



**Financial Report**  
For the year ended June 30, 2021  
**Audited**

**University of  
Mary Washington**

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## MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

The following unaudited Management’s Discussion and Analysis (MD&A) is required supplemental information under the Governmental Accounting Standards Board’s (GASB) reporting model. It is designed to assist readers in understanding the accompanying financial statements and provides an overall view of the University’s financial activities based on currently known facts, decisions, and conditions. This discussion includes an analysis of the University’s financial condition and results of operations for the fiscal year ended June 30, 2021. Comparative numbers are included for the fiscal year ended June 30, 2020. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying basic financial statements, as well as notes, and other supplementary information included in this report. The University’s management is responsible for all of the financial information presented, including this discussion and analysis.

The University’s financial statements have been prepared in accordance with GASB Statement 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB 37, 38 and 63. The three required financial statements are the *Statement of Net Position*, the *Statement of Revenues, Expenses, and Changes in Net Position*, and the *Statement of Cash Flows*. These statements are summarized and analyzed in the following sections.

Using criteria provided in GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement 61, *The Financial Reporting Entity Omnibus, amendments to GASB Statement 14 and 34*, the University’s two affiliated organizations were evaluated on the nature and significance of their relationship to the University. The University of Mary Washington Alumni Association is not considered a component unit, however information regarding its financial activity can be found in Note 18 of the *Notes to the Financial Statements*. The University of Mary Washington Foundation was determined to be a component unit and is presented in a separate column on the University’s financial statements. The Foundation is not part of this MD&A, but additional detail regarding its financial activities can be found in Note 19 of the *Notes to the Financial Statements*.

### Overview

The University of Mary Washington (UMW) is one of Virginia’s outstanding public liberal arts universities. UMW is a premier, selective, coeducational, public institution accredited by the Southern Association for Colleges and Schools Commission on Colleges (SACSCOC) offering graduate and undergraduate degrees. The University is an agency of the Commonwealth of Virginia, and therefore included as a component unit in the Commonwealth of Virginia’s *Annual Comprehensive Financial Report*. The twelve members of the University of Mary Washington’s Board of Visitors govern University operations. Members of the board are appointed by the Governor of Virginia.

In addition to its primary location in the heart of historic Fredericksburg, Virginia, UMW has two other campuses – one in Stafford, which caters to graduate degree and continuing education programs, and another in Dahlgren offering continuing education and professional development courses for the region’s engineers, scientists and administrative professionals. There are three academic colleges – arts and sciences, business, and education – all of which produce graduates who are critical thinkers prepared to succeed. The University operates a Center for Economic Development, which connects faculty and students with regional initiatives and businesses seeking their assistance. The University also oversees the James Monroe Museum and Law Library in historic Fredericksburg and the Gari Melchers’ Home and Studio at Belmont in neighboring Stafford.

UMW’s College of Business is fully accredited by the Association to Advance Collegiate Schools of Business (AACSB), an accreditation earned by only 5% of the world’s schools offering business degrees. The College of Education’s initial-licensure and advanced-level educator preparation programs are accredited by the Council for the Accreditation of Educator Preparation (CAEP). Chemistry has been approved by the American Chemical Society (ACS) to offer certified degrees in chemistry, and the baccalaureate degree in nursing is accredited by the Commission on Collegiate Nursing Education.



The University continues to receive national recognition for its programs and value. The *U.S. News & World Report, 2020* named Mary Washington to its “America’s Best Colleges”. UMW ranked sixteenth among regional universities in the South, scoring four top honors within that category. Mary Washington ranked seventh in the “Top Public Schools” and “Best Colleges for Veterans” categories, sixteenth in “Best Undergraduate Teaching” and eighteenth in “Most Innovative Schools”. *The Princeton Review, 2022*, named UMW one of “The Best 386 Colleges”, and the *Fiske Guide to Colleges, 2021* included UMW on the list of the top 300 “best and most interesting” public and private colleges and universities in the nation, Canada, Great Britain and Ireland. The University was recognized as a *Top Producer of Student Fulbright Awards* by the U.S. Department of State’s Bureau of Educational and Cultural Affairs. The University also earned the “Great Colleges to Work For” distinction, which is one of the largest and most respected workplace recognition programs in the country.

There are approximately 4,000 undergraduate students enrolled at the Fredericksburg campus and more than 300 students enrolled in professional studies and graduate programs. Students at UMW learn from master teachers, more than 86 percent of whom have earned a doctorate or other terminal degree in their field. The University has no graduate teaching assistants. UMW offers more than 50 majors, 41 minors and 4 graduate degree programs. Additionally, UMW students participate in a rich array of undergraduate research, internships and study abroad programs, along with leadership, service and recreational opportunities. UMW’s 19 intercollegiate athletic teams compete in the NCAA Division III Coast to Coast Athletic Conference, formerly known as the Capital Athletic Conference. The University also offers 16 club sports and outstanding recreational facilities, including a fitness center and an indoor and outdoor tennis complex.

A strategic vision for the University was adopted and approved by the Board of Visitors in 2017. The University’s strategic goals include promoting service and community and civic engagement, immersing students in applied and impactful learning experiences, adapting the liberal arts to an age of acceleration and a global digital environment, and creating a diverse and inclusive community as an essential requirement for academic excellence and academic success.

In fiscal year 2021, the coronavirus disease of 2019 (COVID-19) significantly impacted UMW in a number of ways including significant financial losses from reduced enrollments, reduced residential bookings and meal plan sales, as well as declining revenues from many other sources (e.g. facilities rentals, conferences, fundraising, external grants). COVID-19 also negatively impacted the state-owned museums, Gari Melchers Home and Studio and the James Monroe Museum and Memorial Library, that UMW manages. During fiscal year 2021 all UMW employees were furloughed for a number of days and the workforce was reduced through attrition. The University also had significant new unplanned COVID-19 expenses for personal protective equipment (PPE), cleaning supplies, increased student health services, COVID-19 testing and information technology (IT) investments to support online instruction and remote work. Much of faculty and staff time was redirected to pandemic response. Other impacts include slowed faculty and student research, the disruption of strategic priorities and the loss of many curricular and extracurricular activities and programs, including competition seasons for all UMW student athletes.

The U.S. Department of Education provided Higher Education Emergency Relief Funds (HEERF) to the University in fiscal year 2021 totaling just over \$3 million for institutional support. The University used the funds to recoup some of the housing and dining revenue losses. In addition, the University received \$2.5 million in HEERF funding for direct support of our students. The Commonwealth provided \$1.1 million from the Coronavirus Relief Fund (CRF) Federal pass-through funds, which the University used to partially offset the additional costs for PPE, cleaning supplies, COVID-19 testing and technology investments.

In June 2021, after thoughtful consideration and analysis and with approval of the Commonwealth of Virginia’s Treasury Board, the University purchased the Eagle Landing and William Street Apartments from the UMW Foundation, along with related land, the pedestrian bridge and the student portions of the Eagle Village parking garage. Per Government Accounting Standards Board (GASB) guidance and requirements, the purchase was treated as an intra-entity transfer, and assets were recorded on the university’s books at the carrying value (net book value) of the Foundation. The University’s financing of the acquisition using state 9(d) revenue bonds will result in lower interest rates, end the annual escalation of debt service (which was passed on to UMW’s students) and end the 1.2 debt coverage ratio required by the Foundation’s private financing for these properties. This acquisition allows for termination of support agreements and memoranda of understanding that are contrary to the University’s financial interests and enables the

University to set housing rates in a way that covers the cost of operating residence life, the associated debt service, and ongoing maintenance of these facilities with greater price parity with the other residence halls owned by the University. The addition of approximately 900 beds will allow UMW to make strategic decisions regarding older residence halls that require costly renovations, thus reducing the University's deferred maintenance costs. Additional information related to the acquisition and debt financing is presented on the next two pages and in Note 6, Capital Assets, and in Notes 8 and 9 related to long term liabilities.

## Statement of Net Position

The *Statement of Net Position* (SNP) presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University as of the end of the fiscal year. The purpose of the statement is to present a snapshot of the University's financial position.

The data presented aids readers in determining the assets available to continue operations of the University. It also allows readers to determine how much the University owes to vendors, investors, and lending institutions. Finally, the SNP provides a picture of net position and its availability for expenditure by the University. Sustained increases in net position over time are one indicator of the financial health of the organization.

The University's net position is made up of the following.

- **Net Investment in Capital Assets** – Net Investment in Capital Assets represents the University's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. Debt incurred, but not yet expended for capital assets, is not included as a component of net investment in capital assets.
- **Restricted Expendable Net Position** – Restricted Expendable Net Position includes resources the University is legally or contractually obligated to expend in accordance with restrictions imposed by external third parties.
- **Restricted Nonexpendable Net Position** – Restricted Nonexpendable Net Position consists of endowment and similar type funds where donors or other outside sources have stipulated, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income to be expended or added to principal.
- **Unrestricted Net Position** – Unrestricted Net Position represents resources used for transactions relating to academic departments and general operations of the University, and may be used at the discretion of the University's Board of Visitors to meet current expenses for any lawful purpose in support of the University's primary missions. These resources are derived from student tuition and fees, state appropriations, and sales and services of auxiliary enterprises and educational departments. The auxiliary enterprises are self-supporting entities that provide services for students, faculty, and staff. Some examples of the University's auxiliaries are student residential and dining programs.

The University's Total Assets and Deferred Outflows increased \$79.6 million, or 18.9%, during fiscal year 2021, bringing Total Assets and Deferred Outflows to \$499.7 million at year end. Net Capital Assets includes land, construction in progress (CIP), buildings, infrastructure, improvements and equipment less depreciation. The University's Net Capital Assets grew \$85.4 million, reflecting the previously mentioned acquisition of housing, parking, land and the pedestrian bridge from the Foundation, as well as ongoing construction and renovation of Seacobeck and Virginia Hall. Net book value of assets purchased from the Foundation was \$59.5 million. Fiscal year 2021 CIP

### Summary of Statement of Net Position

For the years ended June 30, 2021 and 2020

(All \$ in millions)

	2021	2020	Change Amount	Change Percent
<b>Assets</b>				
Current Assets	\$ 29.6	\$ 24.3	\$ 5.3	21.8%
Net Capital Assets	441.5	356.1	85.4	24.0%
Other Assets	16.3	30.0	(13.7)	(45.7)%
<b>Deferred Outflows of Resources</b>	<b>12.3</b>	<b>9.7</b>	<b>2.6</b>	<b>26.8%</b>
<b>Total Assets &amp; Deferred Outflows</b>	<b>499.7</b>	<b>420.1</b>	<b>79.6</b>	<b>18.9%</b>
<b>Liabilities</b>				
Current Liabilities	27.2	25.4	1.8	7.1%
Noncurrent Liabilities	307.2	208.5	98.7	47.3%
<b>Deferred Inflows of Resources</b>	<b>10.5</b>	<b>11.8</b>	<b>(1.3)</b>	<b>(11.0)%</b>
<b>Total Liabilities &amp; Deferred Inflows</b>	<b>344.9</b>	<b>245.7</b>	<b>99.2</b>	<b>40.4%</b>
<b>Net Position</b>				
Net Investment in Capital Assets	190.6	213.5	(22.9)	(10.7)%
Restricted	1.9	1.1	0.8	72.7%
Unrestricted	(37.7)	(40.2)	2.5	(6.2)%
<b>Total Net Position</b>	<b>\$154.8</b>	<b>\$174.4</b>	<b>\$(19.6)</b>	<b>(11.2)%</b>

costs for Seacobeck and Virginia Halls were \$14.0 million and \$17.0 million respectively. The University spent \$3.8 million on utilities replacement and other projects. Depreciation of \$10.4 million is also included in Net Capital Assets. Capital assets are discussed further in the following section and in Note 6.

The \$5.3 million 21.8% increase in Current Assets is primarily due to increases in the amount due from the Foundation, \$2.1 million, and monies due from Federal HEERF funding, \$2.3 million. The \$2.1 million increase in the amount due from the Foundation is related to maintenance reserve funds due from the acquisition, \$1.5 million, and amounts due to the University for fiscal year 2021 net operations of Eagle Landing and the Apartments, \$0.6 million. Federal HEERF funding, totaling \$2.3 million, is due to UMW and will be used to help offset fiscal year 2021 lost housing and dining revenues. The \$13.7 million decrease in other assets can be primarily attributed to a decrease in restricted cash used to fund capital projects.

Virginia Retirement System (VRS) pension and other post-employment benefits transactions, as required by GASB 68 and GASB 75, make up \$10.9 million of Deferred Outflows of Resources and debt related Deferred Outflows make up the remaining \$1.4 million. Pension and other post-employment benefit transactions account for \$1.5 million of the increase in this category and debt related transactions make up the remaining \$1.1 million in increase in Deferred Outflows of Resources. Deferred Outflows of Resources represent the consumption of net assets applicable to a future reporting period.

The University's Liabilities and Deferred Inflows increased \$99.2 million, or 40.4%, during fiscal year 2021 bringing Total Liabilities and Deferred Inflows to \$344.9 million. Noncurrent Liabilities of \$307.2 million make up the majority of the Total Liabilities and Deferred Inflows of Resources. The Noncurrent Liabilities total is made up of capital debt of \$251.7 million, debt on capital leases of \$1.5 million, pension and other post-employment benefit liabilities of \$53.2 million, Federal Perkins Loan liabilities of \$0.4 million, and accrued compensated absences of \$0.4 million. Current Liabilities of \$27.2 million is the combination of debt payments due within one year (\$3.5 million), the current portion of other post-employment benefit liabilities and accrued compensated absences (\$1.5 million), vendor and retainage payable (\$10.4 million), accrued salaries payable (\$6.8 million), interest payable (\$2.1 million) and unearned revenue and deposits payable (2.5 million) and amounts due to the Foundation (\$0.4 million).

In fiscal year 2021, total current and noncurrent capital debt offset by debt service payments increased \$91.9 million, primarily due to \$95.6 million in new debt funding related to the acquisition of property from the UMW Foundation. Pension and other post-employment benefit liabilities increased \$2.7 million. In February 2021, Virginia restructured bond pools taking advantage of record low interest rates and relieving its public higher education institutions of some of the negative impact of COVID-19 on cash flows. UMW participated in the restructuring and will realize cash savings of over \$5 million each year in fiscal years 2022 and 2023. The restructuring had an immaterial impact to total debt principal. Debt and other noncurrent liabilities are further discussed in Notes 8 and 9.

Debt related Deferred Inflows of Resources make up \$1.7 million of total Deferred Inflows of Resources. VRS pension and other post-employment benefit transactions make up \$8.8 million of Deferred Inflows of Resources and account for the \$1.3 million decrease. Deferred Inflows of Resources represent the acquisition of net assets applicable to a future reporting period.

The University's Net Investment in Capital Assets declined \$22.9 million due to the acquisition of property from the Foundation with a net book value of \$59.5 million using \$95.6 million in debt to do so. Non-debt financed expenditures on Seacobeck construction had a positive impact on Net Investment in Capital Assets of \$14.0 million.

Unrestricted net position is negatively impacted by the GASB 68 and GASB 75 requirements to record net pension liability and other post-employment benefits liabilities. Those liabilities contributed \$50.4 million to the negative Unrestricted net position. Without pension and other post-employment benefits net liabilities, the University's unrestricted net position would be \$12.7 million.

## Capital Asset and Debt Administration

One of the critical factors in ensuring the quality of the University's academic and residential life functions is the development and renewal of its capital assets. The University continues to maintain and upgrade current structures, as well as pursue opportunities for additional facilities. Investment in new structures and the upgrade of current structures serves to enrich high-quality instructional programs and residential lifestyles.

Note 6 of the *Notes to Financial Statements* describes the University's investment in depreciable and non-depreciable capital assets in more detail. The adjacent table indicates capital projects still in progress at year end. The University saw a net increase in construction in progress of \$31.5 million bringing total construction in progress to \$44.0 million at fiscal year-end. The increase in construction in progress is primarily due to additional expenditures on Seacobeck, \$14.0 million this fiscal year, and Virginia Hall, \$17.0 million.

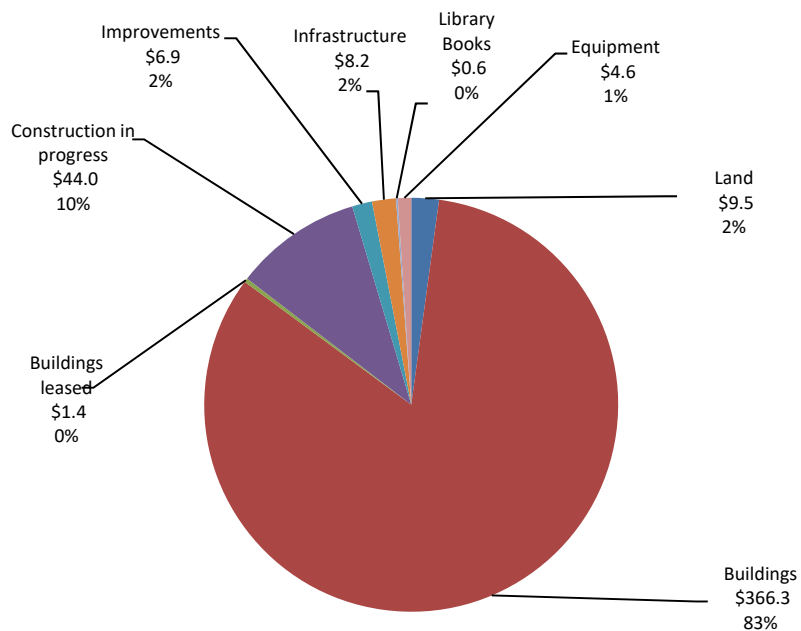
### Construction in Progress

For the year ended June 30, 2021  
(All \$ in millions)

	Project Amount
Seacobeck	19.4
Virginia Hall	21.5
Repair and Replace Utilities	2.3
Other	0.8
<b>Total construction in progress</b>	<b>\$ 44.0</b>

### Capital Assets Net of Depreciation

As of June 30, 2021  
(all \$ in millions)



Through an intra-entity transfer of assets financed by Virginia College Building Authority bonds, the University acquired \$4.5 million in land, \$51.8 million in buildings, \$3.2 million in infrastructure and equipment from the Foundation. The University also added \$1.2 million in instructional and research equipment and library books to capital assets in fiscal year 2021. The adjacent chart shows capital assets net of depreciation by category.

Capital projects in progress carry commitments to construction contractors, architects, and engineers totaling \$22.0 million at June 30, 2021. These obligations are for future effort and as such have not been accrued as expenses or liabilities on the University's financial statements. Additional information can be obtained in Note 12 of the *Notes to Financial Statements*.

Notes 8 and 9 of the *Notes to Financial Statements* contain information about the long-term debt of the University. All debt of the University is directly related to the acquisition of capital assets.

## Statement of Revenues, Expenses, and Changes in Net Position

Operating and non-operating activities creating changes in the University's total net position are presented in the *Statement of Revenues, Expenses, and Changes in Net Position*. The purpose of the statement is to present all revenues received and accrued, all expenses paid and accrued, and gains or losses from investments and capital assets.

Operating revenues are generally received through providing goods and services to the various customers and constituencies of the University. Operating expenses are expenditures made to acquire or procure the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Salaries and fringe benefits for faculty and staff are the largest operating expenses. Non-operating revenues are revenues received for which goods and services are not directly provided. State appropriations and gifts included in non-operating revenues provide substantial support for paying operating expenses of the University. Therefore, the University, like most public institutions, will expect to show an operating loss.

COVID-19 continued to impact University students, faculty and staff, during fiscal year 2021, as well as University operations. As previously discussed, the University suffered financial losses due to reduced housing occupancy, reduced meal plan sales and declining revenues from facility rentals, conferences and fundraising. In addition, the University incurred significant unplanned expenditures for PPE, cleaning supplies, increased student health services, COVID-19 testing and information technology investments to support online instruction and remote work.

The University's number one goal was to keep students, faculty and staff safe and healthy. In doing so, residential students returned to campus later than normal for the Fall semester and left campus following the Thanksgiving break. They returned for the Spring 2021 semester but, again, later than in a non-COVID semester. The shorter time on campus negatively impacted housing and dining revenues. The University continued enforcing cost saving measures, including additional levels of spending approval and limited, strategic hiring. The University was provided some relief through Federal programs developed to assist colleges and universities during the pandemic, including HEERF and CRF.

## Operating Revenue

The Summary of Revenue table displays operating, non-operating and other revenue changes from the prior year. The University's total operating revenue decreased \$12.6 million, 18.7%, from the previous fiscal year. While auxiliary fees, room and board rates increased, enrollment decreased resulting in lower Student Tuition and Fees revenue.

In addition to the decline in enrollment, adjustments were made to housing and meal plan charges to reflect the shorter amount of time on campus due to COVID resulting in a \$4 million decrease in housing and dining revenue. The decline in enrollment also impacted auxiliary fee revenue.

The \$1.4 million decrease in Other Operating Revenue reflects the COVID impact on facility rentals.

### Summary of Revenue

For the years ended June 30, 2021 and 2020  
(All \$ in millions)

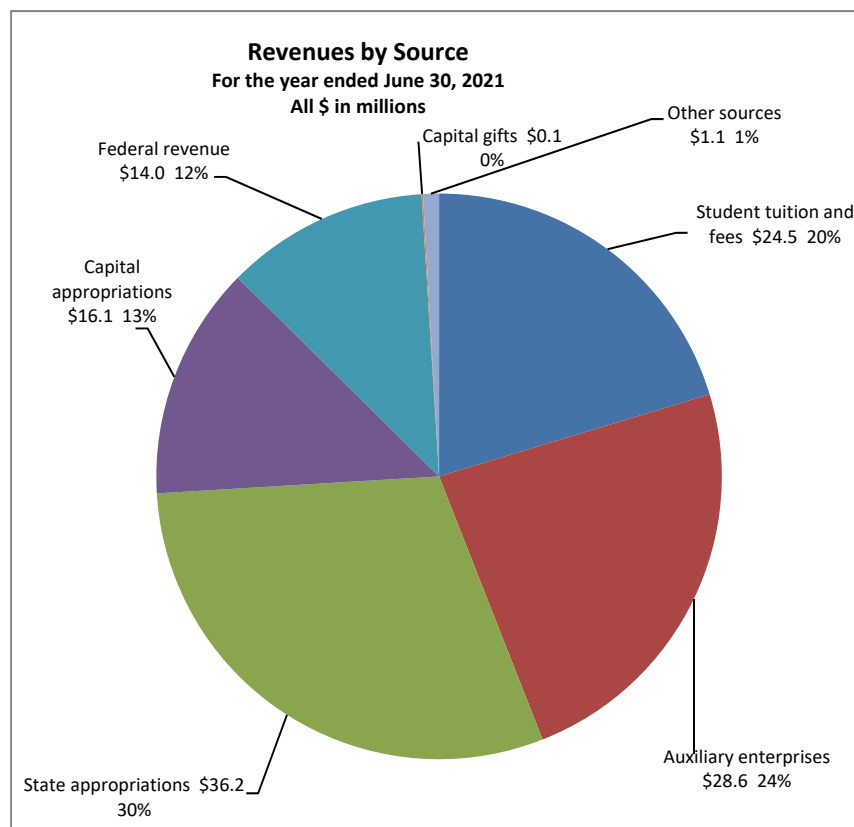
	2021	2020	Change Amount	Change Percent
<b>Operating revenue</b>				
Student Tuition and Fees, Net	\$ 24.5	\$ 27.1	\$(2.6)	(9.6)%
Grants and Contracts	1.5	2.1	(0.6)	(28.6)%
Auxiliary Enterprises, Net	28.6	36.6	(8.0)	(21.9)%
Other Operating Revenue	0.2	1.6	(1.4)	(87.5)%
Total Operating Revenue	54.8	67.4	(12.6)	(18.7)%
<b>Non-operating Revenue</b>				
State Appropriations	36.2	33.8	2.4	7.1%
Federal Pell Grant Revenue	3.9	3.8	0.1	2.6%
Other Non-operating Revenue	9.5	4.2	5.3	126.2%
Total Non-operating	49.6	41.8	7.8	18.7%
<b>Other Revenue</b>				
Capital Appropriations	16.1	10.6	5.5	51.9%
Capital Gifts and Contributions	0.1	0.6	(0.5)	(83.3)%
Total Other Revenue	16.2	11.2	5.0	44.6%
Total Revenue	\$120.6	\$120.4	\$0.2	0.2%



## Non-operating and Other Revenue

Non-operating Revenue increased \$7.8 million, 18.7%, in fiscal year 2021. An increase in State Appropriations contributed \$2.4 million to this increase, and Federal Pell Grant Revenue increased slightly. The University recorded \$5.3 million in Higher Education Emergency Relief Fund revenue for institutional support and another \$2.5 million for student aid support, up \$6.0 million from fiscal year 2020. Additionally, the University received \$1.1 million from the Governor's Coronavirus Relief Funds, down \$0.2 million from the previous fiscal year. Build America Bond Subsidy revenue and Investment Income are also part of Other Non-operating Revenue totaling \$0.6 million, down \$0.4 million from fiscal year 2020.

Other Revenue consists of Capital Appropriations and Capital Gifts and Contributions. Capital Appropriations increased \$5.5 million due to continued construction of Seacobeck and continued work to replace underground utilities. Capital Gifts consists of \$0.1 million in equipment donations from the Foundation and donated library books.



## Total Expenses

The expenses of the University can also be separated into operating and non-operating expenses. The operating expenses of the University can be divided either by natural classification or by function. Note 10 in the *Notes to Financial Statements* displays the correlation between the two different methods of classification. Functional classification is the method presented in the *Statement of Revenues, Expenses, and Changes in Net Position*.

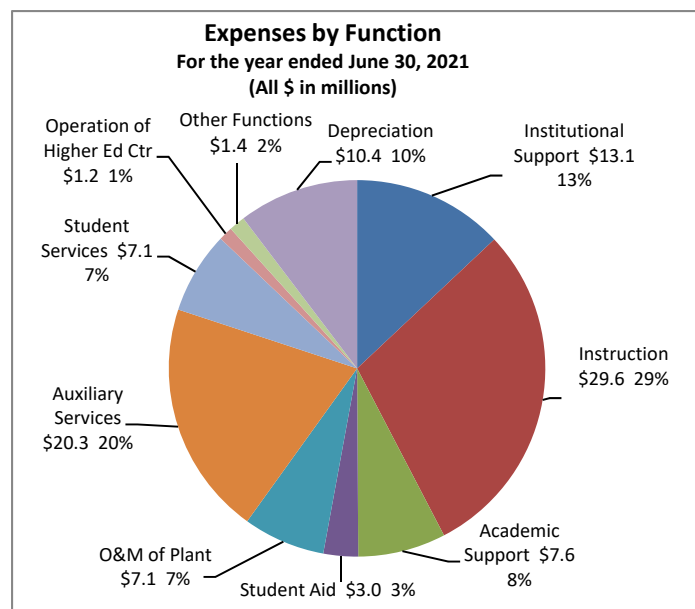
Overall, the operating expenses of the University decreased \$2.6 million, 2.5%, in fiscal year 2021. The table below provides a year to year comparison of operating expenses by function. As discussed earlier in this MD&A, strict cost saving measures were implemented during the pandemic, and UMW employees were furloughed for a number of days. The workforce was also reduced through attrition.

### Summary of Expenses by Function

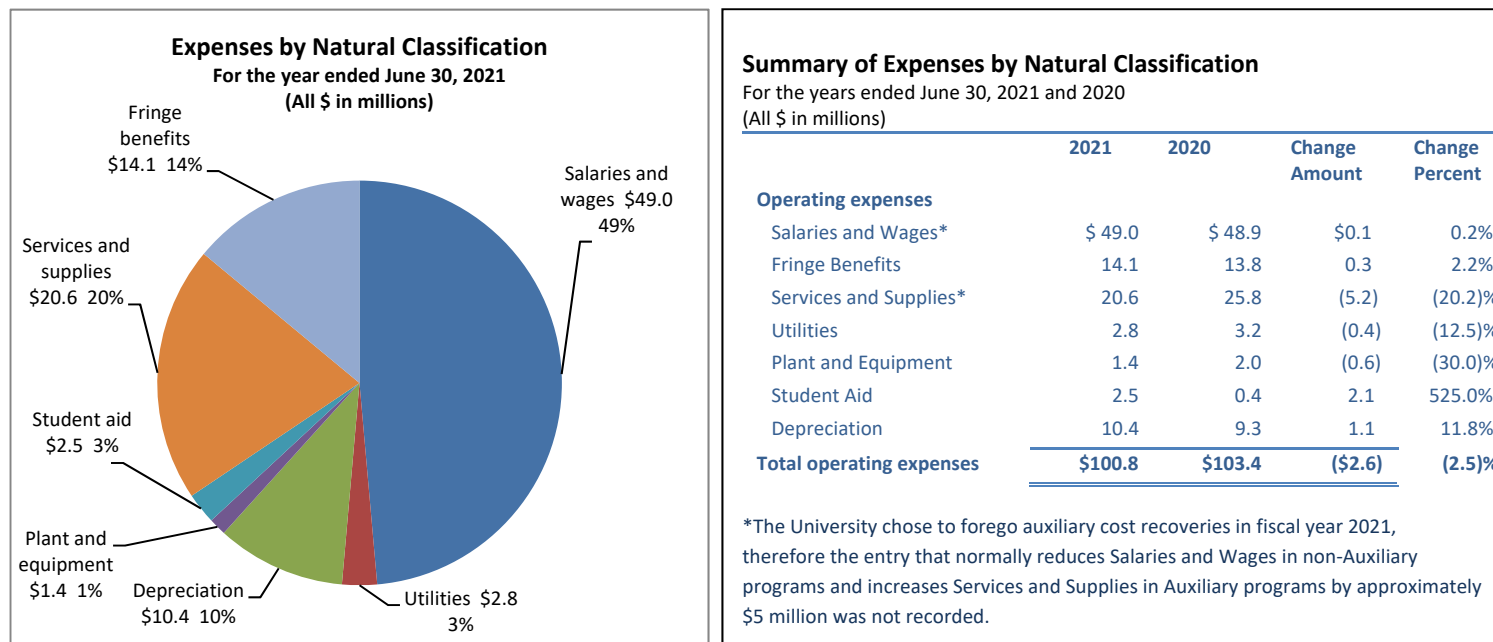
For the years ended June 30, 2021 and 2020  
(All \$ in millions)

	2021	2020	Change Amount	Change Percent
<b>Operating expenses</b>				
Instruction	\$29.6	\$30.1	\$(0.5)	(1.7)%
Research	0.2	0.4	(0.2)	(50.0)%
Public Service	0.4	0.9	(0.5)	(55.6)%
Academic Support	7.6	8.6	(1.0)	(11.6)%
Student Services	7.1	7.9	(0.8)	(10.1)%
Institutional Support	13.1	10.6	2.5	23.6%
Operation & Maintenance of Plant	7.1	5.8	1.3	22.4%
Depreciation	10.4	9.3	1.1	11.8%
Student Aid	3.0	1.0	2.0	200.0%
Auxiliary Services	20.3	26.5	(6.2)	(23.4)%
Operation of Higher Ed. Centers	1.2	1.3	(0.1)	(7.7)%
Museum & Cultural Services	0.5	0.7	(0.2)	(28.6)%
Historic Attraction Management	0.3	0.3	0.0	0.0%
<b>Total Operating Expenses</b>	<b>\$100.8</b>	<b>\$ 103.4</b>	<b>\$(2.6)</b>	<b>(2.5)%</b>

When looking at the expenses of the University by function, the largest expenses are those of Instruction and Auxiliary services. These functions represent the core of any University – the education of students as well as their housing and dining. The largest decline in operating expenses was in Auxiliary Services, \$6.2 million or 23.4%. Due to the impact of COVID-19 on Auxiliary Revenues and in order to manage cash flow by fund, the University decided to forego auxiliary cost recoveries in fiscal year 2021. This is reflected in the increases in expenses for Institutional Support and Operation and Maintenance of Plant and the decrease in Auxiliary Services expenses. The shorter amount of time on campus and the decline in extracurricular activities also contributed to the decrease in Auxiliary Services expenses. The \$2.0 million increase in Student Aid expenses is directly related to HEERF aid required to be disbursed to students.



When looking at the expenses of the University by natural classification the largest expenses incurred are those for salaries and wages of employees. A summary of Expenses by Natural Classification can be found in the table below. Had the previously mentioned auxiliary cost recoveries been recorded in fiscal year 2021, the University would have seen a decline in Salaries and Wages of nearly \$5.0 million with expenses for Services and Supplies remaining virtually flat. Again, the increase in expenses for Student Aid is directly related to HEERF aid required to be disbursed to students.



## Changes in Net Position

The decrease in operating revenues minus the decrease in operating expenses resulted in an operating loss \$10.0 million, 27.8%, larger in fiscal year 2021 than in the previous fiscal year. The University recognized an operating loss for fiscal year 2021 of \$46.0 million. Non-operating revenue, in the form of state appropriations and capital appropriations, was used to cover the operating loss of the University. However, the \$33.2 million loss on the intra-entity acquisition of assets from the Foundation negatively impacted Non-operating revenue and expenses, Loss before other revenues and the overall decrease in net position. The University's fiscal year end 2021 net position of \$154.8 million is \$19.6 million lower than it was at the end of fiscal year 2020.

The table below summarizes fiscal year 2021 changes in net position.

<b>Summary of Revenues, Expenses and Changes in Net Position</b>				
For the years ended June 30, 2021 and 2020 (All \$ in millions)				
	2021	2020	Change Amount	Change Percent
Operating revenues	\$ 54.8	\$ 67.4	\$ (12.6)	(18.7)%
Operating expenses	100.8	103.4	(2.6)	(2.5)%
Operating loss	(46.0)	(36.0)	(10.0)	27.8%
Non-operating revenues and expenses	10.2	36.1	(25.9)	(71.7)%
Loss before other revenues, expenses, gains or losses	(35.8)	0.1	(35.9)	(35900.0)%
Other revenues, expenses, gains or losses	16.2	11.2	5.0	44.6%
Increase in net position	(19.6)	11.3	(30.9)	(273.5)%
Net position – beginning of year	174.4	163.1	11.3	6.9%
Net position – end of year	\$ 154.8	\$ 174.4	(19.6)	(11.2)%

## Statement of Cash Flows

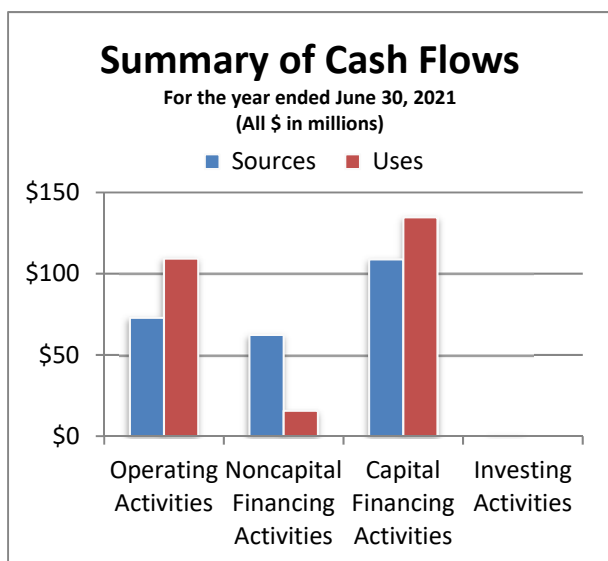
The *Statement of Cash Flows* presents detailed information about the cash activity of the University during the year. Cash flows from operating activities will always be different from the operating loss on the *Statement of Revenues, Expenses, and Changes in Net Position* (SRECNP). This difference occurs because the SRECNP is prepared on the accrual basis of accounting and includes noncash items, such as depreciation expenses, whereas the *Statement of Cash Flows* presents cash inflows and outflows without regard to accrual items. The *Statement of Cash Flows* should help readers assess the ability of an institution to generate sufficient cash flows necessary to meet its obligations.

The statement is divided into five sections.

The first section, *Cash flows from operating activities*, deals with operating cash flows and shows net cash used by the operating

activities of the University. The *Cash flows from noncapital financing activities* section reflects cash received and disbursed for purposes other than operating, investing, and capital financing. GASB requires that general appropriations from the Commonwealth be shown as cash flows from noncapital financing activities. Since state appropriations are used to cover the operating expenses of the University, net cash should always be used by operating activities and provided by noncapital financing activities. *Cash flows from capital financing activities* presents cash used for the acquisition and construction of capital and related items. Plant funds and related long-term debt activities (except depreciation and amortization), as well as capital appropriations are included in cash flows from capital financing activities. *Cash flows from investing activities* reflects the cash flows generated from investments, including purchases, proceeds, and interest. The last section reconciles the operating loss reflected on the *Statement of Revenues, Expenses, and Changes in Net Position* to the net cash used by operating activities.

Overall, the University experienced a net decrease in cash of \$15.5 million during fiscal year 2021 primarily due to the decrease in cash restricted for capital projects. Cash provided by noncapital financing activities, including State appropriations and Federal funds, less net cash used by operating activities resulted in cash provided to the University of \$10.3 million. Net cash used in the financing of capital projects plus cash from investment activities, resulted in cash used by the University of \$25.8 million.



Total cash and cash equivalent balances at fiscal year-end were \$29.5 million. The primary sources of operating cash for the University were from student tuition and fees, \$42.4 million, and auxiliary enterprises, \$29.2 million. The largest amounts of operating cash were spent on employee compensation and benefits, \$63.7 million, payments for services and supplies, \$20.3 million, and student scholarships, \$18.5 million.

Primary sources of cash from noncapital financing activities are state appropriations, \$36.2 million, and Federal grant and loan programs, \$26.0

million. The primary use of noncapital financing cash is for Federal loan programs. As discussed above, GASB requires that general appropriations be shown as cash from noncapital financing activities and used to cover operating activities.

### Statement of Cash Flows

For the years ended June 30, 2021 and 2020  
(All \$ in millions)

	2021	2020	Change Amount	Change Percent
Net cash used by operating activities	\$ (36.4)	\$ (28.8)	\$ (7.6)	26.4%
Net cash provided by noncapital financing activities	46.7	40.5	6.2	15.3%
Net cash provided/(used) by capital financing activities	(25.9)	(6.4)	(19.5)	304.7%
Net cash provided by investing activities	0.1	0.5	(0.4)	(80.0)%
Net increase/(decrease) in cash	(15.5)	5.8	(21.3)	(367.2)%
Cash – beginning of year	45.0	39.2	5.8	14.8%
Cash – end of year	\$29.5	\$45.0	\$(15.5)	(34.4)%



## Economic Outlook

The University's economic outlook continues to be impacted by the COVID-19 pandemic. Although state funding support from the Commonwealth of Virginia is expected to remain stable through FY 2021-22, the University's overall enrollment is lower than it has been in previous years for both its freshman class and in the number of continuing students. A lower freshman class will mean a reduction in tuition and fee revenues over the next two to five years as the class makes its way through the enrollment pipeline toward graduation. The University recently launched a new brand rollout that is expected to provide much needed assistance in student recruitment efforts.

Although enrollments are lower, the University has seen an increase in the number of residential students, which has resulted in higher than budgeted revenues in both housing and dining. Also, the University will realize some financial benefit as a result of the acquisition of housing properties previously owned by the UMW Foundation. These properties were privately financed by the Foundation and the University's acquisition allowed for the use of state bond financing, which has significantly reduced the debt service expenses and has allowed for a more efficient operation of the entire housing stock available to students.

The University will also benefit from participation in the refinancing of its 9(d) revenue bonds. This initiative by the Commonwealth will result in significant savings in 2021-22 and 2022-23 through the deferment of principal payments. The University will use these savings over the next two years to build its repair and renewal reserves for its residence halls and other auxiliary facilities.

The availability of federal Higher Education Emergency Relief Funds (HEERF) has helped stabilize the University's revenue losses and offset additional expenses associated with the pandemic. Likewise, the HEERF funds for student financial aid have been of vital importance in helping students continue their higher education career through the financial uncertainties brought on by the pandemic and provided financial assistance for addressing additional technology and other costs associated with the delivery of instructional programs through alternative modalities.

Looking ahead, UMW's primary concern is to remain financially viable while delivering on our unique liberal arts mission focused on high quality in-person undergraduate instruction in one of the fastest growing regions of the state. Accelerating demographic shifts in an incredibly competitive mid-Atlantic, sustaining appropriate financial and academic support for students, and investments in our IT infrastructure are among our greatest challenges.

# STATEMENT OF NET POSITION

For the year ended June 30, 2021

	UMW	UMW Foundation
<b>Assets and Deferred Outflows of Resources</b>		
Current assets:		
Cash and cash equivalents (Notes 3, 19)	\$21,291,926	\$5,909,605
Securities lending cash and cash equivalents (Note 3)	3,198	
Accounts receivable, net of allowance for doubtful accounts (Note 4)	1,147,428	1,009,788
Notes receivable, net of allowance for doubtful accounts (Note 4)	81,478	
Pledges receivable, current portion (Note 19)		357,422
Due from Federal HEERF Funding	2,307,257	
Due from Foundation (Note 17)	3,033,369	
Due from University (Note 17)		348,716
Inventories	161,258	1,704
Prepaid items	1,596,046	353,658
<b>Total current assets</b>	<b>\$29,621,960</b>	<b>\$7,980,893</b>
Noncurrent assets:		
Restricted cash and cash equivalents (Notes 3, 19)	8,155,472	2,626,809
Restricted investments (Note 19)		63,403,655
Other restricted assets	907,735	
Notes receivable net noncurrent (Note 4)	372,447	
Due from Commonwealth, restricted (Note 5)	5,431,488	
Due from Foundation, noncurrent (Notes 17, 19)	1,440,550	
Pledges receivable, noncurrent (Note 19)		476,785
Other noncurrent assets		895,594
Non-depreciable capital assets (Notes 6, 19)	53,485,213	39,033,077
Capital assets, net of accumulated depreciation (Notes 6, 19)	387,987,471	13,945,414
<b>Total noncurrent assets</b>	<b>\$457,780,376</b>	<b>\$120,381,334</b>
<b>Total Assets</b>	<b>\$487,402,336</b>	<b>\$128,362,227</b>
Deferred Outflows of Resources:		
Deferred Outflows of Resources - debt	1,462,145	
Deferred Outflows of Resources - pensions (Note 13)	8,354,912	
Deferred Outflows of Resources - post-employment benefits (Note 14)	2,530,065	
<b>Total Deferred Outflows of Resources</b>	<b>\$12,347,122</b>	<b>-</b>
<b>Total Assets and Deferred Outflows</b>	<b>\$499,749,458</b>	<b>\$128,362,227</b>

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

# STATEMENT OF NET POSITION (CONTINUED)

For the year ended June 30, 2021

	UMW	UMW Foundation
<b>Liabilities and Deferred Inflows of Resources</b>		
Current liabilities:		
Accounts payable (Note 7, 19)	19,269,817	543,798
Unearned revenue	1,406,806	87,571
Deposits payable	978,789	
Obligations under Securities Lending Program	3,198	
Due to Commonwealth	377	
Due to Foundation (Note 17)	348,716	
Due to University (Note 17)		3,033,369
Long-term liabilities – current portion (Notes 8, 9, 13)	4,889,480	10,833,065
Long-term other post-employment benefits – current (Notes 8, 14)	278,461	
<b>Total current liabilities</b>	<b>\$27,175,644</b>	<b>\$14,497,803</b>
Noncurrent liabilities:		
Long-term liabilities other – noncurrent (Notes 8, 9, 17, 19)	253,582,002	38,179,900
Long-term pension liabilities – noncurrent (Notes 8, 13)	39,462,569	
Long-term other post-employment benefits – noncurrent (Notes 8, 14)	13,708,339	
Amounts due to University - noncurrent (Note 19)		1,440,550
Federal Perkins loan program contributions refundable (Note 8)	431,144	
<b>Total noncurrent liabilities</b>	<b>\$307,184,054</b>	<b>\$ 39,620,450</b>
<b>Total Liabilities</b>	<b>\$334,359,698</b>	<b>\$ 54,118,253</b>
Deferred Inflows of Resources:		
Deferred Inflows of Resources - debt	1,734,408	
Deferred Inflows of Resources - pensions (Note 13)	1,839,776	
Deferred Inflows of Resources - other post-employment benefits (Note 14)	6,917,306	
<b>Total Deferred Inflows of Resources</b>	<b>\$10,491,490</b>	<b>-</b>
<b>Total Liabilities and Deferred Inflows</b>	<b>\$344,851,188</b>	<b>\$ 54,118,253</b>
<b>Net Position</b>		
Net investment in capital assets	190,643,990	3,744,058
Restricted for:		
Nonexpendable:		
Permanently restricted		60,860,911
Expendable:		
Other post-employment benefits	907,735	
Loans	149,532	
Sponsored programs	859,174	
Research	7,352	
Temporarily restricted		15,421,011
Unrestricted	(37,669,513)	(5,782,006)
<b>Total Net Position</b>	<b>\$154,898,270</b>	<b>\$74,243,974</b>

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

# STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the year ended June 30, 2021

	UMW	UMW Foundation
<b>Operating revenues:</b>		
Student tuition and fees, net of scholarship allowances of \$18,015,758	24,481,589	
Federal grants and contracts	682,801	
State grants and contracts	80,911	
Nongovernmental grants and contracts	724,660	
Auxiliary enterprises, net of scholarship allowances of \$517,624	28,623,343	
Rental revenue		3,077,652
Gifts, grants and contributions		2,115,674
Other operating revenues	293,122	77,683
<b>Total operating revenues</b>	<b>\$54,886,426</b>	<b>\$5,271,009</b>
<b>Operating expenses: (Note 10)</b>		
Instruction	29,603,401	
Research	176,451	
Public service	460,599	
Academic support	7,599,207	
Student services	7,114,858	
Institutional support	13,185,835	
Operation and maintenance of plant	7,051,113	
Depreciation	10,385,510	1,306,644
Student aid	3,000,276	1,859,769
Auxiliary activities	20,224,047	
Operation of Higher Education Centers	1,128,571	
Museum and cultural services	530,309	
Historic attraction management	361,837	
University development and support		2,206,304
Foundation support		1,268,055
Real estate operations		1,264,545
Fundraising		1,611,379
<b>Total operating expenses</b>	<b>\$100,822,014</b>	<b>\$9,516,696</b>
<b>Operating Gain/(Loss)</b>	<b>(45,935,588)</b>	<b>(4,245,687)</b>
<b>Non-operating revenues/(expenses):</b>		
State appropriations (Note 11)	36,242,037	
Federal student financial aid – Pell grant revenue	3,912,750	
Higher Education Emergency Relief and Coronavirus Relief Funds	8,871,678	
Federal Build America Bond interest subsidy revenue	556,245	
Investment income/(loss)	81,177	11,397,574
Gain/(loss) on interest rate swap contracts (Note 19)		8,121,233
Gain/(Loss) on disposal/impairment of capital assets	5,480	
Intra-Entity Transfer of Assets and Related Fees (Note 17)	(33,206,342)	34,337,311
Gain/(Loss) Discontinued Operations		(3,392,272)
Interest on capital asset related debt	(6,265,735)	(4,504,355)
<b>Net non-operating revenues/(expenses)</b>	<b>\$10,197,290</b>	<b>\$45,959,491</b>
<b>Income/(Loss) before other revenues, expenses, gains, or losses</b>	<b>(35,738,298)</b>	<b>41,713,804</b>
Capital appropriations (Note 5)	16,159,445	
Capital gifts	110,785	
Additions to term endowments		2,850,215
Additions to permanent endowments		2,110,640
<b>Net other revenues, expenses, gains, or losses</b>	<b>\$16,270,230</b>	<b>\$4,960,855</b>
<b>Increase/(Decrease) in net position</b>	<b>\$(19,468,068)</b>	<b>\$46,674,659</b>
<b>Net Position – Beginning of year</b>	<b>\$174,366,338</b>	<b>\$27,569,315</b>
<b>Net Position – End of year</b>	<b>\$154,898,270</b>	<b>\$74,243,974</b>

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



# STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2021

	UMW
<b>Cash flows from operating activities:</b>	
Student tuition and fees	42,389,026
Grants and contracts	749,046
Auxiliary enterprises	29,210,967
Other receipts	466,779
Payments to employees	(49,385,839)
Payments for fringe benefits	(14,349,661)
Payments for services and supplies	(20,300,882)
Payments for utilities	(2,816,588)
Payments for student aid	(2,481,479)
Payments for scholarships and fellowships	(18,533,382)
Payments for noncapitalized plant and equipment	(1,461,095)
Collection of Perkins and other loans from students	96,165
<b>Net cash used by operating activities</b>	<b>\$(36,416,943)</b>
<b>Cash flows from noncapital financing activities:</b>	
State appropriations	36,242,037
Federal Pell Grant revenue	3,912,750
Federal Support Higher Education Emergency Relief (HEERF)	5,497,021
Federal Support Coronavirus Relief Fund (CRF)	1,067,401
Federal Direct Loan Program receipts	15,537,119
Federal Direct Loan Program payments	(15,537,119)
Funds held for others - receipts	53,970
Funds held for others – disbursements	(64,967)
<b>Net cash provided by noncapital financing activities</b>	<b>\$46,708,212</b>
<b>Cash flows from capital and related financing activities:</b>	
Capital appropriations	13,049,129
Capital contributions	14,000
Purchase of capital assets	(123,021,692)
Proceeds received from capital debt, leases, and installments	95,764,806
Principal paid on capital debt, leases, and installments	(5,155,000)
Interest paid on capital debt, leases, and installments	(6,521,077)
<b>Net cash used by capital financing activities</b>	<b>\$(25,869,834)</b>
<b>Cash flows from investing activities:</b>	
Interest income	81,177
<b>Net cash provided by investing activities</b>	<b>\$81,177</b>
<b>Net decrease in cash</b>	<b>\$(15,497,388)</b>
<b>Cash – Beginning of the year</b>	<b>\$44,944,786</b>
<b>Cash – End of the year</b>	<b>\$29,447,398</b>

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

# STATEMENT OF CASH FLOWS (CONTINUED)

For the Year Ended June 30, 2021

	UMW
<b>Reconciliation of net operating loss to net cash used by operating activities:</b>	
<b>Operating loss</b>	<b>\$(45,935,588)</b>
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	10,385,510
Changes in assets, liabilities, deferred outflows, and deferred inflows:	
Accounts receivable (operating portion)	452,028
Inventories	23,781
Prepaid expenses	(6,446)
Other post-employment benefits assets	(54,208)
Deferred outflows of resources related to pensions and other post-employment benefits	(1,541,954)
Due from Foundation	(581,630)
Accounts payable	413,279
Unearned revenue	(378,223)
Deposits payable, excluding Custodial funds	(253,181)
Due to Foundation	(17,057)
Accrued leave liability	125,377
Perkins liability	(108,287)
VRS pension and other post-employment benefits liability	2,695,119
Deferred inflows of resources related to pensions and other post-employment benefits	(1,635,463)
<b>Total adjustments</b>	<b>\$9,518,645</b>
<b>Net cash used by operating activities</b>	<b>\$(36,416,943)</b>
 <b>Noncash investing, capital, and financing activities</b>	
Capital assets retainage accrued	1,484,189
Accrued capitalized invoices	2,918,323
Bond premium, discount, gain, loss amortization	(964,289)
Gain on disposal of capital assets	5,480
Non-cash capital gifts	96,785
In February, 2021, the Virginia College Building Authority, on behalf of the University, issued \$62,725,000 of Revenue Refunding Bonds, Series 2021 AB. The proceeds were used for the defeasance of \$57,085,000 of outstanding revenue bond principal and related accrued interest.	

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

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## 1. REPORTING ENTITY

The University of Mary Washington is a comprehensive University that is part of the Commonwealth of Virginia's statewide system of public higher education. The University's Board of Visitors, appointed by the Governor, is responsible for overseeing governance of the University. A separate report is prepared for the Commonwealth, which includes all agencies, higher education institutions, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. As such, the University is a component unit of the Commonwealth and is included in the Commonwealth's Annual Comprehensive Financial Report.

In accordance with Governmental Accounting Standards Board (GASB) Statement 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and Statement 39, *Determining Whether Certain Organizations Are Component Units*, the University is presenting the financial position of the University of Mary Washington Foundation (UMW Foundation) as a discrete component unit. The UMW Foundation is a tax-exempt not-for-profit 501(c)(3) organization incorporated under the laws of the Commonwealth of Virginia. The UMW Foundation is a legally separate entity from the University that was formed to seek, receive, hold, invest, administer, and distribute funds and property of all kinds, exclusively in furtherance of the educational activities and objectives of the University. The UMW Foundation issues its own independently audited financial report, in addition to being included in the statements of the University. The financial reports of the UMW Foundation include the net position and results of operations of the UMW Foundation and its ten subsidiaries, each incorporated as a limited liability corporation within the Commonwealth of Virginia. The 38-member Board of Directors of the UMW Foundation is comprised of University alumni and friends of the University, including 6 ex-officio Directors. While the University benefits from activities of the UMW Foundation, the University does not control the budget or operations of the UMW Foundation. Its financial information is presented discretely, in a separate column, in the University's financial statements.

The University also benefits from the University of Mary Washington Alumni Association (UMW Alumni Association). The UMW Alumni Association is a nonprofit organization incorporated in the Commonwealth of Virginia to promote the welfare and support the mission of the University and to encourage an enduring relationship with the University by deepening alumni and student loyalty. The Alumni Association issues its own independently reviewed financial report. The Board of Directors is comprised of at least 12 members but not more than 35 members. Directors are elected by the general membership of the Association while a student and faculty member serve as ex-officio and non-voting members of the Board. The faculty member is appointed by the President of the UMW Alumni Association. In accordance with GASB Statements 39 and 61 addressed above, the financial position and results of its operations are not discretely presented in conjunction with the University's financial statements, as it is not considered fiscally significant for component unit disclosure. Summary information related to the UMW Alumni Association is presented in Note 18 of this report.

Complete financial statements for the UMW Foundation and the UMW Alumni Association can be obtained from the respective entity, 1125 Jefferson Davis Hwy; Suite 200; Fredericksburg, Virginia 22401.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Financial Statement Presentation

GASB Statement 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, issued November 1999, establishes accounting and financial reporting standards for public colleges and universities within the financial guidelines of GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The standards are designed to provide financial information that responds to the needs of three groups of primary users of general-purpose external financial reports: the citizenry, legislative and oversight bodies, and investors and creditors. The University is required under the guidance to include Management's Discussion and Analysis, and basic financial statements, including notes, in its financial statement presentation.

The GASB delayed implementation of Statement 84, *Fiduciary Activities*, making it effective in fiscal year 2021. However, the Commonwealth of Virginia Department of Accounts chose to move forward with early implementation in 2020. GASB Statement 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on whether the government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship



exists. Separate fiduciary statements are required for fiduciary activity. Management analyzed the various activities of the University and determined that the University has no fiduciary relationships by definitions presented in the guidance.

The UMW Foundation is a private non-profit organization that does not report under the guidelines of the GASB, instead following the guidance of the Financial Accounting Standards Board (FASB), including FASB Statement 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Reclassifications have been made to convert the Foundation's financial information to GASB presentation format.

## Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of related cash flows. All significant intra-agency transactions have been eliminated.

## Cash Equivalents

For purposes of the statements of net position and cash flows, the University considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

## Investments

GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that purchased investments, interest-bearing temporary investments classified with cash, and investments received as gifts be recorded at fair value. All investment income, including changes in the fair market value of investments (unrealized gains and losses), is reported as non-operating revenue or expense in the *Statement of Revenues, Expenses, and Changes in Net Position*.

GASB Statement 72, *Fair Value Measurement and Application*, established principles for measuring fair value for financial reporting purposes and provides guidance for applying fair value to certain investments. GASB Statement 72 also requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques.

## Accounts Receivable

Accounts receivable consist of charges for tuition and fees and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from federal and state governments and nongovernmental sources, in connection with reimbursement of allowable expenses made pursuant to the University's grants and contracts. Accounts receivable are reported net of allowance for doubtful accounts.

## Prepaid Expenses

Prepaid expenses of the University include items such as insurance premiums, membership dues, and conference registrations for next fiscal year that were paid in advance, as well as publications, subscriptions, and maintenance contracts which include initial and renewal annual subscriptions that continue into the next fiscal year.

## Inventories

Inventories are stated at the lower of cost (generally determined on the first in first out method) or market. Inventories consist primarily of merchandise for resale in the James Monroe Law Office Museum and Memorial Library, and the Gari Melchers Memorial, as well as expendable supplies held for consumption in the University's Central Storeroom.

## Noncurrent Cash and Investments

Noncurrent cash and investments are externally restricted for the Federal Department of Education Perkins Loan program and for the construction of capital or other non-current assets.

## Capital Assets

Capital assets include land, buildings and other improvements, infrastructure, intangible assets and equipment and are stated at appraised historical cost or actual cost where determinable. Construction in progress is capitalized at actual cost as expenses are incurred. Library materials are valued using average prices for library acquisitions. All gifts of capital assets are recorded at acquisition value as of the date of donation. Interest expense incurred during the construction of capital assets is capitalized, net of interest income earned on resources set aside for this purpose.

Equipment is capitalized when the unit acquisition cost is \$5,000 or greater and the estimated useful life is two years or more. Computer software developed or obtained for internal use is capitalized when the unit acquisition cost is \$5,000 or more and the estimated useful life is two years or more. Building renovation costs and infrastructure costs are capitalized when expenses total more than \$5,000, the asset value significantly increases, or the useful life is significantly extended. Useful life of assets related to capital leases is the shorter of the lease term or the useful life of the underlying asset. Donated assets with an acquisition value at the date of the donation of \$5,000 or more are capitalized. Routine repairs and maintenance are charged to operating expenses in the year the expense is incurred. Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activities. Depreciation is computed using the straight-line method over the useful life of the asset. The useful life for buildings is 15-50 years. For improvements other than buildings useful life is 5-30 years, for infrastructure 5-50 years, for equipment 2-25 years, for intangible assets – computer software 3-5 years, and for library materials 10 years.

## Collections

The Gari Melchers Memorial maintains a collection of paintings, drawings, and etchings by Gari Melchers. A smaller collection of art works by other artists is also maintained. This collection was appraised in 1989 for approximately \$3,550,000. The James Monroe Law Office Museum and Memorial Library also maintains a collection of jewelry, furniture, documents, books, antiques, and portraits. This collection was appraised in 2009 for approximately \$3,100,000.

In addition, the University Gallery maintains collections of paintings and drawings by several artists including Alfred Levitt, Phyllis Ridderhof Martin, and Margaret Sutton. All collections have been donated to the University, but have not been appraised and total market value of the entire collection is unknown.

The items held in all three collections are held for public exhibition, education, or research in furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved; and are subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for the collection. Since these conditions exist and historical cost data for the collections are not available, in accordance with GASB Statement 34, no balances are reported in the accompanying financial statements.

## Unearned Revenues

Unearned revenue represents revenue collected but not earned as of June 30. This amount includes amounts received for tuition and fees and certain auxiliary activities (resident housing deposits) related to the period after June 30.

## Noncurrent Liabilities

Noncurrent liabilities include the principal amounts of bonds payable, notes payable, installment purchase obligations, and capital leases with maturities greater than one year and estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Debt payable is reported net of related discounts and premiums, which are expensed over the life of the debt. Debt issuance costs are recognized as an expense in the period incurred.

## Accrued Compensated Absences

Certain salaried employees' attendance and leave regulations make provisions for granting a specified number of days of leave with pay each year. The amount reflects, as of June 30, all unused vacation leave, sabbatical leave, and the amount payable upon termination under the Commonwealth of Virginia's sick leave pay out policy. The applicable share of employer related taxes payable on the eventual termination payments is also included. The University's liability and expense for the amount of leave earned by employees but not taken, as of June 30, 2021, is recorded in the *Statement of Net Position*, and is included in the various functional categories of operating expenses in the *Statement of Revenues, Expenses, and Changes in Net Position*.

## Pensions

The Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS) Retirement Plan are single employer pension plans that are treated like cost-sharing plans. For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS) Retirement Plan; and the additions to/deductions from the VRS State Employee Retirement Plan's and the VaLORS Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## Other Post-employment Benefits

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

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

The Virginia Retirement System (VRS) Disability Insurance Program (Virginia Sickness and Disability Program) (VSDP) is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The Disability Insurance Program was established pursuant to §51.1-1100 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Disability Insurance Program is a managed care program that provides sick, family and personal leave and short-term and long-term disability benefits for State Police Officers, state employees, and VaLORS employees.

For purposes of measuring the net Disability Insurance Program OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to the Disability Insurance Program OPEB, and Disability Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Disability Insurance Program OPEB Plan and the additions to/deductions from the VRS Disability Insurance Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to §9.1-400 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 Line of Duty Act Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net Line of Duty Act Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Line of Duty Act Program OPEB, and Line of Duty Act Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Line of Duty Act Program OPEB Plan and the additions to/deductions from the VRS Line of Duty Act Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

## Federal Financial Assistance Programs

The University participates in federally-funded Pell Grants, Supplemental Educational Opportunity Grants, Federal Work-Study, and Perkins Loans programs. Federal programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

## Deferred Inflows and Outflows of Resources

Deferred outflows of resources are defined as the consumption of net position applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets. Deferred inflows of resources are defined as the acquisition of net position applicable to a future reporting period. Deferred inflows of resources decrease net position, similar to liabilities.

## Net Position

The University's net position is made up of the following:

- **Net Investment in Capital Assets** – Net Investment in Capital Assets represents the University's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of Net Investment in Capital Assets.
- **Restricted Expendable Net Position** – Restricted Expendable Net Position includes resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- **Restricted Nonexpendable Net Position** – Restricted Nonexpendable Net Position consists of endowment and similar type funds where donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, to be expended or added to the principal.



- **Unrestricted Net Position** – Unrestricted Net Position represents resources derived from student tuition and fees, state appropriations, recoveries of facilities and administrative (indirect) costs, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational departments and the general operations of the University, and may be used at the discretion of the University’s Board of Visitors to meet current expenses for any lawful purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University’s policy is to evaluate these expenditures and apply resources on a case by case basis.

## Income Taxes

The University, as a political subdivision of the Commonwealth of Virginia, is excluded from federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

## Classifications of Revenues and Expenses

The University has classified its revenues and expenses as either operating or non-operating according to the following criteria:

- **Operating revenues** – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowance; (2) sales and services of auxiliary enterprises, net of scholarship allowances; and (3) most federal, state, local, and nongovernmental grants and contracts and federal appropriations.
- **Non-operating revenues** – Non-operating revenues are revenues received for which goods and services are not provided. State appropriations, gifts, and other revenue sources defined as non-operating revenues by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* are included in this category.
- **Operating expenses** – Operating expenses include those expenses necessary for the operation of the University including those for wages and fringes, services and supplies, and operation of plant including utilities as well as any expense not classified as non-operating.
- **Non-operating expenses** – Non-operating expenses are those expenses incurred for interest on debt related to the purchase of capital assets, losses on the disposal of capital assets and intra-entity transfers.

## Scholarship Discounts and Allowances

Student tuition and fees and certain auxiliary revenues are reported net of scholarship allowance in the *Statement of Revenues, Expenses, and Changes in Net Position*. Scholarship allowance is the difference between the stated charge for goods and services provided by the University and the amount paid by students and/or third parties making payments on the students’ behalf.

Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or non-operating revenue in the University’s financial statements. To the extent that such revenues are used to satisfy tuition and fees or certain auxiliary charges, the University has recorded a scholarship discount and allowance.

### 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Certain risk disclosures are required by GASB Statement 40, *Deposit and Investment Risk Disclosures* which is an amendment of GASB Statement 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. With respect to deposit risks, there are custodial credit risk and foreign currency risk. With respect to investments, there are credit risks (both custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. These risks are defined as:

- **Credit risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. GASB Statement 40 requires the disclosure of the credit quality rating on any investments subject to credit risk. The University does not have a policy limiting the ratings type of investment choices. Virginia’s State Non-Arbitrage Program (SNAP) investments are subject to credit risk.
- **Custodial credit risk** – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the University will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of the institution. The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The University does not have any funds subject to custodial credit risk.
- **Concentration of credit risk** – The risk of loss attributed to the magnitude of an investment in a single issuer. GASB Statement 40 requires disclosure of any issuer with more than five percent of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from disclosure. The University does not have a policy limiting the amount that can be invested in any one issuer. The University does not have any funds subject to concentration credit risk.
- **Interest rate risk** – Interest rate risk is the risk that interest rate changes will adversely affect the fair value of an investment. GASB Statement 40 requires disclosure of maturities for investments subject to interest rate risk. The University does not have a policy limiting investment maturities as a means of managing interest rate risk. The University does not have any funds subject to interest rate risk.
- **Foreign currency risk** – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University does not have a policy limiting foreign investments. The University does not have any funds subject to foreign currency risk.

#### Cash and Cash Equivalents

Cash and cash equivalents reporting requirements are defined by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*. Cash and cash equivalents represent cash with the treasurer of the Commonwealth, cash on hand, certificates of deposit and temporary investments with original maturities of 90 days or less, and cash equivalents with the Virginia State Non-Arbitrage Program (SNAP). SNAP is a professionally-managed money market mutual fund, which provides a temporary pooled investment vehicle for proceeds pending expenditure, and with record keeping, depository and arbitrage rebate calculations. SNAP complies with all standards of GASB Statement 79. SNAP investments are reported using the net asset value (NAV) per share, which is calculated on an amortized cost basis that provides a NAV that approximates fair value.

Pursuant to Section 2.2-1800 et seq. Code of Virginia, all state funds of the University are maintained by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds. Local cash deposits held by the University are maintained in accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the *Virginia Security for Public Deposits Act*, Section 2.2-4400, et. seq. Code of Virginia.

#### Investments

Authorized investments are set forth in the *Investment of Public Funds Act*, Sections 2.2-4500 through 2.2-4519 et seq., Code of Virginia. GASB Statement 72, *Fair Value Measurement and Application*, established principles for measuring fair value for financial reporting purposes and provides guidance for applying fair value to certain investments. None of the University’s fiscal year 2021 investments are subject to fair value measurement.

Investments fall into two groups: short-term and long-term. Short-term investments have an original maturity of over 90 days but less than or equal to one year. Long-term investments have an original maturity greater than one year. Collateral held for securities lending is held by the Treasurer of Virginia and represents the University's allocated share of cash collateral received and reinvested and securities received for the State Treasury's securities lending program. Information related to the credit risk of these investments and the State Treasury's securities lending program is available on a statewide level in the Commonwealth of Virginia's *Annual Comprehensive Financial Report*. The Commonwealth's policy is to record unrealized gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies. A categorization of the University's cash, cash equivalents, and investments are presented in the following table.

Cash and Cash Equivalents	Value	Credit Rating
	As of June 30, 2021	
Cash with the Treasurer	974,442	
Collateral held for securities lending	3,198	
Deposits with financial institutions	3,443,872	
Money market deposits with financial institutions	14,091,697	
State Non-Arbitrage Program (SNAP)	10,937,387	S&P AAAm
Total cash and cash equivalents	29,450,596	

#### 4. RECEIVABLES

Accounts receivable and notes receivable consisted of the following at June 30, 2021:

<b>Accounts Receivable</b>		
Student tuition and fees	\$1,705,158	
Auxiliary enterprises	602,494	
VCBA Series 2010A/B Interest Subsidy	468,341	
Other activities	42,490	
Total accounts receivable before allowance for doubtful accounts	2,818,483	
Less allowance for doubtful accounts	(1,671,055)	
<b>Total accounts receivable after allowance for doubtful accounts</b>	<b>\$1,147,428</b>	
<b>Notes Receivable</b>		
Perkins loans	\$555,724	
Less allowance for doubtful accounts	(101,799)	
<b>Total accounts receivable after allowance for doubtful accounts</b>	<b>\$453,925</b>	
<b>Total receivables after allowance for doubtful accounts</b>	<b>\$1,601,353</b>	

#### 5. COMMONWEALTH EQUIPMENT AND CAPITAL PROJECT REIMBURSEMENT PROGRAMS

The Commonwealth has established several programs to provide state-supported institutions of higher education with bond proceeds for financing the acquisition and replacement of instructional and research equipment and facilities. During fiscal year 2021, funding has been provided to the University from two programs: 21<sup>st</sup> Century program and the Equipment Trust Fund, both managed by the Virginia College Building Authority (VCBA). The VCBA issues bonds and uses the proceeds to reimburse the University for expenses incurred in the acquisition of equipment and facilities. In addition, the University received funds from the State General Fund for capital projects.

The *Statement of Revenues, Expenses, and Changes in Net Position* includes amounts listed below for the year ended June 30, 2021, in “Capital appropriations” line item for equipment and facilities obtained with funding under these three programs.

<b>Capital Appropriations</b>	
VCBA 21 <sup>st</sup> Century program	\$15,501,459
VCBA Equipment Trust Fund program	657,986
<b>Total capital appropriations</b>	<b>\$16,159,445</b>

The line item, “Due from Commonwealth, restricted,” on the Statement of Net Position for the year ended June 30, 2021, represents pending reimbursements from the following programs:

<b>Due from the Commonwealth, restricted</b>	
VCBA 21 <sup>st</sup> Century program	\$4,775,742
VCBA Equipment Trust Fund program	655,746
<b>Total Due from Commonwealth, Restricted</b>	<b>\$5,431,488</b>

## 6. CAPITAL ASSETS

A summary of changes in capital asset categories for the year ended June 30, 2021, is presented as follows:	Beginning Balance	Additions	Deletions	Ending Balance
<b>Non-depreciable capital assets:</b>				
Land	\$5,039,599	4,478,525		\$9,518,124
Construction in progress	12,491,429	33,858,652	(2,382,992)	43,967,089
<b>Total non-depreciable capital assets</b>	<b>\$17,531,028</b>	<b>\$38,337,177</b>	<b>\$(2,382,992)</b>	<b>\$53,485,213</b>
<b>Depreciable capital assets:</b>				
Buildings	416,703,725	72,626,649		489,330,374
Buildings – capital lease*	2,297,228			2,297,228
Equipment	22,703,996	1,194,160	(758,721)	23,139,435
Infrastructure	35,963,288	4,914,522		40,877,810
Improvements other than buildings	12,790,474			12,790,474
Library books	11,681,221	7,228	(12,223)	11,676,226
Intangible Assets	3,986,808			3,986,808
<b>Total depreciable capital assets at historical cost</b>	<b>\$506,126,740</b>	<b>\$78,742,559</b>	<b>\$(770,944)</b>	<b>\$584,098,355</b>
<b>Less accumulated depreciation for:</b>				
Buildings	95,853,289	27,142,984		122,996,273
Buildings – capital lease*	869,164	70,000		939,164
Equipment	17,998,085	1,359,591	(758,721)	18,598,955
Infrastructure	31,065,528	1,571,674		32,637,202
Improvements other than buildings	5,479,836	409,646		5,889,482
Library books	10,932,504	148,569	(12,223)	11,068,850
Intangible Assets	3,921,295	59,663		3,980,958
<b>Total accumulated depreciation</b>	<b>\$166,119,701</b>	<b>\$30,762,127</b>	<b>\$(770,944)</b>	<b>\$196,110,884</b>
<b>Depreciable capital assets, net of depreciation</b>	<b>\$340,007,039</b>	<b>\$47,980,432</b>		<b>\$387,987,471</b>
<b>Total capital assets, net of depreciation</b>	<b>\$357,538,067</b>	<b>\$86,317,609</b>	<b>\$(2,382,992)</b>	<b>\$441,472,684</b>

\*Fiscal year 2021 beginning balance does not equal fiscal year 2020 ending balance due to reclassification of 1201 William Street to a capital lease.

## 7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2021:

Accounts payable and accrued expenses	
Accounts payable	\$ 2,559,941
Accounts payable capital projects	6,067,155
Accrued salaries and wages payable	6,811,992
Accrued interest on capital debt	2,119,266
Retainage payable	1,711,463
<b>Total accounts payable and accrued expenses</b>	<b>\$19,269,817</b>

## 8. NON-CURRENT LIABILITIES

The University's non-current liabilities consist of long-term debt (further described in Note 9), accrued compensated absences, VRS pension liability (further described in Note 13), other post-employment benefits liability (further described in Note 14) and the federal Perkins Loan program contribution refundable. A summary of changes in the long-term liabilities for the year ending June 30, 2021 is presented below:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Long-term debt:</b>					
Bonds payable	\$ 1,852,708		\$ (462,142)	\$ 1,390,566	\$ 339,649
Notes payable	161,410,066	158,401,706	(66,006,461)	253,805,311	3,209,699
Capital lease obligation **	1,664,751		(49,288)	1,615,463	90,869
<b>Total long-term debt</b>	<b>164,927,525</b>	<b>158,401,706</b>	<b>(66,517,891)</b>	<b>256,811,340</b>	<b>3,640,217</b>
<b>Other non-current:</b>					
VRS Pensions Liability *	35,590,972	3,871,597		39,462,569	
Other Post-Employment Benefit Liability *	15,163,278		(1,176,478)	13,986,800	278,461
Federal loan program contributions	539,431		(108,287)	431,144	
Accrued compensated absences	1,534,766	1,164,815	(1,039,438)	1,660,143	1,249,263
<b>Total other non-current liabilities</b>	<b>52,828,447</b>	<b>5,036,412</b>	<b>(2,324,203)</b>	<b>55,540,656</b>	<b>1,527,724</b>
<b>Total non-current liabilities **</b>	<b>\$217,755,972</b>	<b>\$163,438,118</b>	<b>\$(68,842,094)</b>	<b>\$312,351,996</b>	<b>\$5,167,941</b>

\* Reflects the net change

\*\* Fiscal year 2021 beginning balance does not equal fiscal year 2020 ending balance due to reclassification of 1201 William Street to a capital lease.

## 9. LONG-TERM INDEBTEDNESS

### Bonds Payable

The University has issued bonds pursuant to section 9(c) of Article X of the *Constitution of Virginia*. Section 9(c) bonds are general obligation bonds issued by the Commonwealth of Virginia on behalf of the University. They are secured by the net revenues of the completed project and the full faith, credit, and taxing power of the Commonwealth of Virginia.



A summary of all bonds payable as of June 30, 2021 is presented as follows:

	Historical Range	Fiscal Year Maturity	Outstanding Balance
Dining Halls			
Series 2012A, issued \$654,765 - partial refunding series 2005A	5.0%	2024	\$ 654,765
Series 2013B, issued \$565,091 – partial refunding series 2005A	4.0%	2025	344,328
Series 2019B, issued \$810,000 – partial refunding series 2005A	5.0%	2022	285,000
Unamortized premium/(discount)			106,473
<b>Total Bonds Payable</b>			<b>\$1,390,566</b>

## Notes Payable

The University participates in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University. The notes are secured by the pledged general revenues of the University.

In February 2021, the Commonwealth of Virginia issued \$62,725,000 in Virginia College Building Authority bonds, Series 2021A/B on behalf of the University in order to refund Series 2010, 2012, 2013, 2014, 2015, 2016, 2017, 2018, and 2019. The refunding had a premium of \$88,477 and interest rates ranging from 0.48% to 5.0%. The primary purpose of the refunding was to develop cash savings in fiscal years 2022 and 2023 in order to reduce the impact of the COVID-19 pandemic on the University's cash reserves.

In June 2021, the Commonwealth of Virginia issued \$82,740,000 in Virginia College Building Authority bonds, Series 2021C on behalf of the University. The bonds have a premium of \$12,848,230 and interest rates ranging from 3% to 5%. The funds were used to acquire Eagle Landing, the William Street Apartments, the pedestrian bridge and portions of the Eagle Landing parking garage from the UMW Foundation.

A summary of all notes payable as of June 30, 2021 is presented below:

	Historical Range	Fiscal Year Maturity	Outstanding Balance
Indoor Tennis Facility			
Series 2021A, issued \$315,000 – refunding series 2010B/2002A	5.00%	2025	315,000
Parking Deck			
Series 2021B, issued \$1,990,000 – refunding series 2012A/2004A	0.48% - 0.94%	2026	1,990,000
Athletic Field Replacement (Goolrick)			
Series 2014B, issued \$435,000 – partial refunding series 2007	4.00 - 5.00%	2026	180,000
Series 2016A, issued \$840,000 – partial refunding series 2007	3.00 - 5.00%	2038	840,000
Series 2021B, issued \$115,000 – partial refunding series 2014B/2007A	2.40 - 2.50%	2040	115,000
Residence Halls			
Series 2010A/B, issued \$36,765,000	4.00 - 5.60%	2041	26,950,000
Series 2014B, issued \$1,100,000 – partial refunding series 2007	4.00 - 5.00%	2026	460,000
Series 2016A, issued \$2,210,000 – partial refunding series 2007	3.00 - 5.00%	2038	2,210,000
Series 2017A, issued \$23,795,000	2.12 - 5.00%	2038	20,250,000
Series 2018A, issued \$9,405,000	4.00 - 5.00%	2039	8,440,000
Series 2019A, issued \$13,870,000	2.25 - 5.00%	2040	12,900,000
Series 2021A, issued \$2,205,000 – partial refunding series 2010A	2.00%	2043	2,205,000
Series 2021B, issued \$295,000 – partial refunding series 2014B/2007A	2.40 - 2.50%	2040	295,000

Series 2021B, issued \$2,010,000 – partial refunding series 2017A	2.40 - 2.50%	2040	2,010,000
Series 2021B, issued \$715,000 – partial refunding series 2018A	2.40 - 2.60%	2041	715,000
Series 2021B, issued \$1,050,000 – partial refunding series 2019A	2.60 - 2.65%	2042	1,050,000
Convocation Center (Anderson)			
Series 2016A, issued \$13,215,000 – partial refunding series 2009	3.00 - 5.00%	2040	11,685,000
Series 2021B, issued \$1,130,000 – partial refunding series 2016A/2009B	2.60 - 2.65%	2042	1,130,000
Athletic Complex Renovations (Battleground)			
Series 2010A/B, issued \$2,530,000	4.00 - 5.60%	2041	1,820,000
Series 2015A, issued \$2,370,000	3.00 - 5.00%	2036	1,765,000
Series 2021A, issued \$150,000 – partial refunding series 2010A/B	2.00%	2043	150,000
Series 2021B, issued \$215,000 – partial refunding series 2015A	2.21 - 2.30%	2038	215,000
University Center			
Series 2013A, issued \$18,835,000	3.00 - 5.00%	2024	490,000
Series 2014A, issued \$ 8,870,000	5.00%	2024	410,000
Series 2015A, issued \$ 1,125,000	3.00 - 5.00%	2036	840,000
Series 2021B, issued \$25,360,000 – refunding series 2012B	0.48 - 2.65%	2045	25,360,000
Series 2021B, issued \$17,920,000 – partial refunding series 2013A	0.48 - 2.65%	2046	17,920,000
Series 2021B, issued \$9,155,000 – partial refunding series 2014A	0.48 - 2.65%	2047	9,155,000
Series 2021B, issued \$100,000 – partial refunding series 2015A	2.21 - 2.30%	2038	100,000
Eagle Landing Housing, Bridge and Garage			
Series 2021C, issued \$77,445,000	3.00 - 5.00%	2052	77,445,000
William Street Apartments			
Series 2021C, issued \$5,295,000	3.00 - 5.00%	2040	5,295,000
Unamortized premium/(discount)			19,100,311
<b>Total Notes Payable</b>			<b>\$ 253,805,311</b>

## Defeasance of Debt

In February 2021, the Commonwealth of Virginia's Treasury, on behalf of the University, issued \$62,725,000 in Virginia College Building Authority bonds, Series 2021A and 2021B to refund \$57,085,000 of Series 2010, 2012, 2013, 2014, 2015, 2016, 2017, 2018, and 2019. The bonds increase debt service payments \$57,627 over the life of the debt but will result in net present value savings of \$4,371,423 and a net accounting loss of \$896,146.

In current and prior years, the University and the Commonwealth of Virginia, on behalf of the University, issued bonds and the proceeds of the refunding bonds were deposited into irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded bonds. As a result, these bonds are considered to be defeased. The trust's assets and the liabilities associated with these defeased bonds are not included in the University's financial statements.

At June 30, 2021, \$56,735,000 is considered to be defeased and outstanding.

## Annual Debt Service Requirements

A summary of the University's future principal commitments and future interest commitments is presented below:

	Section 9(c) Bonds	Notes Payable	Total Long- Term Debt
<b>Future Principal commitments:</b>			
2022	285,000	2,365,000	2,650,000
2023	319,978	1,485,000	1,804,978
2024	334,787	8,095,000	8,429,787
2025	344,328	8,385,000	8,729,328
2026		8,510,000	8,510,000

2027 - 2031	45,880,000	45,880,000
2032 - 2036	52,955,000	52,955,000
2037 - 2041	54,635,000	54,635,000
2042 - 2046	30,685,000	30,685,000
2047 - 2052	21,710,000	21,710,000
Unamortized premium/(discount)	106,473	19,206,784
<b>Total future principal requirements</b>	<b>\$ 1,390,566</b>	<b>\$ 253,805,311</b>

**Future Interest commitments:**

2022	59,218	7,131,568	7,190,786
2023	45,311	7,938,820	7,984,131
2024	29,312	7,740,652	7,769,964
2025	13,773	7,427,789	7,441,562
2026		7,124,221	7,124,221
2027 - 2031		30,574,158	30,574,158
2032 - 2036		21,190,284	21,190,284
2037 - 2041		11,879,295	11,879,295
2042 - 2046		5,161,374	5,161,374
2047 - 2052		1,995,418	1,995,418
<b>Total future interest requirements</b>	<b>\$147,614</b>	<b>\$108,163,579</b>	<b>\$108,311,193</b>

## 10. EXPENSES BY NATURAL CLASSIFICATION

The following table shows a classification of expenses both by function, as listed in the *Statement of Revenues, Expenses, and Changes in Net Position*, and by natural classification, which is the basis for amounts shown in the *Statement of Cash Flows*.

	Salaries and Wages	Fringe Benefits	Services and Supplies	Utilities	Plant and Equipment	Depreciation	Student Aid	Total
Instruction	\$22,205,953	\$5,406,761	\$1,705,709	\$4,015	\$280,963			\$29,603,401
Research	156,828	8,098	11,328		197			176,451
Public service	308,751	138,819	13,029					460,599
Academic support	4,134,686	1,111,853	1,600,870	225	751,573			7,599,207
Student services	4,654,417	1,280,930	999,302	1,677	178,532			7,114,858
Institutional support	6,993,437	2,519,462	3,577,794	28,616	66,526			13,185,835
Plant – operation & maintenance	2,596,022	1,187,011	1,710,414	1,544,184	13,482			7,051,113
Depreciation						10,385,510		10,385,510
Student aid	388,752	51,983	68,384		9,678		2,481,479	3,000,276
Operation of higher ed centers	302,479	80,880	497,272	65,916	182,024			1,128,571
Museum & cultural services	342,331	97,546	49,882	40,211	339			530,309
Historic attraction management	268,550	65,837	21,411	6,039				361,837
Auxiliary activities	6,673,106	2,108,369	10,339,089	1,125,704	(22,221)			20,224,047
<b>Total Expenses</b>	<b>\$49,025,312</b>	<b>\$14,057,549</b>	<b>\$20,594,484</b>	<b>\$2,816,587</b>	<b>\$1,461,093</b>	<b>\$10,385,510</b>	<b>\$2,481,479</b>	<b>\$100,822,014</b>

## 11. STATE APPROPRIATIONS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriations Act specifies that such unexpended appropriations shall revert, as specifically provided by the General Assembly, at the end of the biennium. For years ending at the middle of a biennium, unexpended appropriations that have not been approved for re-appropriations in the next year by the Governor become part of the General Fund of the Commonwealth and are, therefore, no longer available to the University for disbursements.

The following is a summary of state appropriations received by the University including all supplemental appropriations and reversions:

State Appropriations	
Original legislative appropriation per Chapter 1289	
Educational and general programs	\$30,175,852
Student financial assistance	4,151,662
Museum and cultural services	481,118
Historic attraction management	273,947
Operation of Higher Education Centers	1,250,000
Supplemental adjustments:	
Maintain affordable access	3,300,000
Student financial assistance	(470,400)
Fredericksburg Pipeline Initiative	(386,500)
Compensation and benefits adjustment	113,112
Tech Talent Pipeline	654,911
Interest and Credit Card Rebate	104,238
Virtual Library of Virginia (VIVA) allocation	15,594
Va. Military Survivors & Dependent Education Program	67,480
Two-year college transfer grant	17,500
Special Education	14,470
Gear Up Funds	69,811
Equipment Trust Fund debt transfer	(97,063)
Out-of-state students	(234,834)
Reversion	(3,258,861)
<b>State appropriation revenue, adjusted</b>	<b>\$36,242,037</b>

## 12. COMMITMENTS

### Capital Improvement Commitments

The amounts listed in the following table represent the value of obligations remaining on capital improvement project contracts. These obligations are for future effort and as such have not been accrued as expenses or liabilities on the University's financial statements. Outstanding contractual commitments for capital improvement projects as of June 30, 2021 include:

Capital commitments by project	
Seacobeck Hall renovation	\$12,267,161
Virginia Residence Hall Renovations	4,384,070
Willard Hall renovation	531,634
Repair/replace utilities	4,408,699
Jepson Science Center addition and renovation	97,475
Maintenance reserve	114,950
Residence halls renovation	35,764
Farmer Hall renovation	79,230
Lee Hall renovation	17,805
Amphitheatre	12,085
Other	10,002
<b>Total capital commitments</b>	<b>\$21,958,875</b>

In addition, \$1,711,463 was held by the University as retainage on ongoing projects for which work had been performed. The retainage will be remitted to the contractors upon satisfactory completion of the project.

## Lease Commitments

The University has entered into several agreements to lease office space, storage space, and equipment. The University is committed to an operating lease for office space for the Warsaw office of the Rappahannock Small Business Development Center run by the University. The lease was for a three-year term beginning July 2010 and was extended through June 2022. However, the lease was terminated early and ended in June 2021. Rental expense was \$6,000 for the year ended June 30, 2021.

The University is committed to an operating lease for storage space off-campus. It was a five-year lease beginning January 2012 and has been extended thru December 2021. Rental expense was \$18,129 for the year ended June 30, 2021. The University leases office space and storage near the Fredericksburg campus. The two leases have a five-year term beginning in February 2020. Total rental expense for the leases was \$85,300 for the fiscal year ended June 30, 2021.

The University leases equipment for the Fitness Center. The current lease is a three-year lease beginning July 2019. Rental expense was \$67,320 for the fiscal year ended June 30, 2021.

The University entered into an agreement with Enterprise Fleet Management for 19 vehicles. The lease term is 5 years and expires in July 2023. Expenses for the year ended June 30, 2021 totaled \$94,792.

The University entered into an agreement with City of Fredericksburg for air rights of the pedestrian bridge. The lease term is 60 years and expires in October 2069. Expenses for the year ended June 30, 2021 totaled \$1,000.

The University entered into an agreement to lease residence hall furniture. The lease term is four years and expires in February 2024. Expenses for the year ended June 30, 2021 totaled \$8,520.

Additionally, the University is committed to leases with the UMW Foundation and its subsidiaries. The first lease is for storage space off-campus. The lease was for a five-year term beginning in April 2016 and has been extended thru March 2026. The University is committed to two leases for office space in Eagle Village. One is for a five-year term beginning December 2015 and was extended thru November 2025. The second is for a five-year term beginning December 2011 and has been extended thru December 2021.

The University leases a house in the immediate area of the University. The original lease had a five-year term beginning in 2011 with an end date extended to May 2025. The University entered into a Deed of Parking lease agreement with the UMW Foundation. The original lease has a beginning date of September 2015 with an end date extended to February 2027. The University also leases a house near the Stafford Campus. The original lease had a five-year term beginning in 2015 and has been extended through September 2026. Rental expense on all of these leases was \$530,753 for the year ended June 30, 2021.

The University has, as of June 30, 2021, the following future minimum rental payments due under the above leases:

Future minimum operating lease payments	
Fiscal Year 2022	\$ 669,305
Fiscal Year 2023	403,015
Fiscal Year 2024	361,281
Fiscal Year 2025	312,429
Fiscal Year 2026	143,691
Fiscal Years 2027 - 2031	49,559
Fiscal Years 2032 - 2036	5,000
Fiscal Years 2037 - 2041	5,000
Fiscal Years 2042 - 2046	5,000
Fiscal Years 2047 - 2051	5,000
Fiscal Years 2052 - 2056	5,000
Fiscal Years 2057 - 2061	5,000
Fiscal Years 2062 - 2066	5,000
Fiscal Years 2067 - 2071	3,000
<b>Total</b>	<b>\$1,977,280</b>

In addition to operating lease commitments, the University has a support and management agreement with the Foundation that is classified as a capital lease. The University operates and manages the 1201 William Street project (2007 Project) as part of and on an equal basis with its own academic and administrative offices and is responsible for all aspects of the operation of the 2007 Project. The University transfers to the Foundation the amount necessary for the Foundation to satisfy its payment and other obligations under the 2007 Project loan agreement and the Deed of Trust. In fiscal year 2021, the University transferred \$155,119 to the Foundation.

The University has, as of June 30, 2021, the following future minimum lease payments due on 1201 William Street:

**Future minimum capital lease obligations**

	Principal	Interest	Executory Costs	Total
Fiscal Year 2022	\$ 49,339	\$ 102,673	\$ 0	\$ 152,012
Fiscal Year 2023	54,508	99,242	0	153,750
Fiscal Year 2024	59,787	95,475	0	155,262
Fiscal Year 2025	60,023	91,639	0	151,662
Fiscal Year 2026	65,435	87,515	0	152,950
Fiscal Years 2027 - 2031	406,680	363,470	0	770,150
Fiscal Years 2032 - 2036	550,338	209,656	0	759,994
Fiscal Years 2037 - 2041	279,048	24,964	0	304,012
Total	\$1,525,158	\$1,074,634	\$ 0	2,599,792

**Other Contract Commitments**

The University has significant commitments to various vendors under noncapital and nonlease contracts. University contracts contain binding language only to the extent of the funds available. The table below identifies significant contract commitments as of June 30, 2021.

VENDOR	CONTRACT TITLE	CURRENT CONTRACT TERM END	ESTIMATED ANNUAL BUDGET	ESTIMATED BUDGET REMAINING THROUGH CONTRACT TERM END
Sodexo	Dining Services	07/31/2022	6,897,549	7,483,368
Apogee	Residential Network Services	06/30/2024	1,000,000	3,000,000
Professional Building Maintenance	Campus-Wide Janitorial	08/07/2022	960,000	1,056,000
Rockwood Homes	Miscellaneous Building Alterations & Remodeling	06/30/2022	931,312	931,312
Swiss Post Services	Copy, Mail and Print Services	07/02/2022	528,000	528,000
Ellucian	Ellucian Systems Maintenance	06/30/2023	250,000	500,000
ePlus Technology, Inc.	Cisco SmartNet and EMS	12/31/2025	200,000	900,000
Ellucian	Banner ERP System	06/30/2022	467,795	467,795
Sycom Technology, LLC.	Zoom Phone and Professional Services	07/31/2026	200,000	1,018,000
Mindpower, Inc.	Advertising	5/31/2022	425,000	414,000
<b>Total Other Contract Commitments</b>				<b>16,298,475</b>



## 13. PENSION PLANS

### Virginia Retirement System

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

The System administers three different benefit structures for covered employees in the VRS State Employee Retirement Plan – Plan 1, Plan 2, and Hybrid and two different benefit structures for covered employees in the VaLORS Retirement Plan – Plan 1 and Plan 2. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are shown in the following table.

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1</b></p> <p>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.</p>	<p><b>About Plan 2</b></p> <p>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.</p>	<p><b>About the Hybrid Retirement Plan</b></p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> <li>• 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.</li> </ul>

<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p><b>Hybrid Opt-In Election</b> 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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• State employees*</li> <li>• 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</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Members of the Virginia Law Officers' Retirement System (VaLORS)</li> </ul> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p><b>Retirement Contributions</b> State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b> Same as Plan 1.</p>	<p><b>Retirement Contributions</b> 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</p>

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

		<p>withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distributions not required, except as governed by law.</p>
<p><b>Calculating the Benefit</b></p> <p>The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p>	<p><b>Calculating the Benefit</b></p> <p>See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b></p> <p><b><u>Defined Benefit Component:</u></b> See definition under Plan 1.</p> <p><b><u>Defined Contribution Component:</u></b> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p><b>Average Final Compensation</b></p> <p>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b></p> <p>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b></p> <p>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b></p>	<p><b>Service Retirement Multiplier</b></p>	<p><b>Service Retirement Multiplier</b></p>

<p><b>VRS:</b> 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%.</p> <p><b>VaLORS:</b> The retirement multiplier for VaLORS employees is 1.70% or 2.00%.</p>	<p><b>VRS:</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.</p> <p><b>VaLORS:</b> The retirement multiplier for VaLORS employees is 2.00%.</p>	<p><b><u>Defined Benefit Component:</u></b>  <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><b>VaLORS:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b>  Not applicable.</p>
<p><b>Normal Retirement Age</b>  <b>VRS:</b> Age 65.</p> <p><b>VaLORS:</b> Age 60.</p>	<p><b>Normal Retirement Age</b>  <b>VRS:</b> Normal Social Security retirement age.</p> <p><b>VaLORS:</b> Same as Plan 1.</p>	<p><b>Normal Retirement Age</b>  <b><u>Defined Benefit Component:</u></b>  <b>VRS:</b> Same as Plan 2.</p> <p><b>VaLORS:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>VRS:</b> Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of creditable service.</p> <p><b>VaLORS:</b> Age 60 with at least five years of service credit or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>VRS:</b> Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90.</p> <p><b>VaLORS:</b> Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <b><u>Defined Benefit Component:</u></b>  <b>VRS:</b> Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and service equal 90.</p> <p><b>VaLORS:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

<p><b>Earliest Reduced Retirement Eligibility</b></p> <p><b>VRS:</b> Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.</p> <p><b>VaLORS:</b> Age 50 with at least five years of service credit.</p>	<p><b>Earliest Reduced Retirement Eligibility</b></p> <p><b>VRS:</b> Age 60 with at least five years (60 months) of service credit.</p> <p><b>VaLORS:</b> Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p><b>VRS:</b> Age 60 with at least five years (60 months) of service credit.</p> <p><b>VaLORS:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b></p> <p>The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><b><u>Eligibility:</u></b></p> <p>For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b></p> <p>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability.</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b></p> <p>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><b><u>Eligibility:</u></b></p> <p>Same as Plan 1.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b></p> <p>Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p>Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b></p> <p>Not applicable.</p> <p><b><u>Eligibility:</u></b></p> <p>Same as Plan 1 and Plan 2.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b></p> <p>Same as Plan 1 and Plan 2.</p>



<p>Workforce Transition Act or the Transitional Benefits Program.</p> <ul style="list-style-type: none"> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit.</li> </ul> <p>The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</p>		
<p><b>Disability Coverage</b></p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b></p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b></p> <p>State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p><b>Purchase of Prior Service</b></p> <p>Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts 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.</p>	<p><b>Purchase of Prior Service</b></p> <p>Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p>Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> </ul> <p><b><u>Defined Contribution Component:</u></b></p> <p>Not applicable.</p>

### Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each state agency's contractually required employer contribution rate for the fiscal year ended June 30, 2021 was 14.46% of covered employee compensation for employees in the VRS State Employee Retirement Plan. For employees in the VaLORS Retirement Plan, the contribution rate was 21.90% of covered employee compensation. These rates were based on actuarially determined rates from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Retirement Plan were \$3,061,922 and \$3,074,335 for the years ended June 30, 2021 and June 30, 2020, respectively. Contributions from the University to the VaLORS Retirement Plan were \$191,234 and \$201,955 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the University reported a liability of \$37,394,333 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of \$2,068,236 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The University's proportion of the Net Pension Liability was based on the University's actuarially determined employer contributions to the pension plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the University's proportion of the VRS State Employee Retirement Plan was 0.51615% as compared to 0.53424% at June 30, 2019. At June 30, 2020, the University's proportion of the VaLORS Retirement Plan was 0.26452% as compared to 0.26345% at June 30, 2019.

For the year ended June 30, 2021, the University recognized pension expense of \$3,644,479 for the VRS State Employee Retirement Plan and \$374,783 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2019 and June 30, 2020, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	VRS Deferred Outflows of Resources	VRS Deferred Inflows of Resources	VaLORS Deferred Outflows of Resources	VaLORS Deferred Inflows of Resources
Differences between expected and actual experience	\$ 424,167	\$ 380,523	\$ 44,955	\$ 0
Changes in assumptions	1,553,410	0	43,917	0
Net difference between projected and actual earnings on pension plan investments	2,909,067	0	121,812	0
Changes in proportion and differences between Employer contributions and proportionate share of contributions	0	1,446,846	4,428	12,407
Employer contributions subsequent to the measurement date	3,061,922	0	191,234	0
<b>Total</b>	<b>\$7,948,566</b>	<b>\$1,827,369</b>	<b>\$406,346</b>	<b>\$12,407</b>

\$3,253,156 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

For the year ending	VRS Amount	VaLORS Amount
June 30, 2022	\$ 95,197	\$ 70,225
June 30, 2023	1,218,677	54,067
June 30, 2024	811,649	40,539
June 30, 2025	933,752	37,874
June 30, 2026	0	0
<b>Total</b>	<b>\$ 3,059,275</b>	<b>\$ 202,705</b>

### Actuarial Assumptions

Total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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

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

#### Mortality rates:

##### Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates and females were 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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016 except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

<b>Inflation</b>	2.50%
<b>Salary increases, including inflation</b>	3.5% - 4.75%
<b>Investment rate of return</b>	6.75%, net of pension plan investment expense, including inflation*

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

#### **Mortality rates:**

##### **Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 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 year.

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

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

#### **Net Pension Liability**

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2020, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

	<b>State Employee Retirement Plan</b>	<b>VaLORS Retirement Plan</b>
<b>Total Pension Liability</b>	\$26,014,925	\$2,282,351
<b>Plan Fiduciary Net Position</b>	18,770,068	1,500,469
<b>Employers' Net Pension Liability</b>	<b>\$ 7,244,857</b>	<b>\$ 781,882</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	72.15%	65.74%

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

#### **Long-Term Expected Rate of Return**

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.0%	4.65%	1.58%
Fixed income	15.0%	0.46%	0.07%
Credit Strategies	14.0%	5.38%	0.75%
Real Assets	14.0%	5.01%	0.70%
Private Equity	14.0%	8.34%	1.17%
MAPS-Multi-Assets Public Strategies	6.00%	3.04%	0.18%
PIP-Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
Inflation			2.50%
*Expected arithmetic nominal return			7.14%

\* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

#### **Discount Rate**

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the University for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020, on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

#### **Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

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

	1.00% Decrease 5.75%	Current Discount Rate 6.75%	1.00% Increase 7.75%
University's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	\$52,996,244	\$37,394,333	\$24,275,802
University's proportionate share of the VaLORS Employee Retirement Plan Net Pension Liability	2,838,935	2,068,236	1,431,685

#### ***Pension Plan Fiduciary Net Position***

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position or the VaLORS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2020 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

#### ***Payables to the Pension Plan***

Each fiscal year, the University records accrued benefits payable using data from payrolls that cross fiscal years. A portion of the accrued benefits payable calculation can be attributed to VRS and VaLORS. As of June 30, 2021, the University's VRS and VaLORS payables were \$125,288 and \$11,303 respectively. These amounts are included in Accounts Payable on the Statement of Net Position.

### **Optional Retirement Plans**

Full-time faculty and certain administrative staff can participate in optional retirement plans. These optional retirement plans are defined contribution plans offered through TIAA and DCP. Effective January 2020, Fidelity Investments is no longer a provider option. For employees hired prior to July 1, 2010, retirement benefits received are based upon the employer's 10.4% contribution, plus net investment gains. For employees hired on or after July 1, 2010, retirement benefits received are based upon the employer's contribution 8.5%, plus the employee's contribution 5%, plus net investment gains. Vesting is full and immediate for both employer and employee contributions. Total employer pension costs under this plan were \$1,920,987 for fiscal year 2021. Contributions to the optional retirement plan were calculated using the base salary amount of approximately \$20,056,289 for the fiscal year.

### **Deferred Compensation Plan**

Employees of the University are employees of the Commonwealth of Virginia. State employees may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to \$20 per pay period. The dollar amount match can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. The University expense for contributions under the Deferred Compensation Plan, which is an amount assessed by the Commonwealth, was \$236,131 for fiscal year 2021.



## 14. POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS (OPEB)

The University participates in post-employment benefit programs that are sponsored by the Commonwealth and administered by the Virginia Retirement System. These programs include the Retiree Health Insurance Credit Program (HIC), Group Life Insurance Program (GLI), Virginia Sickness and Disability Program (VSDP), and Line of Duty Act Program (LODA). The University also participates in the Pre-Medicare Retiree Healthcare Plan, which is sponsored by the Commonwealth and administered by the Department of Human Resources Management.

### Health Insurance Credit Program

#### **Plan Description**

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

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

STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS	
<p><b>Eligible Employees</b></p> <p>The State Employee Retiree Health Insurance Credit Program was established January 1, 1990 for retired state employees covered under VRS, State Police Officer Retirement System (SPORS), VaLORS and Judicial Retirement System (JRS) who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> <li>• Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.</li> </ul>	
<p><b>Benefit Amounts</b></p> <p>The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> <li>• <b>At Retirement</b> – For State employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.</li> <li>• <b>Disability Retirement</b> – For State employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher.</li> </ul> <p>For State police officer employees with a non-work-related disability who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP) the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher.</p> <p>For State police officers employees with a work-related disability, there is no benefit provided under the State Employee Retiree Health Insurance Credit Program if the premiums are being paid under the Virginia Line of Duty Act. However, they may receive the credit for premiums paid for other qualified health plans.</p>	
<p><b>Health Insurance Credit Program Notes:</b></p> <ul style="list-style-type: none"> <li>• The monthly Health Insurance Credit benefit cannot exceed the individual's premium amount.</li> <li>• Employees who retire after being on long-term disability under VSDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.</li> </ul>	

### Contributions

The contribution requirement for active employees is governed by §51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency's contractually required employer contribution rate for the year ended June 30, 2021 was 1.12% of covered employee compensation for employees in the VRS State Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the University to the VRS State Employee Health Insurance Credit Program were \$471,680 and \$529,933 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the University reported a liability of \$5,770,127 for its proportionate share of the VRS State Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS State Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2020 and the total VRS State Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS State Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The University's proportion of the Net VRS State Employee Health Insurance Credit Program OPEB Liability was based on the University's actuarially determined employer contributions to the VRS State Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating state employers. At June 30, 2020, the University's proportion of the VRS State Employee Health Insurance Credit Program for general employees was 0.61497% as compared to 0.63775% at June 30, 2019. At June 30, 2020, the University's proportion of the VRS State Employee Health Insurance Credit Program for VALORS employees was 0.01358% as compared to 0.01353% at June 30, 2019.

For the year ended June 30, 2021, the University recognized VRS State Employee Health Insurance Credit Program OPEB expense of \$435,612. Since there was a change in proportionate share between measurement dates, a portion of the VRS State Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to the VRS State Employee Health Insurance Credit Program OPEB from the following sources:

	HIC Deferred Outflows of Resources	HIC Deferred Inflows of Resources
Differences between expected and actual experience	\$2,404	86,592
Changes in assumptions	96,126	27,353
Net difference between projected and actual earnings on HIC plan investments	28,391	0
Changes in proportion and differences between Employer contributions and proportionate share of contributions	24,092	287,020
Employer contributions subsequent to the measurement date	471,680	0
Total	\$622,693	\$400,965

\$471,680 reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from University's contributions subsequent to the measurement date will be recognized as a reduction of the Net State Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the State Employee HIC OPEB will be recognized in the State Employee HIC OPEB expense in future reporting periods as follows:

For the year ending	Amount
June 30, 2022	\$ (66,188)
June 30, 2023	(62,680)
June 30, 2024	(39,877)
June 30, 2025	(40,384)
June 30, 2026	(40,823)
Thereafter	0

### Actuarial Assumptions

The total State Employee HIC OPEB liability for the VRS State Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2019, 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, 2020.

<b>Inflation</b>	2.5%
<b>Salary increases, including inflation</b>	
-General state employees	3.5% - 5.35%
-SPORS employees	3.5% - 4.75%
-VALORS employees	3.5% - 4.75%
-JRS employees	4.5%
<b>Investment rate of return</b>	6.75%, net of 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 assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.

### Mortality rates General state employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

### 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.

### 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.

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

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience

Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

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

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

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

### Net State Employee HIC OPEB Liability

The net OPEB liability (NOL) for the State Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS State Employee Health Insurance Credit Program are as follows (amounts expressed in thousands):

State Employee OPEB HIC	
Total OPEB HIC Liability	\$1,043,382
Plan Fiduciary Net Position	125,378
State Employee net HIC OPEB Liability	918,004
Plan Fiduciary Net Position as a Percentage of the Total OPEB HIC Liability	12.02%

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

### Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.0%	4.65%	1.58%
Fixed income	15.0%	0.46%	0.07%
Credit Strategies	14.0%	5.38%	0.75%
Real Assets	14.0%	5.01%	0.70%
Private Equity	14.0%	8.34%	1.17%
MAPS – Multi-Asset Public Strategies	6.0%	3.04%	0.18%
PIP – Private Investment Partnership	3.0%	6.49%	0.19%
Total	100.00%		4.64%
Inflation			2.50%
*Expected arithmetic nominal return			7.14%

\* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY 2020 actuarial valuations, provide a median return of 6.81%.

### Discount Rate

The discount rate used to measure the total State Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by the University for the VRS State Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the State Employee HIC OPEB plan's fiduciary net position was projected to be available to make



all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total State Employee HIC OPEB liability.

***Sensitivity of the University's Proportionate Share of the State Employee HIC Net OPEB Liability to Changes in the Discount Rate***

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
University's proportionate share of the Health Insurance Credit Program Net OPEB Liability	\$6,393,893	\$5,770,127	\$5,233,382

***State Employee HIC OPEB Fiduciary Net Position***

Detailed information about the VRS State Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2020 *Annual Comprehensive Financial Report* (ACFR). A copy of the 2020 VRS ACFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

***Payables to the State Employee Health Insurance Credit Program OPEB Plan***

Each fiscal year, the University records accrued benefits payable using data from payrolls that cross fiscal years. A portion of the accrued benefits payable calculation can be attributed to the HIC Program OPEB Plan. As of June 30, 2021, the University's HIC Program payables were \$14,798. These amounts are included in Accounts Payable on the Statement of Net Position.

## Group Life Insurance Program

***Plan Description***

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

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p><b>Eligible Employees</b></p> <p>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:</p> <ul style="list-style-type: none"> <li>• City of Richmond</li> <li>• City of Portsmouth</li> <li>• City of Roanoke</li> </ul>

- City of Norfolk
- Roanoke City School Board

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

#### **Benefit Amounts**

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

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

#### **Reduction in benefit Amounts**

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

#### **Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)**

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,616 effective June 30, 2021.

#### **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 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% 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, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 University were \$225,645 and \$237,905 for the years ended June 30, 2021 and June 30, 2020, 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, 2021, the University reported a liability of \$3,688,629 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the University’s proportion for general state employees was 0.21626% as compared to 0.22213% at June 30, 2019. At June 30, 2020, the University’s proportion for VALORS employees was 0.00477% as compared to 0.00470% at June 30, 2019.

For the year ended June 30, 2021, the University recognized GLI OPEB expense of \$109,966. 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, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	GLI Deferred Outflows of	GLI Deferred Inflows of Resources
Differences between expected and actual experience	\$236,592	\$ 33,131
Changes in assumptions	184,474	77,021
Net difference between projected and actual earnings on GLI OPEB plan investments	110,803	0
Changes in proportion and differences between Employer contributions and proportionate share of contributions	33,725	183,646
Employer contributions subsequent to the measurement date	225,645	0
<b>Total</b>	<b>\$791,239</b>	<b>\$293,798</b>

\$225,645 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, 2022. 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:

For the year ending	
June 30, 2022	\$ 24,862
June 30, 2023	56,153
June 30, 2024	90,773
June 30, 2025	91,578
June 30, 2026	9,589
Thereafter	(1,159)

#### Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.5%
Salary increases, including inflation	
-General state employees	3.5% - 5.35%
-SPORS employees	3.5% - 4.75%
-VALORS employees	3.5% - 4.75%
-JRS employees	4.5%
-Teachers	3.5% - 5.95%
-Locality – General employees	3.5% - 5.35%
-Locality – Hazardous Duty employees	3.5% - 4.75%
Investment rate of return	6.75%, net of investment expense, including inflation*

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

### **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.

### **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.

### **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.

### **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 Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

#### **Post-Disablement:**

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

### **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

**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.

**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.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service

Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

**Net GLI OPEB Liability**

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of Measurement Date of June 30, 2020, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	OPEB GLI Plan
<b>Total OPEB GLI Liability</b>	\$3,523,937
<b>Plan Fiduciary Net Position</b>	1,855,102
<b>Net OPEB GLI Liability</b>	<b>\$1,668,835</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB GLI Liability</b>	52.64%

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)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.0%	4.65%	1.58%
Fixed income	15.0%	0.46%	0.07%
Credit Strategies	14.0%	5.38%	0.75%
Real Assets	14.0%	5.01%	0.70%
Private Equity	14.0%	8.34%	1.17%
MAPS – Multi-Asset Public Strategies	6.0%	3.04%	0.18%
PIP – Private Investment Partnership	3.0%	6.49%	0.19%
<b>Total</b>	<b>100.00%</b>		<b>4.64%</b>
<b>Inflation</b>			<b>2.50%</b>
<b>*Expected arithmetic nominal return</b>			<b>7.14%</b>

\* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY 2020 actuarial valuations, provide a median return of 6.81%.

### **Discount Rate**

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the University for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020 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 University's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate**

The following presents the University's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	<b>1.00% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1.00% Increase (7.75%)</b>
University's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$4,848,986	\$3,688,629	\$2,746,310

### **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 2020 *Annual Comprehensive Financial Report* (ACFR). A copy of the 2020 VRS ACFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

### **Payables to the VRS Group Life Insurance OPEB Plan**

Each fiscal year, the University records accrued benefits payable using data from payrolls that cross fiscal years. A portion of the accrued benefits payable calculation can be attributed to the GLI Program OPEB Plan. As of June 30, 2021, the University's GLI Program payables were \$17,704. These amounts are included in Accounts Payable on the Statement of Net Position.

## **Virginia Sickness and Disability Program**

### **Plan Description**

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

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

DISABILITY INSURANCE PROGRAM (VSDP) PLAN PROVISIONS
<p><b>Eligible Employees</b></p> <p>The Virginia Sickness and Disability Program (VSDP), also known as the Disability Insurance Trust Fund was established January 1, 1999 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> <li>• Full-time and part-time permanent salaried state employees covered under VRS, SPORS and VaLORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP).</li> <li>• State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement.</li> <li>• Public college and university faculty members who elect the VRS defined benefit plan. They may participate in VSDP or their institution's disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.</li> </ul>
<p><b>Benefit Amounts</b></p> <p>The Virginia Sickness and Disability Program (VSDP) provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> <li>• <b>Leave</b> – Sick, family and personal leave. Eligible leave benefits are paid by the employer.</li> <li>• <b>Short-Term Disability</b> – The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer.</li> <li>• <b>Long-Term Disability</b> – The program provides a long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee's pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the Virginia Disability Insurance Program (VSDP) OPEB Plan.</li> <li>• <b>Income Replacement Adjustment</b> – The program provides for an income replacement adjustment to 80% for catastrophic conditions.</li> <li>• <b>VSDP Long-Term Care Plan</b> – The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.</li> </ul>
<p><b>Disability Insurance Program (VSDP) Plan Notes:</b></p> <ul style="list-style-type: none"> <li>• Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work-related short-term disability benefits and certain income-replacement levels.</li> <li>• A state employee who is approved for VSDP benefits on or after the date that is five years prior to his or her normal retirement date is eligible for up five years of VSDP benefits.</li> <li>• Employees on work-related short-term disability receiving only a workers' compensation payment may be eligible to purchase service credit for this period if retirement contributions are not being withheld from the workers' compensation payment. The rate will be based on 5.00% of the employee's compensation.</li> </ul>
<p><b>Cost-of-Living Adjustment (COLA)</b></p> <ul style="list-style-type: none"> <li>• During periods an employee receives long-term disability benefits, the LTD benefit may be increased annually by an amount recommended by the actuary and approved by the Board. <ul style="list-style-type: none"> <li>○ Plan 1 employees vested as of 1/1/2013 – 100% of the VRS Plan 1 COLA (The first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%).</li> </ul> </li> </ul>

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

### **Contributions**

The contribution requirements for the Disability Insurance Program (VSDP) are governed by §51.1-1140 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Disability Insurance Program (VSDP) for the year ended June 30, 2021 was 0.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the Disability Insurance Program (VSDP) from the University were \$107,110 and \$110,376 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the University reported a liability (asset) of \$(907,735) for its proportionate share of the Net VSDP OPEB Liability (Asset). The Net VSDP OPEB Liability (Asset) was measured as of June 30, 2020 and the total VSDP OPEB liability used to calculate the Net VSDP OPEB Liability (Asset) was determined by an actuarial valuation as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The University's proportion of the Net VSDP OPEB Liability (Asset) was based on the University's actuarially determined employer contributions to the VSDP OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the University's proportion for general state employees was 0.38873% as compared to 0.41226% at June 30, 2019. At June 30, 2020, the University's proportion for VALORS employees was 0.02259% as compared to 0.02278% at June 30, 2019.

For the year ended June 30, 2021, the University recognized VSDP OPEB expense of \$98,502. Since there was a change in proportionate share between measurement dates, a portion of the VSDP OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB from the following sources:

	VSDP Deferred Outflows of Resources	VSDP Deferred Inflows of Resources
Differences between expected and actual experience	\$85,354	\$188,368
Changes in assumptions	12,100	37,272
Net difference between projected and actual earnings on VSDP OPEB plan investments	61,756	0

Changes in proportion and differences between Employer contributions and proportionate share of contributions	71,367	1,952
Employer contributions subsequent to the measurement date	107,110	0
<b>Total</b>	<b>\$337,687</b>	<b>\$227,592</b>

\$107,110 reported as deferred outflows of resources related to the VSDP OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as an adjustment of the Net VSDP OPEB Liability (Asset) in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB will be recognized in VSDP OPEB expense in future reporting periods as follows:

For the year ending	
June 30, 2022	\$ (7,269)
June 30, 2023	9,294
June 30, 2024	10,538
June 30, 2025	10,830
June 30, 2026	(4,772)
Thereafter	(15,636)

#### **Actuarial Assumptions**

The total VSDP OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

<b>Inflation</b>	2.5%
<b>Salary increases, including inflation</b>	
-General state employees	3.5% - 5.35%
-SPORS employees	3.5% - 4.75%
-VALORS employees	3.5% - 4.75%
<b>Investment rate of return</b>	6.75%, net of OPEB plan investment expense, including inflation*

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

### 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.

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

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

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



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

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

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

#### **Net VSDP OPEB Liability (Asset)**

The net OPEB asset (NOA) for the Disability Insurance Program (VSDP) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2020, NOA amounts for the Disability Insurance Program (VSDP) are as follows (amounts expressed in thousands):

	OPEB VSDP Plan
Total OPEB VSDP Liability	\$ 269,531
Plan Fiduciary Net Position	490,220
Net OPEB VSDP Liability (Asset)	<b>\$ (220,689)</b>
Plan Fiduciary Net Position as a Percentage of the Total OPEB VSDP Liability	181.88%

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

#### **Long-Term Expected Rate of Return**

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.0%	4.65%	1.58%
Fixed income	15.0%	0.46%	0.07%
Credit Strategies	14.0%	5.38%	0.75%
Real Assets	14.0%	5.01%	0.70%
Private Equity	14.0%	8.34%	1.17%
MAPS – Multi-Asset Public Strategies	6.0%	3.04%	0.18%
PIP – Private Investment Partnership	3.0%	6.49%	0.19%
Total	100.00%		4.64%
Inflation			2.50%
*Expected arithmetic nominal return			7.14%

\* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY 2020 actuarial valuations, provide a median return of 6.81%

#### **Discount Rate**

The discount rate used to measure the total VSDP OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by participating employers to the VSDP OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VSDP OPEB Program's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total VSDP OPEB liability.

#### **Sensitivity of the University's Proportionate Share of the Net VSDP OPEB Liability (Asset) to Changes in the Discount Rate**

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
University's proportionate share of the Virginia Sickness and Disability Program Net OPEB Liability (Asset)	\$ (828,209)	\$ (907,735)	\$ (979,120)

#### **VSDP OPEB Fiduciary Net Position**

Detailed information about the Disability Insurance Program (VSDP) Fiduciary Net Position is available in the separately issued VRS 2020 *Annual Comprehensive Financial Report* (ACFR). A copy of the 2020 VRS ACFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

#### **Payables to the Disability Insurance Program (VSDP) OPEB Plan**

Each fiscal year, the University records accrued benefits payable using data from payrolls that cross fiscal years. A portion of the accrued benefits payable calculation can be attributed to the VSDP Program OPEB Plan. As of June 30, 2021, the University's VSDP Program payables were \$4,893. These amounts are included in Accounts Payable on the Statement of Net Position.

### **Line of Duty Act Program**

#### **Plan Description**

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in fiscal year 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

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

<b>LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS</b>	
<b>Eligible Employees</b> The eligible employees of the Line of Duty Act Program (LODA) are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).	
<b>Benefit Amounts</b> The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals: <ul style="list-style-type: none"> <li>• <b>Death</b> – The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: <ul style="list-style-type: none"> <li>○ \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.</li> <li>○ \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.</li> <li>○ An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.</li> </ul> </li> <li>• <b>Health Insurance</b> – The Line of Duty Act program provides health insurance benefits. <ul style="list-style-type: none"> <li>○ Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program.</li> <li>○ Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.</li> </ul> </li> </ul>	

### Contributions

The contribution requirements for the Line of Duty Act Program (LODA) are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program (LODA) for the year ended June 30, 2021 was \$717.31 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program (LODA) from the University were \$12,912 and \$11,998 for the years ended June 30, 2021 and June 30, 2020, respectively.

### **Line of Duty Act Program (LODA) OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB**

At June 30, 2021, the University reported a liability of \$369,772 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2020 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The University's proportion of the Net LODA OPEB Liability was based on the University's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2020, the University's proportion was 0.08829% as compared to 0.09465% at June 30, 2019.

For the year ended June 30, 2021, the University recognized LODA OPEB expense of \$38,393. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	LODA Deferred Outflows of Resources	LODA Deferred Inflows of Resources
Differences between expected and actual experience	\$39,252	\$50,411
Changes in assumptions	98,991	23,043
Net difference between projected and actual earnings on LODA OPEB plan investments	0	526
Changes in proportionate share	40,966	21,135
Employer contributions subsequent to the measurement date	12,912	0
Total	\$ 192,121	\$ 95,115

\$12,912 reported as deferred outflows of resources related to the LODA OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

For the year ending	
June 30, 2022	\$13,204
June 30, 2023	13,301
June 30, 2024	13,405

June 30, 2025	13,435
June 30, 2026	13,468
Thereafter	17,281

### Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

<b>Inflation</b>	2.5%
<b>Salary increases, including inflation</b>	
-General state employees	N/A
-SPORS employees	N/A
-VALORS employees	N/A
-Locality employees	N/A
<b>Year of ultimate trend rate</b>	
Under age 65	Fiscal year ended 2028
Age 65 and older	Fiscal year ended 2023
<b>Investment rate of return</b>	2.21%, including inflation*
<b>Medical Cost Trend Rate Assumptions</b>	
Under age 65	7.00 percent – 4.75 percent
Age 65 and older	5.375 percent – 4.75 percent

\* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return.

### 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.

### 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.

### 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.

### Mortality rates – Largest Ten Locality Employers With Public Safety 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.

### Mortality rates – Non-Largest Ten Locality Employers With Public Safety 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 for general state employees in the June 30, 2019 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%

The actuarial assumptions used for SPORS employees in the June 30, 2019 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%

The actuarial assumptions used for VALORS employees in the June 30, 2019 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%

The actuarial assumptions used for public safety employees in the largest ten locality employers in the June 30, 2019 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%



The actuarial assumptions used for public safety employees in the non-largest ten locality employers in the June 30, 2019 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 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 LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2020, NOL amounts for the Line of Duty Act Program (LODA) are as follows (amounts expressed in thousands):

	OPEB LODA Program
<b>Total OPEB LODA Liability</b>	\$ 423,147
<b>Plan Fiduciary Net Position</b>	4,333
<b>Net OPEB LODA Liability (Asset)</b>	<b>\$ 418,814</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB LODA Liability</b>	1.02%

The total LODA OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net OPEB 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 LODA OPEB Program's investments was set at 2.21% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2020.

#### Discount Rate

The discount rate used to measure the total LODA OPEB liability was 2.21%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

**Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate**

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 2.21%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

	1.00% Decrease (1.21%)	Current Discount Rate (2.21%)	1.00% Increase (3.21%)
University's proportionate share of the Line of Duty Act Program Net OPEB Liability	\$438,914	\$369,772	\$317,654

**Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate**

Because the Line of Duty Act Program (LODA) contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using health care trend rate of 7.00% decreasing to 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

	1.00% Decrease (6.00% decreasing to 3.75%)	Health Care Trend Rates (7.00% decreasing to 4.75%)	1.00% Increase (8.00% decreasing to 5.75%)
University's proportionate share of the Line of Duty Act Program Net OPEB Liability	\$305,629	\$369,772	\$453,671

**LODA OPEB Plan Fiduciary Net Position**

Detailed information about the Line of Duty Act Program (LODA) Fiduciary Net Position is available in the separately issued VRS 2020 *Annual Comprehensive Financial Report* (ACFR). A copy of the 2020 VRS ACFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Pre-Medicare Retiree Healthcare Plan****Plan Description**

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

Following are eligibility requirements for Virginia Retirement System retirees:

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

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

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

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

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

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

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the Department of Human Resource Management. There were approximately 4,400 retirees and 90,000 active employees in the program as of June 30, 2020. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

#### **Actuarial Assumptions and Methods**

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2020. The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 6.75 percent for medical and pharmacy and 4.0 percent for dental. The ultimate trend rates used were 4.5 percent for medical and pharmacy and 4.0 percent for dental.

<b>Valuation Date</b>	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
<b>Measurement Date</b>	June 30, 2020 (one year prior to the end of the fiscal year)
<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Amortization Method</b>	Level dollar, Closed
<b>Effective Amortization Period</b>	6.34 years
<b>Discount Rate</b>	2.21%
<b>Projected Salary Increases</b>	4.0%
<b>Medical Trend Under 65</b>	Medical & Rx: 6.75% to 4.50% Dental: 4.00%
<b>Year of Ultimate Trend</b>	2029

## Mortality rates

### 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 setback 1 year.

### Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compound 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 discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date, June 30, 2020.

Changes of Assumptions: The following actuarial assumptions were updated since the June 30, 2019 valuation based on recent experience:

- Spousal Coverage – reduced the rate from 25% to 20%
- Retiree Participation – reduced the rate from 50% to 45%

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect mortality improvement projections scale BB, including age over 65 in pre-retirement mortality base rates. No excise tax has been reflected due to the SECURE Act. Among the provisions was a repeal of three taxes and fees that were originally intended to help fund the Affordable Care Act (ACA): i) the excise tax on high-cost health plans (Cadillac tax); ii) the annual fee on health insurance providers; and iii) the medical device excise tax. Trend rates were updated based on economic conditions as of June 30, 2020. Additionally, the discount rate was decreased from 3.51% to 2.21% based on the Bond Buyers GO 20 Municipal Bond Index.

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

At June 30, 2021, the employer reported a liability of \$4,158,272 for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of \$568.8 million. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2020. The covered employer's proportion of the Pre-Medicare Retiree Healthcare OPEB liability was based on each employer's calculated healthcare premium contributions, to include the October premium holiday amounts, as a percentage of the total employer's calculated healthcare premium contributions for all participating employers. At June 30, 2020, the University's proportion was 0.73103% as compared to 0.75430% at June 30, 2019. For the year ended June 30, 2021, the University recognized Pre-Medicare Retiree Healthcare OPEB expense of \$990,109.

At June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to Pre-Medicare Retiree Healthcare from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	0	2,117,138
Changes in assumptions	0	3,404,859
Changes in proportion and differences between Employer contributions and proportionate share of contributions	315,555	377,839
Amounts associated with transactions subsequent to the measurement date	270,770	0
Total	\$586,325	\$5,899,836

\$270,770 reported as deferred outflows of resources related to the Pre-Medicare Retiree Healthcare OPEB resulting from amounts associated with transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pre-Medicare Retiree Healthcare OPEB will be recognized in the Pre-Medicare Retiree Healthcare OPEB expense as follows:

For the year ending	Amount
June 30, 2022	\$ (1,523,561)
June 30, 2023	(1,523,561)
June 30, 2024	(1,304,669)
June 30, 2025	(799,191)
June 30, 2026	(354,238)
Thereafter	(79,062)

#### Sensitivity of the Employer's Proportionate Share of the OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the discount rate of 2.21%, as well as what the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

	1.00% Decrease (1.21%)	Current Discount Rate (2.21%)	1.00% Increase (3.21%)
University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB Liability	\$4,375,683	\$4,158,272	\$3,937,914

#### Sensitivity of the Employer's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using healthcare cost trend rate of 6.75% decreasing to 4.50%, as well as what the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (5.75% decreasing to 3.50%) or one percentage point higher (7.75% decreasing to 5.50%) than the current rate:

	1.00% Decrease (5.75% decreasing to 3.50%)	Trend Rate (6.75% decreasing to 4.50%)	1.00% Increase (7.75% decreasing to 5.50%)
University's proportionate share of the Pre-Medicare Retiree Healthcare OPEB Liability	\$3,727,552	\$4,158,272	\$4,663,447

## 15. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; nonperformance of duty; injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, boiler and machinery, and air and watercraft plans. The University pays premiums to each of these departments for its insurance coverage. Further information relating to the Commonwealth's insurance plans is available at the statewide level in the *Commonwealth's Annual Comprehensive Financial Report*.

## 16. CONTINGENCIES

### Grants and Contracts

The University has received federal grants for specific purposes that are subject to review and audit by grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the outlay of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the University.

In addition, the University is required to comply with the various federal regulations issued by the Office of Management and Budget. Failure to comply with certain system requirements of these regulations may result in questions concerning the allowance of related direct and indirect charges pursuant to such agreements. As of June 30, 2021, the University estimates that no material liabilities will result from such audits or questions.

### Pending Litigation

The University was not named as a defendant in any cases as of June 30, 2021.

## 17. RELATED PARTY TRANSACTIONS

The UMW Foundation provides financial support to the University. The UMW Foundation is a separate entity, whose financial position is presented along with the University as required by GASB Statement 39 *Determining Whether Certain Organizations Are Component Units* and GASB Statement 61, *The Financial Reporting Omnibus*.

Pursuant to the Series 2007 bonds of the Foundation, the University entered into a support and management agreement with the Foundation. Under the terms of this agreement, the University operates and manages the 1201 William Street project (2007 Project) as part of and on an equal basis with its own academic and administrative offices and is responsible for all aspects of the operation of the 2007 Project. The University makes payments to the Foundation twice each year in the amounts necessary to satisfy the Foundation's obligations under the 2007 Project loan agreement and the Deed of Trust. Amounts due to the Foundation under this agreement at June 30, 2021 were \$98,995 and are included in "Due to Foundation" on the University's *Statement of Net Position*.

Pursuant to the 2008 and 2009 bonds of the Foundation and Eagle Housing, LLC, the University entered into a support and management agreement with the Foundation and Eagle Housing, LLC, a wholly-owned subsidiary of the Foundation. The agreement requires preferential treatment in that the University must assign all of its students in need of housing first to the University Apartment Project and the Eagle Village I Project (Student Housing Projects), until at least 95% of the available units in the Student Housing Projects have been filled. The agreement appoints the University as the property's facilities manager, and requires the University to establish annual operating and capital budgets that facilitate the Foundation's compliance with the financial covenants of the bond financing agreements. In addition, the agreement requires a Project Revenue Fund be established at the University to collect revenues and pay expenses of operating, maintaining, and insuring the facility. The net results of the Project Revenue Fund are to be transferred to the Foundation at its request. Amounts due from the Foundation under the Series 2008 and 2009 Bond agreement at the end of fiscal year 2021 were \$1,500,287. This is included in "Due from Foundation" on the University's *Statement of Net Position*.

The agreement related to the above mentioned 2008 and 2009 bond were terminated in June 2021 with the intra-entity transfer of \$59.5 million in net assets including Eagle Landing, the William Street Apartments, the pedestrian bridge and, through the creation of a condominium association, portions of the Eagle Landing parking garage to the University from the Foundation. With this transaction the Foundation's debt was paid, thus terminating the agreements. Also, as a result of the transaction, the Foundation will pay to the University the balance of the maintenance reserve funds related to the transferred properties. As of June 30, 2021 amounts due were \$1,526,329. This is included in "Due from Foundation" on the University's *Statement of Net Position*.

In December 2009, the Foundation obtained a non-interest bearing, promissory note from the University in the amount of \$1,600,000 for the purpose of purchasing properties for the ultimate ownership and use by the University. Per the agreement, the University commits to purchase the properties from the Foundation and the Foundation commits to sell the properties to the University by the maturity date. In fiscal year 2015, the loan agreement was amended, extending the maturity date to January 2027. The purchase price will be the sum of purchase price paid plus costs and expenses to carry and maintain the properties during the term of ownership. At settlement, the loan will be repaid via a credit to the University against the purchase price equal to the outstanding principal balance of the loan. As of June 30, 2021, \$1,440,550 has been advanced per the agreement and is included in "Due from Foundation, noncurrent" on the University's *Statement of Net Position*.

The University currently has six operating leases with the Foundation and its related entities for parking, storage, and office space, including two renewals during fiscal year 2021. These leases are further discussed in footnote 12 (Commitments).

## 18. AFFILIATED FOUNDATION

In accordance with GASB Statement 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement 61, *The Financial Reporting Omnibus*, the financial statements do not include the assets, liabilities, and net assets of the University of Mary Washington Alumni Association. The purpose of this organization is to promote the welfare and support the mission of the University and to encourage an enduring relationship with the University by deepening alumni and student loyalty. This organization is a separately incorporated entity and the related financial statements are reviewed by other auditors.

The following condensed summary is based solely upon the report of another auditor at and for the year ended June 30, 2021.

University of Mary Washington Alumni Association	
Assets:	
Cash and investments	\$ 175,406
Due from Foundation	99,090
Other assets	12,531
Total assets	\$287,027
Liabilities and net assets:	
Other liabilities	\$200
Net assets	286,827
Total liabilities and net assets	\$287,027

The revenues and expenditures of the Alumni Association, determined as if in consolidation with the University, were \$654,827 and \$532,525 respectively, for the year ended June 30, 2021.

## 19. UMW FOUNDATION FOOTNOTE DISCLOSURES

Full and complete footnotes related to the UMW Foundation can be obtained from the Foundation's audited financial statements. Information as to the UMW Foundation's significant accounting policies, net assets restricted by donors, endowment funds, fair value measurements, and liquidity are not presented below and can only be obtained from the Foundation's audited financial statements.

### Cash, Cash Equivalents, and Investments

Financial instruments that potentially subject the Foundation to concentration of credit risk consist of cash and cash equivalents, receivables and investments. The Foundation places its temporary cash investments with high credit quality financial institutions. The Foundation had cash and cash equivalents, including restricted deposits and funded reserves in a financial institution, in excess of the amount insured by agencies of the federal government. Investments are diversified and managed by several different managers. The Foundation monitors its investments and receivables to minimize credit risk.



The Foundation uses derivatives to manage risks related to interest rate movements. Interest rate swap contracts are reported at fair value on the *Statement of Net Position* with the changes in the fair value included in the *Statement of Revenues, Expenses, and Changes in Net Position*. The Foundation's interest rate risk management strategy is to stabilize cash flow requirements by maintaining interest rate swap contracts to convert variable-rate debt to fixed rate.

The market value of investments held by various funds at June 30, 2021, is summarized below:

<b>UMW Foundation Investments</b>	<b>Market Value As of June 30, 2021</b>
Cash and money market funds	\$1,416,738
U.S. Treasury securities	5,545,295
Corporate and government bonds	4,660,339
Equities	6,024,183
Mutual funds	37,366,765
Investments measured at net asset value per share	8,390,335
<b>Total Investments</b>	<b>\$ 63,403,655</b>

The Foundation receives contributions through its gift annuity program whereby in exchange for gifts of cash or securities, the Foundation promises to pay a fixed annual amount for life to the annuitant. The difference between the fair value of the assets received and the present value of the future distributions to the annuitant is recognized as contribution revenue. Upon the death of the annuitant, any balance of the amount in the split-interest account, reverts to the Foundation.

Total payments for year ended June 30, 2021 was \$86,322.

Liabilities under the split-interest agreements are recorded as gift annuities payable on the consolidated statements of financial position. Adjustments to reflect changes in actuarial assumptions are recognized as other revenue in the consolidated statements of activities. Gift annuities payable range from 2.84% over 3.1 to 17.8 years.

## Contributions and Loans Receivable

In order to simplify its accounting process for pledges receivable, the Foundation has elected to record all contributions receivable at a discounted rate of 5%. The fair value adjustment for 2021 was \$13,714. No changes in the fair value measurement were attributable to instrument specific credit risk. UMW Foundation had unconditional contributions receivable consisting of the following at June 30, 2021:

<b>Pledges Receivable</b>	
Pledges due within one year	\$357,422
Pledges due in two to five years	524,485
Total receivables before discount	881,907
Less: discounts to net present value (using a discount rate of 5%)	(47,700)
<b>Pledges receivable – net</b>	<b>\$834,207</b>

The Foundation has a loan receivable of \$75,000 due from a former key employee of the University. No payments were received in 2021. The stated interest rate of 5% per annum has been forgiven by the Foundation.

On September 1, 2010, the Foundation entered into an agreement to loan \$150,000 to a lessee for build out costs. Payments are due in monthly installments of \$2,831, including interest at 5.0%. The loan matured August 2016. No payments were received in 2021. The remaining unpaid principal of \$89,563 is included in the Foundation's receivables as of June 30, 2021.

## Capital Assets

A summary of capital asset categories of the UMW Foundation for the year ended June 30, 2021, is presented as follows:

<b>Property and Equipment</b>	
Land	\$29,165,360
Land improvements	1,211,841
Art and Historical Treasures	14,000
Buildings	20,135,146
Buildings improvements	1,428,765
Assets held for sale	14,673,763
Tenant improvements	3,208,829
Furniture, fixtures, vehicles, and equipment	563,031
Less Accumulated Depreciation	(17,422,244)
Total capital assets	<b>\$52,978,491</b>

During the year ended June 30, 2021, the Foundation recorded an impairment loss of \$3,362,931 associated with assets reclassified to assets held for sale.

The Foundation owns two parcels of real estate that were donated with restricted deeds. While both deeds restrict the use of the parcels of land by requiring them to be used by an accredited institution of higher learning, one of the deeds also prohibits the land from being used for dormitories or other residential purposes. The combined donated value of the two parcels is \$8,600,000.

## Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses of UMW Foundation consisted of the following at June 30, 2021:

<b>Accounts Payable</b>	
Accounts payable and accrued expenses	\$ 464,555
Accrued interest	79,243
<b>Total accounts payable</b>	<b>\$543,798</b>

## Long-Term Indebtedness

### Bonds Payable

#### *Series 2007 Bonds – 1201 William Street*

In February 2007, the Foundation purchased a building adjacent to the University campus to be operated and managed by the University as part of its faculty offices. The acquisition was financed with tax-exempt financing through a bond pool issuance with the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia (Series 2007 Bonds). Interest on the bonds is payable at 4.00% - 4.75% over a 30-year period. The bonds are collateralized by a deed of trust and a support agreement with the University. The bonds mature August 1, 2037.

#### *Series 2017 Bonds – Eagle Housing – Student Housing*

In February 2018, Eagle Housing, LLC entered into an agreement with Bank of America for the bank to purchase tax-exempt bonds that Eagle Housing issued through the Economic Development Authority of the City of Fredericksburg, Virginia (Series 2017 Bonds). Interest on the bonds is payable at a variable interest rate equal to 70% of the one-month London Interbank Offered Rate plus 1.45%, 1.52% at June 30, 2021. The bond is secured by a deed of trust and assignment of rents and leases on Eagle Landing, University Apartments, Eagle Village's commercial properties and the pedestrian bridge over Route 1, as well as a Support Agreement between the Foundation and the University. The agreement maintains the original loan requirements of maintaining certain minimum balances in accounts with the Bank of America over the life of the bonds and to maintain a debt service coverage

ratio of at least 1.2 to 1.0. and to maintain its existing interest rate swap contracts. The bonds are cross collateralized with the taxable loan also held by Bank of America. In conjunction with the sale of student housing assets to the University in June 2021, the Series 2017 bonds were paid off.

Bonds payable consists of the following at June 30, 2021:

<b>Bonds Payable</b>	<b>Outstanding Balance</b>
Series 2007 Bonds	\$ 1,710,612
<b>Total Bonds Payable</b>	<b>\$1,710,612</b>

#### Loans Payable

##### *Loan from University*

The loan payable to the University of Mary Washington for the purchase of real estate was established in December 2009 when the Foundation purchased certain property for ultimate ownership and use by the University. Under the agreement, the University committed to loan the Foundation up to \$1,600,000 to purchase multiple specified properties. The University committed to purchase the property from the Foundation, and Foundation committed to sell the properties to the University by the maturity date. The purchase price will be the sum of purchase price paid plus costs and expenses to carry and maintain the properties during the term of ownership. At settlement, the loan will be repaid via a credit to the University against the purchase price equal to the outstanding principal balance of the loan. The balance outstanding at June 30, 2021 is \$1,440,550.

##### *Series 2008 and 2009 bonds*

In July 2018, the 2015 taxable loan with the Bank of America was refinanced to extend the maturity date to July 1, 2021. The original loan was entered into to refund Series 2008 and 2009A tax exempt bonds, Series 2009B taxable bonds, and an existing Bank of America line of credit. The agreement is a taxable loan with amortized payments of principal plus variable interest at a rate equal to the one-month London Interbank Offered Rate plus 1.4% (1.5% at June 30, 2021). Interest is paid monthly, and principal is funded monthly and paid annually. The agreement is collateralized by a deed of trust, assignment of rents and leases, guarantee by the Foundation, and a support agreement between the Foundation and the University. The loan agreement requires certain minimum balances in accounts with the Bank of America over the life of the debt and to maintain a debt service coverage ratio of at least 1.2 to 1.0. Until the sale of student housing assets to the University in June 2021, the loan was cross collateralized with the 2017 Series bonds also held by the Bank of America.

Loans payable are further described below. Loans payable associated with assets held for sale are reported in Long term liabilities. All balances are as of June 30, 2021 and maturity dates are calendar year:

<b>Loans Payable</b>	<b>Interest Rates</b>	<b>Maturity</b>	<b>Outstanding Balance</b>
Loan payable Eagle Housing, LLC, Eagle Village I, LLC, Eagle Village-Roger Dodger, LLC and Snowden Street, LLC co-borrowers, collateralized by a deed of trust, assignments of rents and leases, guarantee by the Foundation, and a support agreement between the Foundation and University	Variable, 1.5% at June 30	2022	\$35,709,367
Loan payable, Eagle Hospitality, LLC borrower, secured by a deed of trust, assignment of rents and leases, and a guarantee by the Foundation.	4.99%	2043	8,822,032
Loan payable to University of Mary Washington, for the purchase of real estate	0.00%	2025	1,440,550
Loan payable, Eagle Pizza, LLC and Transitional Properties, LLC co-borrowers, collateralized by a deed of trust, assignment of rents and leases, and a guarantee by the Foundation	3.99%	2027	1,164,998

Mortgage payable, Transitional Properties, LLC borrower, collateralized by deed of trust	5.50%	2028	224,753
Promissory note payable, Transitional Properties, LLC borrower, collateralized by a deed of trust, assignment of rents and leases, and a guarantee by the Foundation	3.99%	2026	160,794
Promissory note payable for property and insurance, UMW Foundation, Eagle Housing, LLC, Eagle Village, LLC, Eagle Village-Rodger Dodger, LLC and Snowden Street, LLC, collateralized by a security interest in unearned insurance premiums and loss payments	3.61%	2021	108,547
Loan payable, UMW Foundation borrower, collateralized by vehicles	0%	2021	1,327
<b>Total Loans Payable</b>			<b>\$47,632,368</b>

#### Annual debt service requirements

	<b>Bonds Payable</b>	<b>Loans Payable</b>	<b>Total Long-Term Debt</b>
Future principal commitments:			
Fiscal Year 2022	\$ 70,000	\$ 10,676,743	\$10,746,743
Fiscal Year 2023	75,000	34,132,333	34,207,333
Fiscal Year 2024	80,000	88,841	168,841
Fiscal Year 2025	80,000	92,804	172,804
Fiscal year 2026	85,000	96,785	181,785
Thereafter	1,320,612	2,544,862	3,865,474
<b>Total future principal requirements</b>	<b>\$1,710,612</b>	<b>\$47,632,368</b>	<b>\$49,342,980</b>

Other long term liabilities, current and noncurrent, include the loans and bonds above along with gift annuities payable of \$578,647 and accrued interest of \$531,888.

#### Deferred Financing Costs

Financing costs of \$137,030 are amortized on a straight-line basis over the term of the related debt. Accumulated amortization at June 30, 2021 was \$57,011.

#### Debt Related Derivative Instruments

In conjunction with the issuance of the Series 2008 and Series 2009 variable rate bonds and subsequent refinancing, the Foundation has interest rate swap agreements with the Bank of America, N.A. The swap agreements hedge the Foundation's floating rate exposure on outstanding debt through the exchange of floating rates for fixed rates.

As of June 30, 2021, the swaps which were used to hedge the Series 2008 bonds and mature on April 1, 2029 had a current notional amount of \$5,600,000 and a fair value of (\$846,957) with a fixed interest rate of 3.28%. In conjunction with the sale of student housing assets to the University, the swap was eliminated in June 2021.

As of June 30, 2021, the swaps which were used to hedge the Series 2009A/B bonds and mature on September 1, 2041 had a current notional amount of \$68,660,000 and a fair value of (\$29,094,276) with a fixed interest rate of 3.60%. In conjunction with the sale of student housing assets to the University, the swap was eliminated in June 2021.

The interest rate liabilities as of June 30, 2020 are reported at fair value totaling (\$29,941,233). Since the swap was eliminated in June 2021, there was no liability at June 30, 2021. The net realized and unrealized gain and loss on the interest rate swap agreements of \$8,121,233 for the year ended June 30, 2021 and is included in the Statement of Revenue Expenses and Changes in Net Position.

### Restricted Deposits and Funded Reserves

In accordance with the bond and loan agreements, the Foundation has the following restricted cash and cash equivalents and funded reserves which are held by Trustees of the Series 2017 and 2018 series debt. As a result of the sale of student housing assets to the University, \$1,526,329 of the restricted deposits and funded reserves are included as Due to the University at June 30, 2021, and will be paid out during fiscal year 2022. In addition, \$1,382,770 of the restricted deposits and funded reserves were released by Bank of America for use as a principal payment upon refinancing during fiscal year 2022 (see Note 20).

All are cash and cash equivalents:

Restricted Deposits and Funded Reserves	
Debt Service Reserve Fund	\$ 1,085,842
Bond Principal Fund	140,833
Repair & Replacement Reserve Fund	1,157,087
Interest Reserve Fund	243,047
<b>Total</b>	<b>\$ 2,626,809</b>

### Related Party Transactions

The Foundation has an agreement to give the University of Mary Washington Alumni Association (UMW AA) annually 20% of unrestricted alumni gifts, with a minimum of \$50,000 each year. For 2021, the Foundation gave the Alumni Association \$109,781. The Alumni Association directs all royalty revenue to the Foundation for scholarships. Under these arrangements, the Foundation had a net receivable (payable) from/(to) the UMW AA of (\$99,090) at June 30, 2021. As of June 30, 2021, \$175,156 of the Association's cash is held by the Foundation and invested on the Association's behalf to maximize returns. These funds are shown as liabilities on the consolidated statements of financial position.

Pursuant to an agreement with a former President of the University, the Foundation shall pay the former President's estate \$5,100 per month, should he decease within 180 months of his retirement. The commitment declines each month and ceases in its entirety at June 30, 2021. Payments under this agreement shall be funded by the death benefit of a life insurance policy on the former President, of which the Foundation is the owner and beneficiary. No amounts have been accrued under this agreement as of June 30, 2021.

### Commitments

#### Operating Lease Commitments

The Foundation leases office and retail space over multiple properties to either the University or other privately owned tenants. These leases are currently classified as operating leases; have an initial term of one year or more; and have consistent payments over the terms of the leases. None of the leases involve intangible assets, natural resources, inventory, or assets under construction.

The following is a schedule by years of future minimum rentals under the leases at June 30, 2021 :

Future Minimum Operating Lease Payments	
2022	\$ 2,025,163
2023	1,697,157
2024	1,516,765
2025	1,157,784
2026	900,088
Thereafter	1,276,301
<b>Total</b>	<b>\$8,573,258</b>

Included in the future payments above are multiple lease agreements between the University and the Foundation with approximately \$1,322,232 in future minimum rentals at June 30, 2021. Eagle Hospitality, LLC has an agreement with a hotel management company for the operation of the hotel. The management fee is 3.0% of total revenues or \$65,000 per year, whichever

is greater. Management fees paid were \$71,562 as of June 30, 2021. Subsequent to year-end, the operating agreement was terminated.

## Discontinued operations

Upon request of the University, the Foundation (through Eagle Housing, LLC) sold all student housing assets to the University. The decision to no longer own student housing assets represents a strategic shift of both the Foundation and the University. The sale to the University was completed in June 2021. A gain on the sale of student housing of \$34,337,311 is included on the Statement of Revenue Expenses and Changes in Intra-Entity Transfer of Assets and Related Fees.

In addition, the Foundation (through Eagle Hospitality, LLC) made the strategic shift decision to leave the hospitality market and on June 3, 2021, signed an agreement to list the hotel for sale. The sale was not completed until fiscal year 2022. As a result, an impairment loss of \$3,392,272 was recorded at June 30, 2021.

## 20. SUBSEQUENT EVENTS

On June 27, 2022, the University exercised its 1<sup>st</sup> renewal option to extend the term of the lease with Johnson Health Tech North American, Inc., d/b/a Matrix Fitness in Cottage Grove, Wisconsin. This lease option will extend the term for an additional four years expiring June 30, 2025, with one, 3 year renewal option remaining.

On October 15, 2021, the University exercised its 2<sup>nd</sup> renewal option to extend the term of the lease at 1125 Jefferson Davis Highway in Fredericksburg Virginia. This lease option will extend the term for an additional five years, expiring December 31, 2026.

On June 1, 2022, the Foundation entered into a Purchase Agreement for the sale of Eagle Pizza, LLC and Transitional Properties, LLC, assets for a sales price of \$1,000,000. On August 5, 2022, the University signed a five year lease with the new owners expiring July 31, 2027 with three, 2 year renewal option.

On October 15, 2021, the Foundation closed on the sale of the hotel at a purchase price of \$10,300,000. The corresponding loan with Atlantic Union Bank of \$9,107,179 was paid upon closing.

On May 5, 2022, the Foundation executed a listing agreement for the sale of Eagle Village I, Eagle Village Roger Dodger, and Snowden Street properties. On July 10, 2022, the Foundation also executed a listing agreement for the sale of the non-student housing assets of Eagle Housing. The expected net proceeds from the sale will be used to meet the debt obligations on the refinanced debt with Bank of America.

On May 31, 2022, the Foundation closed on the sale of the Duff Green property held by Eagle Property Holdings. The sales price was \$570,000. There was no debt associated with the property.

On June 1, 2022, the Foundation entered into a Purchase Agreement for the sale of Eagle Pizza, LLC and Transitional Properties, LLC, assets for a sales price of \$1,000,000. A deposit of \$20,000 was made by the buyer. Feasibility period for the buyer expires July 22, 2022, with closing expected soon thereafter.

On June 10, 2022, the Foundation entered into a loan extension and modification agreement with the Bank of America on the taxable loan covering property owned by Eagle Housing, LLC; Eagle Village I, LLC; Eagle Village – Roger Dodger, LLC; and Snowden Street, LLC. The loan originally matured July 1, 2021 and was extended until October 1, 2021 in conjunction with the sale of student housing assets. The loan is extended until June 10, 2023 with provisions for an automatic one-year extension subject to the Foundation meeting certain conditions and covenants as described in the loan extension and modification agreement. Interest of BSBY Daily Floating Rate plus 200 basis points is to be paid monthly. Bank of America released reserve accounts in the amount of \$1,663,005 paid in fiscal year 2022. A principal payment of \$8,000,000 is due by June 10, 2023 with \$4,000,000 due by March 10, 2024 and the remaining balance due by June 10, 2024.

During fiscal year 2022, the Foundation entered into five operating leases with new retail tenants. The leases range from three to ten years. Future minimum rentals under these leases are approximately \$2,330,000.

## REQUIRED SUPPLEMENTARY INFORMATION

The following table reflects the University's share of net pension liability for the years ended June 30, 2021, and the six previous fiscal years for the VRS State Employee Retirement Plan. The amounts presented have a measurement date of the previous fiscal year end.

### Schedule of Employer's Share of Net Pension Liability VRS State Employee Retirement Plan

	2021	2020	2019	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability	0.51615%	0.53424%	0.54999%	0.57000%	0.59080%	0.61197%	0.62172%
Employer's proportionate Share of the Net Pension Liability	\$37,394,333	\$33,762,539	\$29,775,000	\$33,217,000	\$38,938,000	\$37,469,000	\$34,806,000
Employer's Covered Payroll	\$22,739,164	\$22,304,690	\$22,705,458	\$22,744,510	\$23,305,516	\$23,541,763	\$23,883,968
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	164.45%	151.37%	131.14%	146.04%	167.08%	159.16%	145.73%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.15%	75.13%	77.39%	75.33%	71.29%	72.81%	74.28%

*Schedule is intended to show information for 10 years. Since 2021 is the seventh year for this presentation, only seven years of data is available. However, additional years will be included as they become available.*



The following table reflects the University's share of net pension liability for the years ended June 30, 2021 and the previous fiscal years for the VaLORS Retirement Plan. The amounts presented have a measurement date of the previous fiscal year end.

**Schedule of Employer's Share of Net Pension Liability  
VaLORS Retirement Plan**

	2021	2020	2019	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability	0.26452%	0.26345%	0.27035%	0.23283%	0.19959%	0.18472%	0.18754%
Employer's proportionate Share of the Net Pension Liability	\$2,068,236	\$1,828,433	\$1,684,000	\$1,528,000	\$1,545,000	\$1,312,000	\$ 1,264,000
Employer's Covered Payroll	\$ 934,544	\$ 917,146	\$ 934,147	\$ 802,036	\$ 741,257	\$ 633,293	\$ 664,331
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	221.31%	199.36%	180.27%	190.52%	208.43%	207.17%	190.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.74%	68.31%	69.56%	67.22%	61.01%	62.64%	63.05%

*Schedule is intended to show information for 10 years. Since 2021 is the seventh year for this presentation, only seven years of data is available. However, additional years will be included as they become available.*

The following is a schedule of employer contributions for the fiscal years ended June 30, 2015 through June 30, 2021.

**Schedule of Employer Contributions**  
**VRS State Employee Retirement Plan**  
**For the years ended June 30, 2015 through 2021**

Plan	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2021	\$3,061,922	\$3,061,922	\$0	\$21,175,118	14.46%
2020	3,074,335	3,074,335	0	22,739,164	13.52%
2019	3,014,433	3,014,433	0	22,304,690	13.51%
2018	3,067,022	3,067,022	0	22,705,458	13.51%
2017	3,076,612	3,076,612	0	22,744,510	13.53%
2016	3,243,242	3,243,242	0	23,305,516	13.92%
2015	2,878,880	2,878,880	0	23,541,763	12.23%

*Schedule is intended to show information for 10 years. Since 2021 is the seventh year for this presentation, only seven years of data is available. However, additional years will be included as they become available.*

**Schedule of Employer Contributions**  
**ValORS Retirement Plan**  
**For the years ended June 30, 2015 through 2021**

Plan	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2021	\$191,234	\$191,234	\$0	\$873,215	21.90%
2020	201,955	201,955	0	934,544	21.61%
2019	198,192	198,192	0	917,146	21.61%
2018	196,660	196,660	0	934,147	21.05%
2017	165,363	165,363	0	802,036	20.62%
2016	130,260	130,260	0	741,257	17.57%
2015	110,915	110,915	0	633,293	17.51%

*Schedule is intended to show information for 10 years. Since 2021 is the seventh year for this presentation, only seven years of data is available. However, additional years will be included as they become available.*

The following tables reflect the University's share of other post-employment benefit liability for the fiscal year ended June 30, 2021 and the previous three years for the VRS & DHRM post-employment benefit plans other than pensions. The amounts presented have a measurement date of the previous fiscal year.

**Schedule of Employer's Share of Net OPEB**

<b>Liability</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Health Insurance Credit Program (HIC)</b>				
Employer's Proportion of the Net OPEB Liability (Asset)				
- General State Employee	0.61497%	0.63775%	0.64873%	0.64607%
- VALORS Employee	0.01358%	0.01353%	0.01387%	0.01241%
Employer's proportionate Share of the Net OPEB Liability (Asset)				
- General State Employee	\$5,645,462	\$5,886,887	\$5,918,000	\$5,882,000
- VALORS Employee	124,665	124,891	127,000	113,000
Employer's Covered Payroll	\$45,293,419	\$44,225,088	\$44,622,908	\$42,578,821
Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	12.74%	13.59%	13.55%	14.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.02%	10.56%	9.51%	8.03%

*Schedule is intended to show information for 10 years. Since 2021 is the fourth year for this presentation, only four years of data are available. However, additional years will be included as they become available.*

**Schedule of Employer's Share of Net OPEB**

<b>Liability</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Group Life Insurance Plan (GLI)</b>				
Employer's Proportion of the Net OPEB Liability (Asset)				
- General State Employee	0.21626%	0.22213%	0.22916%	0.22641%
- VALORS Employee	0.00477%	0.00470%	0.00491%	0.00435%
Employer's proportionate Share of the Net OPEB Liability (Asset)				
- General State Employee	\$3,609,025	\$3,614,647	\$3,480,000	\$3,407,000
- VALORS Employee	79,604	76,481	75,000	65,000
Employer's Covered Payroll	\$45,750,962	\$44,225,088	\$44,650,602	\$42,596,928
Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.06%	8.35%	7.96%	8.15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	52.64%	52.00%	51.22%	48.86%

*Schedule is intended to show information for 10 years. Since 2021 is the fourth year for this presentation, only four years of data are available. However, additional years will be included as they become available.*

**Schedule of Employer's Share of Net OPEB Liability (Asset)**  
**Virginia Sickness and Disability Plan (VSDP)**

	2021	2020	2019	2018
Employer's Proportion of the Net OPEB Liability (Asset)				
- General State Employee	(0.38873)%	(0.41226)%	(0.42735)%	(0.43139)%
- VALORS Employee	(0.02259)%	(0.02278)%	(0.02369)%	(0.02126)%
Employer's proportionate Share of the Net OPEB Liability (Asset)				
- General State Employee	\$(857,881)	\$(808,834)	\$(962,000)	\$( 886,000)
- VALORS Employee	(49,854)	(44,693)	(54,000)	(44,000)
Employer's Covered Payroll	\$17,802,581	\$16,823,009	\$17,797,941	\$17,030,848
Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	(5.10)%	(5.07)%	(5.71)%	(5.46)%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	181.88%	167.18%	194.74%	186.63%

*Schedule is intended to show information for 10 years. Since 2021 is the fourth year for this presentation, only four years of data are available. However, additional years will be included as they become available.*

**Schedule of Employer's Share of Net OPEB Liability**  
**Line of Duty Act Program (LODA)**

	2021	2020	2019	2018
Employer's Proportion of the Net OPEB Liability (Asset)	0.08829%	0.09465%	0.09588%	0.07365%
- VALORS Employee				
Employer's proportionate Share of the Net OPEB Liability (Asset)				
- VALORS Employee	\$369,772	\$339,591	\$300,000	\$193,000
Employer's Covered-Employee Payroll*	\$1,019,594	\$954,653	\$992,283	\$855,069
Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll*	36.27%	35.57%	30.23%	22.57%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.02%	0.79%	0.60%	1.30%

*Schedule is intended to show information for 10 years. Since 2021 is the fourth year for this presentation, only four years of data are available. However, additional years will be included as they become available.*

*\*The contribution for the Line of Duty Act Program are based on the number of participants in the program using a per capita- based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.*

**Schedule of Employer's Share of Total  
OPEB Liability  
Pre-Medicare Retiree Health Plan**

	2021	2020	2019	2018
Employer's Proportion of the Collective Total OPEB Liability (Asset) - General State Employee	0.73103%	0.75430%	0.76207%	0.74096%
Employer's proportionate Share of the Collective Total OPEB Liability (Asset) - General State Employee	\$4,158,272	\$5,120,781	\$7,663,672	\$9,624,340
Employer's Covered-Employee Payroll	\$40,922,827	\$40,446,912	\$40,847,091	\$39,502,328
Employer's Proportionate Share of the Collective Total OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	10.16%	12.66%	18.76%	24.36%

*Schedule is intended to show information for 10 years. Since 2021 is the fourth year for this presentation, only four years of data are available. However, additional years will be included as they become available.*

The following is a schedule of employer contributions to other post-employment benefit plans for the fiscal year ended June 30, 2021 and the three previous fiscal years.

Plan	Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll * or Covered- Employee Payroll	Contributions as a % of Covered Payroll or Covered- Employee Payroll
HIC	2021	\$471,680	\$471,680	\$0	\$42,114,286	1.12%
	2020	529,933	529,933	0	45,293,419	1.17%
	2019	519,814	519,814	0	44,225,088	1.18%
	2018	526,550	526,550	0	44,622,908	1.18%
GLI	2021	225,645	225,645	0	41,786,111	0.54%
	2020	237,905	237,905	0	45,750,962	0.52%
	2019	229,970	229,970	0	44,225,088	0.52%
	2018	232,183	232,183	0	44,650,602	0.52%
VSDP	2021	107,110	107,110	0	17,559,016	0.61%
	2020	110,376	110,376	0	17,802,581	0.62%
	2019	109,068	109,068	0	16,823,009	0.65%
	2018	117,466	117,466	0	17,797,941	0.66%
LODA	2021	12,912	12,912	0	960,138	1.34%
	2020	11,998	11,998	0	1,019,594	1.18%
	2019	12,704	12,704	0	954,653	1.02%
	2018	10,213	10,213	0	999,283	1.02%

*Schedule is intended to show information for 10 years. Since 2021 is the fourth year for this presentation, only four years of data is available. However, additional years will be included as they become available.*

*\*Covered Payroll is reported for the HIC, GLI, and VSDP plans. The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.*

**VRS and VaLORS PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFIT PLANS*****Changes of benefit terms***

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

***Changes of assumptions***

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

**General State Employees**

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

**VaLORS Employees**

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

### Teachers (GLI)

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

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### SPORS Employees (GLI, HIC, LODA, VSDP)

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

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### JRS Employees (GLI, HIC)

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

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### **Largest Ten Locality Employers - General Employees (GLI)**

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

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### **Non-Largest Ten Locality Employers - General Employees (GLI)**

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

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### **Largest Ten Locality Employers –Hazardous Duty Employees (GLI, LODA)**

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

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## Non-Largest Ten Locality Employers –Hazardous Duty Employees (GLI, LODA)

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 rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate (N/A for LODA)	Decrease rate from 7.00% to 6.75%

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### DEPARTMENT OF HUMAN RESOURCES MANAGEMENT PRE-MEDICARE RETIREE HEALTHCARE PLAN

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

#### ***Changes of benefit terms***

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

#### ***Changes of assumptions***

The following assumptions were updated since the June 30, 2019 valuation based on recent experience.

- Spousal Coverage – reduced the rate from 25% to 20%
- Retiree Participation - reduced the rate from 50% to 45%

Spousal coverage and retiree participation were both reduced based on a blend of recent experience and the prior year assumptions. The mortality assumption was modified slightly to reflect mortality improvement projection scale BB, including age over 65 in pre-retirement mortality base rates. No excise tax has been reflected due to the SECURE Act. Among the provisions was a repeal of three taxes and fees that were originally intended to help fund the Affordable Care Act (ACA): i) the excise tax on high-cost health plans (Cadillac tax); ii) the annual fee on health insurance providers; and iii) the medical device excise tax.

The trend rates were updated based on economic conditions as of June 30, 2020. Additionally, the discount rate was decreased from 3.51% to 2.21% based on the Bond Buyers GO 20 Municipal Bond Index.



Staci A. Henshaw, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

August 30, 2022

The Honorable Glenn Youngkin  
Governor of Virginia

Joint Legislative Audit  
and Review Commission

Board of Visitors  
University of Mary Washington

## INDEPENDENT AUDITOR'S REPORT

### **Report on Financial Statements**

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the **University of Mary Washington**, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University'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 opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit of the University, which is discussed in Notes 1 and 19. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit of the University, is based on the report of the other auditor.

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. The financial statements of the component unit of the University that were audited by another auditor upon whose report we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

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 presentation of the financial statements.

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

### *Opinion*

In our opinion, based on our audit and the report of another auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and discretely presented component unit of the University of Mary Washington as of June 30, 2021, and the respective changes in financial position and cash flows, where applicable, 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 following be presented to supplement the basic financial statements: Management's Discussion and Analysis on pages 2 through 12; the Schedule of Employer's Share of Net Pension Liability and the Schedule of Employer Contributions on pages 87 through 89; the Schedule of Employer's Share of Net OPEB Liability, the Schedule of Employer Contributions, and the Notes to the Required Supplementary Information for Pension Plans and the Health Insurance Credit, Group Life Insurance, Disability Insurance and Line of Duty Act programs, and the Schedule of Employer's Share of Total OPEB Liability and the Notes to the Required Supplementary Information for the Pre-Medicare Retiree Healthcare program on

pages 90 through 96. 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 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 August 30, 2022, on our consideration of the University of Mary Washington'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 effectiveness of 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 University's internal control over financial reporting and compliance.

Staci A. Henshaw  
AUDITOR OF PUBLIC ACCOUNTS

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## UNIVERSITY OFFICIALS

### Board of Visitors at June 30, 2021

Ms. Heather M. Crislip '95, Rector  
Ms. Devon W. Cushman '93, Vice Rector  
Ms. Rhonda S. VanLowe, Secretary

Ms. Martha G. Abbott '72  
Dr. Allida M. Black  
Mr. Edward B. Hontz  
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Ms. Patricia G. McGinnis '69  
Mr. Leopoldo J. Martinez  
Ms. Princess R. Moss '83  
Mr. Charles S. Reed, Jr. '11  
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### University Leadership

Troy D. Paino  
President

Paul Messplay  
Vice President for Administration and Finance  
and Chief Financial Officer

Julie R. Smith  
Associate Vice President for Finance