

Thursday, February 4, 2021

Board Meeting Agenda

Board Room #4

2nd Floor Conference Center

9960 Mayland Drive

Henrico, VA 23233

Join by phone at (US) +1 440-462-3599 PIN: 270 585 675#

or by Google Meets at <https://meet.google.com/uvu-node-hcn?authuser=0>

- 10 a.m. Call to Order – **D. Brian Carson, CPA, CGMA, Chair**
Security Briefing – **Patti Hambright, Administrative Assistant**
Determination of Quorum
Approval of February 4, 2021 Agenda
Approval of December 1, 2020, Board meeting minutes
Approval of Consent Agenda:
Consent Orders:
- 2019-224-018U (Warwick)
 - 2019-231-023U (Rogers and Warwick)
 - 2020-050-019U (Brown)
- Public comment period*
- 10:15 a.m. 1. Committee Updates – **D. Brian Carson, CPA, CGMA, Chair**
- NASBA Communications Committee – **D. Brian Carson, CPA, CGMA, Chair**
 - NASBA Enforcement Resources Committee – **William R. Brown, CPA**
 - NASBA Administration and Finance Committee – **Laurie A. Warwick, CPA**
 - NASBA Education Committee – **Nadia A. Rogers, CPA**
 - AICPA’s Information Systems and Controls Task Force – **Nadia A. Rogers, CPA**
- 10:45 a.m. 2. Executive Director’s Report – **Nancy Glynn, CPA, Executive Director**
- General updates
 - MLO upgrade progress
 - Financial and Board Report update – **Renai Reinholtz, Deputy Director**
 - Fiscal Year 2020 Draft Financial Statements – **Renai Reinholtz, Deputy Director**
 - Five year forecast and fees – **Renai Reinholtz, Deputy Director**
 - Enforcement update – **Amanda E. M. Blount, Enforcement Director**
 - Regulatory update – **Elizabeth M. Marcello, Information and Policy Advisor**
- 11:15 a.m. 3. Board Discussion Topics – **D. Brian Carson, CPA, CGMA, Chair**
- 2021 Ethics course update – **Nancy Glynn, CPA, Executive Director**
 - Remote testing – **Nancy Glynn, CPA, Executive Director**
 - UAA Education Model Rules and CPA Evolution – **Nadia A. Rogers, CPA**

- Disposition of Cases Involving Unlicensed Use of the CPA Title by Previously Licensed Individuals –
Amanda E. M. Blount, Enforcement Director

12 p.m. 5. Adjourn for lunch

- 12:30 p.m. 6. Additional Items for Discussion
- Sign Conflict of Interest forms
 - Sign Travel Expense vouchers
 - Future meeting dates
 - April 22, 2021
 - May 27, 2021
 - June 24, 2021
 - August 31, 2021

- 1 p.m. 7. Closed Session
- Enforcement – **Amanda E. M. Blount, Enforcement Director**
- OAG and legal updates
 - Presiding Officer Recommendations:
 - 2019-234-164C (Glynn and Winters)
 - 2018-470-415C (Glynn and Winters)
 - 2019-171-131C (Glynn and Winters)
 - 2020-099-099C (Glynn and Winters)
 - 2019-131-010U
 - 2019-041-003D (Saunders and Warwick)
 - 2019-108-019D (Saunders and Warwick) (moved from Consent agenda)
 - 2019-221-018D (Lewis and Warwick)
 - 2018-425-005U (Rogers and Warwick)
 - 2019-177-014U (Rogers and Warwick)
 - 2019-179-015U (Rogers and Warwick)

2 p.m. Adjournment

***For those attending the meeting virtually, any public comments must be emailed to boa@boa.virginia.gov with the subject line: Board meeting public comments and received by Feb. 2, 2021.**

Persons desiring to attend the meeting and requiring special accommodations/interpretive services should contact the VBOA office at (804) 367-8505 at least five days prior to the meeting so that suitable arrangements can be made for an appropriate accommodation. The VBOA fully complies with the Americans with Disabilities Act.

**Board Meeting
December 1, 2020
Draft/Unapproved minutes**

The Virginia Board of Accountancy met on Tuesday, December 1, 2020, in Board Room #2 of the Perimeter Center, 9960 Mayland Drive, Henrico, Virginia 23233.

MEMBERS PRESENT: D. Brian Carson, CPA, CGMA, Chair
W. Barclay Bradshaw, CPA
William R. Brown, CPA
Wendy P. Lewis, CPA

**MEMBERS APPEARING
VIRTUALLY:** Nadia A. Rogers, CPA
Jay Bernas

**MEMBER APPEARING
VIRTUALLY FOR A
PORTION OF
THE MEETING:** Laurie A. Warwick, CPA, Vice Chair

**LEGAL COUNSEL
APPEARING
VIRTUALLY:** James Flaherty, Assistant Attorney General,
Office of the Attorney General

STAFF PRESENT: Nancy Glynn, CPA, Executive Director
Renai Reinholtz, Deputy Director
Amanda E. M. Blount, Enforcement Director
Kelli Anderson, Communications Manager
Patti Hambright, CPE Coordinator and Administrative Assistant
Elaina Johnson, CAI contractor for VBOA

**STAFF APPEARING
VIRTUALLY:** Elizabeth Marcello, Information and Policy Advisor

**MEMBER OF THE
PUBLIC APPEARING
VIRTUALLY:** Colleen K. Conrad, CPA, Executive VP and COO, NASBA

**MEMBERS OF THE
PUBLIC PRESENT:** Stephanie Peters, CAE, President and CEO, Virginia Society of Certified

**Board Meeting
December 1, 2020
Draft/Unapproved minutes**

Public Accountants

Emily Walker, CAE, Vice President, Advocacy, Virginia Society of
Certified Public Accountants

CALL TO ORDER

Mr. Carson called the meeting to order at 10 a.m.

DETERMINATION OF QUORUM

Mr. Carson determined there was a quorum present.

SECURITY BRIEFING

Ms. Hambright provided the emergency evacuation procedures.

APPROVAL OF AGENDA

Upon a motion by Mr. Brown, and duly seconded, the members voted unanimously to approve the December 1, 2020, agenda, as presented.

CALL FOR VOTE:

D. Brian Carson, CPA, CGMA – Aye
Laurie A. Warwick, CPA – Aye
Jay Bernas – Aye
W. Barclay Bradshaw, CPA – Aye
William R. Brown, CPA – Aye
Wendy P. Lewis, CPA – Aye
Nadia A. Rogers, CPA – Aye

VOTE:

Ayes: Seven (7)
Nays: None

APPROVAL OF MINUTES

Upon a motion by Mr. Bradshaw, and duly seconded, the members voted to approve the October 8, 2020, Board meeting minutes, as presented.

**Board Meeting
December 1, 2020
Draft/Unapproved minutes**

CALL FOR VOTE:

D. Brian Carson, CPA, CGMA – Aye
Laurie A. Warwick, CPA – Aye
Jay Bernas – Aye
W. Barclay Bradshaw, CPA – Aye
William R. Brown, CPA – Aye
Wendy P. Lewis, CPA – Aye
Nadia A. Rogers, CPA – Aye

VOTE:

Ayes: Seven (7)
Nays: None

APPROVAL OF CONSENT AGENDA

Upon a motion by Mr. Brown, and duly seconded, the members voted unanimously to approve the Consent Agenda, as presented.

CALL FOR VOTE:

D. Brian Carson, CPA, CGMA – Aye
Laurie A. Warwick, CPA – Aye
Jay Bernas – Abstain
W. Barclay Bradshaw, CPA – Aye
William R. Brown, CPA – Aye
Wendy P. Lewis, CPA – Aye
Nadia A. Rogers, CPA – Aye

VOTE:

Ayes: Six (6)
Abstain: One (1)
Nays: None

PUBLIC COMMENT PERIOD

Ms. Walker provided the Board with an update regarding the tax conformity legislation.

She also discussed the liability related to COVID for the business and labor community.

**Board Meeting
December 1, 2020
Draft/Unapproved minutes**

REMOTE TESTING

Ms. Conrad provided a PowerPoint handout regarding the consideration of remote proctoring of the Uniform CPA Examination. She explained in detail why remote proctoring was under consideration and the need to be prepared if there was ever an extended shutdown of Prometric testing centers. She defined remote testing and provided guidelines. Ms. Conrad encouraged Board members to participate in a NASBA webcast on December 14, 2020.

COMMITTEE UPDATES

NASBA Communications Committee

Mr. Carson noted there were no updates for the NASBA Communications Committee at this time.

NASBA Enforcement Resources Committee

Mr. Brown noted there were no updates for the NASBA Enforcement Resources Committee at this time.

NASBA Administration and Finance Committee

Ms. Warwick noted there were no updates for the NASBA Administration and Finance Committee at this time.

NASBA Education Committee

Ms. Rogers noted there were no updates for the NASBA Education Committee at this time.

AICPA's Information Systems and Controls Task Force

Ms. Rogers noted the AICPA's Information Systems and Controls Task Force had met on November 12, 2020. The committee discussed their mission in considering content of information and control systems relative to the new CPA Evolution initiative.

EXECUTIVE DIRECTOR'S REPORT

General updates

Ms. Glynn provided the Board with an update to the 2021 Virginia ethics VBOA Segment video. She noted the finalized video had been sent to all of the Board members for review. She noted the VBOA had started to receive ethics course provider applications.

**Board Meeting
December 1, 2020
Draft/Unapproved minutes**

Ms. Glynn noted the PROC (Peer Review Oversight Committee) had met virtually on November 17, 2020. As a result of the meeting, the VBOA had sent emails to all licensed firms requesting the firms provide updated information and their most recent Peer Review report. More than 560 firms had replied.

(Ms. Warwick is no longer participating in the Board meeting)

Ms. Glynn attended the virtual NASBA Annual Meeting held November 2-4. She noted the topics included education and how the Boards were dealing with COVID-19. She also noted CPE would be available for any Board members in attendance.

Ms. Glynn noted the CPA Evolution initiative was moving forward to include managerial accounting being replaced with a technology course.

Ms. Glynn noted the VBOA's FY20 financial statements would be available to the Board members in mid-January 2021 for review.

MLO upgrade progress

Ms. Glynn provided an update to the Board regarding the licensing software upgrade and the move to a hosted environment. The VBOA's online system was taken down early Friday morning, October 23, 2020, and was up and running by noon on Monday, October 26, 2020, as planned. Overall, the move had gone smoothly.

Financial and Board Report update

Ms. Reinholtz presented and fielded questions regarding the October 2020 Financial and Board Report.

Enforcement update

Ms. Blount led the discussion regarding the enforcement update. She provided handouts, which included a new condensed enforcement Board report. Discussion ensued. She noted IFF (Informal Fact Finding) conferences had resumed and additional conferences had been scheduled for December 15, 2020, and January 19, 2021. Ms. Blount fielded questions.

Regulatory update

Ms. Marcello led the discussion regarding regulatory updates. She noted the VBOA regulatory revisions were still awaiting final approval.

**Board Meeting
December 1, 2020
Draft/Unapproved minutes**

BOARD DISCUSSION TOPICS

2021 Ethics course update

Ms. Anderson led the discussion and provided multiple handouts regarding the 2021 ethics course update. She noted the VBOA ethics course provider application for 2021 was available on the VBOA website. Ms. Anderson explained in detail the process for providers to become a VBOA approved ethics course provider. She noted the VBOA website contained complete instructions and frequently asked questions. Ms. Glynn and Ms. Anderson fielded questions.

Modification to the Delegations of Authority, Administrative Policy and Procedure, for certain criminal convictions

Ms. Marcello led the discussion regarding the Delegations of Authority, Administrative Policy and Procedure document. A thorough discussion ensued. Ms. Walker provided comments.

Upon a motion by Mr. Brown, and duly seconded, the members voted unanimously to approve the Administrative Policy and Procedure, Delegation of Authority document, as amended.

CALL FOR VOTE:

D. Brian Carson, CPA, CGMA – Aye
Jay Bernas – Aye
W. Barclay Bradshaw, CPA – Aye
William R. Brown, CPA – Aye
Wendy P. Lewis, CPA – Aye
Nadia A. Rogers, CPA – Aye

VOTE:

Ayes: Six (6)
Nays: None

Disposition of Cases Involving Unlicensed Use of the CPA Title by Previously Licensed Individuals

Ms. Blount led the discussion regarding the disposition of cases involving unlicensed use of the CPA title by previously licensed individuals' guidance document. Ms. Blount provided a handout and a detailed discussion ensued. The Board agreed to revisit the topic at a later date.

RECESS FOR LUNCH 12:52 p.m.

**Board Meeting
December 1, 2020
Draft/Unapproved minutes**

RECONVENE 1:22 p.m.

ADDITIONAL ITEMS FOR DISCUSSION

- Sign Conflict of Interest forms
- Sign Travel Expense vouchers

FUTURE MEETING DATES

- February 4, 2021
 - April 22, 2021
 - May 27, 2021
 - June 24, 2021
 - August 31, 2021
-

Begin closed meeting

Upon a motion by Mr. Brown, and duly seconded, the members approved by unanimous vote the meeting be recessed and the Virginia Board of Accountancy convene a closed meeting under the Virginia Freedom of Information Act to a matter lawfully exempted from open meeting requirements under the 'Legal advice regarding specific legal matters' exemption contained in Virginia Code §2.2-3711 (A)(8).

The following non-members will be in attendance for a portion of the closed meeting to reasonably aid in the consideration of this topic: Nancy Glynn, Amanda Blount and James Flaherty (Mr. Flaherty is participating virtually).

CALL FOR VOTE:

D. Brian Carson, CPA, CGMA – Aye
Jay Bernas – Aye
W. Barclay Bradshaw, CPA – Aye
William R. Brown, CPA – Aye
Wendy P. Lewis, CPA – Aye
Nadia A. Rogers, CPA – Aye

VOTE:

Ayes: Six (6)
Nays: None

**Board Meeting
December 1, 2020
Draft/Unapproved minutes**

End closed meeting

Upon a motion by Mr. Brown, and duly seconded, the Virginia Board of Accountancy convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and WHEREAS, § 2.2-3712 (D) of the Code of Virginia requires a certification by this Board that such closed meeting was conducted in conformity with Virginia law; NOW THEREFORE, BE IT RESOLVED, that the VBOA hereby certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia laws were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the VBOA.

CALL FOR VOTE:

D. Brian Carson, CPA, CGMA – Aye
Jay Bernas – Aye
W. Barclay Bradshaw, CPA – Aye
William R. Brown, CPA – Aye
Wendy P. Lewis, CPA – Aye
Nadia A. Rogers, CPA – Aye

VOTE:

Ayes: Six (6)
Nays: None

No actions were taken as a result of the closed session.

Case #2019-041-003D (Saunders and Warwick)

Mr. Bradshaw was not present and did not participate in the closed discussion.

The Board determined there was not a quorum available. The discussion was tabled.

ADJOURNMENT

There being no further business before the VBOA, Mr. Carson adjourned the meeting at 1:46 p.m.

**Board Meeting
December 1, 2020
Draft/Unapproved minutes**

APPROVED:

D. Brian Carson, CPA, CGMA, Chair

COPY TESTE:

Nancy Glynn, CPA, Executive Director

**Individual and firm license activity
December 31, 2020**

<i>Fiscal Period</i>	Period ending 12/31/2020	Period ending 12/31/2019	Year ending 6/30/2020	Year ending 6/30/2019	Year ending 6/30/2018
REGULANTS					
Individuals					
Active, licensed CPAs	27,308	26,990	26,666	26,282	26,318
Inactive, licensed CPAs	2,033	1,879	1,915	1,784	1,585
Total Licensed CPAs	29,341	28,869	28,581	28,066	27,903
Out-of-state licensees	9,765	8,691	8,935	8,435	8,330
Reinstatements - Individuals	109	97	170	162	178
New CPA licenses issued	635	752	1,241	1,133	1,227
Expired/voluntarily surrendered licenses	41	64	861	871	1,177
Exam Candidates					
Number of first time exam candidates	569	590	1,673	1,624	1,675
Firms					
Total active, licensed CPA firms	1,173	1,168	1,157	1,126	1,177
Reinstatements - Firms	5	3	8	10	10
New CPA firm licenses issued	20	39	37	38	74
Expired/voluntarily surrendered licenses	5	3	81	79	74

Financial Report
FY20 Budget vs. Actual Expenses
As of December 31, 2020

<u>Expenditure Type</u>	<u>FY21 Operating Budget</u>	<u>FY21 YTD Expenditures</u>	<u>% Expended</u>	<u>FY20 YTD Expenditures</u>	<u>FY19 YTD Expenditures</u>	<u>FY18 YTD Expenditures</u>
<u>Salaries & Benefits</u>	1,424,635	675,593	47.4%	1,308,884	1,175,925	1,174,172
Total Salaries & Benefits	\$ 1,424,635	\$ 676,727	47.5%	\$ 1,308,884	\$ 1,175,925	\$ 1,174,172
<u>Contractual Services</u>						
1211 Express Services	150	22	14.8%	84	134	722
1214 Postal Services	14,000	9,762	69.7%	12,011	9,984	12,886
1215 Printing Services	7,500	1,907	25.4%	6,459	4,537	5,487
1216 Telecommunications - VITA	9,432	5,135	54.4%	9,609	12,539	11,613
1217 Telecommunications - Nonstate (CallFire)	6,000	30	0.5%	2,495	100	100
1219 Inbound Freight	300	13	4.4%	260	56	160
1221 Organization Memberships (primarily NASBA)	8,217	7,574	92.2%	8,327	7,625	7,255
1222 Publication Subscriptions	3,570	272	7.6%	3,655	1,271	1,266
1224 Training - Courses, Workshops, Conferences	5,500	50	0.9%	7,563	4,822	11,459
1225 Employee Tuition Reimbursement	-	-	---	-	1,618	-
1227 Training-Transportation, Lodging, Meals, Incidentals	9,000	-	0.0%	9,511	4,567	23,825
1228 Employee IT Training Courses/Workshops and Conferences	-	-	---	-	91	-
1242 Fiscal Services (Credit Card Merchant Fees)	55,000	15,364	27.9%	68,818	34,498	48,558
1243 Attorney Services	25,000	26,217	104.9%	48,624	62,020	51,736
1244 Mgmt. Services - NASBA/special accommodations	30,000	4,205	14.0%	28,061	33,808	21,736
1245 Personnel Management Services	-	-	---	-	79	-
1246 Public Info/Public Relations (subscriptions)	1,100	384	34.9%	4,484	3,470	3,538
1247 Legal Services (court reporting services)	2,000	1,466	73.3%	2,688	10,834	19,562
1252 Electrical Repair/Maintenance	-	3,681	---	-	-	-
1253 Equipment Repair/Maintenance	850	-	0.0%	440	823	-
1263 Clerical / Temp Services	-	-	---	-	-	2,754
1264 Food and Dietary Services	3,500	605	17.3%	2,377	3,585	3,236
1265 Laundry & Linen Services	-	-	---	-	13	-
1266 Manual Labor Services (Includes shredding services)	4,500	1,410	31.3%	1,757	320	394
1268 Skilled Services	1,200	-	0.0%	600	1,138	-
1272 VITA Pass Thru Charges	381,505	115,097	30.2%	135,675	133,466	135,170
1273 Info Mgmt Design and Development Services (IT Support)	129,000	88,625	68.7%	108,689	108,923	94,600
1275 Computer Software Maintenance	6,830	3,575	52.3%	6,435	-	-
1278 VITA Information Technology Infrastructure Services	132,000	30,879	23.4%	148,216	146,380	119,126
1279 Computer Software Development Services	-	-	---	-	234,015	346,155
1282 Travel - Personal Vehicle	7,500	823	11.0%	6,318	6,603	8,099
1283 Travel - Public Carriers	-	-	---	-	77	-
1284 Travel - State Vehicles	1,000	-	0.0%	243	200	652
1285 Travel - Subsistence and Lodging	1,500	-	0.0%	1,221	1,612	2,182
1288 Travel, Meal Reimburse - Not IRS Rpt	1,000	-	0.0%	723	824	1,423
Total Contractual Services	\$ 847,154	\$ 317,097	37.4%	\$ 625,343	\$ 830,032	\$ 933,694
<u>Supplies and Materials</u>						
1312 Office Supplies	3,500	603	17.2%	1,191	3,783	5,023
1313 Stationery and Forms	1,800	375	20.8%	997	1,844	2,028
1323 Gasoline (Enterprise vehicles)	250	-	0.0%	87	103	221
1335 Packaging and Shipping Supplies	800	351	43.8%	351	1,237	485
1342 Medical & Dental Supplies	50	30	59.5%	-	5	-

<u>Expenditure Type</u>	<u>FY21 Operating Budget</u>	<u>FY21 YTD Expenditures</u>	<u>% Expended</u>	<u>FY20 YTD Expenditures</u>	<u>FY19 YTD Expenditures</u>	<u>FY18 YTD Expenditures</u>
<u>Supplies and Materials, continued</u>						
1352 Custodian Repair & Maintenance	-	-	---	728	-	389
1353 Electrical Repair/Maintenance Materials	-	-	---	-	-	-
1362 Food & Dietary Supplies	525	60	11.4%	442	365	498
1363 Food Service Supplies	50	35	70.6%	16	56	62
1373 Computer Operating Supplies	2,500	609	24.4%	823	3,989	3,194
Total Supplies & Materials	\$ 9,475	\$ 2,063	21.8%	\$ 4,634	\$ 11,382	\$ 11,900
<u>Transfer Payments</u>						
1413 Awards & Recognition	150	18	11.8%	-	1,033	848
1415 Unemployment Compensation	-	216	---	-	-	-
1418 Incentives	1,200	-	0.0%	725	325	-
Total Transfer Payments	\$ 1,350	\$ 234	17.3%	\$ 725	\$ 1,358	\$ 848
<u>Continuous Charges</u>						
1512 Automobile Liability Insurance	231	-	0.0%	231	231	231
1516 Property Insurance	1,224	-	0.0%	1,224	1,224	1,224
1534 Equipment Rentals	12,100	2,670	22.1%	8,133	8,507	8,645
1539 Building Rentals - Non-State Owned Facilities	95,440	46,967	49.2%	95,161	93,416	90,982
1541 Agency Service Charges (shared services)	53,383	22,292	41.8%	37,675	37,335	38,169
1551 General Liability Insurance	328	-	0.0%	328	188	188
1554 Surety Bonds	40	-	0.0%	40	40	40
1555 Worker's Compensation	1,044	-	0.0%	1,023	1,044	978
Total Continuous Charges	\$ 163,790	\$ 71,929	43.9%	\$ 143,815	\$ 141,985	\$ 140,457
<u>Equipment</u>						
2216 Network Components	1,500	877	58.5%	1,357	452	341
2217 Other Computer Equipment	150	130	86.7%	97	1,590	685
2218 Computer Software Purchases	-	-	---	428	419	540
2224 Reference Equipment	-	-	---	-	32	80
2232 Photographic Equipment	-	-	---	-	-	552
2233 Voice and Data Transmission Equipment	-	969	---	23	511	164
2238 Electronic and Photo Equipment Improvements	-	-	---	-	3,791	6,125
2261 Office Appurtenances (Blinds, Carpet, etc.)	150	-	0.0%	687	348	94
2262 Office Furniture	-	-	---	385	5,666	555
2263 Office Incidentals	500	345	69.0%	658	109	969
2264 Office Machines	-	-	---	-	412	65
2283 Mechanical Equipment	-	-	---	2,338	-	-
2328 Construction, Building Improvements	-	150	---	44,209	-	-
Total Equipment	\$ 2,300	\$ 2,471	107.5%	\$ 50,182	\$ 13,330	\$ 10,170
Total Expenses	\$ 2,448,704	\$ 1,070,521	46.0%	\$ 2,133,583	\$ 2,174,012	\$ 2,271,240
Chapter 1289 Appropriation	\$ 2,328,158					
Additional Appropriation Request	\$ 120,546					
Total Projected Appropriation	\$ 2,448,704					

**Virginia Board of Accountancy
Financial Report
Cash Balance
As of December 31, 2020**

	Operating Fund (09226)		Special Fund (02020)	
	FY2021 - YTD as of 12/31/20	FY2020 - YTD as of 12/31/19	FY2021 - YTD as of 12/31/20	FY2020 - YTD as of 12/31/19
Beginning Fund Balance July 1:	\$ 1,915,719	\$ 681,659	\$ 3,617,992	\$ 4,405,230
YTD Revenue Collected	215,056	240,336	-	-
Interest earnings*	5,204	3,534	9,170	27,227
Accounts Payable **	186	39,053	-	-
Cash Transfers In per Board Policy #1	481,940	868,979	-	-
Cash Transfers Out per Board Policy #1	-	-	(481,940)	(868,979)
YTD Expenditures	(1,070,521)	(1,052,505)	-	-
Cash Balance before required transfers	<u>\$ 1,547,584</u>	<u>\$ 781,055</u>	<u>\$ 3,145,222</u>	<u>\$ 3,563,478</u>
Required Cash Transfers:				
Transfers to Central Service Agencies ***	\$ (13,366)	\$ (11,302)	-	-
Cash Balance after required transfers	<u>\$ 1,534,218</u>	<u>\$ 769,753</u>	<u>\$ 3,145,222</u>	<u>\$ 3,563,478</u>

* Interest Earnings - Per Virginia Acts of Assembly - Chapter 732 - §3-3.03 - Approved April 10, 2016, the State Comptroller shall allocate revenue for interest earnings effective FY2016. Interest Earnings had not been allocated since FY2010.

** Prior to October 1, 2014 and the implementation of the Commonwealth's new financial accounting and reporting system (Cardinal) all payments immediately reduced cash when processed (in CARS). The new Cardinal financial system operates on a modified accrual basis and cash balances are not affected until the voucher's due date. The Cardinal system generates an offsetting entry to a liability account (accounts payable) when the voucher is processed. Once the voucher due date arrives, the payment is made, the liability is relived and cash is now reduced.

*** Non-general fund Transfers required by Virginia Acts of Assembly Part 3-1.01F for expenses incurred by central service agencies due on or before June 30.

Virginia Board of Accountancy
Revenue by Fee Type
Source: VBOA Licensing System (MLO)

Fee Type	FY2021 - YTD as of 12/31/20	FY2020 - YTD as of 12/31/19	Fiscal Year Ending 6/30/20	Fiscal Year Ending 6/30/19	Fiscal Year Ending 6/30/18
Application Fee	\$ 119,755	\$ 136,435	\$ 271,705	\$ 300,895	\$ 309,965
(a) Re-Exam Application	\$ 41,200	\$ 45,940	\$ 80,240	\$ 95,420	\$ 90,580
(b) Renewal Fee	\$ 33,345	\$ 71,440	\$ 1,824,475	\$ 2,328,986	\$ 1,859,054
Reinstatement Fee	\$ 40,300	\$ 43,594	\$ 63,500	\$ 63,600	\$ 64,570
Duplicate Wall Certificate Fee	\$ 550	\$ 1,075	\$ 1,800	\$ 1,850	\$ 1,950
License Verification Fee	\$ 8,275	\$ 9,300	\$ 16,175	\$ 18,950	\$ 20,025
CPA Exam Score Transfers	\$ 775	\$ 1,200	\$ 1,750	\$ 1,950	\$ 2,325
Administrative Fee	\$ -	\$ -	\$ -	\$ -	\$ 1,000
Bad Check Fee	\$ 236	\$ 157	\$ 313	\$ 50	\$ 150
Total Revenue	\$ 244,436	\$ 309,141	\$ 2,259,958	\$ 2,811,701	\$ 2,349,619
(c) Net Revenue per Commonwealth Accounting and Reporting System (Cardinal)	\$ 215,056	\$ 240,336	\$ 2,220,553	\$ 2,870,760	\$ 2,338,729
(d) Difference	\$ 29,380	\$ 68,805	\$ 39,405	\$ (59,059)	\$ 10,890

NOTES:

- (a) Effective January 5, 2016, VBOA implemented the Re-Exam Application fee.
- (b) Renewal Fee also includes associated late fees prior to FY19.
- (c) Net Revenue per Cardinal reported above includes only revenue received from regulatory fees.
- (d) Revenue Totals from the VBOA Licensing System (MLO) will not always match Revenue collected and reported on the VBOA Cash Report (Cardinal), due to timing differences in dates transactions are posted into each system and pending adjustments.

**Virginia Board of Accountancy
Financial Report
Accounts Receivable
As of December 31, 2020**

	FY2021 - YTD as of 12/31/20	FY2020 - YTD as of 12/31/19	Fiscal Year Ending 6/30/20	Fiscal Year Ending 6/30/19	Fiscal Year Ending 6/30/18	Fiscal Year Ending 6/30/17
Fines levied	\$ 77,550	\$ 44,450	\$ 107,725	\$ 221,273	\$ 326,285	\$ 187,925
Fines collected	\$ 81,500	\$ 60,006	\$ 112,760	\$ 191,199	\$ 258,879	\$ 198,771
Outstanding Current fines receivable (< 365 Days)	\$ 29,750	\$ 40,953	\$ 49,975	\$ 60,230	\$ 92,026	\$ 25,442
Outstanding Written-off receivables (=> 365 Days) (a)	\$ 675,587	\$ 657,813	\$ 659,313	\$ 654,093	\$ 592,222	\$ 591,400

NOTE:

(a) All accounts uncollected after one year are deemed uncollectible, are written off of the VBOA's financial account records, and are no longer recognized receivables for financial reporting purposes; however, the legal obligation to pay the debt still remains.



Fee comparison

Virginia Board of Accountancy

February 4, 2021

Fee comparison

The following tasks/processes have on average lower fees in Virginia compared to many other boards of accountancy:

- Exam application: \$120
 - 30 states charge a higher fee for initial exam applications than Virginia
 - Range amongst these states: \$145-\$245
 - Average amongst these states: \$151.57
- Initial license application: \$75
 - 33 states charge a higher fee for initial license applications than Virginia
 - Range amongst these states: \$85-\$390
 - Average amongst these states: \$178.79
- Individual renewal: \$60
 - 23 states charge a higher fee for individual license renewals than Virginia
 - Range amongst these states: \$63-\$565
 - Average amongst these states: \$136.01
- Firm renewal: 75
 - 13 states charge a higher fee for firm license renewals than Virginia
 - Range amongst these states: \$100-\$250
 - Average amongst these states: \$129.58

FEBRUARY 2021 ENFORCEMENT BOARD REPORT

OPEN CASE STATUS FOR NON-CPE CASES (as of January 21, 2021)					
Open Case Stage	New (30 days)	30-160 Days	160-365 Days	>365 Days	Total
Investigation	4	11	1	-	16
Draft Investigative Report	-	2	-	-	2
Probable Cause Review	1	19	21	4	45
Draft Pre-IFF Consent Order	-	-	3	2	5
Pending Signed Pre-IFF Consent Order	-	-	-	-	-
Pending Informal Fact-Finding Conference	-	-	4	4	8
Draft Presiding Officer's Recommendation / Post IFF Consent Order	-	-	1	-	1
Pending Signed Post IFF Consent Order	-	-	-	-	-
Pending Board Approval	-	1	3	6	10
Pending Board Request for Additional Information	-	-	1	1	2
Deferred (Pending Trial, Litigation, Regulatory Review, etc.)	-	-	-	1	1
Total Open Non-CPE Cases	5	33	34	18	90

OPEN CASE STATUS FOR CPE DEFICIENCY CASES (as of January 21, 2021)					
Open Case Stage	New (30 days)	30-160 Days	160-365 Days	>365 Days	Total
Pending Investigative Report	7	11	1	-	19
Pending Draft Pre-IFF Consent Order	7	1	-	2	10
Pending Signed Pre-IFF Consent Order	8	3	-	1	12
Informal Fact-Finding Conference	-	6	-	3	9
Pending Draft Presiding Officer's Recommendation/ Post IFF Consent Order	-	-	-	-	-
Pending Signed Post IFF Consent Order	-	-	-	-	-
Pending Board Approval*	1	7	3	1	12
Pending Board Request for Additional Information	-	2	1	-	3
Total Open CPE Deficiency Cases	23	30	5	7	65

* A number of these cases are pending closure by the Executive Director pursuant to the authority delegated by the Board.



NON-CPE CASES CLOSED (November 25, 2020 through January 21, 2021)

Closed Case Action	New (30 days)	30-160 Days	160-365 Days	>365 Days	Total
Closed during PC Review w/ no violation	-	1	3	-	4
Closed during PC Review w/ advisory letter	-	-	-	1	1
Closed following IFF w/ no violation	-	-	-	-	-
Pre-IFF Consent Order	-	1	1	1	3
Post-IFF Consent Order	-	-	-	-	-
Board Order	-	-	-	-	-
TOTAL CASES CLOSED	-	2	4	2	8

CPE DEFICIENCY CASES CLOSED (November 25, 2020 through January 21, 2021)

Closed Case Action	New (30 days)	30-160 Days	160-365 Days	>365 Days	Total
Pre-IFF Consent Order	12	25	2	-	39
Closed following IFF w/ no violation	-	-	-	-	-
Post-IFF Consent Order	-	-	-	-	-
Board Order	-	-	-	-	-
Order Permitting Reinstatement	1	-	-	-	1
TOTAL CASES CLOSED	13	25	2	-	40

CPE AUDIT REPORT (January 21, 2021)

	As of 01/21/21	Year Ending 6/30/20	Year Ending 6/30/19	Year Ending 6/30/18	Year Ending 6/30/17
CPE Audits Selected	366	700	1699	2402	2022
CPE Audits Passed	263	529	1141	1526	1294
CPE Audits Deficient	20	132	227	412	448
CPE Audits Pending	83	34	2	-	-
CPE Audit Deficiency Rate	7%	20%	17%	21%	26%

The Uniform CPA Examination

*Proposed Pilot of Remote Proctoring of CPA
Examination: Update and FAQs for Boards of
Accountancy*

January 21, 2021

*Prepared by NASBA, AICPA and Prometric for Board of
Accountancy Informational Purposes*

1 Executive Summary

1.1 Executive Summary

The purpose of this paper is to provide board of accountancy members and staff with a document outlining additional details regarding a proposed remote testing pilot exercise for the CPA Exam (RT PILOT); summarize identified risks and proposed mitigations specific to remote testing; and answer many frequently asked questions posed by board of accountancy members and staff during recent meetings and webcasts.

This paper will be followed in January 2021 by a letter to the board of accountancy chairs and executive directors requesting direction regarding the acceptance of CPA Exam scores for the small number of candidates who would volunteer to test remotely as part of the RT PILOT in pre-selected jurisdictions.

Background

In 20Q2, the world, including the administration of the Uniform CPA Examination (CPA Exam), was significantly impacted by the Covid-19 pandemic. Prometric closed its test centers in North America and beyond for an extended period and 26,000 CPA candidate appointments were cancelled. Many were rescheduled upon reopening of test centers, but over many months. Some candidates have not yet rescheduled their appointments. Are they taking advantage of the extended notice to schedule (NTS) periods and credit extensions, or have some of them dropped out of the CPA pipeline? It remains too early to tell. Since July 2020, Prometric has been open at nearly 100% available capacity; however, Prometric continues to operate with less than 70% test center occupancy.

All jurisdictions responded to the pandemic by providing scheduling and credit extensions to candidates; blanket extensions for all in early months of the crisis and generally now on a case-by-case basis. One jurisdiction even had an executive order requiring that all licensing boards grant provisional licenses without examination until tests once again became available. Some states tried to pass legislation that would make it legal to practice without credentials or a license, since candidates could not complete testing and secure that credential or license. The uncontrollable reaction of state legislatures and executive orders lend further urgency and necessity to have a remote solution at the ready for emergency use if test centers are closed.

In March 2020, when the test centers were closed, NASBA and AICPA executive leadership decided it was prudent to investigate the possibility of remote proctoring of the CPA Exam as a contingency and back-up solution if, and when, test centers must again close for any significant period. Since then, NASBA-AICPA-Prometric (NAP) have been working together to evaluate

and plan for the possibility of ensuring the availability of potential future remote testing of the CPA Exam for emergency use. Our joint teams of technology, operations, legal, data privacy, cybersecurity and other experts have been progressing in their efforts to prepare for the possibility of remote testing, while at the same time assessing risk and focusing on mitigation strategies.

NASBA and AICPA believe a RT PILOT, as proposed, allows NAP to test, learn from, and reassess remote testing before the AICPA, NASBA, or the boards of accountancy would ever consider deploying remote testing at a larger scale for emergency use. The hope is that NAP can complete a RT PILOT and work with the boards to then further assess the viability of remote testing before Prometric test centers must close in the future for any reason.

NASBA and AICPA leadership stand firm in their recommendation to proceed with the logical and necessary step of a RT PILOT due to recent record-breaking spikes in the virus and resulting deaths, plus the uncertainty of vaccine efficacy for new strains and a protracted roll out of vaccines.

A continual pipeline of newly licensed CPAs into the profession is vital to the continued protection of the public. The ability to continue testing candidates and allowing them to progress on their journey to CPA licensure benefits the candidates, their employers, and the public.

Status of Other Testing Programs

It is important to note that many other professional credentials and licensing bodies are, like NASBA and AICPA, at minimum, exploring remote testing while others have already implemented remote testing. Examples of licensing bodies which have already begun remote testing include:

- National Council of Architectural Registration Boards (NCARB)
- Council of Landscape Architecture Registration Boards (CLARB)
- Financial Industry Regulatory Authority (FINRA)
- Pharmacy Technician Certification Board (PTCB)
- Medical Council of Canada (MCC)
- Board of Pharmacy Specialties (BPS)

In the accounting profession, the Global Accounting Alliance (GAA) is working with their constituents to share best practices as the following bodies are either exploring or have implemented remote testing:

- Institute of Chartered Accountants of England and Wales (ICAEW)
- Chartered Accountants of Ireland (CAI)
- South African Institute of Chartered Accountants (SAICA)

- Institute of Chartered Accountants of Scotland (ICAS)
- CPA Canada

The Association of Test Publishers (ATP), and its membership bodies in testing, which include the AICPA, Prometric, and other testing bodies and vendors, are also sharing information, offering webinars, workshops, and sharing best practices on policies, procedures, and psychometric considerations. NASBA and AICPA have also been in direct contact with other testing programs which have already implemented remote testing capability to learn from their efforts.

2 Remote Testing Pilot Program (RT PILOT)

Prior to reading the rest of this document, please familiarize yourself with the following user guide: https://www.prometric.com/sites/default/files/2020-04/PrometricProUserGuide_3.1_1.pdf

2.1 Why is a RT PILOT Recommended?

NASBA and AICPA agree that it is prudent to perform a small-scale live test of CPA Exam remote proctoring before it may be needed for true emergency use. An emergency would not be the time to “try it out”.

The recommended RT PILOT allows NAP to administer the Exam in a very limited fashion via remote testing, in true production environments, delivering reliable applicable scores to a small set of specifically selected Candidates in a restricted time period, with restricted Exam content, all while testing the NAP software, systems, interfaces, processes, and communications at a much-reduced scale with acceptable levels of risk. This RT PILOT is vital to assessing the readiness and availability of the program for emergency use if Prometric Test Centers are closed, should the boards of accountancy decide to allow its use for its candidates.

This live RT PILOT would only be conducted after (1) extensive user acceptance and internal candidate experience testing by NAP. “Friends and Family” candidate experience testing by a small group including state board members and staff, ERB representatives and others will also occur. In addition, the RT PILOT would not be allowed to proceed until technical systems are complete and tested and system security measures are fully in place and tested. After this robust testing, the testing of actual candidates in a live environment becomes crucial because NAP needs to secure relevant and honest feedback from candidates with prior test-center experience, candidates trying to pass the Exam section, and ultimately, candidates that have a vested interest in a successful test administration.

At the conclusion of the RT PILOT, NAP will report results of the PILOT to the accountancy boards for review and consideration. Depending on such results, further recommendations might be made for additional pilot phase(s), as needed. NAP will not recommend consideration of using ProProctor for emergency use when Prometric Test Centers are closed without first satisfactorily concluding that any and all risks have been appropriately mitigated. NAP would never seek to administer the CPA Exam to candidates in any circumstances unless it was sufficiently secure, reliable, and psychometrically valid and fair.

2.2 Will Taking the CPA Exam via the RT Pilot be Equivalent to Taking It in a Test Center?

The AICPA's Psychometric Oversight Committee (POC) discussed CPA Exam remote testing plans at its May and October 2020 meetings. At the October 2020 meeting the POC expressed unanimous support for the approach being taken to engage in a RT PILOT so that the NAP and the accountancy boards will be prepared, should future conditions require broader remote testing. The POC was also very supportive of the plan to have remote testing reserved for only emergency purposes at this time, rather than launching initially on a broader scale. POC members did identify testing accommodations as a challenge for remote testing environments; therefore, given the limited nature and restrictions of the RT Pilot, test accommodations will not be provided for the RT Pilot.

The POC affirms that the Uniform CPA Examination remains uniform whether it is administered in a Prometric Test Center or remotely via ProProctor. The same content and skills are tested utilizing the Uniform CPA Examination Blueprint. As such, scores from candidates testing as part of the RT PILOT should be considered uniform to those testing in test centers.

NASBA and the AICPA believe that scores from the small number of candidates who volunteer to take part in the RT PILOT should be accepted by accountancy boards as valid for licensure, as permitted by jurisdiction law and board rules. As noted earlier, a letter will be sent to all board chairs and executive directors confirming acceptance of such scores solely for RT PILOT candidates.

2.3 How will the RT PILOT work?

In order to maintain security, minimize risk, and provide adequate data for NAP review, the RT PILOT is anticipated to be defined as follows:

- Candidates from several selected boards of accountancy (after board approval) may volunteer to take the CPA Exam as part of the RT PILOT
- No candidate will be required to participate in the RT PILOT. It will be on a voluntary basis.

- Candidates will consent in writing to their participation in the RT PILOT and all associated changes to their testing experience.
- Fees will be the same for testing remotely or in a test center.
- Only domestic candidates may participate (no candidates with international addresses).
- The RT PILOT will consist of 250-1,000 total sections tested.
- Candidates may not be first-time test takers and therefore will be familiar with the testing process.
- The RT PILOT is anticipated to occur in 21Q2.
- All sections (AUD, FAR, REG, and BEC) will be available for testing.
- Candidates may take multiple sections during the RT PILOT. As an example, they may take AUD and FAR remotely.
- Candidates will not be able to retest a failed section administered in the RT PILOT during the RT PILOT, though they will be able to retest by making an appointment in a Prometric Test Center.
- Should a Candidate not be able to complete their test administration of a section in the RT PILOT for any reason, they may not reschedule that section into the RT PILOT.
- Candidates requiring ADA test accommodations will not be tested in the RT PILOT.

In addition:

- The Exam sections delivered as part of the RT PILOT are production sections and are comparable (they all meet the same test specifications) to the sections delivered in a Prometric Test Center.
- At a general level, the AICPA will compare the RT PILOT Candidates performance (scores, timing, etc.) to the performance of Prometric Test Center candidates. A direct comparison between remote testing and test center testing may not be made as the volumes are quite different.
- The AICPA is proposing the specific timeline and RT PILOT requirements to minimize any negative impact on the CPA Exam item bank.
- Prometric has confirmed that they have more than adequate ProProctor and system capacity to support the RT PILOT.

NAP will remain diligent in its rigorous oversight of the remote testing systems and will report out to the accountancy boards the results of the RT PILOT. RT PILOT candidates are already familiar with testing protocols and potentially have more to lose should they be found cheating or stealing content. Should a Prometric Proctor see anything suspicious or in violation of any rules, the Prometric Proctor can interrupt, question, and terminate a Candidate testing remotely at any time. A candidate may be asked to scan the room at any time with their camera. Should a rare cheating or security incident occur, NAP is prepared, as it always is, to provide the state boards with the necessary background information.

Note that the AICPA produces approximately 12-18 statistically equivalent forms of each of the four sections (AUD, REG, BEC, FAR) for each quarter, and there are two versions of each form. For the RT PILOT, a small number of versions for each of the four sections will ONLY be administered to candidates in the RT PILOT. These versions are applicable for scoring and licensing. Using these versions for only RT PILOT allows AICPA to maximize security and minimize risk to the RT PILOT.

Numerous network and security practices are in place by the AICPA Exams Team, in the transmission of the software and the Exam to Prometric, and in the transmission by Prometric to the test centers. Similar system and network practices are in place between the AICPA, Prometric, and the Candidate's system to protect the Exam and its software and to ensure a secure administration.

The RT PILOT allows NAP to administer the Exam via remote testing, in true production environments, delivering reliable applicable scores to Candidates, all while testing the NAP software, systems, interfaces, processes, and communications all at a much-reduced scale with acceptable levels of risk. Note that NAP is hopeful that one pilot administration will be adequate; however, a second or third may be warranted.

Attachment A

RISKS AND MITIGATIONS HIGH-LEVEL SUMMARY

Category	Risk or Concern	Mitigation / Status
Testing Accommodations	Uniform testing availability for special accommodation candidates	<ul style="list-style-type: none"> · ADA candidates will not be included in the RT PILOT. · ADA testing accommodations must be supported prior to approving remote testing for emergency use, or any other use. · NAP continues to develop their plans and solutions for supporting fully ADA compliant test accommodations.
Board and Exam Uniformity	Will it still be a uniform Exam if some candidates test remotely and others in test centers?	<ul style="list-style-type: none"> · Regardless of location, the Exam tests the same content and skills following the Blueprint. · Only slight differences exist in the software and the administration. · The Psychometric Oversight Committee has deemed the CPA Exam given via the RT PILOT to be comparable and fair. · The check-in and proctoring processes are substantially similar to that in test centers, though not exactly the same

	<p>Transferability / reciprocity of scores obtained by remote testing between jurisdictions</p>	<ul style="list-style-type: none"> · The request will be for all boards to accept scores of a small number of exam candidates in a few jurisdictions solely for RT PILOT purposes · A full report regarding the RT PILOT will be provided to the boards before seeking final approval to use remote proctoring for emergency use only on a go forward basis.
	<p>Need for jurisdictions to change their statutes or rules to allow for remote testing</p>	<ul style="list-style-type: none"> · No statute changes appears to be required. · A small number of jurisdictions have specific reference to Prometric Test Centers in their rules. This might possibly need to be addressed, pending board legal review.
	<p>Definition of “emergency” or “other purpose”</p>	<ul style="list-style-type: none"> · An “Emergency Purpose” definition is not required for the RT PILOT. · NAP continues to refine its “Emergency Purpose” definition. It will be reviewed with the NASBA CBT Administration Committee for approval, in consultation with the Executive Director Committee, and other constituents before remote testing would be more widely administered. · It is anticipated that the definition of Emergency will be predicated on extensive and lengthy test center shutdowns due to government mandates or force majeure situations.

<p>Costs to Candidates</p>	<p>Increased Exam cost to candidate</p>	<ul style="list-style-type: none"> · Candidates will be charged the same fee for remote testing as they are charged for testing in test centers. · Implementing the software changes to support remote testing are not projected to require increased costs to the candidates.
<p>Testing Experience</p>	<p>Equipment, internet access and capacity</p>	<ul style="list-style-type: none"> · System requirements (computer / laptop setup / webcam / keyboard / mouse / monitor / internet speed / internet connection type) will be clearly delineated and available to potential candidates. · All candidates must meet these requirements. · A system readiness check will be available for advance testing by the candidates. The ProProctor System Check ensures that a candidate's system meets the minimum standards for remote testing via ProProctor. CPA Exam-specific system requirements in excess of the ProProctor minimum standards will be communicated to prospective candidates.
	<p>Reliant on internet connectivity – web-based driver</p>	<ul style="list-style-type: none"> · Remote testing requires a stable internet connection for the candidate. · The candidate's connection is tested prior to starting the Exam and any lengthy disconnect will abort the Exam administration.

	Testing environment	<ul style="list-style-type: none"> · Prometric has clear and strict policies regarding acceptable testing environments that candidates must meet for the duration of the Exam’s administration. · Guidance will be provided on how to prepare one’s environment for testing. · Readiness agents will guide candidates to rectify environment issues, when feasible
	Candidates without internet access	<ul style="list-style-type: none"> · During the RT PILOT, candidates may always choose to test in a test center. · Candidates may select to test at their employer, college or university, friends or family homes, etc. · NAP will continue to monitor other programs and case law.
Test Security	Access to other information on personal computer	<ul style="list-style-type: none"> · The candidate’s computer is locked down by the ProProctor system during the initialization process and the Candidate may not access anything on their computer. · The NAP Cyber Team has a security risk assessment underway.

	<p>Protection of content (item harvesting)</p>	<p>For the RT PILOT:</p> <ul style="list-style-type: none"> · Candidates are repeat, experienced candidates. · Limited Exam content is exposed. · Short testing windows (approximately 3 weeks). · No remote repeat testing / continuous testing, though candidates can choose to retest in test centers. · Exam content does not reside on the candidate’s computer. · AICPA will deploy enhanced web monitoring to monitor for item sharing on social media and websites.
	<p>Preventing proxy testing</p>	<ul style="list-style-type: none"> · For the RT PILOT, candidates are repeat, experienced candidates. · Government-issued ID required and reviewed against the NTS, the same process as in test centers. · Candidate photos are captured and retained at test centers and for remote testing. · Fingerprints are not captured with remote testing. Note that fingerprints are not currently being captured in test centers due to Covid-19 restrictions.

	<p>Cheating during test administration</p>	<ul style="list-style-type: none"> · Candidates are always monitored by a Prometric Proctor from check-in to completion of the Exam. · A Proctor may interrupt the Exam administration and require a 360° camera scan at any time. · A Proctor may interrupt and potentially terminate any Exam administration if the irregularity cannot be addressed and a secure administration verified. · The entire Exam administration is video and audio recorded for real-time and post-Exam review, as needed. The same process as in a test center. · Prometric uses AI and other tools to watch for anomalies. · An extensive check-in process is required after each allowed break. · Unscheduled breaks (while a testlet is in process) could cause termination of a testing event.
<p>Board Oversight</p>	<p>Availability of secret shopping by boards and Examination Review Board (ERB)</p>	<p>Board members, executive directors, and other constituents including the ERB can work with NASBA to schedule remote testing “secret shops”.</p>
	<p>Availability of videos of testing administrations for Board review</p>	<p>Video and audio can be reviewed by internal Prometric resources and the results made available to NASBA, on behalf of any accountancy board. As in test centers, video and audio recording of testing events will be available for NASBA and Board review, as necessary.</p>

	Consistent policies and procedures	NAP is currently reviewing all remote testing policies and procedures and NASBA's CBT Administration Committee, in consultation with the Executive Directors Committee, will review policies and procedures for fairness and workability before implementation.
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Attachment B

REMOTE TESTING FREQUENTLY ASKED QUESTIONS (FAQS)

Note: The following Frequently Asked Questions (FAQs) were gathered from accountancy board representatives during remote testing webcasts, NASBA Regional and Annual Meetings, state board meetings, and via correspondence from boards and board members.

Candidate Preparation

Q: Will training videos or other materials be available for RT PILOT candidates?

A: The Prometric ProProctor User Guide will be available at: https://www.prometric.com/sites/default/files/2020-04/PrometricProUserGuide_3.1_1.pdf to explain the ProProctor process. Additional information for candidates can be found on the Prometric website (<https://www.prometric.com/proproctorcandidate>) and ehhelp (<https://ehelp.prometric.com/proproctor/s/>).

NAP will also develop CPA Exam program-specific information for RT PILOT candidates. Candidates will provide written consent that they have reviewed and understand these materials and instructions. If the decision is made to proceed with remote testing for emergency use, additional materials will be made available to have ready as needed.

Q: What system requirements will be necessary?

A: The ProProctor system minimum requirements are listed in the User Guide as follows:

- Laptop/PC Power source
- 20” to 28” HD monitor is required. 23” is ideal.
- Screen Resolution: 1920 x 1080 *in >32-bit color* Operating system (Windows 10 or higher / MacOS 10.13 or higher)
- Current version of Google Chrome web browser
- Internet connection speed of 0.5 mbps or greater
- Separate web cam with resolution of 640 x 480p or higher
- Wi-Fi connection with download speed of at least 0.5 mbps

It is important to note that the remote administration of the CPA Exam may require additional CPA Exam-specific requirements (i.e., different download or upload speeds, HD 20 – 28” monitor, external camera, etc.) All RT PILOT candidate requirements for sitting for the CPA Exam

remotely will be communicated to the RT PILOT candidates. NAP members are currently working together to define those specific requirements.

Q: Can test takers test their systems prior to the Exam?

A: RT PILOT candidates will be urged to verify that their hardware and systems meet the minimum system requirements before volunteering to participate in the RT PILOT. Candidates will be provided with all requirements, as well as a systems check tool, well in advance of the RT PILOT in order to ascertain their viability for remote testing. Candidates who do not meet the minimum hardware, system or environmental requirements as self-determined in advance or on the test day will not be permitted to participate in the RT PILOT.

Q: Will there be a verification of “minimum system requirements” prior to the test session?

A: Yes, on test day at the commencement of the RT PILOT candidate’s scheduled appointment, the candidate will run the Prometric System Readiness Check to ensure their system meets minimum requirements.

Q: What happens if someone does not meet the minimum system requirements during the check-in process?

A: The RT PILOT candidate will not be permitted to test remotely and will lose the appointment. Candidates’ appointments during the RT PILOT will not be rescheduled remotely for any reason. Candidates will be required to reschedule in a test center.

Q: Is there a checklist available for how candidates’ environments should look? And can candidates perform an environment check days before the Exam so they can be fully prepared the day of the Exam?

A: The environmental requirements are provided in the User Guide, including examples of acceptable and unacceptable environments. The Readiness Agent will require the candidate to provide a 360-degree view of their environment upon check in prior to testing to ascertain its acceptability. The Agent will work with the candidate to resolve issues to the extent possible.

Q: If someone does not pass an environment scan and can't quickly take corrective actions, will it affect their appointment if they cannot complete the Exam that exact day?

A: Should a RT PILOT candidate fail to meet the environmental requirements on test day, that candidate will not be permitted to test remotely and will lose the appointment. Candidates’

appointments during the RT PILOT will not be rescheduled remotely for any reason. Candidates will be required to reschedule in a test center.

Q: What if a candidate does not have an external camera available?

A: The candidate will not be able to participate in the RT PILOT unless they have adequate technology available.

Q: What about candidates living in areas with limited internet access, specifically no broadband?

A: There are minimum internet connection speeds required to use ProProctor. Such candidates could choose to volunteer for the RT PILOT by testing at their employer's office or another location with adequate internet service. Corporate computers can pose a challenge because of firewalls and added security included by the employer. Candidates are referred to Prometric's website for additional guidance regarding testing on a corporate computer.

<https://ehelp.prometric.com/proproctor/s/article/PPL-TECH003-General-Instructions-for-Corporate-Computers>).

Q: Will testing times be based on proctor availability?

A: The RT Pilot candidates will be provided with a direct link to ProScheduler to schedule their remote testing appointments. Prometric has sufficient online staff and proctors to support the RT PILOT.

Q: Can Prometric detect a weak WIFI signal at the outset that could later impact the test environment?

The ProProctor system check will test the internet strength at the time of the check but it has no way to ascertain if it will maintain adequate strength throughout the test event. It is the candidate's responsibility to ensure adequate internet service is available.

Candidate Testing

Q: What if a candidate must take an unscheduled break?

A: Any irregularities such as an unscheduled break will result in a Prometric Security Agent being engaged, and an incident report written. Multiple or extended breaks may result in the Exam being terminated. NAP members and the CBT Administration Committee will work together to define operational policies and procedures.

Q: How is the risk of harm to candidate computers mitigated?

A: Prior to a remote testing event, the RT PILOT candidate will download the ProProctor application, an installed application. The RT PILOT candidate will access the CPA Exam via the AICPA Remote Testing Driver which is a web application. No Exam content will ever exist on the RT PILOT candidate's computer.

Q: What happens if a candidate's laptop freezes or they lose connection during testing?

A: Similar to what occurs in a test center, the assigned proctor will attempt to resolve the issue with the candidate and allow the candidate to resume testing.

Q: Will it be possible for a test taker to use a 2nd computer (monitor)?

A: No, just like in a Prometric Test Center, RT PILOT candidates must use one monitor. RT PILOT candidates may also not have multiple computers, split screens, docking stations, or any unknown wiring from their computer to unknown sources. ProProctor locks down the candidate's computer for the duration of the Exam, and the Exam will only display on the candidate's primary monitor. Any secondary monitors will be disabled and black. If the Prometric Readiness Agent cannot confirm the security and environment of the RT PILOT candidate, the RT PILOT candidate will not be permitted to test remotely. If the Readiness Check is unsuccessful, the RT PILOT candidate may not test.

Q: Does the candidate lose what they have answered if they must go through security checks after losing WiFi?

A: No, the candidate's answers are saved as they are entered into the AICPA CPA Exam test driver.

Q: Is the candidate allowed to use hard copy scratch paper at their desk or must they use the digital scratch pad?

A: Subject to NAP approval in the final CPA Candidate ProProctor User Guide, RT PILOT candidates are not permitted to use scratch paper, books, or other papers. Should a Prometric Proctor see these items, the RT PILOT candidate's testing will be halted, a Prometric Security Agent engaged, and either the item will be removed, and a new security check completed, a Center Problem Report (CPR) created, or the remote testing will be terminated. Candidates will be allowed to use digital tools provided with the ProProctor system.

Q: Can candidates ask for restroom breaks or are they built in during testing?

A: Similar to test center testing, candidates are permitted to take breaks in between testlets when live content is not accessible. Unscheduled breaks are not permitted. If unscheduled breaks occur, administration policies will be followed and termination of the testing event is possible.

Q: Can the candidate wear earphones or a headset?

A: Subject to NAP approval in the final CPA Candidate ProProctor User Guide, RT PILOT candidates are not permitted to use wireless headsets, earphones, or have access to another device (phone, tablet, etc.). Should a Prometric Proctor see these items, as will be described in the ProProctor Client Practice, the RT PILOT candidate's testing will be halted, a Prometric Security Agent engaged, and either the item will be removed, and a new security check completed, a Center Problem Report (CPR) created, or the remote testing will be terminated.

Q: Could a candidate mute their microphone undetected?

A: The ProProctor system will not allow the microphone to be muted once the Exam is launched.

Q: Can remote screen sharing be detected?

A: Remote screen sharing will not be possible as the candidate's computer will be locked down by the ProProctor system.

Q: Are VGA splitters checked for mirrored monitors?

A: RT PILOT candidates may not have multiple computers, multiple monitors, split screens, docking stations, or any unknown wiring from their computer to unknown source. ProProctor locks down the candidate's computer for the duration of the Exam and the Exam will only display on the candidate's primary monitor. Any secondary monitors will be disabled and black. If the Prometric Readiness Agent cannot confirm the security and environment of the RT PILOT candidate, the RT PILOT candidate will not be permitted to test remotely. If the Readiness Check is unsuccessful, the RT PILOT candidate may not test.

Q: What happens if a candidate receives an emergency phone call during their Exam that doesn't require them to terminate but must make other phone calls to deal with the situation?

A: RT PILOT candidates are expected to provide themselves with an uninterrupted and secure testing environment for the duration of the Exam. Interruptions by children, adults, pets, phones, etc. will invoke a real-time review by the Prometric Proctor and the Prometric Security Agent and if the interruption continues or if the security of the computer and the environment cannot be verified, a CPR will be created, or the RT PILOT candidate's testing will be terminated.

Q: How will you address environmental challenges in candidates' home settings, such as a TV on the wall, a closet in the room, windows, etc.?

A: Prometric Readiness Agents are trained to work with candidates to suggest solutions for environmental challenges, as feasible. An example would be asking a candidate to cover a TV or bookcase with a sheet. If the environmental challenge is insurmountable, the candidate will not

be allowed to proceed with testing. During the RT PILOT, the candidate would then be required to reschedule in a Prometric Test Center and not be allowed to reschedule in the RT PILOT.

Q: May a candidate read questions out loud to themselves?

A: As in a Prometric Test Center, candidates are prohibited from talking aloud during testing. Should a Prometric Proctor observe this behavior, a Prometric Security Agent will engage, and a new security check completed. If necessary, a Center Problem Report will be created and the remote testing will be terminated, if the issue persists.

Q: Is “100% live proctoring” an option?

A: Once a candidate commences the check in process, they will be under the observation of either a Readiness Agent, a Proctor or a Security Proctor for the entire Exam process. As such, 100% live proctoring will be a requirement of the RT PILOT.

Q: How does the readiness agent and security agent know that the candidate is who they say they are?

A: Similar to test center testing, RT PILOT candidates must present a government issued ID during the check-in process and before the Exam session commences. After review by the Readiness Agent, the ID is available to both the Proctor and the Security Proctor for on hand review. A RT PILOT candidate’s ID is rechecked after every interruption and break. All test center and remote test agents are trained to watch for altered IDs.

Q: How can you ensure that others cannot see the screen of the candidate taking the test?

A: The Readiness agent is trained to ensure the testing environment is clear and free of clutter during the readiness check-in process. The Proctor will continue to monitor the environment throughout the testing event both visually and audibly. If any concern or anomaly is noted, the Security Proctor is engaged to more closely review any concerns.

Q: How can you ensure that some type of communication from a 3rd party does not happen during testing?

A: RT PILOT candidates are expected to provide themselves with an uninterrupted, quiet and secure testing environment for the duration of the Exam. Interruptions by children, adults, pets, phones, other technology, etc. will invoke a real-time review by the Prometric Proctor and the Prometric Security Agent and if the interruption continues or if the security of the computer and the environment cannot be verified, a CPR will be created, or the RT PILOT candidate’s testing will be terminated.

Q: Will the proctor monitor only CPA candidates, or will this person be monitoring various exams simultaneously?

A: As in a Prometric Test Center, Proctors monitor candidates for different examinations simultaneously, as assigned.

Q: If a proctor sees a shadow or other evidence of the possibility of someone else being in the room, can they require another camera scan?

A: Yes, RT PILOT candidates are always monitored by a Prometric Proctor. Should a Prometric ProProctor notice any irregularity (ex. shadows, irregular RT PILOT candidate head or eye movement, irregular testing behavior, talking aloud, etc.) a Prometric Security Agent is also engaged. Video of the testing event can be reviewed while the testing event continues.

Q: Will room checks occur during the Exam as is proposed to happen at the beginning?

A: Yes, a RT PILOT candidate's environment may be checked after every interruption and break. A thorough re-check-in process occurs.

Q: Just in case the room scan missed something that could be used for cheating, will the proctor or software be monitoring the candidate's eye movements during the test?

A: Yes, RT PILOT candidates are always monitored by a Prometric Proctor. Should a Prometric Proctor notice any irregularity (ex. shadows, irregular RT PILOT candidate head or eye movement, irregular testing behavior, talking aloud, etc.) a Prometric Security Agent is also engaged. Artificial intelligence is also used to assist in monitoring the candidate's behavior for anomalies.

Q: Does the software track keystrokes?

A: The RT PILOT candidate's keystrokes are not logged; however, the RT PILOT candidate's workstation is locked down and only the Exam may be accessed.

Q: Is the system automatically detecting anomalies? Or is that done manually by the proctor?

A: Both the proctor and the system detect anomalies. The system will detect and log anomalies.

Testing Technology and Security

Q: Will facial recognition or other AI techniques be utilized through ProProctor?

A: Not at this time. Prometric is planning to implement facial detection in the near future as a configurable setting. NAP can decide if they want to use facial detection as part of the CPA Exam testing or not.

Q: Is Prometric operating on its own VPN while ProProctor is being used?

A: No

Proctor Process

Q: What if a proctor's or security agent's internet connection is lost during a testing event?

A: If a Readiness Agent, Proctor or Security Agent lost connection during a testing event, the session would roll to another available Readiness Agent, Proctor or Security Agent.

Q: Is there a process in place to monitor the activity of the proctor? What if s/he walks away from the computer? Does the proctor have to perform some type of "check-in" sporadically throughout their shift(s)?

A: Proctor performance is continuously monitored. All Proctors are in constant communication with their Team Leads (TLs) through Microsoft Teams, which includes alerting their TLs when taking and returning from breaks and any issues they are facing that may affect their work performance or candidate testing.

Q: If the proctor needs to take a break does he/she pass the monitored test takers to another proctor?

A: Yes

Q: When a proctor is following up/responding to chats and alerts for a specific candidate, are the other candidate tiles still in view?

A: Yes. The proctor can maximize the view of each candidate to more closely monitor their actions, but all other monitored candidates remain in view.

Q: Is there any oral communication between the readiness agent and the test taker or is it a one-way conversation or chat?

A: The Readiness Agent, Proctor and Security Proctor all have the ability to communicate orally back-and-forth with the candidate. The Readiness Agent definitely communicates directly with the candidate during the check-in process. The Proctor and Security Proctor only communicate to answer candidate questions or if deemed necessary otherwise.

Q: How many candidates are assigned to each proctor?

A: Candidates are proctored 1:1 when being checked in by a Readiness Agent and also if a Security Proctor is called in to perform a security review. During normal testing, the candidate to proctor ratio is 8:1, which is less than in a Prometric Test Center.

Q: Are all Proctors employees of Prometric? How many agents of each type do you plan on engaging over the first 6 - 12 months? What training will the agents receive?

A: All agents are trained and certified by Prometric, although they are employed by a third party. Prometric is constantly monitoring capacity and adding Proctors to meet demand.

ProProctor Usage and Capacity

Q: How many professions or clients of Prometric are currently using this technology?

A: Approximately 100 Prometric clients currently use ProProctor, but many others are assessing it for use as a result of the Covid pandemic.

Q: What is the capacity of Prometric to handle CPA profession candidates for the RT PILOT?

A: Prometric has added significant numbers of Readiness Agents, Proctors and Security Proctors as clients have shifted to the ProProctor system, and has confirmed it has adequate staff and system capacity to support the RT PILOT.

Candidate Pricing / Cost

Q: Will candidates be charged a higher price for remote proctoring during the pilot than they are to test in a test center?

A: The testing fee will be the same for candidates whether they test in a test center or take part in the RT PILOT.

Q: If the pilot is successful, do you anticipate higher Exam prices due to the cost of developing and maintaining the remote proctoring solution for emergency use?

A: It is expected that the RT PILOT candidate cost, as well as any future remote testing, will be the same price as a Prometric test center test administration. Rather than providing a brick-and-mortar test administration, NAP will be making significant software investments and Prometric will be providing live RT PILOT candidate oversight and proctoring during the Exam's administration.

The AICPA's driver software is already web-based and implementing the modifications to support remote testing were allocated in the current 2020 AICPA software budget. Implementing the remote testing feature set also further aligns the AICPA software to a potential shift by Prometric to a cloud-based test center deployment model and away from their current server workstation hub and spoke (client server) model.

Legal Questions

Q: Are there legal questions regarding nexus or local law caused by inability to determine candidates' physical location when they test, agree to non-disclosure agreement, etc.?

A: The informed consent signed by each candidate, as well as the state board, NASBA, Prometric and AICPA contracts address all jurisdictional, venue and choice of law issues. The candidate's physical location will be established as is legally sufficient and industry standard for any online transaction.

Q: Would accountancy boards have any liability and/or obligations in the event of a significant data breach?

A: Consistent with Prometric Test Center test administration, the accountancy boards are not liable nor have any obligation regarding a data breach in the test center or in a remote testing administration.

Q: How is the remote testing location identified?

A: Once a RT PILOT candidate has been deemed eligible to test remotely, like a candidate traveling to any Prometric Test Center, the RT PILOT candidate may test in any location they desire (as long the physical location meets Prometric's remote testing requirements). The location of the RT PILOT candidate will not be verified, though the candidate will be required to attest to the location. For the RT PILOT, only domestic candidates will be deemed eligible to test. However, if a RT PILOT candidate attempts to test with an IP address of a location that is not approved (e.g., China), the Exam software will not launch.

Uniform CPA Examination-Specific FAQs

Q: What impact will this have on the need for questions in the test bank?

A: The use of test questions in panels for the RT PILOT will have no direct impact on the need for additional questions in the item bank.

Q: When the Exam is presented how will Excel and the Authoritative Literature also be made available to the test taker?

A: In the RT PILOT, RT PILOT candidates will be provided with a web-based spreadsheet like Excel and the Authoritative Literature.

Board of Accountancy-Specific FAQs

Q: Will the boards of accountancy need to change their statute or rules to allow for remote testing?

A: Each jurisdiction should review its statute and rules, but preliminary review of many board's language indicates that most will require no law or rule change. Several boards have specific reference to Prometric Test Centers which might require minor adjustment if a decision is made to proceed with utilizing remote testing in emergency situations after the results of the RT PILOT are shared and considered.

Q: Will boards of accountancy know if their candidates are part of the RT PILOT program?

A: NAP will seek consent from several accountancy boards to allow their candidates to participate in the RT PILOT. As such, accountancy boards will have approved their candidates to volunteer for the RT PILOT.

Q: Will you be able to provide evidence if needed before an accountancy board administrative hearing to prove cheating?

A: As with cheating concerns in Prometric Test Centers, digital video recordings, Center Problem Reports (CPRs) and staff from NASBA, AICPA and Prometric will be available as needed for board of accountancy investigation purposes and hearings.

Q: How long does Prometric retain the video/process file?

A: As in the test centers, Prometric retains digital video files for 30 days.

Q: How can accountancy boards be assured of security and integrity of Exam processes and reliability of Exam results?

A: The Examination Review Board (ERB) of NASBA will include the RT PILOT as part of its 2021 annual review. It is anticipated that the ERB will develop procedures, as deemed needed, to cover the RT PILOT program and will specifically review the RT PILOT efforts, incorporating it into its annual report regarding the reliability of the Exam for board of accountancy licensing purposes.

Q: With different content for pilot and no continuous testing can the candidates who pass the pilot be considered equal to regular candidates?

A: In the current testing schema, candidates do not all receive the same questions as there are multiple panels representing the CPA Exam in the field at any point in time. The panels used in the RT PILOT will be equivalent to those in the test centers and will therefore absolutely be considered equally part of the Exam. Scores resulting from the RT PILOT Exams should be accepted as such. Though candidates will only be allowed to test each section once in the RT PILOT program, they will be allowed to retest in a test center, again, not resulting in any substantial difference in testing for candidates.

Q: If the planned "window" length for the RT PILOT is going to be a relatively short period, how does that impact the ability of a candidate to retest under the continuous testing model?

A: Since the planned testing window for the RT PILOT is three weeks or less, there will be no opportunity for participating candidates to retest remotely upon receipt of failing scores. Such candidates could, however, choose to then schedule and retest in a test center.

Q: Will data from the RT PILOT be captured for review and analysis related to remote vs in-center testing and to identify any aberrations in results?

A: Metrics from the RT PILOT will be reviewed as part of the assessment of the effort. Reports summarizing findings and recommendations will be shared with the boards of accountancy to allow further deliberation regarding consideration of the use of remote testing for emergency situations on a go forward basis.

Emergency Period

Q: How is the “emergency period” going to be defined?

A: The concept and definition of an “emergency period”, i.e. when, under what circumstances, and for how long remote testing would be available to affected Candidates is being drafted by NASBA and the AICPA, and will be reviewed and approved by the NASBA CBT Administration Committee and shared in advance with the accountancy boards before any future “emergency period” testing.

Candidate Test Accommodations / ADA

Q: What is the plan for providing remote testing ADA test accommodations in the RT PILOT?

A: NAP acknowledges the requirement that ADA test accommodations must be provided in remote testing for emergency situations and it is currently working on a plan to address all legally required ADA test accommodations through remote testing should remote testing be approved for future emergency situations.

As candidates may choose to test in Prometric Test Centers, ADA test accommodations will not be part of the initial proposed RT PILOT; therefore, no candidate requesting ADA test accommodations will be included in the initial RT PILOT.

Other

Q: Test centers are open and operating. Why is remote testing capability necessary?

A: Remote testing capability is not intended for when Prometric test centers are fully open. Note that while Prometric test centers are largely open as of January 2021, test centers in some regions are once again operating at reduced capacity due to Covid-19 hot spots and physical distancing requirements. Compounding numbers of people contracting the virus, hospital capacity challenges, and new strains of the virus entering the equation raise serious concerns that regional and state test center closures could still be on the horizon.

Remote testing is targeted for times when test centers are largely shut down. NAP would like to have the remote testing capability tested and ready to go should a future emergency warrant its implementation. Without a successful RT PILOT, NAP will never be positioned to deploy remote testing.

Q: What if all 55 jurisdictions do not accept RT PILOT scores as valid?

A: We hope that by providing a detailed description of the proposed RT PILOT and addressing the numerous excellent questions posed at recent webcasts and meetings, boards believe they have adequate information to agree to accept Exam scores from the small number of candidates who volunteer to test the system by testing remotely. For all of the reasons expressed in this paper, we feel it is crucial to conduct the RT PILOT to assess the viability of providing remote testing as a contingency solution in emergency closures of Prometric Test Centers. As noted, results of the RT PILOT will be brought back to the accountancy boards for further discussion before any other actions are taken.

If several states elect to not accept scores from the RT PILOT, we will assess the impact and decide next steps. It is possible that RT PILOT volunteer candidates may be asked to sign an informed consent explaining that certain jurisdictions may not accept their scores.



UAA Model Rules

Virginia Board of Accountancy

February 4, 2021



Current VBOA Regulations

1. 24 semester hours of accounting courses, including courses in auditing, financial accounting, management accounting, and taxation; and
2. 24 semester hours of business courses, no more than six semester hours of which could be considered accounting courses.

Principles or introductory accounting courses cannot be considered in determining whether a person has obtained the 48 minimum number of semester hours required for an accounting concentration or equivalent.

UAA Model Rules

1. A minimum of 6 semester hours at undergrad OR 3 hours at graduate level of principles or introductory accounting

AND

2. A minimum of 24 semester hours of accounting, with 3 hours in **each** of the following:

1. Financial accounting & reporting for business organizations
2. Financial statement auditing
3. Taxation
4. Accounting information systems

Including

2a. A minimum of 12 hours in some or all of a list of various financial courses* (and two hours must be in “research and analysis” relevant to this course content)

AND

3. A minimum of 24 semester hours of business content (other than accounting) covering “some or all” of a list of business themed courses.**

including

3a. A minimum of 2 hours in communications in an undergraduate and/or a graduate course listed or cross-listed as an accounting or business course or two SCH integrated throughout the undergraduate or graduate accounting or business curriculum.

including

3b. A minimum of 3 hours in an undergraduate and/or a graduate course listed or cross listed as an accounting or business course in ethics as defined in Rule 5-1(e) (ethics is listed in both the financial and business lists)





***UAA**

List of various financial courses

1. Financial accounting and reporting for government and not-for-profit entities
2. Attestation engagements
3. Managerial or cost accounting
4. Mergers and acquisitions
5. Tax and financial planning
6. Fraud examination
7. Internal controls and risk assessment
8. Financial statement analysis
9. Accounting research and analysis
10. Tax research and analysis
11. Data analytics, data interrogation techniques, and/or digital acumen in an accounting context, whether taken in the business school or in another college or university program, such as the engineering, computer science, or math programs
12. Ethics (accounting course) Other accounting-related content areas included in the Uniform CPA Examination Blueprints or as may be approved by the Board.

****UAA**

List of various business courses

1. Business law
2. Economics
3. Management
4. Marketing
5. Finance
6. Business communications
7. Statistics
8. Quantitative methods
9. Information systems or technology
10. Data analytics, data interrogation techniques, and/or digital acumen, whether taken in the business school or in another college or university program, such as the engineering, computer science, or math programs.
11. Ethics (business course)
12. Other business-related content areas included in the Uniform CPA Examination Blueprints or as may be approved by the Board.



Disposition of Cases Involving Unlicensed Use of the CPA Title by Previously Licensed Individuals

The Virginia Board of Accountancy (“VBOA”) delegates to the Executive Director for the Board the authority to offer a prehearing consent order to resolve disciplinary cases in which a previously licensed certified public accountant (“CPA”) engages in use of the CPA title when he/she no longer holds a current active Virginia CPA license, and does not meet the requirements to use the CPA title in Virginia under the substantial equivalency provisions of § 54.1-4411 and has not been granted Inactive status.

The Board adopted the following guidelines for resolution of cases:

Cause	Possible Action
First offense (self-report) 90 days or less	Advisory Letter
First offense (all others) 90 days or less	Consent Order; Reprimand
First offense (self-report) 91 days to 180 days	Consent Order; Reprimand and Monetary Penalty of \$250
First offense (all others) 91 days to 180 days	Consent Order; Reprimand and Monetary Penalty of \$500
First offense (self-report) 181 days to one year	Consent Order; Reprimand and Monetary Penalty of \$750
First offense (all others) 181 days to one year	Consent Order; Reprimand and Monetary Penalty of \$1,000

Applicable Laws

§ 54.1-4400. Definitions.

As used in this chapter, unless the context clearly indicates otherwise...“Using the CPA title in Virginia” means using “CPA,” “Certified Public Accountant,” or “public accountant” (i) in any form or manner of verbal communication to persons or entities located in Virginia or (ii) in any form or manner of written communication to persons or entities located in Virginia, including but not limited to the use in any abbreviations, acronym, phrase, or title that appears in business cards, the CPA wall certificate, Internet postings, letterhead, reports, signs, tax returns, or any other document or device. Holding a Virginia license or the license of another state constitutes using the CPA title.

* * *

§ 54.1-4409.1. Licensing requirements for persons.

A. A person must be licensed in order to use the CPA title in Virginia.

1. The person shall hold a Virginia license if he provides services to the public and the principal place of business in which he provides those services is in Virginia.



2. Other persons shall not be required to hold a Virginia license in order to use the CPA title in Virginia provided that they hold the license of another state and comply with the substantial equivalency provisions of § 54.1-4411.

§ 54.1-4414. Prohibited acts.

Neither (i) a person who does not hold a Virginia license or who does not meet the requirements to use the CPA title in Virginia under the substantial equivalency provisions of § 54.1-4411 nor (ii) an entity that does not meet the criteria prescribed by subdivision D 1 of § 54.1-4412.1 shall:

1. Practice public accounting;
2. Claim to hold a license to use the CPA title;
3. Make any other claim of licensure, registration, or approval related to the preparation of financial statements that is false or misleading;
4. Use the CPA title; or
5. Refer to any of the standard-setting authorities listed in the standards of conduct and practice in subdivisions 5 and 6 of § 54.1-4413.3, or refer to or use any of the terminology prescribed by those authorities for reporting on financial statements, in any form or manner of communication about services provided to persons or entities located in Virginia.

vboa



VIRGINIA BOARD OF ACCOUNTANCY

FINANCIAL STATEMENTS

For the Fiscal Year Ended
June 30, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

As management of the Virginia Board of Accountancy (Board), the Board offers readers of these financial statements this narrative overview and analysis of the financial activities of the Board for the fiscal year ended June 30, 2020.

Financial Highlights

The assets and deferred outflows of resources of the Board exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$4,155,219 (net position), an increase of \$442,021 in comparison with the prior year. Of this amount, \$3,996,506 represents unrestricted net position, which may be used to meet the Board's ongoing obligations.

At the close of fiscal year 2020, the Board's governmental funds reported combined ending fund balances of \$5,382,762 an increase of \$417,544 in comparison with the prior year. The committed portion of the fund balance is \$5,374,227, which is available for spending at the Board's discretion.

At the close of fiscal year 2020, the total fund balance for the Board's Operating Fund was \$1,764,770 or approximately 82 percent of total operating expenditures. The Board also has a Trust Account to be used for the study, research, investigation, and adjudication of matters involving possible violations of statutes or regulations relating to the profession of public accounting, or for any other purpose the Board determines is relevant to its statutory purposes. At the close of fiscal year 2020, the Trust Account reported an ending fund balance of \$3,617,992.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Board's basic financial statements, which are comprised of three components: (1) the entity-wide financial statements, (2) the fund financial statements, and (3) the Notes to Financial Statements.

Entity-Wide Financial Statements

The entity-wide financial statements are designed to provide readers with a broad overview of the Board's finances, in a manner similar to private-sector business.

The Statement of Net Position presents information on all of the Board's assets and deferred outflows of resources, and liabilities and deferred inflows of resources; net position represents the difference between all other elements in a statement of financial position and is displayed in three components – net investment in capital assets; restricted; and unrestricted. Over time, increases or decreases in net position may indicate whether the financial position of the Board is improving or deteriorating.

The Statement of Activities presents information showing how the Board's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned, but unused vacation leave).

The entity-wide financial statements can be found on pages 8 and 9 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board, like other state and local government agencies, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Board's funds are governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions as governmental activities in the entity-wide financial statements. However, unlike the entity-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government agency's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the entity-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the entity-wide financial statements. By doing so, readers may better understand the long-term impact of the Board's near-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Board has two governmental funds (Operating Fund and Trust Account), both of which are special revenue funds. Information is presented in separate columns in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance for each fund.

The Board adopts an annual operating budget for its Operating Fund. The Board's budget is prepared principally on a cash basis and represents appropriations as authorized by the General Assembly. A budgetary comparison statement has been provided for the Operating Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 10 through 15 of this report.

Entity-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$4,155,219 at the close of the most recent fiscal year.

By far the largest portion of the Board's net position (96 percent) is unrestricted, meaning they may be used to meet the Board's ongoing obligations. The remaining portion of the Board's net position reflects its net investment in capital assets (3 percent) and other postemployment asset (1 percent). The Board uses capital assets to provide services to exam and license applicants, regulants and the public; consequently, these assets are not available for future spending.

Condensed Summary Statement of Net Position

	for the year ended June 30,		Increase/(Decrease)	
	2020	2019	Amount	Percent
Current and other assets	\$ 5,627,001	\$ 5,205,074	\$ 421,927	8%
Capital assets, net of depreciation	123,005	40,498	82,507	204%
Total assets	5,750,006	5,245,572	504,434	10%
Deferred outflows of resources	335,514	221,694	113,820	51%
Total assets and deferred outflows	6,085,520	5,467,266	618,254	11%
Current liabilities	250,905	246,185	4,720	2%
Long-term liabilities	1,491,297	1,318,445	172,852	13%
Total liabilities	1,742,202	1,564,630	177,572	11%
Deferred inflows of resources	188,099	189,438	(1,339)	(1%)
Total liabilities and deferred inflows	1,930,301	1,754,068	176,233	10%
Net position:				
Net investment in capital assets	123,005	40,498	82,507	204%
Restricted	35,708	40,000	(4,292)	(11%)
Unrestricted	3,996,506	3,632,700	363,806	10%
Total net position	\$ 4,155,219	\$ 3,713,198	\$ 442,021	12%

The Board's net position increased by \$442,021 during fiscal year 2020. This increase represents the degree to which licensing and examination fee revenue exceeded operating expenses. Key elements of this increase in net position are as follows.

Condensed Summary of Changes in Net Position

	for the year ended June 30,		Increase/(Decrease)	
	2020	2019	Amount	Percent
Program revenues:				
Charges for services	\$ 2,220,613	\$ 2,870,784	\$ (650,171)	(23%)
General revenues:				
Monetary penalties	127,864	198,632	(70,768)	(36%)
Interest earnings	96,156	86,634	9,522	11%
 Total revenues	 2,444,633	 3,156,050	 (711,417)	 (23%)
Licensing and enforcement expenses	2,138,446	1,877,661	260,785	14%
Increase in net position before transfers	306,187	1,278,389	(972,202)	(76%)
Special Item	275,000	(838,049)	1,113,049	(133%)
Transfers/(net)	(139,166)	(209,934)	(70,768)	(34%)
Increase in net position:	442,021	230,406	211,615	92%
Net position - July 1	3,713,198	3,482,792	230,406	7%
Net position - June 30	<u>\$ 4,155,219</u>	<u>\$ 3,713,198</u>	<u>\$ 442,021</u>	<u>12%</u>

Financial Analysis of the Board's Special Revenue Funds

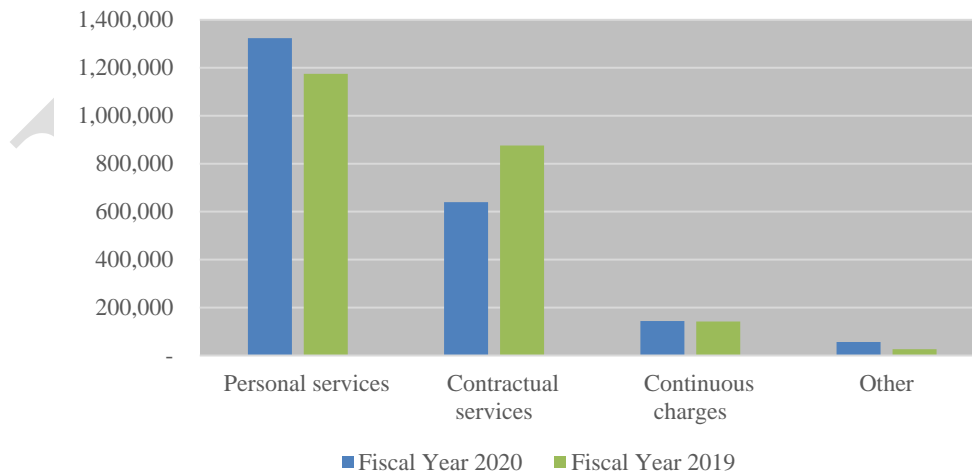
The Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financing requirements and fee structure. In particular, unrestricted fund balances may serve as a useful measure of the Board's net resources available for spending at the end of the fiscal year.

During fiscal year 2020, the total fund balance of the Board increased by \$417,544. Key factors in the change in fund balance include:

- The Board received \$275,000 in litigation proceeds in fiscal year 2020 related to a contract dispute. In addition, interest income in the Operating Fund and Trust Account increased by 11 percent. Revenue from licensing and examination fees decreased by \$650,172 (23 percent) from the previous year as a result of the Board's transition to a single renewal date of June 30 in fiscal year 2019.
- Transfers to the Literary Fund decreased by \$53,489 (31 percent) from fiscal year 2019. There are several factors affecting this change including the number of monetary penalties issued by the Board, the amount of fines levied, and the collections received.
- Contractual services expenditures decreased by \$236,704 (27 percent) in fiscal year 2020. This decrease is attributable to an information technology project that was suspended during fiscal year 2019.

Expenditures by Type



Operating Fund Budgetary Highlights

The Board adopts an annual operating budget for its Operating Fund. The Board’s budget is prepared principally on a cash basis and represents appropriations as authorized by the General Assembly plus any pending budget execution transactions and amendments. The Board budgeted total expenditures of \$2,308,495 and total revenue of \$2,429,330, including \$212,000 in monetary penalties to be deposited into the Literary fund. During the year, revenues were slightly higher than budgetary estimates due to increases in licensing and examination activity and increases in interest earnings. Actual expenditures were less than budgetary estimates for the year due to the timing of information technology projects.

Capital Assets

The Board’s net investment in capital assets at June 30, 2020, totals \$123,005 (net of accumulated depreciation). This is an increase of \$82,507 from the prior year related to software and other construction in progress additions. The remaining portion of the capital asset amount consists of software costs for the Board’s computerized licensing system, capitalized leasehold improvements and modular office furniture systems. Additional information on the Board’s capital assets can be found in Note 5.

Economic Factors and the Fiscal Year 2021 Budget

The Board experienced an increase in the number of licensed individuals and licensed firms in the fiscal year 2020.

	<u>CPA License Holders</u>	
	<u>At June 30, 2020</u>	<u>At June 30, 2019</u>
Individuals	28,581	28,066
Firms	1,157	1,126
Total	<u>29,738</u>	<u>29,192</u>

The Board’s major source of revenue is licensing and examination fees. Even though the Board is currently experiencing an increase in licensees, national accounting enrollments continue to trend down. This trend has the potential to decrease the number of exam candidates and licensees in Virginia. Expenditures continue to increase for the Board primarily in the area of personal services. In addition, the Board expects information technology costs to increase as cloud based services are implemented. The Board’s authorized appropriation will increase from \$2,104,195 in fiscal year 2020 to \$2,328,158 in fiscal year 2021 to support the increase in these on-going expenditures.

FINANCIAL STATEMENTS

DRAFT

VIRGINIA BOARD OF ACCOUNTANCY

STATEMENT OF NET POSITION

As of June 30, 2020

With Comparative Figures for 2019

	Governmental Activities	
	2020	2019
Assets:		
Cash held by the Treasurer of Virginia (Note 3)	\$ 5,559,579	\$ 5,128,792
Accounts receivable, net (Note 4)	23,179	33,555
Prepaid items (Note 1E)	8,535	2,727
Net other postemployment benefit (Note 10)	35,708	40,000
Capital assets, net of accumulated depreciation (Note 5)	123,005	40,498
Total Assets	5,750,006	5,245,572
Deferred Outflow of Resources:		
Deferred outflows related to pension (Note 9)	272,864	165,808
Deferred outflows related to other postemployment benefit (Note 10)	62,650	55,886
Total Deferred Outflows	335,514	221,694
Liabilities:		
Accounts payable	96,835	92,348
Accrued salaries payable	88,517	73,953
Due to the State Literary Fund (Note 4)	23,179	33,555
Long-term liabilities due within one year:		
Compensated absences payable (Note 6)	38,734	41,115
Net other postemployment liability (Note 10)	3,640	5,214
Long-term liabilities due in more than one year:		
Compensated absences payable (Note 6)	30,999	16,842
Net pension liability (Note 9)	1,208,333	1,015,000
Net other postemployment liability (Note 10)	251,965	286,603
Total Liabilities	1,742,202	1,564,630
Deferred Inflows of Resources:		
Deferred inflows related to pension (Note 9)	62,716	88,000
Deferred inflows related to other postemployment benefit (Note 10)	125,383	101,438
Total Deferred Inflows	188,099	189,438
Net Position:		
Net investment in capital assets (Note 5)	123,005	40,498
Restricted for net other postemployment benefit (Note 10)	35,708	40,000
Unrestricted	3,996,506	3,632,700
Total Net Position	\$ 4,155,219	\$ 3,713,198

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

VIRGINIA BOARD OF ACCOUNTANCY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020
With Comparative Figures for 2019

	Governmental Activities			
	2020		2019	
	Program Revenues	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position	
	Charges for Services	Expenses		
<u>Functions/programs:</u>				
Governmental activities				
Licensing, examination and enforcement functions	<u>\$ 2,138,446</u>	<u>\$ 2,220,613</u>	\$ 82,167	\$ 993,123
General revenues:				
Monetary penalties			127,864	198,632
Interest earnings			96,156	86,634
Special Item (Note 12)			275,000	(838,049)
Transfers:				
Transfers to the State General Fund			(11,302)	(11,302)
Transfers to the State Literary Fund			(127,864)	(198,632)
Total General Revenues, Special Item, and Transfers			<u>359,854</u>	<u>(762,717)</u>
Change in net position			442,021	230,406
Net position - July 1			<u>3,713,198</u>	<u>3,482,792</u>
Net position, June 30			<u>\$ 4,155,219</u>	<u>\$ 3,713,198</u>

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

VIRGINIA BOARD OF ACCOUNTANCY
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2020
With Comparative Figures for 2019

	Special Revenue Funds			
	Operating Fund	Trust Account	Total	
			2020	2019
Assets:				
Cash held by the Treasurer of Virginia (Note 3)	\$ 1,941,587	\$ 3,617,992	\$ 5,559,579	\$ 5,128,792
Accounts receivable, net (Note 4)	23,179	-	23,179	33,555
Prepaid items (Note 1E)	8,535	-	8,535	2,727
Total assets	\$ 1,973,301	\$ 3,617,992	\$ 5,591,293	\$ 5,165,074
Liabilities, deferred inflows of resources and fund balance:				
Liabilities:				
Accounts payable	\$ 96,835	\$ -	\$ 96,835	\$ 92,348
Accrued payroll payable	88,517	-	88,517	73,953
Due to the State Literary Fund	14,828	-	14,828	7,875
Total liabilities	200,180	-	200,180	174,176
Deferred Inflows of Resources:				
Revenue not currently available	8,351	-	8,351	25,680
Total deferred inflows of resources	8,351	-	8,351	25,680
Fund balance:				
Nonspendable:				
Prepaid insurance/other	8,535	-	8,535	2,727
Committed for:				
Board operations	1,756,235	3,617,992	5,374,227	4,962,491
Total fund balance	1,764,770	3,617,992	5,382,762	4,965,218
Total liabilities, deferred inflows of resources and fund balance	\$ 1,973,301	\$ 3,617,992	\$ 5,591,293	\$ 5,165,074

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

VIRGINIA BOARD OF ACCOUNTANCY
BALANCE SHEET, continued
GOVERNMENTAL FUNDS
As of June 30, 2020
With Comparative Figures for 2019

	Special Revenue Funds	
	Total	
	2020	2019
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total fund balance (per page 10)	\$ 5,382,762	\$ 4,965,218
Capital assets reported for governmental activities are not financial resources and, therefore, are not reported in the funds. (Note 5)	123,005	40,498
Restricted net other postemployment asset is not a financial resource and, therefore is not reported in the funds. (Note 10)	35,708	40,000
Long-term liability for compensated absences, net pension liability, and net other postemployment liability are not due and payable in the current period and therefore are not reported in the funds. (Note 6, Note 9, and Note 10)	(30,999) (38,734) (1,208,333) (255,605)	(16,842) (41,115) (1,015,000) (291,817)
Deferred inflows and outflows related to pension activity are not required to be reported in the funds but are required to be reported at the government-wide level. (Note 9)		
Deferred outflow - Employer contribution subsequent to measurement date	114,365	104,808
Deferred outflow - Changes in proportion and differences between employer contributions and proportionate share of contributions	38,076	54,000
Deferred outflow - Net difference between projected and actual earnings on pension plan investments	-	-
Deferred outflow - Difference between expected and actual experience	25,178	-
Deferred outflow - Change in assumptions	95,245	7,000
Deferred inflow - Difference between expected and actual experience	(32,505)	(61,000)
Deferred inflow - Net difference between projected and actual earnings on pension plan investments	(30,211)	(27,000)
Deferred inflows and outflows related to other postemployment activity are not required to be reported in the funds but are required to be reported at the government-wide level. (Note 10)		
Deferred outflow - Change in proportion	23,217	29,985
Deferred outflow - Amounts associated with transactions subsequent to the measurement date	23,610	22,901
Deferred outflow - Difference between expected and actual experience	8,925	3,000
Deferred outflow - Change in assumptions	6,898	-
Deferred inflow - Differences between actual and expected experience	(46,939)	(28,570)
Deferred inflow - Change in assumptions	(63,937)	(56,721)
Deferred inflow - Change in proportion	(11,760)	(12,147)
Deferred inflow - Net difference between projected and actual earnings on plan investments	(2,747)	(4,000)
Net position of governmental activities (page 8)	<u>\$ 4,155,219</u>	<u>\$ 3,713,198</u>

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

VIRGINIA BOARD OF ACCOUNTANCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020
With Comparative Figures for 2019

	Special Revenue Funds			
	Operating Fund	Trust Account	Total	
			2020	2019
Revenues:				
Licensing and examination fees	\$ 2,220,613	\$ -	\$ 2,220,613	\$ 2,870,785
Interest income	14,414	81,741	96,155	86,634
Monetary penalties	119,513	-	119,513	173,002
Total revenues	<u>2,354,540</u>	<u>81,741</u>	<u>2,436,281</u>	<u>3,130,421</u>
Expenditures:				
Licensing, examination and enforcement functions:				
Personal services	1,323,449	-	1,323,449	1,174,942
Contractual services	639,432	-	639,432	876,136
Supplies and materials	5,438	-	5,438	11,382
Transfer payments	725	-	725	1,358
Continuous charges	143,697	-	143,697	141,919
Equipment	5,972	-	5,972	13,331
Improvements	44,209	-	44,209	-
Total expenditures	<u>2,162,922</u>	<u>-</u>	<u>2,162,922</u>	<u>2,219,068</u>
Excess of revenues over expenditures	191,618	81,741	273,359	911,353
Other financing sources/(uses):				
Transfers to/from other funds (Note 7)	868,979	(868,979)	-	-
Transfers to the State General Fund	(11,302)	-	(11,302)	(11,302)
Transfers to the State Literary Fund	(119,513)	-	(119,513)	(173,002)
Total other financing sources and uses	<u>738,164</u>	<u>(868,979)</u>	<u>(130,815)</u>	<u>(184,304)</u>
Special Item (Note 12)	275,000	-	275,000	-
Net change in fund balance	1,204,782	(787,238)	417,544	727,049
Fund balance, July 1	559,988	4,405,230	4,965,218	4,238,169
Fund balance, June 30	<u>\$ 1,764,770</u>	<u>\$ 3,617,992</u>	<u>\$ 5,382,762</u>	<u>\$ 4,965,218</u>

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

VIRGINIA BOARD OF ACCOUNTANCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, continued
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020
With Comparative Figures for 2019

	Special Revenue Funds	
	Total	
	2020	2019
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balance (page 12)	\$ 417,544	\$ 727,049
Governmental funds report equipment purchases as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of equipment purchases less depreciation expense in the current period.	82,507	(513,824)
The expense associated with compensated absences reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.	(11,776)	6,453
Deferred inflows, outflows and other expenses related to pension activity are not required to be reported in the funds but are required to be reported at the government-wide level.		
Change in deferred outflow - Employer contributions made subsequent to measurement date	9,557	718
Change in deferred outflow - Changes in proportion and differences between employer contributions and proportionate share of contributions	(15,924)	(30,000)
Change in deferred outflow - Net difference between projected and actual earnings on pension plan investments	-	-
Change in deferred outflow - Change in assumptions	88,245	(3,000)
Change in deferred outflow - Differences between expected and actual experience	25,178	(2,000)
Change in deferred inflow - Net difference between projected and actual earnings on pension plan investments	(3,211)	19,000
Change in deferred inflow - Differences between expected and actual experience	28,495	(30,000)
Change in net pension liability	(193,333)	53,000
Deferred inflows, outflows and other expenses related to other postemployment activity are not required to be reported in the funds but are required to be reported at the government-wide level.		
Change in deferred outflow - Amounts associated with transactions subsequent to the measurement date	709	431
Change in deferred outflow - Changes in proportion	(6,768)	(6,768)
Change in deferred outflow - Differences between expected and actual experience	5,925	3,000
Change in deferred outflow - Change in assumptions	6,898	-
Change in deferred inflow - Net difference between projected and actual earnings on plan investments	1,253	1,000
Change in deferred inflow - Differences between expected and actual experience	(18,369)	(19,515)
Change in deferred inflow - Change in assumptions	(7,216)	(12,542)
Change in deferred inflow - Changes in proportion	387	(12,147)
Change in net other postemployment liability (asset)	31,920	49,551
Changes in net position of governmental activities (page 9)	<u>\$ 442,021</u>	<u>\$ 230,406</u>

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

VIRGINIA BOARD OF ACCOUNTANCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
PREPARED ON THE BUDGETARY (CASH BASIS) OF ACCOUNTING
SPECIAL REVENUE FUND
For the Year Ended June 30, 2020
With Comparative Figures for 2019

	Operating Fund				2019 Actual Amounts
	2020		Actual Amounts	Final Budget/ Actual Variance Positive/ (Negative)	
	Original Budget	Final Budget			
Revenues:					
Licensing and examination fees	\$ 2,203,830	\$ 2,203,830	\$ 2,220,553	\$ 16,723	\$ 2,870,760
Interest income	13,500	13,500	14,414	914	13,481
Monetary penalties	212,000	212,000	112,560	(99,440)	191,115
Other revenues (Note 12)	-	-	275,000	275,000	-
Total revenues	2,429,330	2,429,330	2,622,527	193,197	3,075,356
Expenditures:					
Licensing, examination and enforcement functions:					
Personal services	1,386,575	1,386,575	1,308,884	77,691	1,175,925
Contractual services	552,804	757,104	625,343	131,761	830,032
Supplies and materials	12,575	12,575	4,634	7,941	11,382
Transfer payments	1,350	1,350	725	625	1,358
Continuous charges	143,191	143,191	143,816	(625)	141,985
Equipment	7,700	7,700	5,972	1,728	13,331
Improvements	-	-	44,209	(44,209)	-
Total expenditures	2,104,195	2,308,495	2,133,583	174,912	2,174,013
Excess of revenues over expenditures	325,135	120,835	488,944	368,109	901,343
Other financing sources/(uses):					
Transfers from/(to) other funds (Note 7)	-	-	868,979	868,979	(631,270)
Transfers to the State General Fund	(11,302)	(11,302)	(11,302)	-	(11,302)
Transfers to the State Literary Fund	(212,000)	(212,000)	(112,560)	99,440	(191,115)
Total other financing sources and uses	(223,302)	(223,302)	745,117	968,419	(833,687)
Net change in fund balance	101,833	(102,467)	1,234,061	1,336,528	67,656
Fund balance, July 1	681,659	681,659	681,659	-	614,003
Fund balance, June 30	<u>\$ 783,492</u>	<u>\$ 579,192</u>	<u>\$ 1,915,720</u>	<u>\$ 1,336,528</u>	<u>\$ 681,659</u>

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

VIRGINIA BOARD OF ACCOUNTANCY
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, continued
 PREPARED ON THE BUDGETARY (CASH BASIS) OF ACCOUNTING
 SPECIAL REVENUE FUND
 For the Year Ended June 30, 2020
 With Comparative Figures for 2019

This statement presents comparisons of the legally adopted budget prepared on the cash basis of accounting with actual data prepared on the cash basis. Actual amounts reported on the modified accrual basis of accounting are different because:

	Operating Fund	
	2020	2019
	Actual Amounts	Actual Amounts
Net change in fund balance (page 14)	\$ 1,234,061	\$ 67,656
Accrued revenues on modified accrual basis	(267,987)	(18,088)
Accrued expenditures on modified accrual basis	(29,339)	(45,055)
Accrued transfers and special item on modified accrual basis	<u>268,047</u>	<u>18,113</u>
Change in fund balance on modified accrual basis (page 12)	<u>\$ 1,204,782</u>	<u>\$ 22,626</u>

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

NOTES TO FINANCIAL STATEMENTS

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THE VIRGINIA BOARD OF ACCOUNTANCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Board regulates the practice of accounting in Virginia, protecting and serving the citizens of the Commonwealth by administering the laws and regulations for their financial health, safety, and welfare. The Board's major activities include reviewing and approving applications to ensure applicants are competent to enter the public accounting profession; determining continued qualifications for licensure; conducting audits of continuing professional education; and adjudicating enforcement cases and disciplining those who do not follow acceptable, ethical, or professional standards.

A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The Board is an agency of the Commonwealth and is included in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

B. Fund Accounting

The activities of the Board are accounted for in its special revenue funds. Special revenue funds account for transactions related to resources received and used for committed or specific purposes.

The Board has two special revenue funds. The Operating Fund is the Board's primary operating fund. It accounts for all financial resources of the Board, except those resources held in the Trust Account. The Trust Account is to be used for the study, research, investigation, and adjudication of matters involving possible violations of statutes or regulations relating to the profession of public accounting, or for any other purpose the Board determines is relevant to its statutory purposes and cannot otherwise be funded through its Operating Fund. Both funds are considered major funds of the Board.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Entity-Wide Financial Statements – The entity-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the Board's financial activities. For the most part, the effect of interfund activity has been removed from these statements. The Statement of Activities demonstrates the degree to which direct expenses are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues consist of charges to exam applicants and regulants. Other revenues not included among program revenues are reported instead as general revenues.

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

Governmental Fund Financial Statements – The financial statements also include separate fund financial statements. The Operating Fund and Trust Account are reported in separate columns in the fund financial statements. The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within sixty days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

D. Fund Balance

With the implementation of GASB No. 54, the fund balance classifications are reported as Non-spendable, Restricted, Committed, Assigned, and Unassigned. The Non-spendable fund balance includes amounts that cannot be spent because they are either a) not in spendable form or b) legally required to be maintained intact such as the corpus of a permanent fund. The Committed fund balance includes amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority through enabling legislation. The highest level of decision authority for the Commonwealth is the General Assembly and the Governor.

E. Prepaid Items

Prepaid assets for rent, insurance, and similar items are recognized when purchased and expensed when used.

F. Summarized Comparative Data

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 Board's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

G. Deferred Inflows and Outflows of Resources

Deferred outflows of resources are defined as the consumption of net assets applicable to a future reporting period. The deferred outflows of resources have a positive effect on net position similar to assets.

Deferred inflows of resources are defined as the acquisition of net assets applicable to a future reporting period. The deferred inflows of resources have a negative effect on net position similar to liabilities.

H. Pensions

The Virginia Retirement System (VRS) State Employee Retirement Plan is a single employer pension plan that is treated like a cost-sharing plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Retirement Plan; and the additions to/deductions from the VRS State Employee Retirement Plan's net fiduciary position have been determined on the same

basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments held by VRS are reported at fair value.

I. State Employee Health Insurance Credit Program (OPEB)

The VRS State Employee Health Insurance Credit Program is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The State Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The State Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired state employees. For purposes of measuring the net State Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the State Employee Health Insurance Credit Program OPEB, and the State Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Health Insurance Credit Program; and the additions to/deductions from the VRS State Employee Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Group Life Insurance Program (OPEB)

The VRS Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

K. Disability Insurance Program (OPEB)

The VRS Disability Insurance Program (Virginia Sickness and Disability Program) is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The Disability Insurance Program was established pursuant to §51.1-1100 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Disability Insurance Program is a managed care program that provides sick, family and personal leave and short-term and long-term disability benefits for state employees. For purposes of measuring the net Disability Insurance Program OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to the Disability Insurance Program OPEB, and Disability Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Disability Insurance Program

OPEB Plan and the additions to/deductions from the VRS Disability Insurance Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Pre-Medicare Retiree Healthcare (OPEB)

Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes. This program was established by Title 2.2, Chapter 28 of the *Code of Virginia* for retirees who are not yet eligible to participate in Medicare. It is the same health insurance program offered to active employees and managed by the Virginia Department of Human Resource Management. After retirement, the Board no longer subsidizes the retiree's premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, retiree rates are effectively lower than what might otherwise be available outside of this benefit.

2. BUDGETARY INFORMATION

The Board adopts an annual operating budget for its Operating Fund. The Board's budget is prepared principally on a cash basis and represents appropriations as authorized by the General Assembly. Unexpended appropriations at the end of the fiscal year generally lapse. However, they may be reappropriated for expenditure in the following fiscal year. The Governor, as required by the Code of Virginia, submits a budget composed of all proposed expenditures for the state, and of estimated revenues and borrowing for a biennium, to the General Assembly.

The budget is prepared on a biennial basis; however, the budget contains separate appropriations for each year within the biennial budget, as approved by the General Assembly, and signed into law by the Governor. For management control purposes, the budget is controlled at the program level.

Appropriations of special revenue funds may allow expenditures in excess of the original appropriations to the extent that revenues of the funds exceed original budget estimates and such additional expenditures are approved by the Governor through supplemental appropriations.

3. CASH WITH THE TREASURER OF VIRGINIA

All state funds of the Board are held by the Treasurer of Virginia, pursuant to Section 2.2-1800, Code of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds. Each fund's equity in pooled state funds is reported as "Cash Held by the Treasurer of Virginia" and is not categorized as to credit risk.

4. RECEIVABLES AND DUE TO THE STATE LITERARY FUND

The Board levies and collects penalties from regulants and non-regulants found guilty of violating the Board's statutes or regulations. The proceeds from penalties are deposited into the state's Literary Fund in accordance with Section 19.2-353, Code of Virginia. Consequently, receivables are offset by a corresponding amount Due to the Literary Fund and are not available to meet the Board's current operating needs. At June 30, 2020, the amount Due to the Literary Fund for collections on monetary penalties was \$23,179.

	<u>June 30, 2020</u>
Gross receivables	\$ 49,974
Less: allowance for doubtful	<u>(26,795)</u>
Net Receivables	<u>\$ 23,179</u>

5. CAPITAL ASSETS

The following presents capital activity for the year ended June 30, 2020:

	<u>Balance at June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2020</u>
Nondepreciable capital assets:				
Construction-in-Progress	\$ -	\$ 67,254	\$ -	\$ 67,254
Total nondepreciable assets	<u>-</u>	<u>67,254</u>	<u>-</u>	<u>67,254</u>
Depreciable capital assets:				
Software	183,388	25,590	-	208,978
Tenant improvements	101,534	-	-	101,534
Equipment	77,626	-	-	77,626
Total depreciable assets	<u>362,548</u>	<u>25,590</u>	<u>-</u>	<u>388,138</u>
Less accumulated depreciation for:				
Software	(183,389)	(1,066)	-	(184,455)
Tenant improvements	(99,516)	(1,513)	-	(101,029)
Equipment	(39,145)	(7,758)	-	(46,903)
Total accumulated depreciation	<u>(322,050)</u>	<u>(10,337)</u>	<u>-</u>	<u>(332,387)</u>
Depreciable capital assets, net	<u>40,498</u>	<u>15,253</u>	<u>-</u>	<u>55,751</u>
Total capital assets, net	<u>\$ 40,498</u>	<u>\$ 82,507</u>	<u>\$ -</u>	<u>\$ 123,005</u>

The Board capitalizes all software and equipment with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. This includes capitalizing personal service costs and vendor payments associated with developing its licensing software for internal use.

Capital assets are reported at historical cost less accumulated depreciation. Depreciation of software and equipment costs is expensed on a straight-line basis over their estimated useful life of ten years. Depreciation of tenant improvement costs is expensed on a straight-line basis over the ten year life of the lease agreement.

6. COMPENSATED ABSENCES

Compensated absences reflected in the Statement of Net Position represent the amounts of vacation, sick, and compensatory leave earned by the Board’s employees but not taken at June 30, 2020. The amount reflects all earned vacation, sick, and compensatory leave payable under the Commonwealth’s leave payout policies. Information on the Commonwealth’s leave payout policies is available at the statewide level in the Commonwealth’s Comprehensive Annual Financial Report.

<u>Balance at</u> <u>June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at</u> <u>June 30, 2020</u>
\$57,957	\$50,352	(\$38,576)	\$69,733
		Due within one year	<u>(38,734)</u>
		Due in more than one year	<u>\$30,999</u>

7. TRANSFERS

In accordance with § 54.1-4405.1 of the Code of Virginia, a special nonreverting fund known as the Board of Accountancy Trust Account (the Trust Account) was created. The purpose of the Trust Account is to provide a supplemental source of funds to the Board on a timely basis for its use in the study, research, investigation or adjudication of matters involving possible violations of the statutes or regulations pertaining to the profession of public accounting or for any other purpose that the Board determines is germane to its statutory purposes. During fiscal year 2020, the Board transferred a total of \$868,979 from the Trust Account.

8. COMMITMENTS

As of June 30, 2020, the Board had contractual commitments of approximately \$149,500. These remaining commitments represent the unperformed portion of a contract related to an information technology project and, as such, have not been accrued as expenses or liabilities on the Board’s financial statements.

On August 29, 2007, the Board entered into a ten-year operating lease for office space in the Perimeter Center Building at 9960 Mayland Drive, Henrico, VA 23233. The Perimeter Center Building was sold to a new owner in May of 2014. Effective March 1, 2019, the term of the lease was extended to January 31, 2027 and included an adjustment to the Board’s portion of the total square footage.

The Board has, as of June 30, 2020, the following future obligations due under the Perimeter Center Building least agreement:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	95,440
2022	97,997
2023	100,625
2024	103,324
2025	106,098
2026	108,948
2027	64,825 (Lease expires on 1/31/2027)
	<u>\$ 677,257</u>

9. DEFINED BENEFIT PENSION PLAN

Plan Description

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees in the VRS State Employee Retirement Plan - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1	About Plan 2	About the Hybrid Retirement Plan
<p>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>Eligible Members</p> <p>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members</p> <p>Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members</p> <p>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • State employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1- April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan.</p> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions</p> <p>State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions</p> <p>Same as Plan 1.</p>	<p>Retirement Contributions</p> <p>A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>Service Credit</p> <p>Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Service Credit</p> <p>Same as Plan 1.</p>	<p>Service Credit</p> <p>Defined Benefit Component: Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p>Defined Contributions Component: Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting</p> <p>Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting</p> <p>Same as Plan 1.</p>	<p>Vesting</p> <p>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 service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p>

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
		<p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <p>* After two years, a member is 50% vested and may withdraw 50% of employer contributions. *After three years, a member is 75% vested and may withdraw 75% of employer contributions. *After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</p> <p>Distribution is not required, except as governed by law.</p>
Calculating the Benefit	Calculating the Benefit	Calculating the Benefit
<p>The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p>	<p>See definition under Plan 1.</p>	<p>Defined Benefit Component: See definition under Plan 1.</p> <p>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.</p>

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
Average Final Compensation	Average Final Compensation	Average Final Compensation
A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	A member's average final compensation is their average of their 60 consecutive months of highest compensation as a covered employee.	Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier	Service Retirement Multiplier	Service Retirement Multiplier
The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.	Defined Benefit Component: 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. Defined Contribution Component: Not applicable.
Normal Retirement Age	Normal Retirement Age	Normal Retirement Age
Age 65.	Normal Social Security retirement age.	Defined Benefit Component: Same as Plan 2. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility	Earliest Unreduced Retirement Eligibility	Earliest Unreduced Retirement Eligibility
Age 65 with at least five years (60 months) of service credit or age 50 with at least 30 years of service credit.	Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90.	Defined Benefit Component: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
Earliest Reduced Retirement Eligibility	Earliest Reduced Retirement Eligibility	Earliest Reduced Retirement Eligibility
Age 55 with a least five years (60 months) of service credit or age 50 with at least 10 years of service credit.	Age 60 with at least five years (60 months) of service credit.	<p>Defined Benefit Component: Age 60 with at least five years (60 months) of service credit.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions</p>
Cost-of-Living Adjustment (COLA) in Retirement	Cost-of-Living Adjustment (COLA) in Retirement	Cost-of-Living Adjustment (COLA) in Retirement
<p>The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p>Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p>Eligibility: Same as Plan 1</p>	<p>Defined Benefit Component: Same as Plan 2.</p> <p>Defined Contribution Component: Not applicable.</p> <p>Eligibility: Same as Plan 1 and Plan 2.</p>

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
Exceptions to COLA Effective Dates	Exceptions to COLA Effective Dates	Exceptions to COLA Effective Dates
<p>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> * The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. *The member retires on disability. *The member retires directly from short-term or long-term disability. *The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. *The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. <p>The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</p>	Same as Plan 1.	Same as Plan 1 and Plan 2.
Disability Coverage	Disability Coverage	Disability Coverage
Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	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.	State employees (including Plan 1 or 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.

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage</p> <p>Hybrid members (including Plan 1 and Plan 2 opt- ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service</p> <p>Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service</p> <p>Same as Plan 1.</p>	<p>Purchase of Prior Service</p> <p>Defined Benefit Component: Same as Plan 1, with the following exceptions:</p> <p>*Hybrid Retirement Plan members are ineligible for ported service.</p> <p>Defined Contribution Component: Not applicable.</p>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each state agency's contractually required employer contribution rate for the year ended June 30, 2020, was 13.52% of covered employee compensation for employees in the VRS State Employee Retirement Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Board to the VRS State Employee retirement plan were \$114,365 and \$104,808 for the years ended June 30, 2020 and 2019, respectively.

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

At June 30, 2020, the Board reported a liability of \$1,208,333 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date as of June 30, 2019. The Board's proportion of the Net Pension Liability was based on the Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Board's proportion of the VRS State Employee Retirement Plan was 0.01912% as compared to 0.01876% at June 30, 2018.

For the year ended June 30, 2020, the Board recognized pension expense of \$174,148 for the VRS State Employee Retirement Plan. Since there was a change in proportionate share between June 30, 2018, and June 30, 2019, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 25,178	\$ 32,505
Net difference between projected and actual earnings on pension plan investments	-	30,211
Change in assumptions	95,245	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	38,076	-
Employer contribution subsequent to measurement date	<u>114,365</u>	<u>-</u>
Total	<u>\$ 272,864</u>	<u>\$ 62,716</u>

\$114,365 reported as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>June 30,</u>		
2021	\$	50,556
2022	\$	10,401
2023	\$	32,430
2024	\$	2,396
2025	\$	-

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5%
Salary increases, including Inflation	3.5% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

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

Mortality Rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation, were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

- Mortality rates (Pre-retirement, post-retirement healthy, and disabled): Update to a more current mortality table - RP-2014 projected to 2020
- Retirement rates: Lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates: Adjusted rates to better fit experience at each year age and service through 9 years of service
- Disability rates: Adjusted rates to better match experience
- Salary scale: No change
- Line of duty disability: Increase rate from 14% to 25%
- Discount Rate: Decrease rate from 7% to 6.75%

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2019, NPL amounts for the VRS State Employee Retirement Plan are as follows (amounts expressed in thousands):

Total pension liability	\$ 25,409,842
Plan fiduciary net position	<u>19,090,110</u>
Employers' net pension liability	<u>\$ 6,319,732</u>
Plan fiduciary net position as a percentage of the total pension liability	75.13%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Assets Class Strategy</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Estate	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS-Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP-Private Investment Partnership	<u>3.00%</u>	6.29%	<u>0.19%</u>
Total	<u>100.00%</u>		5.13%
Inflation			<u>2.50%</u>
Expected arithmetic nominal return			<u>7.63%</u>

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the Board for the VRS State Employee Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019, on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1.00% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1.00% Increase <u>(7.75%)</u>
Board's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	\$ <u>1,775,031</u>	\$ <u>1,208,333</u>	\$ <u>731,945</u>

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

10. OTHER POST EMPLOYMENT BENEFIT PLANS

The Board participates in postemployment benefit programs that are sponsored by the Commonwealth and administered by the Virginia Retirement System and the Department of Human Resource Management. These programs include the State Employee Health Insurance Credit Program, Group Life Insurance Program, Virginia Sickness and Disability Program and Pre- Medicare Retiree Healthcare Program.

State Employee Health Insurance Credit Program

Plan Description

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Health Insurance Credit Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

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

Plan Provisions

Eligible employees: The State Employee Retiree Health Insurance Credit Program was established January 1, 1990, for retired state employees covered under VRS, SPORS, VaLORS and JRS who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.

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

- At Retirement - For State employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.
- Disability Retirement - For State employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher.

Health Insurance Credit Program notes:

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

Contributions

The contribution requirement for active employees is governed by §51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency's contractually required employer contribution rate for the year ended June 30, 2020, was 1.17% of covered employee compensation for employees in the VRS State Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Board to the VRS State Employee Health Insurance Credit Program were \$9,881 and \$9,070 for the years ended June 30, 2020 and 2019, respectively.

State Employee Health Insurance Credit Program OPEB Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2020, the Board reported a liability of \$105,507 for its proportionate share of the VRS State Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS State Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2019, and the total VRS State Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS State Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The Board's proportion of the Net VRS State Employee Health Insurance Credit Program OPEB Liability was based on the Board's actuarially determined employer contributions to the VRS State Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2019, relative to the total of the actuarially determined employer contributions for all participating state employers. At June 30, 2019, the Board's proportion of the VRS State Employee Health Insurance Credit Program was 0.01143% as compared to 0.01145% at June 30, 2018.

For the year ended June 30, 2020, the Board recognized VRS State Employee Health Insurance Credit Program OPEB expense of \$9,110. Since there was a change in proportionate share between measurement dates, a portion of the VRS State Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to the VRS State Employee Health Insurance Credit Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57	\$ 1,282
Net difference between projected and actual earnings on State HIC OPEB plan investments	-	41
Changes in assumptions	2,171	722
Changes in proportionate share	-	154
Employer contributions subsequent to the measurement date	9,881	-
Total	\$ 12,109	\$ 2,199

\$9,881 reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net State Employee HIC OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the State Employee HIC OPEB will be recognized in the State Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30,	
2021	\$ (109)
2022	\$ (109)
2023	\$ (45)
2024	\$ 128
2025	\$ 146
Thereafter	\$ 18

Actuarial Assumptions

The total State Employee HIC OPEB liability for the VRS State Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5%
Salary increases, including Inflation	
General state employees	3.5% – 5.35%
SPORS employees	3.5% – 4.75%
VaLORS employees	3.5% – 4.75%
JRS employees	4.5%
Investment rate of return	6.75%, net of OPEB plan investment expenses, including inflation*

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

Mortality Rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

- Mortality rates (Pre-retirement, post-retirement healthy, and disability): Updated to a more current mortality table - RP-2014 projected to 2020
- Retirement rates: Lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates: Adjusted rates to better fit experience at each year age and service through 9 years of service
- Disability rates: Adjusted rates to better match experience
- Salary scale: No change
- Line of duty disability: Increase rate from 14% to 25%
- Discount Rate: Decrease rate from 7.00% to 6.75%

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality rates – JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Net State Employee HIC OPEB liability

The net OPEB liability (NOL) for the State Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the VRS State Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

Total state employee HIC OPEB liability	\$ 1,032,094
Plan fiduciary net position	<u>109,023</u>
State employee net HIC OPEB liability	<u>\$ 923,071</u>
Plan fiduciary net position as a percentage of the total state employee HIC OPEB liability	10.56%

The total State Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net State Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Assets Class Strategy</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.61%	1.92%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Estate	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS-Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP-Private Investment Partnership	<u>3.00%</u>	6.29%	<u>0.19%</u>
	<u>100.00%</u>		5.13%
Inflation			<u>2.50%</u>
*Expected arithmetic nominal return			<u>7.63%</u>

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total State Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the Board for the VRS State Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019, on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the State Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total State Employee HIC OPEB liability.

Sensitivity of the Board’s Proportionate Share of the State Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the Board’s proportionate share of the VRS State Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the Board’s proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Board’s proportionate share of the VRS State Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 116,937	\$ 105,507	\$ 95,685

State Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS State Employee Health Insurance Credit Program’s Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Group Life Insurance Program

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members’ paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out below:

Eligible employees: The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: City of Richmond, City of Portsmouth, City of Roanoke, City of Norfolk 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 accumulated retirement member contributions and accrued interest.

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

- Natural Death Benefit - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental Death Benefit - The accidental death benefit is double the natural death benefit.
- Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - Safety belt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit option

Reduction in benefit amounts: The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum benefit amount and Cost-of-Living Adjustment (COLA): For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020, was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$4,851 and \$4,062 for the years ended June 30, 2020 and 2019, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2020, the Board reported a liability of \$64,602 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019, and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Board's proportion was 0.00397% as compared to 0.00406% at June 30, 2018.

For the year ended June 30, 2020, the Board recognized GLI OPEB expense of \$1,271. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,296	\$ 838
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,327
Change in assumptions	4,079	1,948
Changes in proportion	-	1,201
Employer contributions subsequent to the measurement date	<u>4,851</u>	<u>-</u>
Total	<u>\$ 13,226</u>	<u>\$ 5,314</u>

\$4,851 reported as deferred outflows of resources related to the GLI OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30,</u>	
2021	\$ 6
2022	\$ 6
2023	\$ 569
2024	\$ 1,081
2025	\$ 1,104
Thereafter	\$ 295

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5%
Salary increases, including inflation	
General state employees	3.5% – 5.35%
Teachers	3.5% – 5.95%
SPORS employees	3.5% – 4.75%
VaLORS employees	3.5% – 4.75%
JRS employees	4.5%

Locality – General employees	3.5% – 5.35%
Locality – Hazardous Duty employees	3.5% – 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

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

Mortality rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

- Mortality rates (Pre-retirement, post-retirement healthy, and disability): Updated to a more current mortality table - RP-2014 projected to 2020
- Retirement rates: Lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates: Adjusted rates to better fit experience at each year age and service through 9 years of service
- Disability rates: Adjusted rates to better match experience
- Salary scale: No change
- Line of duty disability: Increase rate from 14% to 25%
- Discount Rate: Decrease rate from 7.00% to 6.75%

Mortality rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90;

females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality rates – JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

- Mortality rates (Pre-retirement, post-retirement healthy, and disability): Updated to a more current mortality table - RP-2014 projected to 2020

- Retirement rates: Decreased rates at first retirement eligibility
- Withdrawal rates: No change
- Disability rates: Removed disability rates
- Salary scale: No change
- Discount Rate: Decrease rate from 7.00% to 6.75%

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

Total GLIP OPEB liability	\$ 3,390,238
Plan fiduciary net position	<u>1,762,972</u>
Employers’ net GLI OPEB liability	<u>\$ 1,627,972</u>
Plan fiduciary net position as a percentage of the total GLI OPEB liability	52.00%

The total GLI OPEB liability is calculated by the System’s actuary, and the plan’s fiduciary net position is reported in the System’s financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a log- normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are

combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Assets Class Strategy</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Estate	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS-Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP-Private Investment Partnership	<u>3.00%</u>	6.29%	<u>0.19%</u>
Total	<u>100.00%</u>		5.13%
Inflation			<u>2.50%</u>
*Expected arithmetic nominal return			<u>7.63%</u>

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board- certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Board’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Board’s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 84,870	\$ 64,602	\$ 48,166

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

VRS Disability Insurance Program

Plan Description

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

Plan Provisions

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

Eligible employees: The Virginia Sickness and Disability Program (VSDP), also known as the Disability Insurance Trust Fund was established January 1, 1999 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities. 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

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

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

Disability Insurance Program (VSDP) Plan Notes:

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

Cost-of-Living Adjustments (COLA):

- During periods an employee receives long-term disability benefits, the LTD benefit may be increased annually by an amount recommended by the actuary and approved by the Board.
 - Plan 1 employees vested as of 1/1/2013 - 100% of the VRS Plan 1 COLA (The first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%).
 - Plan 1 employee non-vested as of 1/1/2013, Plan 2 and Hybrid Plan employees - 100% of the VRS Plan 2 and Hybrid COLA (The first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%).
- For participating full-time employees taking service retirement, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement. 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4.00%.
- For participating full-time employees receiving supplemental (work-related) disability benefits, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement. 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4.00%.

Contributions

The contribution requirements for the Disability Insurance Program (VSDP) are governed by §51.1-1140 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer’s contractually required employer contribution rate for the Disability Insurance Program (VSDP) for the year ended June 30, 2020, was 0.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the Disability Insurance Program (VSDP) from the Board were \$5,238 and \$4,555 for the years ended June 30, 2020 and 2019, respectively.

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

At June 30, 2020, the Board reported a liability (asset) of \$(35,708) for its proportionate share of the Net VSDP OPEB Liability (Asset). The Net VSDP OPEB Liability (Asset) was measured as of June 30, 2019, and the total VSDP OPEB liability used to calculate the Net VSDP OPEB Liability (Asset) was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The Board’s proportion of the Net VSDP OPEB Liability (Asset) was based on the Board’s actuarially determined employer contributions to the VSDP OPEB plan for the year ended June 30, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Board’s proportion was 0.01820% as compared 0.01797% at June 30, 2018.

For the year ended June 30, 2020, the Board recognized VSDP OPEB expense of \$2,870. Since there was a change in proportionate share between measurement dates, a portion of the VSDP OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,572	\$ 1,437
Net difference between projected and actual earnings on VSDP OPEB plan investments	-	1,379
Change in assumptions	648	2,034
Changes in proportion	-	371
Employer contributions subsequent to the measurement date	<u>5,238</u>	<u>-</u>
Total	<u>\$ 10,458</u>	<u>\$ 5,221</u>

\$5,238 reported as deferred outflows of resources related to the VSDP OPEB resulting from the Board’s contributions subsequent to the measurement date will be recognized as an adjustment of the Net VSDP OPEB Liability (Asset) in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB will be recognized in VSDP OPEB expense in future reporting periods as follows:

<u>Year Ended</u> <u>June 30,</u>		
2021	\$	(570)
2022	\$	(569)
2023	\$	163
2024	\$	218
2025	\$	237
Thereafter	\$	520

Actuarial Assumptions

The total VSDP OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% – 5.35%
SPORS employees	3.5% – 4.75%
VaLORS employees	3.5% – 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

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

Mortality Rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

- Mortality rates (Pre-retirement, post-retirement healthy, and disability): Updated to a more current mortality table - RP-2014 projected to 2020
- Retirement rates: Lowered rates at older ages and changed final retirement age from 70 to 75
- Withdrawal rates: Adjusted rates to better fit experience at each age and service through 9 years of service
- Disability rates: Adjusted rates to better match experience
- Salary scale: No change
- Line of Duty Disability: Increase rate from 14% to 25%
- Discount Rate: Decrease rate from 7.00% to 6.75%

Mortality rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Net VSDP OPEB Liability (Asset)

The net OPEB asset (NOA) for the Disability Insurance Program (VSDP) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2019, NOA amounts for the Disability Insurance Program (VSDP) is as follows (amounts expressed in thousands):

Total VSDP OPEB liability	\$ 292,046
Plan fiduciary net position	<u>488,241</u>
Employers' net OPEB liability (asset)	<u>\$ (196,195)</u>
Plan fiduciary net position as a percentage of the total VSDP OPEB liability	167.18%

The total VSDP OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net OPEB asset is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-term expected rate of return

The long-term expected rate of return on System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Assets Class Strategy</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Estate	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS-Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP-Private Investment Partnership	<u>3.00%</u>	6.29%	<u>0.19%</u>
Total	<u>100.00%</u>		5.13%
Inflation			<u>2.50%</u>
Expected arithmetic nominal return*			<u><u>7.63%</u></u>

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total VSDP OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by participating employers to the VSDP OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VSDP OPEB Program's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total VSDP OPEB liability.

Sensitivity of the Board’s Proportionate Share of the Net VSDP OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the Board’s proportionate share of the net VSDP OPEB liability (asset) using the discount rate of 6.75%, as well as what the Board’s proportionate share of the net VSDP OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Board’s proportionate share of the total VSDP Net OPEB liability (asset)	\$ (32,422)	\$ (35,708)	\$ (38,618)

VSDP OPEB Fiduciary Net Position

Detailed information about the Disability Insurance Program (VSDP) Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Pre-Medicare Retiree Healthcare Program

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

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

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

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

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

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

The employer does not pay a portion of the retirees' healthcare premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, this generally results in a higher rate for active employees. Therefore, the employer effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of the premiums for active employees.

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost sharing plan for financial reporting purposes, and is administered by the Department of Human Resource Management. There were approximately 4,800 retirees and 89,000 active employees in the program in fiscal year 2019. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

Actuarial Assumptions and Methods

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2019. The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 7.00 percent for medical and pharmacy and 4.0 percent for dental. The ultimate trend rates used were 4.50 percent for medical and pharmacy and 4.0 percent for dental.

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Measurement Date	June 30, 2019 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed

Effective Amortization Period	6.25 years
Discount Rate	3.51%
Projected Salary Increases	4.0%
Medical Trend Under 65	Medical & Rx: 7.00% to 4.50% Dental: 4.00% Before reflecting Excise tax
Year of Ultimate Trend	2029
Mortality:	Mortality rates vary by participant status
Pre-Retirement	RP-2014 Employee Rates; males setback 1 year, 85% of rates; females setback 1 year
Post-Retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year
Post-Disablement	RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2019.

Changes of Assumptions: The following assumptions were updated since the June 30, 2018, valuation based recent experience:

- Spousal coverage - reduced rate from 35% to 25%
- Retiree participation - reduced the rate from 60% to 50%

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect modified preretirement Mortality base rates to exclude age over 65 instead of apply mortality improvement projection scale BB. The excise tax was modified to reflect updated projection of the tax thresholds. Trend rates were updated based on economic conditions as of 6/30/2019. Additionally, the discount rate was increased from 3.87% to 3.51% based on the Bond Buyers GO 20 Municipal Bond Index.

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

At June 30, 2020, the Board reported a liability of \$85,496 for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of \$678.9 million. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2019. The Board's proportion of the Pre-Medicare Retiree Healthcare OPEB liability was based on the Board's healthcare premium contributions as a percentage of the total employer's healthcare premium contributions for all participating employers. At June 30, 2019, the Board's proportion was 0.01259% as compared to 0.01261% at June 30, 2018. For the year ended June 30, 2020, the Board recognized Pre-Medicare Retiree Healthcare OPEB expense of \$(5,135).

At June 30, 2020, the Board reported deferred outflows or resources and deferred inflows of resources related to Pre-Medicare Retiree Healthcare from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between actual and expected experience	\$ -	\$ 43,382
Changes in assumptions	-	59,233
Changes in proportion	23,217	10,034
Subtotal	<u>23,217</u>	<u>112,649</u>
Amounts associated with transactions subsequent to the measurement date	3,640	-
Total	<u>\$ 26,857</u>	<u>\$ 112,649</u>

\$3,640 reported as deferred outflows of resources related to the Pre-Medicare Retiree Healthcare OPEB resulting from amounts associated with transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pre-Medicare Retiree Healthcare OPEB will be recognized in the Pre-Medicare Retiree Healthcare OPEB expense as follows:

Year Ended June 30,	
2021	\$(19,451)
2022	\$(19,451)
2023	\$(19,451)
2024	\$(18,975)
2025	\$(10,085)
Thereafter	\$ (2,018)

Sensitivity of the Board's Proportionate Share of the Pre-Medicare Retiree Healthcare OPEB Liability to Changes in the Discount Rate

The following presents the Board's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the discount rate of 3.51%, as well as what the Board's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.51%) or one percentage point higher (4.51%) than the current rate:

	1.00% Decrease (2.51%)	Current Rate (3.51%)	1.00% Increase (4.51%)
OPEB Liability	\$91,453	\$85,496	\$79,913

Sensitivity of the Board’s Proportionate Share of the Pre-Medicare Retiree Healthcare OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Board’s proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the healthcare cost trend rate of 7.00% decreasing to 4.50%, as well as what the Board’s proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (6.00% decreasing to 3.50%) or one percentage point higher (8.00% decreasing to 5.50%) than the current rate:

	1% Decrease (6.00% decreasing to 3.50%)	Trend Rate (7.00% decreasing to 4.50%)	1% Increase (8.00% decreasing to 5.50%)
OPEB Liability	\$76,353	\$85,496	\$96,321

11. RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The Board participates in insurance plans maintained by the Commonwealth. The state employee health care and worker’s compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, faithful performance of duty bond, and automobile plans. The Board pays premiums to each of these Departments for its insurance coverage. Information relating to the Commonwealth’s insurance plans is available at the statewide level in the Commonwealth’s Comprehensive Annual Financial Report.

12. SPECIAL ITEM

The Board reported a special item of \$838,049 in fiscal year 2019 related to the impairment of an asset. In fiscal year 2020, the Board received \$275,000 in litigation proceeds related to the contract dispute for the intangible asset impaired in the prior year.

REQUIRED SUPPLEMENTARY INFORMATION

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Virginia Board of Accountancy
Schedule of Employer's Share of Net Pension Liability
VRS State Employee Retirement Plan

Year Ended June 30,*	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.01912%	0.01876%	0.01833%	0.01759%	0.01669%	0.01498%
Employer's proportionate share of the net pension liability	\$1,208,333	\$1,015,000	\$1,068,000	\$1,159,000	\$1,022,000	\$839,000
Employer's covered payroll	\$784,323	\$778,755	\$739,906	\$695,362	\$644,621	\$578,909
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	154.06%	130.34%	144.34%	166.68%	158.54%	144.93%
Plan fiduciary net position as a percentage of the total pension liability	75.13%	77.39%	75.33%	71.29%	72.81%	74.28%

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

Schedule is intended to show information for 10 years. Since 2020 is the sixth year for this presentation, only six years of data is available. However, additional years will be included as they become available.

Virginia Board of Accountancy
Schedule of Employer Contributions
VRS State Employee Retirement Plan

Year Ended June 30,	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 114,365	\$ 104,808	\$ 104,090	\$ 99,965	\$ 97,505	\$ 79,482
Contribution in relation to the contractually required contribution	114,365	104,808	104,090	99,965	97,505	79,461
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21
Employer's covered payroll	\$ 845,814	\$ 784,323	\$ 778,755	\$ 739,906	\$ 695,362	\$ 644,621
Contributions as a percentage of covered payroll	13.52%	13.36%	13.37%	13.51%	14.02%	12.33%

Schedule is intended to show information for 10 years. Since 2020 is the sixth year for this presentation, only six additional years of data is available. However, additional years will be included as they become available.

VRS State Employee Retirement Plan

Notes to Required Supplementary Information for the Year Ended June 30, 2020

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

Virginia Board of Accountancy
Schedule of Employer's Share of Net OPEB Liability
Health Insurance Credit Program (HIC)

Year Ended June 30,*	2020	2019	2018
Employer's proportion of the Net HIC OPEB Liability (Asset)	0.01143%	0.01145%	0.01139%
Employer's proportionate share of the Net HIC OPEB Liability (Asset)	\$105,507	\$104,000	\$104,000
Employer's covered payroll	\$784,323	\$778,755	\$739,907
Employer's proportionate share of the Net HIC OPEB Liability (Asset) as a percentage of its covered payroll	13.45%	13.35%	14.06%
Plan fiduciary net position as a percentage of the total HIC OPEB Liability	10.56%	9.51%	8.03%

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

Schedule is intended to show information for 10 years. Since 2020 is the third year for this presentation, only three years of data is available. However, additional years will be included as they become available.

**Virginia Board of Accountancy
Schedule of Employer Contributions
Health Insurance Credit Program (HIC)**

Year Ended June 30,	2020	2019	2018
Contractually required contribution	\$ 9,881	\$ 9,070	\$ 9,103
Contributions in relation to the contractually required contribution	9,881	9,070	9,103
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 845,814	\$ 784,323	\$ 778,755
Contributions as a percentage of covered payroll	1.17%	1.16%	1.17%

Schedule is intended to show information for 10 years. Since 2020 is the third year for this presentation, only three years of data is available. However, additional years will be included as they become available.

Health Insurance Credit Program (HIC)

Notes to Required Supplementary Information for the Year Ended June 30, 2020

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

General State Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP- 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

SPORS Employees:

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

VaLORS Employees:

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

JRS Employees:

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

Virginia Board of Accountancy
Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Program (GLI)

Year Ended June 30,*	2020	2019	2018
Employer's proportion of the Net GLI OPEB Liability (Asset)	0.00397%	0.00406%	0.00399%
Employer's proportionate share of the Net GLI OPEB Liability (Asset)	\$64,602	\$61,000	\$60,000
Employer's covered payroll	\$784,323	\$778,755	\$739,907
Employer's proportionate share of the Net GLI OPEB Liability (Asset) as a percentage of its covered payroll	8.24%	7.83%	8.11%
Plan fiduciary net position as a percentage of the total GLI OPEB Liability	52.00%	51.22%	48.86%

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

Schedule is intended to show information for 10 years. Since 2020 is the third year for this presentation, only three years of data is available. However, additional years will be included as they become available.

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Virginia Board of Accountancy
Schedule of Employer Contributions
Group Life Insurance Program (GLI)

Year Ended June 30,	2020	2019	2018
Contractually required contribution	\$ 4,851	\$ 4,062	\$ 4,043
Contributions in relation to the contractually required contribution	4,851	4,062	4,043
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 845,814	\$ 784,323	\$ 778,755
Contributions as a percentage of covered payroll	0.57%	0.52%	0.52%

Schedule is intended to show information for 10 years. Since 2020 is the third year for this presentation, only three years of data is available. However, additional years will be included as they become available.

Group Life Insurance Program (GLI)

Notes to Required Supplementary Information for the Year Ended June 30, 2020

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

General State Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

Teachers:

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

SPORS Employees:

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

VaLORS Employees:

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

JRS Employees:

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

Largest Ten Locality Employers - General Employees:

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

Non-Largest Ten Locality Employers - General Employees:

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

Largest Ten Locality Employers – Hazardous Duty Employees:

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

Non-Largest Ten Locality Employers – Hazardous Duty Employees:

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

Virginia Board of Accountancy

Schedule of Employer's Share of Net OPEB Liability
Disability Insurance Program (VSDP)

Year Ended June 30,*	2020	2019	2018
Employer's proportion of the Net VSDP OPEB Liability (Asset)	0.01820%	0.01797%	0.01829%
Employer's proportionate share of the Net VSDP OPEB Liability (Asset)	(\$35,708)	(\$40,000)	(\$38,000)
Employer's covered payroll	\$747,661	\$715,906	\$689,058
Employer's proportionate share of the Net VSDP OPEB Liability (Asset) as a percentage of its covered payroll	4.78%	5.59%	5.51%
Plan fiduciary net position as a percentage of the total VSDP OPEB Liability	167.18%	194.74%	186.63%

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

Schedule is intended to show information for 10 years. Since 2020 is the third year for this presentation, only three years of data is available. However, additional years will be included as they become available.

Virginia Board of Accountancy
Schedule of Employer Contributions
Disability Insurance Program (VSDP)

Year Ended June 30,	2020	2019	2018
Contractually required contribution	\$ 5,238	\$ 4,555	\$ 4,672
Contributions in relation to the contractually required contribution	5,238	4,555	4,672
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 845,814	\$ 747,661	\$ 715,906
Contributions as a percentage of covered payroll	0.62%	0.61%	0.65%

Schedule is intended to show information for 10 years. Since 2020 is the third year for this presentation, only three years of data is available. However, additional years will be included as they become available.

Disability Insurance Program (VSDP)

Notes to Required Supplementary Information for the Year Ended June 30, 2020

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

General State Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

SPORS Employees:

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

VaLORS Employees:

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

Virginia Board of Accountancy

**Schedule of Employer's Share of Total OPEB Liability
Pre-Medicare Retiree Healthcare Program**

Year Ended June 30,*	2020	2019	2018
Employer's proportion of the collective total OPEB Liability	0.01259%	0.01261%	0.01350%
Employer's proportionate share of the collective total OPEB Liability	\$85,496	\$126,817	\$175,370
Employer's covered-employee payroll	\$791,224	\$793,590	\$745,758
Employer's proportionate share of the collective total OPEB Liability as a percentage of its covered-employee payroll	10.81%	15.98%	23.52%

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

Schedule is intended to show information for 10 years. Since 2020 is the third year for this presentation, only three years of data is available. However, additional years will be included as they become available.

Pre-Medicare Retiree Healthcare Program
Notes to Required Supplementary Information for the Year Ended June 30, 2020

There are no assets accumulated in a trust to pay related benefits.

Changes of benefit terms – There have been no changes to the benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following assumptions were updated since the June 30, 2018 valuation based on recent experience:

- Spousal Coverage – reduced the rate from 35% to 25%
- Retirement participation – reduced rate from 60% to 50%

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect the modified preretirement Mortality base rates to exclude age over 65 instead of apply mortality improvement projection scale BB. The excise tax was modified to reflect updated projection of the tax thresholds. Trend rates were updated based on economic conditions as of June 30, 2019. Additionally, the discount rate was increased from 3.87% to 3.51% based on the Bond Buyers GO 20 Municipal Bond Index.

VIRGINIA BOARD OF ACCOUNTANCY

BOARD MEMBERSHIP

As of June 30, 2020

The Board is comprised of five Certified Public Accountants who hold Virginia licenses, one educator in the field of accountancy who holds a Virginia license, and one public member. The Governor appoints each member to a term of four years and no member may serve more than two consecutive terms.

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