peninsula Airport Commission - B
Pepper's Ferry Regional Wastewater Authority - C
Peter Francisco Soil & Water Conservation District - A
Petersburg Redevelopment & Housing Authority - C
Peumansend Creek Regional Jail - B
Piedmont Community Services Board - B
Piedmont Regional Jail - B
Piedmont Regional Juvenile Detention Center - B
Pittsylvania County Service Authority - B
Planning District One Behavioral Health Services Board - C
Portsmouth Redevelopment & Housing Authority - B
Potomac and Rappahannock Transportation Commission - B
Potomac River Fisheries Commission - B
Prince William County Service Authority - C
Prince William Soil & Water Conservation District - B
Rappahannock Area Community Services Board - C
Rappahannock Juvenile Center - C
Rappahannock-Rapidan Community Services Board - B
Rappahannock-Rapidan Regional Planning District Commission - B
Rappahannock Regional Jail - B
Region Ten Community Services Board - B
Richmond Metropolitan Authority - B
Richmond Redevelopment & Housing Authority - B
Richmond Regional Planning District Commission - A
Rivanna Solid Waste Authority - B
Rivanna Water & Sewer Authority - B
Riverside Regional Jail - B
Roanoke Higher Education Authority - C
Roanoke Redevelopment & Housing Authority - A
Roanoke River Service Authority - A
Robert E. Lee Soil & Water Conservation District - A
Rockbridge Area Community Services Board - B
Rockbridge Area Social Services Department - B
Rockbridge County Public Service Authority - B
Rockbridge Regional Library - A
RSW Regional Jail Authority - B
Russell County Public Service Authority – C
Scott County Public Service Authority - B
Scott County Redevelopment & Housing Authority - B
Scott County Soil & Water Conservation District - B
Shenandoah Valley Juvenile Detention Home Commission - C
Shenandoah Valley Regional Airport Commission - B
Skyline Soil & Water Conservation District - A
South Central Wastewater Authority - B
Southeastern Virginia Public Service Authority - B
Southside Community Services Board - C
Southside Planning District Commission - B
Southside Regional Jail - C
Southside Regional Juvenile Group Home Commission - B
Southside Regional Library Board - B
Southwest Regional Recreation Authority - B

AUTHORITIES, COMMISSIONS, DISTRICTS, REGIONAL INSTITUTIONS AND COMMUNITY SERVICES BOARDS, cont.

Southwest Virginia Regional Jail - B
Spotsylvania-Stafford-Fredericksburg Group Home Commission - B
Staunton Redevelopment & Housing Authority - B
Suffolk Redevelopment & Housing Authority - B
Sussex Service Authority - B
Tazewell Soil & Water Conservation District - B
Thomas Jefferson Planning District Commission - B
Thomas Jefferson Soil & Water Conservation District - B
Tidewater Soil & Water Conservation District - A
Tidewater Youth Services Commission - C
Tri-County/City Soil & Water Conservation District - B
Upper Occoquan Sewage Authority - B
Valley Community Services Board - B
Virginia Biotechnology Research Park Authority - C
Virginia Coalfield Economic Development Authority - C
Virginia Highlands Airport Commission - B
Virginia Peninsula Regional Jail - B
Virginia Peninsulas Public Service Authority - B
Virginia Resources Authority - B
Virginia's Region 2000 Local Government Council - B
Washington County Service Authority - B
Washington Metropolitan Area Transportation Commission - A
Waynesboro Redevelopment & Housing Authority - B
Western Tidewater Community Services Board - D
Western Tidewater Regional Jail - B
Western Virginia Regional Jail Authority - C
Western Virginia Water Authority - B
Wise County Public Service Authority - B
Wise County Redevelopment & Housing Authority - C
Woodway Water Authority - B
Wythe-Grayson Regional Library - B
Wytheville Redevelopment & Housing Authority - B

SCHOOLS: 145

E: professional employees covered by retirement, group life insurance and the retiree health insurance credit and non-professional employees (as applicable) covered by retirement and group life insurance
F: professional and non-professional employees covered by retirement, group life insurance and the retiree health insurance credit

COUNTY SCHOOLS: 94

Accomack County Schools - E
Albemarle County Schools - E
Alleghany County Schools - E
Amelia County Schools - E
Amherst County Schools - E
Appomattox County Schools - F
Arlington County Schools - E
Augusta County Schools - E
Bath County Schools - F
Bedford County Schools - E
Bland County Schools - E
Botetourt County Schools - F
Brunswick County Schools - F
Buchanan County Schools - E
Buckingham County Schools - E
Campbell County Schools - F
Caroline County Schools - E
Carroll County Schools - F
Charles City County Schools - E
Charlotte County Schools - E
Chesterfield County Schools - E
Clarke County Schools - E
Craig County Schools - E
Culpeper County Schools - F
Cumberland County Schools - E
Dickenson County Schools - E
Dinwiddie County Schools - E
Essex County Schools - E
Fairfax County Schools - E
Fauquier County Schools - E
Floyd County Schools - E
Fluvanna County Schools - E
Franklin County Schools - F
Frederick County Schools - E
Giles County Schools - E
Gloucester County Schools - F
Goochland County Schools - E
Grayson County Schools - E
Greene County Schools - E
Greensville County Schools - E
Halifax County Schools - F
Hanover County Schools - E
Henrico County Schools - E
Henry County Schools - E
Highland County Schools - E
Isle of Wight County Schools - E
King & Queen County Schools - E
King George County Schools - E
King William County Schools - E
Lancaster County Schools - E
Lee County Schools - F
Loudoun County Schools - F
Louisa County Schools - F
Lunenburg County Schools - E
Madison County Schools - E
Mathews County Schools - E
Mecklenburg County Schools - E
Middlesex County Schools - E
Montgomery County Schools - E
Nelson County Schools - E
New Kent County Schools - E
Northampton County Schools - E
Northumberland County Schools - E
Nottoway County Schools - E
Orange County Schools - E
Page County Schools - E
Patrick County Schools - E
Pittsylvania County Schools - E
Powhatan County Schools - E
Prince Edward County Schools - E
Prince George County Schools - E
Prince William County Schools - F
Pulaski County Schools - E
Rappahannock County Schools - F
Richmond County Schools - E
Roanoke County Schools - E
Rockbridge County Schools - E
Rockingham County Schools - F
Russell County Schools - F
Scott County Schools - E
Shenandoah County Schools - E
Smyth County Schools - E
Southampton County Schools - E
Spotsylvania County Schools - E
Stafford County Schools - F
Surry County Schools - E
Sussex County Schools - E
Tazewell County Schools - E
Warren County Schools - E
Washington County Schools - F
Westmoreland County Schools - E
Wise County Schools - F
Wythe County Schools - F
York County Schools - E

CITY AND TOWN SCHOOLS: 39

Alexandria City Schools - E
Bristol City Schools - E
Buena Vista City Schools - E
Charlottesville Public Schools - E
Chesapeake Public Schools - E
Colonial Beach Schools - E
Colonial Heights City Schools - E
Covington City Schools - F
Danville City Schools - E
Fairfax City Schools - E
Falls Church Public Schools - E
Franklin City Schools - F
Fredericksburg City Schools - E
Galax City Schools - E
Hampton City Schools - E
Harrisonburg City Schools - E
Hopewell City Schools - E
Lexington City Schools - E
Lynchburg Public Schools - E
Manassas City Schools - F
Manassas Park City Schools - F
Martinsville City Schools - E
Newport News Public Schools - E
Norfolk Public Schools - E
Norton City Schools - E
Petersburg City Schools - E
Poquoson City Schools - F
Portsmouth City Schools - E
Radford City Schools - E
Richmond Public Schools - E
Roanoke City Schools - F
Salem City Schools - F
Staunton City Schools - F
Suffolk City Schools - E
Virginia Beach City Schools - E
Waynesboro City Schools - E
West Point Schools - E
Williamsburg-James City County Schools - F
Winchester Public Schools - F

OTHER SCHOOLS: 12

Amelia-Nottoway Vocational Center - E
Appomattox Regional Governor's School - E
Bridging Communities Regional Career Center & Technical Center - E
Charlottesville-Albemarle Vocational Technical Center - E
Jackson River Vocational Technical Center - F
Maggie Walker Governor's School for Government and International Studies - E
New Horizons Technical Center - E
Northern Neck Regional Special Education Program - E
Northern Neck Regional Vocational Center - E
Rowanty Vocational Technical Center - E
The Pruden Center for Industry and Technology - E
Valley Vocational Technical Center - E

Of the 145 school boards, 133 also provide coverage for non-professional employees and are treated as political subdivisions.

AGENCIES OF THE COMMONWEALTH OF VIRGINIA, INCLUDING PUBLIC COLLEGES AND UNIVERSITIES: 227

Covered by retirement, group life insurance, retiree health insurance credit and sickness and disability

TOTAL VRS-PARTICIPATING EMPLOYERS: 827

FIGURE 5.14: VRS EMPLOYER RANKING

CURRENT YEAR

AS OF JUNE 30, 2015

Employer	Active Employees	Percentage of Total
1. Fairfax County Schools – Professional Employees	21,354	6.27%
2. Prince William County Schools – Professional Employees	8,145	2.39%
3. Loudoun County Schools – Professional Employees	8,140	2.39%
4. Virginia Beach City Schools – Professional Employees	8,082	2.37%
5. Chesterfield County Schools – Professional Employees	6,051	1.78%
6. City of Virginia Beach – General Government	5,912	1.74%
7. Henrico County Schools – Professional Employees	5,143	1.51%
8. University of Virginia – Academic Division	5,104	1.50%
9. Henrico County – General Government	4,963	1.46%
10. Virginia Polytechnic Institute and State University – Academic	4,857	1.43%
11. All other	262,825	77.16%
Total	**340,576**	**100.00%**

HISTORICAL COMPARISON

AS OF JUNE 30, 2005

Employer	Active Employees	Percentage of Total
1. Fairfax County Schools – Professional Employees	18,821	5.81%
2. Virginia Beach City Schools – Professional Employees	8,401	2.59%
3. Prince William County Schools – Professional Employees	6,558	2.02%
4. Chesterfield County Schools – Professional Employees	5,660	1.75%
5. City of Virginia Beach – General Government	5,655	1.75%
6. University of Virginia – Academic Division	5,248	1.62%
7. Loudoun County Schools – Professional Employees	5,163	1.59%
8. Norfolk City Schools – Professional Employees	4,960	1.53%
9. Henrico County – General Government	4,526	1.40%
10. Virginia Polytechnic Institute and State University – Academic	4,493	1.39%
11. All other	254,540	78.55%
Total	**324,025**	**100.00%**

Commonwealth of Virginia 457 Deferred Compensation and Cash Match Plans

Program With Oversight by VRS

PLAN OVERVIEW

The Commonwealth of Virginia 457 Deferred Compensation Plan is qualified under Section 457(b) of the Internal Revenue Code and regulated by Title 51.1, Chapter 6, of the *Code of Virginia*. The 457 Deferred Compensation Plan provides eligible members a way to save for retirement through deferrals of compensation each pay period.

The Cash Match Plan is qualified under Section 401(a) of the Internal Revenue Code and is regulated by Title 51.1, Chapter 6, of the *Code of Virginia*. Employees participating in the Deferred

Compensation Plan are eligible to receive an employer-provided contribution to the Cash Match Plan if they are state employees or employees whose employers have elected the Cash Match Plan.

The Virginia Retirement System (the System) has oversight but no investment responsibility for the Deferred Compensation and Cash Match Plans. These plans' assets, therefore, are not included in the System's Basic Financial Statements.

FIGURE 5.15: STATEMENT OF CHANGES IN PLAN ACCUMULATION ASSETS

FOR THE YEARS ENDED JUNE 30

	Deferred Compensation Plan – 457(b)		Cash Match Plan – 401(a)	
	2015	2014	2015	2014
Plan Assets on July 1	$ 2,026,875,362	$ 1,741,845,322	$ 353,287,941	$ 302,484,937
Contributions	129,961,846	129,879,195	17,164,370	17,654,309
Distributions	(110,690,633)	(103,153,207)	(21,481,259)	(18,281,127)
Plan Transfers*	8,627,066	2,044,169	10,355,268	10,613,093
Third-Party Administrative Fees**	(2,382,686)	(2,328,590)	(64,692)	(290,504)
Period Earnings	61,960,569	258,588,473	10,564,168	41,107,233
Plan Assets on June 30	**$ 2,114,351,524**	**$ 2,026,875,362**	**$ 369,825,796**	**$ 353,287,941**

**For the Deferred Compensation Plan, this represents plan transfers from other eligible Section 457(b) plans into the Commonwealth's Plan. For the Cash Match Plan, this represents transfers from other qualified plans, including Partial Lump-Sum Option Payments (PLOPs) for the VRS pension plans.*

***The current third-party administrator, ICMA-RC, is compensated based on an annual record-keeping and communication fee of $30.50 per participant deducted on a monthly basis (approximately $2.54 per month). Participants with multiple accounts only pay one annual fee of $30.50. In addition, administrative costs were incurred by VRS for each of the plans. For the Deferred Compensation Plan, they were $786,307 and $676,533 in fiscal year 2015 and fiscal year 2014, respectively. For the Cash Match Plan, they were $482,115 and $474,645 in fiscal year 2015 and fiscal year 2014, respectively. These costs are funded by the employers participating in the plans.*

ELIGIBILITY

New and re-hired salaried state employees in Plan 1 and Plan 2 are automatically enrolled in the Deferred Compensation Plan upon employment with two opportunities to opt out of the plan. The Deferred Compensation Plan is voluntary to salaried state employees hired before January 1, 2008, and to eligible political subdivision employees whose employers have elected to participate in the plan.

Wage employees of employers that offer the plans may participate in the Deferred Compensation Plan but not the Cash Match Plan. Figure 5.15 presents details of each plan's activity for the years ended June 30, 2015 and 2014.

Contributions to the Deferred Compensation Plan during fiscal year 2015 and fiscal year 2014 were $129,961,846 and $129,879,195, respectively.

Contributions to the Cash Match Plan during fiscal year 2015 and fiscal year 2014 were $17,164,370 and $17,654,309, respectively.

As shown in Figures 5.16 and 5.17, there were approximately 77,952 employees in the Deferred Compensation Plan and 73,383 employees in the Cash Match Plan as of June 30, 2015.

Current state legislation establishing the Commonwealth of Virginia 457 Deferred Compensation Plan allows participants to use plan funds to purchase eligible prior service credit in their defined benefit plan. Approximately 66 plan participants used the trustee-to-trustee transfer provision to buy VRS service credit.

FIGURE 5.16: 457(b) ACTIVE AND INACTIVE PLAN PARTICIPANTS

AT JUNE 30 (EXPRESSED IN THOUSANDS)

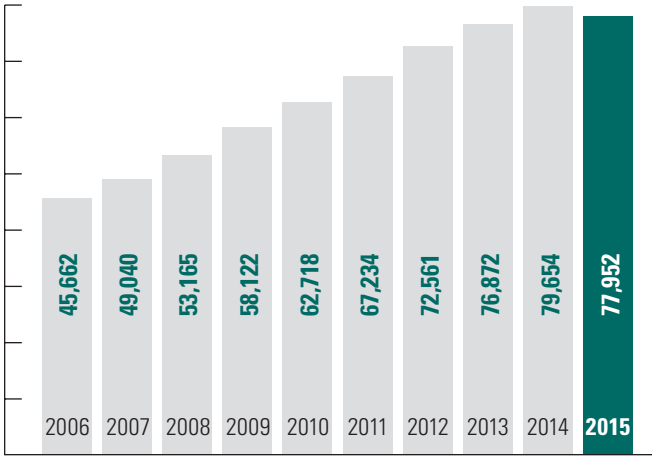

FIGURE 5.17: 401(a) ACTIVE AND INACTIVE PLAN PARTICIPANTS

AT JUNE 30 (EXPRESSED IN THOUSANDS)

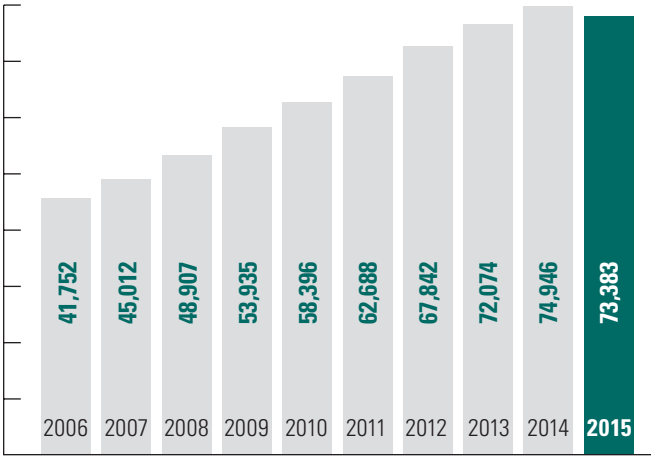

FIGURE 5.18: TOTAL PARTICIPANT ACCOUNTS IN EACH FUND OPTION

AT JUNE 30, 2015 (EXPRESSED IN THOUSANDS)

Fund Name	Deferred Compensation Plan – 457(b)	Cash Match Plan – 401(a)
Retirement Portfolio	5,485	4,371
Target Date 2020 Portfolio	5,679	4,868
Target Date 2025 Portfolio	6,370	5,525
Target Date 2030 Portfolio	6,336	5,555
Target Date 2035 Portfolio	6,247	5,553
Target Date 2040 Portfolio	5,851	5,246
Target Date 2045 Portfolio	6,447	5,849
Target Date 2050 Portfolio	6,686	6,152
Target Date 2055 Portfolio	4,357	4,156
Target Date 2060 Portfolio	61	55
Money Market Fund	4,526	3,530
Stable Value Fund	19,371	19,795
Bond Fund	9,778	7,456
Inflation-Protected Bond Fund	4,077	2,822
High-Yield Bond Fund	4,203	2,743
Stock Fund	24,597	20,990
Small/Mid-Cap Stock Fund	13,232	10,356
International Stock Fund	11,990	9,287
Emerging Markets Stock Fund	1,651	799
Global Real Estate Fund	8,810	6,704
VRS Investment Portfolio	1,665	1,043
Self-Directed Brokerage	391	56

The number of participant accounts exceeds the number of participants because a participant may invest in more than one fund.

FIGURE 5.19: ACCUMULATION PLAN ASSETS BY FUND

FOR THE YEARS ENDED JUNE 30

	Deferred Compensation Plan – 457(b)		Cash Match Plan – 401(a)	
Fund Name	2015	2014	2015	2014
Retirement Portfolio	$ 137,414,862	$ 89,948,245	$ 21,261,655	$ 13,499,498
Target Date 2015 Portfolio	–	51,898,275	–	7,542,049
Target Date 2020 Portfolio	100,288,852	87,735,414	15,906,309	14,491,015
Target Date 2025 Portfolio	73,076,359	62,588,283	13,339,434	11,794,733
Target Date 2030 Portfolio	50,022,756	43,644,322	11,237,640	10,053,110
Target Date 2035 Portfolio	40,851,071	34,575,922	10,351,825	9,363,090
Target Date 2040 Portfolio	29,310,334	24,401,410	7,930,036	6,690,708
Target Date 2045 Portfolio	19,593,200	16,515,238	6,768,548	5,757,396
Target Date 2050 Portfolio	13,060,692	11,272,850	5,073,018	4,274,299
Target Date 2055 Portfolio	7,526,914	6,198,398	2,310,816	1,691,867
Target Date 2060 Portfolio	630,963	–	66,441	–
Money Market Fund	37,444,368	36,528,539	6,353,361	5,997,599
Stable Value Fund	371,650,613	375,728,991	92,982,094	93,031,775
Bond Fund	100,878,897	98,975,281	13,268,210	12,831,395
Inflation-Protected Bond Fund	31,669,110	33,080,531	3,373,663	3,373,189
High-Yield Bond Fund	25,336,688	24,835,102	3,294,132	3,499,405
Stock Fund	615,546,031	575,358,557	94,382,476	88,125,771
Small/Mid-Cap Stock Fund	206,470,600	200,491,298	28,449,295	27,264,072
International Stock Fund	114,882,413	123,496,662	14,060,551	15,309,496
Emerging Markets Stock Fund	8,885,917	8,506,685	631,430	675,130
Global Real Estate Fund	80,985,503	79,545,789	12,301,215	12,332,598
VRS Investment Portfolio – Interim Account	1,164,566	1,317,922	69,825	67,436
VRS Investment Portfolio	19,707,298	14,923,653	5,605,016	5,037,873
Self-Directed Brokerage	27,953,519	25,307,995	808,805	584,437
Total Accumulation Plan Assets	**$ 2,114,351,524**	**$ 2,026,875,362**	**$ 369,825,796**	**$ 353,287,941**

Detailed information on each of these funds, including the investment objective, distribution of assets, investment performance and annual operating expense for each fund, is presented in the Investment Section.

Virginia Retirement System

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