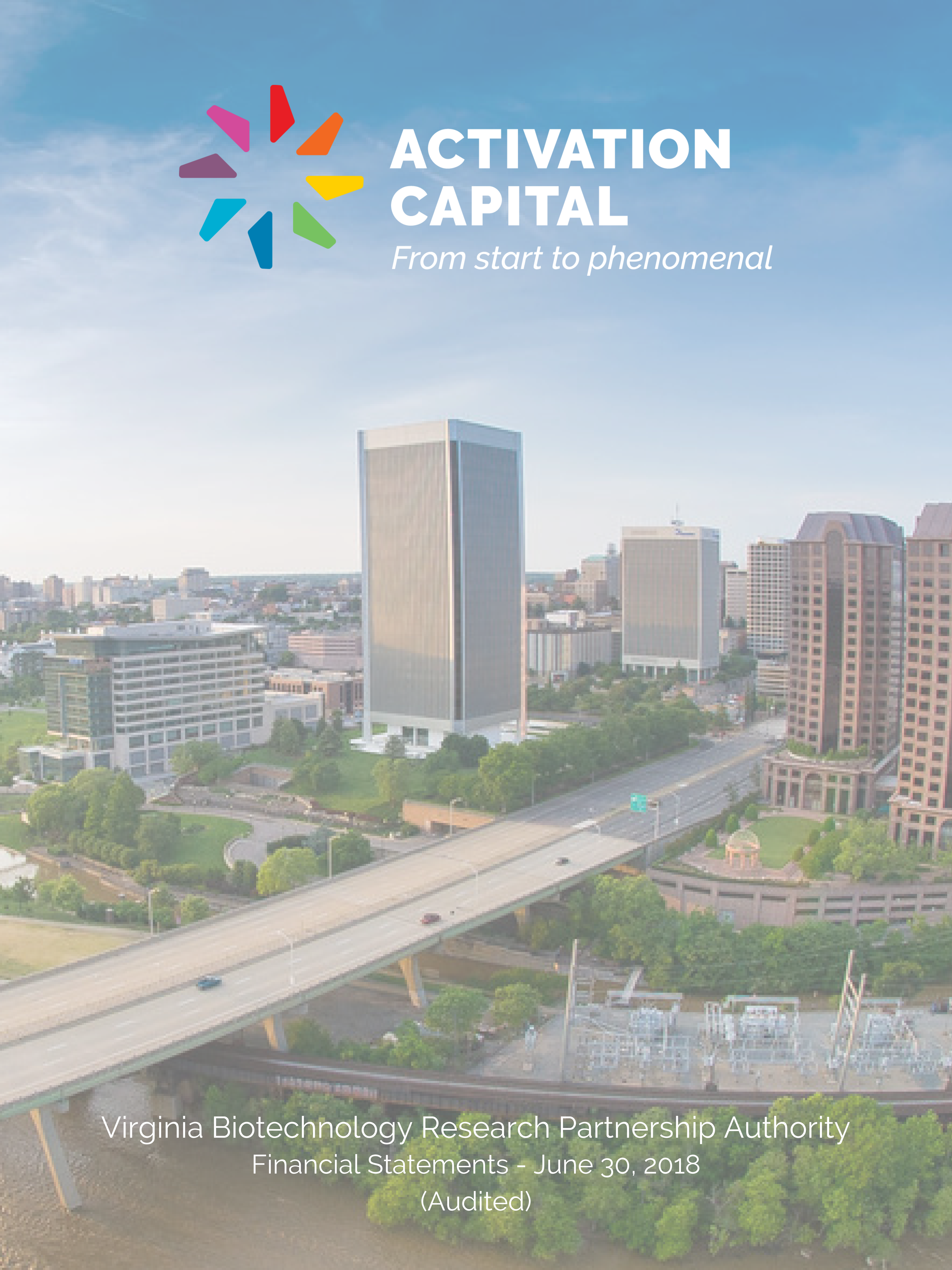

ACTIVATION CAPITAL

From start to phenomenal

Virginia Biotechnology Research Partnership Authority

Financial Statements - June 30, 2018

(Audited)

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Annual Financial Report

for the

Virginia Biotechnology Research Partnership Authority

Including its Blended Component Unit Virginia Biotechnology Research Park Corporation

A Component Unit of the Commonwealth of Virginia

(Audited)
For The Fiscal Year Ended
June 30, 2018

ACTIVATION CAPITAL
From start to phenomenal

VA BIO+TECH PARK

Prepared by the Director of Business Development and Administration of the Virginia Biotechnology Research Partnership Authority

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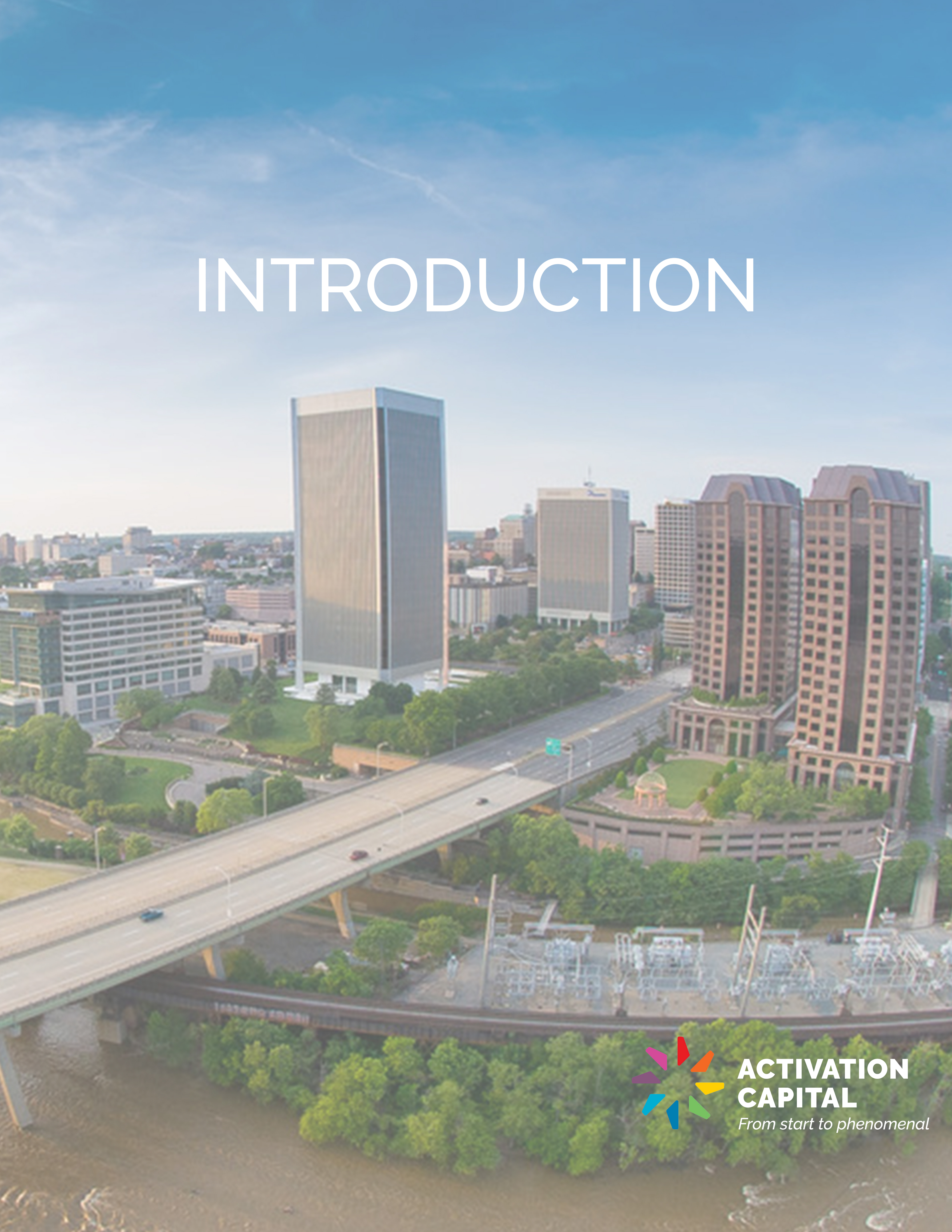
INTRODUCTION



ACTIVATION
CAPITAL
From start to phenomenal

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September 2018

Dear Board Members and Stakeholders:

This year proved to be another great year for Activation Capital. Our region, and the Commonwealth, continue to receive accolades and the area has peaked interest from a few notable tech giants that have chosen to join our community, including CoStar and Facebook.

As awareness of the Activation Capital brand grows, so too does our activity and momentum. The ecosystem is thriving and there are more partnerships being created and strengthened each day.

In December 2017, the Board of Directors of Activation Capital, with the support of Activation Council, established the Ecosystem Direct Investment Fund. The fund will contribute $5 million over five years into activities supporting the identified ecosystem gaps and strategies adopted by the Activation Council. In December, it was also announced that the first awardee, Lighthouse Labs – the region's nationally-ranked accelerator – will receive support of $1 million over two years to champion their continued growth and impact on new company formation. In June, the board decided to award Startup Virginia – a high-growth incubator – $250,000 for their programming to help startups. For both awardees, the money will be deployed in fiscal year 2019.

In addition to the creation of the EDIF, Activation Capital launched its Innovators Roundtable series. The first meeting kicked off in April at Altria's warehouse space in Scott's Addition, and was a great way for corporate innovators to come together to share best practices and show examples of the innovative projects occurring at Dominion, Altria and Capital One. The second meeting in June focused on risk and how companies can best support employees thinking outside of the box and reward innovation. This series has already proven to be helpful in engaging the corporate stakeholders in the ecosystem and connecting corporate innovators in the region.

Lighthouse Labs has experienced significant growth this year, doubling its staff to 2 full time employees with the addition of a full-time managing director. During the 2017 cohort of the program, over 285 applications were received and ultimately six startups were awarded $120,000. Our increased support of Lighthouse Labs will further advance acceleration programming to assist local entrepreneurs, attract entrepreneurs from other places, and raise the region's profile and reputation as an emerging entrepreneur center.

The third Metrics Report was published this year and with it came exciting changes. This year we formed a new partnership with Cherry Bekaert to look at trends and to help shape our metrics reports going forward. We also included data from four new entrepreneurial support organizations. As the innovation ecosystem continues to grow, so will our report and the data we are able to compile – leading to actionable outcomes.

Just as the ecosystem is growing as a whole, the VA Bio+Tech Park is growing too. For example, Nutriati closed a round of funding, raising over $9 million. As a result, they were able to graduate from the VA Bio+Tech Center into their own space with a commercial kitchen, allowing for increased levels of research and development related to their chickpea flour products.

The VA Bio+Tech Park has also welcomed new companies including Green Biologics, Imageonix, Immersive Data Analytics, Tympanogen and Bright Path Pharma. Green Biologics is a renewable chemicals company focused on developing and delivering new green alternatives for everyday products. Tympanogen, Inc. develops innovative ear, nose, and throat devices based on proprietary gel technology. Imageonix provides innovative solutions for wide-area public surveillance, critical infrastructure protection, and facial recognition. Bright Path, LLC has turn-key, manufacturing, continuous flow facility innovations that are highly automated, controlled and inexpensive to build and operate and create a distributive, global, world-wide network of modular manufacturing facilities enabling Medicines-for-Demand. Finally, Immersive Data Analytics is a startup focused on volume data analytics and visualizations in Augemented Reality/Virtual Reality platforms.

Along with all of the activity taking place at the VA Bio+Tech Park campus, Activation Capital has also been active in programming and events throughout the region.

For the third year, the Richmond chapter of SCORE held their business plan competition at the VA Bio+Tech Park. This year, six companies pitched their business plans with $8,500 in prizes awarded to the top three teams.

At the Dominion Energy Innovation Center (DEIC) in Ashland, we were able to partner with Randolph-Macon College to host a pitch competition for students at the college and regional startup companies. The student winner received a $1,000 prize and Babylon Microfarms received a check for $10,000 with both winners receiving 6 months of office space at DEIC. In addition to this partnership, DEIC welcomed a new company, ARX Cyber, and two new co-working companies Richmond Translator LLC, a startup providing customers with translators, and Everyday Excellence, a customer service consulting business focusing on energy companies.

Looking forward, we are excited about our partnership with VCU Ventures. This newly created office will develop programs and work with regional partners to create startups around intellectual property developed by VCU faculty and staff, increasing the amount of technology commercialized out of the university.

The entrepreneurial spirit is strong in Richmond, we are a beacon for the Commonwealth, and we are excited for all that is to come.

Carrie Roth

Carrie Roth
President/CEO

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY

Board of Directors
Michael Rao, Ph.D., Ex-Officio and Chair
Mary C. Doswell, Vice Chair
Gail Letts, Secretary

Ken Ampy
J. Robert Mooney
Eric Edwards, M.D., Ph.D.
(vacancy)

The Hon. Brian Ball, Ex Officio
The Hon. Levar Stoney, Ex Officio

Executive Director
Carrie Roth

Officers to the Board
Joy P. Edgett, Treasurer
Sara Maddox, Assistant Secretary to the Board

VIRGINIA BIOTECHNOLOGY RESEARCH PARK CORPORATION (ACTIVATION COUNCIL)

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Jennifer Finn, Vice Chair
John A. Vithoulkas, Ex-Officio and Secretary

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President and CEO
Carrie Roth

Officers to the Board
Joy P. Edgett, Treasurer
Sara Maddox, Assistant Secretary to the Board

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FINANCIAL INFORMATION

ACTIVATION CAPITAL
From start to phenomenal

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Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

November 27, 2018

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
And Review Commission

Board Members
Virginia Biotechnology Research Partnership Authority Board
Virginia Biotechnology Research Park Corporation Board

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the **Virginia Biotechnology Research Partnership Authority**, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Virginia Biotechnology Research Partnership Authority as of June 30, 2018, and the changes in financial position and its cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 12 through 17, the Schedule of Changes in Net Pension Asset and Related Ratios on page 64, the Schedule of Employer's Share of Net OPEB Liability – Group Life Insurance Program on page 65, the Schedule of Employer Contributions - Pension and Schedule of Employer Contributions – GLI OPEB on page 66, and the Notes to Required Supplementary Information on pages 68 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 27, 2018 on our consideration of the Virginia Biotechnology Research Partnership Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Martha S. Mavredes
AUDITOR OF PUBLIC ACCOUNTS

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Our discussion and analysis of the Virginia Biotechnology Research Partnership Authority's (the "Authority") financial performance provides a narrative introduction, an overview of the Authority's financial activities as of, and for, the fiscal year ended June 30, 2018, with selected comparative information for the fiscal year ended June 30, 2017. It should be read in conjunction with the Authority's accompanying financial statements and notes to the financial statements.

ABOUT THE AUTHORITY

The Virginia Biotechnology Research Partnership Authority was established in 1993 as a political subdivision of the Commonwealth of Virginia to disseminate knowledge pertaining to scientific and technological research and development among public and private entities, including but not limited to biotechnology, by promoting scientific research and economic development through the attraction and creation of new jobs and companies. In order to facilitate and coordinate scientific and technological research and development, the Authority promotes the industrial and economic development of the Virginia Biotechnology Research Park (VA BIO+TECH PARK) and the Commonwealth, and also has authority for financing construction through bonds and other authorized means. The Authority does not have taxing powers. Operations are funded from lease and ancillary service revenues, bond issuances, long-term notes payable, line of credit debt, and community development fees.

The VA BIO+TECH PARK is a life sciences community adjacent to the Virginia Commonwealth University (VCU) Medical Center – and is home to approximately 70 private and non-profit companies, state and federal laboratories, and research institute/administrative functions of VCU and VCU Health, filling nearly 1,100,000 square feet of laboratory and office space in seven buildings and employing approximately 2,400 researchers, scientists, engineers and support personnel on a 34-acre campus in downtown Richmond, Virginia. The VA BIO+TECH PARK partners with neighboring Chesterfield, Hanover and Henrico Counties to extend the reach of the VA BIO+TECH PARK for sites that may accommodate larger companies on suburban campuses in the Greater Richmond area. The Dominion Energy Innovation Center located in the Town of Ashland is an affiliate of the VA BIO+TECH PARK. The staff of the Authority manages the daily operations of the VA BIO+TECH PARK.

The Virginia Biotechnology Research Park Corporation (Corporation) was established in 1992 as an Internal Revenue Code Section 501(c) (3) corporation, and is organized and operated exclusively for scientific, educational and charitable purposes. The Authority and the Corporation have a financial and operational relationship requiring the Corporation's financial statements to be blended into the Authority's financial statements (Blended Component Unit). Condensed combining statements are presented in the notes to the financial statements.

OVERVIEW OF ANNUAL FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements. The MD&A represents management's examination and analysis of the financial condition and performance of the Authority. The financial statements of the Authority are presented using the accrual method of accounting. The financial statements themselves consist of the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; the Statement of Cash Flows; and Notes to the Financial Statements.

The Statement of Net Position presents the financial position of the Authority including information about the type and amount of resources and obligations on June 30, 2018. The Statement of Revenues, Expenses, and Changes in Net Position presents the results of the Authority's operating and non-operating activities, and provide information as to changes to the net position. The Statement of Cash Flows presents changes in cash and cash equivalents, as a result of operational, non-operational, and financing activities.

The Notes to the Financial Statements provide required disclosures and other pertinent information necessary to provide a reader of the financial statements a complete understanding of the data being presented. The notes are comprised of information about the Authority's accounting policies, significant account balances, obligations, commitments, contingencies, and subsequent events.

CONDENSED FINANCIAL INFORMATION

Statement of Net Position

The Statement of Net Position presents the consolidated financial position of the Authority and Corporation at the end of the fiscal year. The statement includes all assets and liabilities of the Authority and its component unit. Net position is an indicator of the current fiscal health of the organization and the Authority's financial position over time.

A condensed summary of consolidated assets and deferred outflows, liabilities and deferred inflows, and net position at June 30, 2018 and 2017, respectively, follows:

Condensed Statement of Net Position as of June 30, 2018 and 2017

	2018	2017	Value of Change	Percentage Of Change
Assets:				
Current and other assets	$ 33,523,944	$ 33,375,666	$ 148,278	0%
Capital assets, net	3,625,570	3,558,847	66,723	2%
Total assets	37,149,514	36,934,513	215,001	1%
Deferred outflows of resources:				
OPEB deferrals	5,912	-	5,912	100%
Pension deferrals	5,936	68,433	(62,497)	(91%)
Deferred amount on refunding	938,234	1,188,429	(250,195)	(21%)
Total deferred outflows of resources	950,082	1,256,862	(306,780)	(24%)
Liabilities:				
Current and other liabilities	4,516,366	4,544,517	(28,151)	(1%)
Long-term liabilities	14,305,667	18,595,811	(4,290,144)	(23%)
Total liabilities	18,822,033	23,140,328	(4,318,295)	(19%)
Deferred inflows of resources:				
OPEB Deferrals	5,000	-	5,000	100%
Pension deferrals	32,801	-	32,801	100%
	37,801	-	37,801	100%
Net position:				
Net investment in capital assets	3,625,570	3,558,847	66,723	2%
Restricted for pensions	347,757	243,396	104,361	43%
Restricted for donor purposes	8,695	110,084	(101,389)	(92%)
Unrestricted	15,257,740	11,138,720	4,119,020	37%
Total net position	$ 19,239,762	$ 15,051,047	$ 4,188,715	28%

The slight increase in current assets is due principally to increase in the current amount of the Biotech 6 Lease Receivable and cash on hand. The two percent increase in capital assets is due to our branding effort and leasehold improvements. Deferred pension amounts decreased ninety-one percent due to actuarial differences of expected and actual. Total liabilities decreased nineteen percent mainly from scheduled payment made toward the outstanding bond. Beginning net position for 2018 was restated with the OPEB implementation.

Net investment in capital assets represents the land, equipment and lease receivable, less the related debt outstanding used to acquire those capital assets. The balance is relatively flat year over year, as the lease receivable declines as the bond payment is made. Restricted represents resources – principally cash and investments – subject to external restrictions on how they can be used. Net position restricted for pensions of $347,757 reflects the asset balance the Authority maintains and is discussed in further detail in the notes to the financials. Net position restricted for donor purposes of $8,695 is for the Corporation's administration of the Lighthouse Labs program. The remaining unrestricted net position may be used to fund the Authority's other ongoing obligations and initiatives.

Statement of Revenues, Expenses, and Changes in Net Position

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Change in Net Position. This statement measures the success of the Authority's operations and can be used to determine whether the Authority's fiscal condition has improved or worsened during the year.

A summary of the Authority and its Component Unit revenues, expenses and changes in net position for the years ended June 30, 2018 and 2017 are as follows:

Condensed Statement of Revenues, Expenses, and Changes in Net Position
for the years ended June 30, 2018 and 2017

	2018	2017	Value of Change	Percentage Of Change
Operating revenues:				
Rental income	$ 311,205	$ 341,148	$ (29,943)	(9%)
Parking income	395,980	368,840	27,140	7%
Community development fees	293,783	290,430	3,353	1%
Business support services	79,291	21,043	58,248	277%
Program revenues and contributions	293,843	218,440	75,403	35%
Interest income	73,082	-		
Other income	16,838	40,510	(23,672)	(58%)
Total operating revenues	1,464,022	1,280,411	183,611	14%
Operating expenses:				
Salaries and benefits	703,250	636,415	66,835	11%
Marketing and promotion	165,730	103,721	62,009	60%
Occupancy costs	105,406	79,891	25,515	32%
Administrative	124,437	102,651	21,786	21%
Program expenses	305,931	292,800	13,131	4%
Depreciation expense	19,579	13,066	6,513	50%
Total operating expenses	1,424,333	1,228,544	195,789	16%
Operating income	39,689	51,867	(12,178)	(23%)
Non-operating revenues and expenses	4,193,026	1,038,998	3,154,028	304%
Change in net position	4,232,715	1,090,865	3,141,850	288%
Net position - beginning of year restate	15,007,047	13,960,182	1,046,865	7%
Net position - end of year	$ 19,239,762	$ 15,051,047	$ 4,188,715	28%

Operating revenues increased fourteen percent due mainly to increase in business support services provided to our founders and interest income due to market conditions and additional cash. Operating expenses increased sixteen percent from the prior fiscal year mainly due to increase in marketing expenses to promote our rebranding effort, salaries and benefits expense to additional staffing and increased benefit costs, and increase in occupancy costs for building and shared lab maintenance. The Corporation's administrative activity to support Lighthouse Labs and SCORECard programs brought in revenues and contributions just over $293,000 and program expenses were just over $305,000. Non-operating revenues increase three hundred four percent due to the sale of Biotech 8 building.

Statement of Cash Flows

The Statement of Cash Flows provides information about the cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides insight as to the major sources and uses of cash applicable to the fiscal year. A condensed summary of the Statement of Cash Flows for the Authority and its Component Unit for the fiscal years 2018 and 2017 respectively follows:

Condensed Statement of Cash Flows	2018	2017	Value of Change	Percentage Of Change
Cash flows from operating activities	$ (123,731)	$ 382,206	$ (505,937)	(132%)
Cash flows from non-capital financing activities	4,461,949	233,608	4,228,341	1,810%
Cash flows from capital and related financing activities	(80,930)	(143,971)	63,041	44%
Cash flows from investing activities	(2,793,978)	-	(2,793,978)	(100%)
Net increase in cash and cash equivalents	1,463,310	471,843	991,467	210%
Cash - beginning of year	4,817,373	4,345,530	471,843	11%
Cash - end of year	$6,280,683	$4,817,373	$ 1,463,310	30%

Cash flow from operating activities increased from the Authority by $198,737 due mainly to increase in business support services and interest income. The Corporation decreased by $322,468 due to timing of funds received to support the program. Cash flow from non-capital financing activities increased from the Biotech 8 partnership's asset sale of Biotech 8 building and sale of stock from Commonwealth of Virginia unclaimed property. Cash flows from capital and related financing activities were from assets purchased. Cash flows from investing activities decreased by $2.8 million due to investment of the proceeds from the sale of Biotech 8 in the Commondfund. Overall available cash and cash equivalents increase from approximately $4.8 million at the end of 2017 to approximately $6.3 million at the end of 2018. Of which, $8,695 is restricted for designated programs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's investment in capital assets as of June 30, 2018, amounted to $3.6 million (net of accumulated depreciation). This investment in capital assets primarily includes land and equipment.

Long-Term Debt

At June 30, 2018, the Authority had $14.2 million in long-term bond debt, excluding current maturities.

The Authority's Lease Revenue Refunding bonds were issued in 2009 for $36.7 million. Proceeds were used to refund a portion of the Authority's Lease Revenue bonds issued in 2001, which were paid in full fiscal year 2012. The 2009 bonds carry an AA+ rating from Standard and Poor's, Aa1 rating from Moody's Investor Services and AA+ rating from Fitch Rating, Inc. The balance excluding current maturities at June 30, 2018, was $14.3 million.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, customers, investors, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money we receive. If you have any questions about this report or need additional financial information, please contact the Authority's Director of Business Development and Administration at 800 East Leigh Street, Richmond, VA 23219, (804) 828-0963.

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY and CORPORATION

STATEMENT OF NET POSITION

As of June 30, 2018

ASSETS	Total
Current assets:	
Cash and cash equivalents (Note 1 & 2)	$ 658,985
Cash with Local Government Investment Pool (Note 2)	5,621,698
Accounts receivable, net	9,647
Prepaid expenses	4,148
Net investment in lease receivable - current portion (Note 6)	3,990,000
Total current assets	10,284,478
Non-current assets, net of depreciation:	
Net investment in lease receivable (Note 6)	13,255,000
Net pension asset (Note 9)	347,757
Investment in partnerships (Note 4)	55,625
Commonfund Investments (Note 2 & 3)	9,581,084
Non-depreciable capital assets (Note 5)	3,369,446
Depreciable capital assets, net of accumulated depreciation (Note 1 & 5)	256,124
Total non-current assets	26,865,036
Total assets	37,149,514
DEFERRED OUTFLOWS OF RESOURCES	
OPEB deferrals (Note 1 & 10)	5,912
Pension deferrals (Note 1 & 9)	5,936
Deferred amount on bond refunding (Note 1)	938,234
	950,082
LIABILITIES	
Current liabilities:	
Accounts payable	44,109
Customer deposits	2,036
Unearned Revenue	129,305
Long-term debt - current portion (Note 8)	4,340,916
Total current liabilities	4,516,366
Non-current liabilities:	
Long-term debt (Note 8)	14,220,019
Compensated absences (Note 1 & 8)	42,648
OPEB Liability (Note 8 & 10)	43,000
Total non-current liabilities	14,305,667
Total liabilities	18,822,033
DEFERRED INFLOWS OF RESOURCES	
OPEB deferrals (Note 10)	5,000
Pension deferrals (Note 1 & 9)	32,801
	37,801
NET POSITION	
Net investment in capital assets	3,625,570
Restricted for pensions	347,757
Restricted for designated programs	8,695
Unrestricted	15,257,740
Total net position	$ 19,239,762

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

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY and CORPORATION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the year ended June 30, 2018

Operating revenues:	
Rental income	$ 311,205
Parking income	395,980
Community development fees	293,783
Business support services	79,291
Program revenues and contributions (Corporation)	293,843
Interest Income	73,082
Other income	16,838
Total operating revenues	1,464,022
Operating expenses:	
Salaries and benefits	703,250
Marketing and promotion	165,730
Occupancy costs	105,406
Administrative	124,437
Program expenses (Corporation)	305,931
Depreciation expense (Note 5)	19,579
Total operating expenses	1,424,333
Income from operations	39,689
Non-operating revenue/(expenses):	
Interest revenue	938,550
Interest expense	(837,830)
Commonfund investment income	545,592
Gain from investment in partnerships (Note 4)	3,546,714
Total non-operating revenue	4,193,026
Change in net position	4,232,715
Net position - 6/30/17 - restated for OPEB	15,007,047
Net position - 6/30/18	$19,239,762

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

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY and CORPORATION

STATEMENT OF CASH FLOWS

For the year ended June 30, 2018

Cash flows from operating activities:	
Cash received from rent	$ 305,111
Cash received from parking	395,251
Cash received from community development fees	293,783
Cash received from business support services	79,291
Cash received from miscellaneous income	16,465
Cash received from donors	14,093
Cash received for interest	73,082
Payments for personnel expenses	(707,958)
Payments for marketing expenses	(123,327)
Payments for occupancy expenses	(103,001)
Payments for administrative expenses	(115,340)
Payments for program services	(251,181)
Net cash used by operating activities	(123,731)
Cash flows from non-capital financing activities:	
Cash received from tenant financing arrangements	3,917
Proceeds from sale of Biotech 8 and Bioling	4,397,963
Proceeds from sale of stock investments	60,069
Net cash provided by non-capital financing activities	4,461,949
Cash flows from capital and related financing activities:	
Purchase of capital assets	(80,930)
Cash flows from investing activities:	
Purchase of Commonfund investments	(2,793,978)
Net increase in cash	1,463,310
Cash and cash equivalents - 6/30/17	4,817,373
Cash and cash equivalents - 6/30/18	$ 6,280,683

Reconciliation of net operating income to net cash used by operating activities:		
Operating income	$	39,689
Adjustments to reconcile operating income to net cash used by operating activities:		
Depreciation expense		19,579
Increase in operating accounts receivable		(7,508)
Decrease in prepaid expenses		36,237
Increase in accounts payable		15,625
Decrease in customer deposits		(3,378)
Decrease in unearned revenue		(220,772)
Increase in leave accrual		7,772
Decrease in net pension asset and related deferred inflows/outflows of resources		(9,063)
Decrease in net OPEB liability and related deferred inflows/outflows of resources		(1,912)
Net cash used by operating activities	$	(123,731)

Supplemental disclosure of non-cash investing, capital, and financing activity:		
Net investment in lease receivable	$	3,815,000
Unrealized Gain on Commonfund Investments		(545,592)
Deferred amount on bond refunding		250,195
Purchase of capital assets included in accounts payable at year-end		5,372
Long-term Debt		(4,165,916)

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

NOTES TO FINANCIAL STATEMENTS

(Including Blended Component Unit Virginia Biotechnology Research Park Corporation)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Reporting Entity</u>

The Virginia Biotechnology Research Partnership Authority (Authority), which began operations effective July 1, 1993, provides a mechanism for financing construction of the VA BIO+TECH PARK through bond issuances and other approved means.

The Authority is responsible for developing, leasing, operating, managing, and maintaining the VA BIO+TECH PARK properties and grounds, as well as oversight of contractors.

The Authority is a component unit of the Commonwealth and is included in the basic financial statements of the Commonwealth. A separate report is prepared for the Commonwealth that includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority.

The accompanying annual financial report includes the financial activities of the Authority, and its component unit. Financial information for the Authority and the component unit is accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by the Government Accounting Standards Board.

<u>Blended Component Unit</u>

The Virginia Biotechnology Research Park Corporation (the Corporation) is an Internal Revenue Code Section 501(c) (3) corporation and is organized and operated exclusively for scientific, educational, and charitable purposes. The Authority and the Corporation have a financial and operational relationship that requires the Corporation's financial statements be blended into the Authority's financial statements. Condensed combining financial statements for the Authority and its blended component unit are presented in Note 15 below.

<u>Basis of Accounting</u>

The financial statements of the Authority have been prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with generally accepted accounting principles, which provides that revenues are recorded when earned and expenses are recorded when incurred. It is the policy of the Authority to first apply restricted resources when an expense is incurred for purposes for with both restricted and unrestricted net position are available.

The Authority defines operating revenues as revenue derived from the primary business activities of the Authority. These activities include the following: 1) lease revenues related to non-capitalized leases with lease terms of one-year or less; 2) contributed income directly supporting the operations or advancement of the VA BIO+TECH PARK; 3) revenue derived from ownership and management of parking surface lots within the footprint of the VA BIO+TECH PARK; and 4) assessments and other miscellaneous revenue sources such as event fees for conference facilities, tenant fax and copying fees, and expenditure reimbursements that are not related to a specific capital outlay project.

The Authority defines non-operating revenues as revenue derived from capital lease agreements and capital financing activities such as interest income on funds held in trust accounts and developer's/issuer's fees earned on bond issuances and project development.

The Corporation defines revenues as revenue derived from grants, donations, awards and other funds received for programs.

Cash and Cash Equivalents

For the purpose of reporting cash flows, the Authority considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments in marketable debt in equity securities held by Commonfund are valued using fair value measurements in accordance with GASB Statement No. 72, *Fair Value Measurements and Application* (GASB 72). See Note 3 for additional information on the Authority's investments measured at fair value. The Authority also invests in certain partnerships to further the Authority's mission and purpose to promote scientific research and economic development through the attraction and creation of new jobs and companies. These investments are valued at cost with certain proportionate shares of profits and losses allocated. See Note 4 for additional information on the Authority's investments in partnerships.

Asset Capitalization and Depreciation Method

Capital assets are generally assets with an initial cost of $2,500 or more and an estimated useful life in excess of two years. Capital assets are valued at historical costs or estimated historical cost if actual cost is not available. Capital assets are comprised of land, buildings, equipment, construction-in-progress, trademarks, and leasehold improvements. Donated capital assets are carried at market value at the date of contribution. Accumulated depreciation is reported on the Statement of Net Position. Depreciation is computed on the straight-line basis over the estimated useful life of the asset.

Land	Non-depreciable assets
Buildings	20-48 years
Leasehold Improvements	5-15 years
Equipment	3-20 years
Trademark	5-10 years

The costs for maintenance and repairs are charged to occupancy and shared lab expense as incurred. When items are retired or otherwise disposed of, the related costs and accumulated depreciation are eliminated from the accounts and any resulting profit or loss on such dispositions is reflected in non-operating activities.

Long-Term Obligations

Long-term obligations are reported as liabilities in the Statement of Net Position. In accordance with paragraph 146 of GASB Statement No. 34, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Compensated Absences

Compensated absences represent the amounts of paid time off (PTO) hours earned by employees, but not taken at June 30, 2018. PTO combines traditional vacation and sick leave. All full-time staff receive 30 days of PTO on January 1 of each year. The amount reflects all earned PTO and related payroll taxes to be paid under the Authority's leave pay out policy upon employment termination.

Interest Income

Interest income and expense from operating and Local Government Investment Pool accounts are recorded as operating revenue. Interest income and administrative fees related to the investment and bond accounts are recorded as non-operating revenue.

Unamortized Deferred Amount on Refunding

The deferred amount on refunding, resulting from the advance refunding of a portion of the Series 2006 Revenue Bonds, is being amortized on a straight-line basis over the life of the Series 2009 Bond, and as of June 30, 2018, had a balance of $938,234. The amortization of $250,195 is included in interest expense for fiscal year 2018.

Pensions

The Authority participates in the Virginia Retirement System (VRS) Political Subdivision Retirement Plan which is a multi-employer, agent 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 Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Group Life Insurance

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

Adoption of New Accounting Statement

Effective for the fiscal year ended June 30, 2018, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Statement No. 75 replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement No. 57, *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans.*

Statement No. 75 addresses accounting and financial reporting for other post-employment benefits (OPEB) that are provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The Authority could not practically determine the period-specific details of the change on all prior periods presented; therefore, the cumulative effect of the change was applied to the beginning balances of the current year (see Note 17).

2. DEPOSITS AND INVESTMENTS

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC). In addition, the Authority's deposits with banks are collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Other funds of the Authority are invested in the State Treasurer's Local Government Investment Pool (LGIP). LGIP enables governmental entities to maximize their return on investments by providing for a State administered fund where monies can be commingled for investment purposes in order to realize the economies of large-scale investing and professional funds management. The LGIP is managed in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 79. The LGIP is in compliance with all of the standards of GASB Statement No. 79 and elects to report its investments for financial reporting at amortized cost. Participants in the LGIP should also report their investments in the LGIP at amortized cost. The LGIP is rated AAAm by Standard & Poor's rating service.

Investments

Code of Virginia section 2.2-4500 et.seq. authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof; obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, and the African Development Bank; "prime quality" commercial paper and certain corporate notes; banker's acceptances repurchase agreements; and the State Treasurer's Local Government Investment Pool (LGIP).

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. More than 5 percent of the Authority's investments are in Commonfund Institutional Multi-Strategy Equity Fund, LLC and Commonfund Institutional Multi-Strategy Bond Fund, LLC. These investments are sixty-seven percent and thirty-three percent, respectively, of the Authority's total investments in Commonfund.

Credit Risk

The Commonfund is an external investment pool whose asset portfolio is unrated.

Interest Rate Risk

As of June 30, 2018, the weighted average effective duration for the Commonfund was 4.9 years.

Foreign Currency Risk

The Authority's exposure to foreign currency risk derives from its holdings of foreign securities and the use of derivatives to hedge the related foreign currency exposure back to the U.S. dollar. These foreign securities are part of the holdings included in the Commonfund Institutional Multi-Strategy Equity Fund, LLC and Commonfund Institutional Multi-Strategy Bond Fund, LLC and represent sixteen percent and six percent of the fund's holdings, respectively. The Authority does not have a formal policy to limit foreign currency risk.

3. INVESTMENTS MEASURED AT NET ASSET VALUE

Investments measured at net asset value (NAV) per share are valued using the practical expedient at the Authority's pro-rata interest in the net assets of these funds. Investments held by these funds are valued at prices which approximate fair value. The fair value of certain investments in the underlying entities, which may include private placements and other securities for which values are not readily available, are determined in good faith by the investment advisors of the respective funds and may not reflect amounts that could be realized upon immediate sale, nor amounts that may be ultimately realized. Net asset valuations are provided monthly by these funds.

In relation to the investment funds in the following table valued using the practical expedient, the following information is presented regarding the nature of the Authority's investment and related commitments as of June 30, 2018. The fair value of the investments in each fund has been estimated using the net asset value per share of investments.

Investments Measured at the Net Asset Value

	Fair Value	Unfunded Commitments	Eligible Redemption Frequency	Redemption Notice Period
Multi-Strategy Equity Fund	$ 6,392,876	n/a	Monthly	5 business days
Multi-Strategy Bond Fund	3,188,208	n/a	Monthly	5 business days
Total investments measured at net asset value	$ 9,581,084			

1. Multi-Strategy Equity Funds. To offer an actively managed, multi-manager investment program that will provide broad exposure to global equity markets. The fund seeks to add value net of fees above the return of the U.S. equity market, as measured by the S&P 500 Index, over a full market cycle. The fund's risk characteristics will vary from those of the S&P 500 due to its diversified exposures to equity markets outside of that index, including non-U.S. equity markets and to certain marketable alternative strategies. A separate composite benchmark consists of typical allocations to these strategies that we believe provides greater insight on nearer term performance drivers and fund characteristics. It also provides an appropriate framework to understand the impact of allocation changes over time. The weights reflected in the composite represent our expectations for long run, average exposures to the strategies.

2. Multi-Strategy Bond Funds. To offer an actively managed, multi-manager investment program that will provide broad exposure to global debt markets. The fund seeks to add value above the return of the broad U.S. Bond market, as measured by the Barclay's Capital U.S. Aggregate Bond Index, net of fees and to provide competitive returns relative to the Russell U.S. Core Plus Fixed Income Universe. The fund's risk characteristics will vary from those of the Index due to its diversified exposures to sectors outside of the Index, including below investments grade debt and international bond and currency markets.

4. INVESTMENT IN PARTNERSHIPS

Bio+Tech Eight, LLC, is a for-profit development entity in which the VA BIO+TECH PARK has an equity interest. During fiscal year 2007, the Authority contributed land (740 Navy Hill Road) with a book value of $97,709 and a market value of $1,000,000 and cash in the amount of $500,000, for a total equity contribution of $1,500,000. In September 2009, an additional $115,000 was contributed per a loan agreement. During 2011, the Operating Agreement was amended to exclude the Authority from sharing in any additional profits or losses of the LLC. However, accounting standards require the Authority to recognize its proportionate share of the profit and losses in the LLC in line with allocation ratios used for preferred return distributions. The Authority will receive preferred returns of any distributions of excess cash and upon the sale or refinancing of the property from the LLC.

During fiscal year 2013, the Operating Agreement was amended to allow for the admission of another member. As a result, the Authority's equity interest was reduced from approximately 15.6 percent to approximately 11 percent.

During fiscal year 2012, VA BIO+TECH PARK committed to an 8% equity interest in Bioling LLC, a for-profit development entity which also holds ownership in Bio+Tech Eight, LLC.

During fiscal year 2018, Bio+Tech Eight, LLC sold the asset, Biotech 8 building. The Authority received distributions from both partnerships totaling $4,397,963. In conjunction with the recording of the sale of the Biotech 8 building, the Authority deemed its equity interest in Bio+Tech Eight, LLC and Bioling LLC to have no remaining value and wrote-off its equity interests in the two entities of $911,318. This resulted in a net gain from the two Companies of $3,486,645 for 2018. An additional final distribution is expected to be received in fiscal year 2019.

As of June 30, 2018, the Authority had equity interests in corporations with a book value of $55,625. During the year, a valuation of a corporation was performed by a third party, who valued the equity interest with a market value of $464,000.

5. CAPITAL ASSETS

A summary of changes in the Authority's Capital Assets for the year ended June 30, 2018, is presented as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable capital assets:				
Land	$ 3,369,446	$ -	$ -	$ 3,369,446
Depreciable capital assets:				
Equipment	370,885	42,773	-	413,658
Leasehold improvements	3,150	18,529	-	21,679
Trademark	121,649	25,000	-	146,649
Total depreciable capital assets	495,684	86,302	-	581,986
Less accumulated depreciation for:				
Equipment	306,283	18,107	-	324,390
Leasehold improvements	-	1,472	-	1,472
Total accumulated depreciation	306,283	19,579	-	325,862
Depreciable capital assets, net	$ 189,401	$ 66,723	$ -	$ 256,124

6. LEASE RECEIVABLE

The Authority has a capital lease agreement with the Department of General Services for the Bio+Tech Six building. The capital lease has a value of $19,023,625 at June 30, 2018, which equals the remaining principal and interest due on the debt for the Bio+Tech Six building. The financial statements include unearned income of $1,778,625 related to the capital lease receivable for interest due in future periods.

At June 30, 2018, lease payments for each of the succeeding fiscal years are as follows:

Year	Amount
2019	$ 4,752,500
2020	4,757,750
2021	4,757,375
2022	4,756,000
Total Lease Payments	$ 19,023,625

The following lists the components of the net investment in lease receivable as of June 30, 2018:

Current portion:	
Minimum lease payments receivable	$ 4,752,500
Less: unearned revenue	(762,500)
receivable	3,990,000
Non-current portion:	
Minimum lease payments receivable	14,271,125
Less: unearned revenue	(1,016,125)
Non-current net investment in lease receivable	13,255,000
Total net investment in lease receivable	$ 17,245,000

7. CONDUIT DEBT OBLIGATIONS

On April 9, 2002, the Authority issued $12,000,000 in Series 2002 Variable Rate Revenue Bonds to fund construction of the Bio+Tech Seven project. Bio+Tech Seven is an office and data facility built specifically for United Network for Organ Sharing (UNOS). These bonds have a scheduled maturity date of April 1, 2027. The total amount of bonds outstanding at June 30, 2018, is $6,385,000.

On June 1, 2013, the Authority issued $15,000,000 in Series 2013A and Series 2013B Variable Rate Revenue Bonds to assist the Institute for Transfusion Medicine (ITxM) in connection with the transfer to ITxM of the sole corporate membership interest in Virginia Blood Services (VBS). VBS provides blood supply services, including collection, storage, and distribution of blood to hospitals and other health care providers in the Commonwealth of Virginia, and conducts related research. The bonds are secured by a bond trust indenture and are payable solely from payments made by the borrower under the loan agreement. These bonds have a scheduled maturity date of June 1, 2023. The total amount of bonds outstanding at June 30, 2018, is $12,750,000.

The bonds do not constitute a debt or pledge of the faith and credit of the Authority or the Commonwealth and accordingly have not been reported in the accompanying financial statements.

8. NON-CURRENT LIABILITIES

The Authority's non-current liabilities consist of long-term debt, accrued, and other non-current liabilities.

Long-term debt of the Authority consists of the following bonds at June 30, 2018:

3.00 percent to 5.00 percent Virginia Biotechnology Research Partnership Authority Commonwealth of Virginia Lease Revenue Bonds, (BioTech Six Consolidated Laboratories Project), Series 2009.	$ 17,245,000
Total long-term debt	$ 17,245,000

A summary of changes in the Authority's non-current liabilities for the year ended June 30, 2018 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Commonwealth of Virginia lease revenue bonds	$21,060,000	$ -	$ 3,815,000	$ 17,245,000	$3,990,000
Unamortized bond premium	1,666,851	-	350,916	1,315,935	350,916
Net bonds payable	22,726,851	-	4,165,916	18,560,935	4,340,916
OPEB Liability	-	43,000		43,000	-
Compensated absences	34,876	7,772	-	42,648	-
Total long-term liabilities	$ 22,761,727	$ 50,772	$ 4,165,916	$ 18,646,583	$ 4,340,916

Long-term debt matures as follows:

Fiscal year	Pricipal	Interest	Total
2019	$ 3,990,000	$ 762,500	$ 4,752,500
2020	4,200,000	557,750	4,757,750
2021	4,415,000	342,375	4,757,375
2022	4,640,000	116,000	4,756,000
Total	$ 17,245,000	$ 1,778,625	$ 19,023,625

9. DEFINED BENEFIT PENSION PLAN

The Authority contributes to the Virginia Retirement System (VRS), an agent, multiple-employer defined benefit pension plan administered by the VRS. Information relating to these plans are available at the statewide level in the CAFR.

Plan Description

All full-time, salaried permanent employees of the Political Subdivision Authority are automatically covered by VRS 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 a 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 – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, creditable service and average final

		compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision 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 ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	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.
Retirement Contributions Employees 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.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior

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

		Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **<u>Defined Benefit Component:</u>** See definition under Plan 1 **<u>Defined Contribution Component:</u>** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.		investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. **Political subdivision hazardous duty employees:** The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. **Sheriffs and regional jail superintendents:** Same as Plan 1. **Political subdivision hazardous duty employees:** Same as Plan 1.	**Service Retirement Multiplier** **<u>Defined Benefit Component:</u>** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **Sheriffs and regional jail superintendents:** Not applicable. **Political subdivision hazardous duty employees:** Not applicable.

		Defined Contribution Component: Not applicable.
Normal Retirement Age **VRS:** Age 65. **Political subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Normal Retirement Age** **Defined Benefit Component:** **VRS:** Same as Plan 2. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility **VRS:** Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. **Political subdivisions hazardous duty employees:** Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility** **VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility	**Earliest Reduced Retirement Eligibility**	**Earliest Reduced Retirement Eligibility**

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

<u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. 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.	**<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1	**<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1 and Plan 2.
Disability Coverage Members who are eligible to be considered for disability	**Disability Coverage** Members who are eligible to be considered for disability	**Disability Coverage** Employees of political subdivisions (including Plan 1

retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component:** Not applicable.

Employees Covered by Benefit Terms
As of the June 30, 2016, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	2
Inactive members:	
Vested	4
Non-vested	3
Active elsewhere in VRS	3
Total inactive members	10
Active members	4
Total	16

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 options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution**.** The political subdivision's contractually required employer contribution rate for the year ended June 30, 2018 was 0.63% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were $3,027 and $2,978 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The political subdivisions net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5% per year
Salary increases, including Inflation	3.5% – 5.35% per annum
Investment Return Rate	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 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 Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 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 Mortality Rates 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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:
- 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:
  - Lowered rates
- Salary Scale:
  - No change
- Line of Duty Disability:
  - Increase rate from 14% to 20%

All Others (Non 10 Largest) – Non-Hazardous Duty:
- 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:
  - Lowered rates
- Salary Scale:
  - No change
- Line of Duty Disability:
  - Increase rate from 14% to 15%

Long-Term Expected Rate of Return

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

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

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate
The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that 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 employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Asset

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	$ 1,706,138	$ 1,949,534	$ (243,396)
Changes for the year:			
Service cost	44,533	-	44,533
Interest	116,386	-	116,386
Changes of assumptions	828	-	828
Difference between expected and actual experience	(4,218)	-	(4,218)
Contributions – employer	-	2,978	(2,978)
Contributions – employee	-	25,655	(25,655)
Net investment income	-	234,975	(234,975)
Benefit payments, including refunds of employee contributions	(86,948)	(86,948)	-
Administrative expense	-	(1,388)	1,388
Other changes	-	(330)	330
Net changes	70,581	174,942	(104,361)
Balances at June 30, 2017	$ 1,776,719	$ 2,124,476	$ (347,757)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following presents the net pension asset calculated using the stated discount rate of 7.00%, as well as what the net position asset would be if it were calculated using a stated discount rate that is one-percentage-point lower (6.00%) or one-percentage-point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Plan's Net Pension Liability (Asset)	($135,124)	($347,757)	($525,496)

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

For the year ending June 30, 2018, the Authority recognized pension expense credit of $6,036. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	$ 3,027	$ -
Differences between expected and actual experience	2,487	2,150
Changes of assumptions	422	-
Changes in proportion		-
Net difference between projected and actual earnings on plan investments	-	30,651
	$ 5,936	$ 32,801

Amounts reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as an increase to the net pension asset in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2018, will be recognized in pension expense in future reporting periods as follows:

Year ended June 30:	
2019	$ (19,259)
2020	9,238
2021	250
2022	(20,121)
Total	$ (29,892)

10. OTHER POST-EMPLOYMENT BENEFITS – 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 (GLI) upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OBEB plans, for public employer groups in the Commonwealth of Virginia.

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

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

<table>
<tr><th>GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS</th></tr>
<tr><td>Eligible Employees
The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:
City of Richmond
City of Portsmouth
City of Roanoke
City of Norfolk
Roanoke City Schools Board
Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</td></tr>
<tr><td>Benefit Amounts
The benefits payable under the Group Life Insurance Program have several components.
<u>Natural Death Benefit</u> – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
<u>Accidental Death Benefit</u> – The accidental death benefit is double the natural death benefit.
<u>Other Benefit Provisions</u> – 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</td></tr>
<tr><td>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.</td></tr>
</table>

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

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, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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 \$2,912 and \$2,721 for the years ended June 30, 2018, and June 30, 2017, 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, 2018, the entities reported a liability of \$43,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.00284% as compared to 0.00263% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$1,000. 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, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	$ 2,912	$ -
Differences between expected and actual experience	-	1,000
Changes of assumptions	-	2,000
Changes in proportion	3,000	-
Net difference between projected and actual earnings on GLI OPEB program investments	-	2,000
	$ 5,912	$ 5,000

$2,912 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30:	
2019	$ (2,000)
2020	-
2021	-
2022	-
2023	-
Thereafter	-
Total	$ (2,000)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5 percent
Salary increases, including inflation –	
General state employees	3.5 percent – 5.35 percent
Teachers	3.5 percent – 5.95 percent
SPORS employees	3.5 percent – 4.75 percent

VaLORS employees	3.5 percent – 4.75 percent
JRS employees	4.5 percent
Locality – General employees	3.5 percent – 5.35 percent
Locality – Hazardous Duty employees	3.5 percent – 4.75 percent

Investment rate of return — 7.0 Percent, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% 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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – 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, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	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

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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – VaLORS Employees

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

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – 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, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	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

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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages 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%

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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages 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%

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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – Non-Largest Ten Locality Employers – 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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted 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%

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, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	$ 2,942,426
Plan Fiduciary Net Position	1,437,586
Employers' Net GLI OPEB Liability (Asset)	$ 1,504,840
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

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

Long-Term Expected Rate of Return

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

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

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS 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. 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 Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Employer's proportionate share of the Group Life Insurane Program Net OPEB Liability	$55,000	$43,000	$32,000

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 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

11. OTHER POST-EMPLOYMENT BENEFITS – HEALTH INSURANCE CREDIT PROGRAM

The Authority participates in the VRS Retiree Health Insurance Credit Program, which is an agent, multiple-employer plan. It provides eligible retirees a tax-free reimbursement for health insurance premiums for single coverage under qualifying health plans, including coverage under a spouse's plan, not to exceed the amount of the monthly premium or the maximum credit, whichever is less. Premiums for health plans covering specific conditions are ineligible for reimbursement. The amount is financed based on employer contribution rates determined by the VRS's actuary. The Authority contributed 0.14% of eligible covered payroll in 2018 to this program for a total of $778.

12. OTHER EMPLOYEE BENEFITS – VIRGINIA LOCAL DISABILITY PROGRAM

The Authority participates in the VRS-administered statewide disability program. It provides eligible employees income protection if an employee is out of work because of a non-work-related or work-related illness, injury, or other condition. The Authority contributed 0.60% of eligible covered payroll in 2018 to this program for a total of $450.

13. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters.

The Authority participates in insurance plans maintained by the Commonwealth. The Department of Human Resource Management administers the state employee health care plan. The risk management insurance plans and worker's compensation plans are administered by a private insurance agency. Risk management insurance includes property and general liability plans and faithful performance of duty bond. The Authority pays premiums directly to the vendor for insurance coverage. Information relating to the Commonwealth's employee health care plan is available at the statewide level in the Commonwealth's Comprehensive Annual Financial Report.

14. RELATED PARTIES

In November, 2011, the Authority entered into a lease agreement with Virginia Commonwealth University for the use of the real property, building, and improvements located at 800 East Leigh Street, otherwise known as Bio+Tech Center. Bio+Tech Center is the property from which the Authority conducts the majority of its operations. The rent under the lease agreement was $30 and was paid in a lump sum at the beginning of the lease; therefore, there is no related rent expense represented within these financial statements. The lease term ends November 2041.

A Corporation board member's company received funds for consulting services provided.

15. BLENDED COMPONENT UNIT

The Authority accounts for the Corporation as a blended component unit. Condensed combining information for the Corporation and the Authority is as follows:

Condensed Combining Statement of Net Position

	VBRPA	VBRPC	Total
Current assets	$ 10,148,475	$136,003	$ 10,284,478
Capital assets	3,623,770	1,800	$ 3,625,570
Other assets	23,239,466		$ 23,239,466
Total assets	37,011,711	137,803	37,149,514
Deferred outflows of resources	950,082	-	950,082
Current liabilities	4,389,058	127,308	4,516,366
Long-term liabilities	14,305,667	-	14,305,667
Total liabilities	18,694,725	127,308	18,822,033
Deferred inflows of resources	37,801	-	37,801
Net investment in capital assets	3,623,770	1,800	3,625,570
Restricted	347,757	8,695	356,452
Unrestricted	15,257,740	-	15,257,740
Total net position	$ 19,229,267	$ 10,495	$ 19,239,762

Condensed Combining Statement of Revenues, Expenses, and Changes in Net Position

	VBRPA	VBRPC	Total
Operating revenues:			
Rental income	$ 311,205	$ -	$ 311,205
Parking income	395,980	-	395,980
Community development fees	293,783	-	293,783
Business support services	79,291	-	79,291
Program revenues and contributions (Corporation)	-	293,843	293,843
Interest Income	73,082	-	73,082
Other income	16,838	-	16,838
Total operating revenues	1,170,179	293,843	1,464,022
Operating expenses	1,030,901	393,432	1,424,333
Operating income	139,278	(99,589)	39,689
Non-operating revenue/(expenses):			
Interest revenue	938,550	-	938,550
Interest expense	(837,830)	-	(837,830)
Net gain on investments	4,092,306	-	4,092,306
Total non-operating revenue	4,193,026	-	4,193,026
Change in net position	4,332,304	(99,589)	4,232,715
Net position - 6/30/17 - restated	14,896,963	110,084	15,007,047
Net position - 6/30/18	$ 19,229,267	$ 10,495	$ 19,239,762

Condensed Combining Statement of Cash Flows

	VBRPA	VBRPC	Total
Net cash used by operating activities	198,737	(322,468)	(123,731)
Net cash provided by non-capital financing activities	4,461,949	-	4,461,949
Net Cash used by capital and related financing activities	(79,130)	(1,800)	(80,930)
Net Cash used by investing activities	(2,793,978)	-	(2,793,978)
Net increase (decrease) in cash	1,787,578	(324,268)	1,463,310
Beginning ash and cash equivalents	4,357,273	460,100	4,817,373
Ending cash and cash equivalents	$6,144,851	$ 135,832	$ 6,280,683

16. SUBSEQUENT EVENTS

On July 24, 2018, Lighthouse Labs LLC was legally formed under the Corporation.

On August 20, 2018, the Authority received an additional $195,175 for the Sale of Biotech 8.

17. RESTATEMENT

As stated in Note 1, the Authority adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year 2018. The cumulative effect of the change was applied to the beginning balances of the current year as follows:

	As Previously Reported	Restatement	As Restated
Deferred Outflows of Resources			
Contributions subsequent to the measurement date	$ -	$ 2,000	$ 2,000
Liabilities			
OPEB Liability	$ -	$ (46,000)	$ (46,000)
Net Position			
Net investment in capital assets	$ 3,558,847	$ -	$ 3,558,847
Restricted	$ 353,480	$ -	$ 353,480
Unrestricted	$ 11,138,720	$ (44,000)	$ 11,094,720
	$ 15,051,047	$ (44,000)	$ 15,007,047

REQUIRED SUPPLEMENTARY INFORMATION

ACTIVATION CAPITAL
From start to phenomenal

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VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY and CORPORATION

Schedule of Changes in Net Pension Asset and Related Ratios

For the measurement date as of and for the year ended June 30,	2017	2016	2015	2014
Total pension asset				
Service cost	$ 44,533	$ 43,233	$ 36,492	$ 57,102
Interest	116,386	109,643	102,589	96,454
Changes of assumptions	828	-	-	-
Difference between expected and actual experience	(4,218)	28,675	44,487	-
Benefit payments	(86,948)	(83,470)	(82,139)	(49,685)
Net change in total pension asset	70,581	98,081	101,429	103,871
Total pension asset - beginning	1,706,138	1,608,057	1,506,628	1,402,757
Total pension asset - ending (a)	$ 1,776,719	$ 1,706,138	$ 1,608,057	$ 1,506,628
Plan fiduciary net position				
Contributions - employer	$ 2,978	$ 24,201	$ 23,518	$ 18,091
Contributions - employee	25,655	23,639	22,946	22,363
Net investment income	234,975	33,550	86,652	262,181
Benefit payments	(86,948)	(83,470)	(82,139)	(49,685)
Administrative expenses	(1,388)	(1,223)	(1,205)	(1,407)
Other changes	(330)	(14)	(19)	14
Net change in plan fiduciary net position	174,942	(3,317)	49,753	251,557
Plan fiduciary net position - beginning	1,949,534	1,952,851	1,903,098	1,651,541
Plan fiduciary net position - ending (b)	$ 2,124,476	$ 1,949,534	$ 1,952,851	$ 1,903,098
Authority's net pension asset - ending (b) - (a)	$ 347,757	$ 243,396	$ 344,794	$ 396,470
Plan fiduciary net position as a percentage of the total pension asset	119.6%	114.3%	121.4%	126.3%
Covered payroll*	$ 523,187	$ 472,770	$ 458,917	$ 388,489
Net pension asset as a percentage of covered payroll	66.5%	51.5%	75.1%	102.1%

*Covered payroll represents the total pensionable payroll for employees covered under the pension plan, in accordance with GASB Statement No. 82.

Note: Information in this schedule is presented for the year in which information is available. Information will be added each year until a full 10-year trend is presented.

VIRGINIA BIOTECHNOLOGY RESEARCH PARTNERSHIP AUTHORITY and CORPORATION

Schedule of Employer's Share of Net OPEB Liability - Group Life Insurance Program

For the years ended June 30,*		**2018**
Employer's proportion of the net GLI OPEB liability		0.00284%
Employer's proportionate share of the net GLI OPEB liability	$	43,000
Employer's covered payroll**	$	523,187
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll		8.22%
Plan fiduciary net position as a percentage of the total GLI OPEB liability		48.86%

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

Note: Information in this schedule is presented for the years in which information is available. Information will be added each year until a full 10-year trend is presented.

Schedule of Employer Contributions - Pension

For the year ended June 30,	Actuarially Determined Contribution (1)	Contributions in Relation to Actuarially Determined Contribution (2)	Contribution Deficiency (Excess) (1) - (2)	Employer's Covered Payroll (3)	Contributions as a % of Covered Payroll (2) / (3)
2018	$ 3,027	$ 3,027	$ -	$ 555,656	0.5%
2017	$ 2,978	$ 2,978	$ -	$ 523,187	0.6%
2016	$ 24,347	$ 24,347	$ -	$ 472,770	5.1%
2015	$ 23,634	$ 23,634	$ -	$ 458,917	5.1%

Schedule of Employer Contributions - GLI OPEB

For the year ended June 30,	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (1) - (2)	Employer's Covered Payroll (3)	Contributions as a % of Covered Payroll (2) / (3)
2018	$ 2,912	$ 2,912	$ -	$ 555,656	0.52%
2017	$ 2,742	$ 2,742	$ -	$ 523,187	0.52%

Note: Information in this schedule is presented for the year in which information is available. Information will be added each year until a full 10-year trend is presented.

1. Changes of benefit terms - Pension:

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014, and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017, are not material.

2. Changes of benefit terms - OPEB:

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

3. Changes of assumptions - Pension:

The following changes in actuarial assumptions were made effective June 30, 2016, based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 Locality Employers - Non-Hazardous Duty:

- 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: Lowered rates
- Salary Scale: No change
- Line of Duty Disability: Increase rate from 14% to 20%

All Other (Non 10 Largest) Locality Employers - Non-Hazardous Duty:

- 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: Lowered rates
- Salary Scale: No change
- Line of Duty Disability: Increase rate from 14% to 15%

4. Changes of assumptions - OPEB:

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees:

- Mortality Rates (Pre-retirement, postretirement healthy, and disabled): Updated to a more current mortality table – RP2014 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%

Teachers:

- Mortality Rates (Pre-retirement, postretirement 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

SPORS Employees:

- Mortality Rates (Pre-retirement, postretirement healthy, and disabled): Updated to a more current mortality table – RP2014 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%

VaLORS Employees:

- Mortality Rates (Pre-retirement, postretirement healthy, and disabled): Updated to a more current mortality table – RP2014 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%

JRS Employees:
- Mortality Rates (Pre-retirement, postretirement 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

Largest Ten Locality Employers - General Employees:
- Mortality Rates (Pre-retirement, postretirement healthy, and disabled): Updated to a more current mortality table – RP2014 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%

Non-Largest Ten Locality Employers - General Employees:
- Mortality Rates (Pre-retirement, postretirement healthy, and disabled): Updated to a more current mortality table – RP2014 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%

Largest Ten Locality Employers – Hazardous Duty Employees:
- Mortality Rates (Pre-retirement, postretirement healthy, and disabled): Updated to a more current mortality table – RP2014 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%

Non-Largest Ten Locality Employers – Hazardous Duty Employees:

- Mortality Rates (Pre-retirement, postretirement healthy, and disabled): Updated to a more current mortality table – RP2014 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%