

Required Supplementary Information

**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –
General and Major Special Revenue Funds**

Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

| | General Fund | | | Final/Actual Variance Positive (Negative) |
|--|---------------------|---------------------|---------------------|--|
| | Original Budget | Final Budget | Actual | |
| Revenues: | | | | |
| Taxes: | | | | |
| Individual and Fiduciary Income | \$ 11,624,600 | \$ 11,669,100 | \$ 11,253,348 | \$ (415,752) |
| Sales and Use | 3,532,965 | 3,414,100 | 3,400,486 | (13,614) |
| Corporation Income | 839,800 | 769,900 | 757,491 | (12,409) |
| Motor Fuel | - | - | - | - |
| Motor Vehicle Sales and Use | - | - | - | - |
| Communications Sales and Use | 440,000 | 440,000 | 422,823 | (17,177) |
| Deeds, Contracts, Wills, and Suits | 345,695 | 386,800 | 318,998 | (67,802) |
| Premiums of Insurance Companies | 280,700 | 289,400 | 320,421 | 31,021 |
| Alcoholic Beverage Sales | 194,000 | 196,800 | 199,225 | 2,425 |
| Tobacco Products | 183,200 | 183,500 | 180,626 | (2,874) |
| Estate | - | - | 196 | 196 |
| Public Service Corporations | 95,300 | 97,700 | 98,156 | 456 |
| Other Taxes | 18,305 | 19,705 | 28,760 | 9,055 |
| Rights and Privileges | 79,364 | 89,910 | 79,085 | (10,825) |
| Sales of Property and Commodities | 12,020 | 3,597 | 30,682 | 27,085 |
| Assessments and Receipts for Support of Special Services | 655 | 900 | 931 | 31 |
| Institutional Revenue | 42,761 | 41,485 | 36,143 | (5,342) |
| Interest, Dividends, and Rents | 65,264 | 50,572 | 78,333 | 27,761 |
| Fines, Forfeitures, Court Fees, Penalties, and Escheats | 215,650 | 213,345 | 211,512 | (1,833) |
| Federal Grants and Contracts | 9,453 | 9,457 | 9,454 | (3) |
| Receipts from Cities, Counties, and Towns | 10,017 | 9,232 | 16,318 | 7,086 |
| Private Donations, Gifts and Contracts | 708 | 486 | 438 | (48) |
| Tobacco Master Settlement | 50,337 | 49,727 | 48,693 | (1,034) |
| Other | 164,472 | 200,442 | 190,636 | (9,806) |
| Total Revenues | 18,205,266 | 18,136,158 | 17,682,755 | (453,403) |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 2,464,104 | 2,272,147 | 2,215,179 | 56,968 |
| Education | 7,711,835 | 7,823,406 | 7,755,863 | 67,543 |
| Transportation | 1,030 | 1,312 | 773 | 539 |
| Resources and Economic Development | 381,735 | 460,327 | 406,052 | 54,275 |
| Individual and Family Services | 5,641,008 | 5,655,699 | 5,525,897 | 129,802 |
| Administration of Justice | 2,422,963 | 2,531,750 | 2,519,888 | 11,862 |
| Capital Outlay | 43,316 | 32,047 | 10,663 | 21,384 |
| Total Expenditures | 18,665,991 | 18,776,688 | 18,434,315 | 342,373 |
| Revenues Over (Under) Expenditures | (460,725) | (640,530) | (751,560) | (111,030) |
| Other Financing Sources (Uses): | | | | |
| Transfers: | | | | |
| Transfers In | 680,677 | 745,413 | 770,542 | 25,129 |
| Transfers Out | (474,798) | (473,579) | (490,310) | (16,731) |
| Bonds Issued | - | - | - | - |
| Premium on Debt Issuance | - | - | - | - |
| Total Other Financing Sources (Uses) | 205,879 | 271,834 | 280,232 | 8,398 |
| Revenues and Other Sources Over (Under) Expenditures and Other Uses | (254,846) | (368,696) | (471,328) | (102,632) |
| Fund Balance, July 1, as restated | 1,820,629 | 1,820,629 | 1,820,629 | - |
| Fund Balance, June 30 | \$ 1,565,783 | \$ 1,451,933 | \$ 1,349,301 | \$ (102,632) |

See notes on page 181 in this section.

Special Revenue Funds

Commonwealth Transportation Fund

| <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Final/Actual Variance Positive (Negative)</u> |
|----------------------------|-------------------------|---------------|--|
| \$ - | \$ - | \$ - | \$ - |
| 1,103,829 | 1,288,970 | 1,111,929 | (177,041) |
| - | - | - | - |
| 1,099,053 | 703,025 | 790,053 | 87,028 |
| 647,672 | 832,915 | 780,807 | (52,108) |
| - | - | - | - |
| 74,000 | 79,000 | 75,349 | (3,651) |
| 131,000 | 131,000 | 130,769 | (231) |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 67,692 | 65,452 | 56,343 | (9,109) |
| 545,670 | 610,845 | 547,462 | (63,383) |
| - | - | 6,765 | 6,765 |
| 17,859 | 17,169 | 19,190 | 2,021 |
| - | - | - | - |
| 10,250 | 11,486 | 18,565 | 7,079 |
| 11,247 | 10,971 | 11,158 | 187 |
| 929,090 | 1,278,249 | 1,329,027 | 50,778 |
| 189,280 | 181,115 | 73,183 | (107,932) |
| - | 25 | 9,888 | 9,863 |
| - | - | - | - |
| 26,204 | 33,119 | 13,021 | (20,098) |
| 4,852,846 | 5,243,341 | 4,973,509 | (269,832) |
| 83,511 | 87,575 | 84,285 | 3,290 |
| 2,417 | 2,417 | 1,954 | 463 |
| 4,319,509 | 5,790,601 | 5,041,733 | 748,868 |
| 14,042 | 12,833 | 12,479 | 354 |
| - | - | - | - |
| 9,767 | 9,767 | 9,767 | - |
| 24,836 | 46,288 | 11,016 | 35,272 |
| 4,454,082 | 5,949,481 | 5,161,234 | 788,247 |
| 398,764 | (706,140) | (187,725) | 518,415 |
| 61,029 | 61,029 | 101,497 | 40,468 |
| (337,490) | (342,223) | (365,458) | (23,235) |
| 273,390 | 273,390 | 273,390 | - |
| 34,488 | 34,488 | 34,488 | - |
| 31,417 | 26,684 | 43,917 | 17,233 |
| 430,181 | (679,456) | (143,808) | 535,648 |
| 2,378,740 | 2,378,740 | 2,378,740 | - |
| \$ 2,808,921 | \$ 1,699,284 | \$ 2,234,932 | \$ 535,648 |

Continued on next page

**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –
General and Major Special Revenue Funds (Continued from previous page)**

Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

| | Special Revenue Funds | | | |
|--|-----------------------|------------------|------------------|--|
| | Federal Trust | | | Final/Actual Variance Positive (Negative) |
| | Original Budget | Final Budget | Actual | |
| Revenues: | | | | |
| Taxes: | | | | |
| Individual and Fiduciary Income | \$ - | \$ - | \$ - | \$ - |
| Sales and Use | - | - | - | - |
| Corporation Income | - | - | - | - |
| Motor Fuel | - | - | - | - |
| Motor Vehicle Sales and Use | - | - | - | - |
| Communications Sales and Use | - | - | - | - |
| Deeds, Contracts, Wills, and Suits | - | - | - | - |
| Premiums of Insurance Companies | - | - | - | - |
| Alcoholic Beverage Sales | - | - | - | - |
| Tobacco Products | - | - | - | - |
| Estate | - | - | - | - |
| Public Service Corporations | - | - | - | - |
| Other Taxes | - | - | - | - |
| Rights and Privileges | - | - | - | - |
| Sales of Property and Commodities | 310 | 766 | 296 | (470) |
| Assessments and Receipts for Support of Special Services | - | - | - | - |
| Institutional Revenue | - | - | - | - |
| Interest, Dividends, and Rents | 1,122 | 361 | 676 | 315 |
| Fines, Forfeitures, Court Fees, Penalties, and Escheats | 1,198 | 71,779 | 94,072 | 22,293 |
| Federal Grants and Contracts | 7,189,709 | 7,394,840 | 8,409,957 | 1,015,117 |
| Receipts from Cities, Counties, and Towns | - | - | - | - |
| Private Donations, Gifts and Contracts | - | - | - | - |
| Tobacco Master Settlement | - | - | - | - |
| Other | 23,367 | 156,177 | 141,021 | (15,156) |
| Total Revenues | 7,215,706 | 7,623,923 | 8,646,022 | 1,022,099 |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 137,368 | 160,361 | 148,319 | 12,042 |
| Education | 931,797 | 991,857 | 1,009,678 | (17,821) |
| Transportation | 34,917 | 31,195 | 16,396 | 14,799 |
| Resources and Economic Development | 163,336 | 194,906 | 171,839 | 23,067 |
| Individual and Family Services | 5,871,765 | 6,078,607 | 7,183,452 | (1,104,845) |
| Administration of Justice | 54,827 | 132,958 | 95,519 | 37,439 |
| Capital Outlay | 21,696 | 26,173 | 8,612 | 17,561 |
| Total Expenditures | 7,215,706 | 7,616,057 | 8,633,815 | (1,017,758) |
| Revenues Over (Under) Expenditures | - | 7,866 | 12,207 | 4,341 |
| Other Financing Sources (Uses): | | | | |
| Transfers: | | | | |
| Transfers In | - | - | 13,546 | 13,546 |
| Transfers Out | - | (7,866) | (25,753) | (17,887) |
| Bonds Issued | - | - | - | - |
| Premium on Debt Issuance | - | - | - | - |
| Total Other Financing Sources (Uses) | - | (7,866) | (12,207) | (4,341) |
| Revenues and Other Sources Over (Under) Expenditures and Other Uses | - | - | - | - |
| Fund Balance, July 1, as restated | - | - | - | - |
| Fund Balance, June 30 | \$ - | \$ - | \$ - | \$ - |

See notes on page 181 in this section.

Notes for Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds

1. Basis of Budgeting vs. Modified Accrual Basis Fund Balance (1)

Since the presentation of financial data on the basis of budgeting differs from that presented under accounting principles generally accepted in the United States of America, a schedule reconciling the fund balance on a budgetary basis at June 30, 2014, to the fund balance on a modified accrual basis follows.

| Fund Balance Comparison | | | |
|--|-------------------------|---|-------------------------------|
| Budgetary Basis to GAAP Basis | | | |
| <i>(Dollars in Thousands)</i> | | | |
| | General Fund | Commonwealth Transportation Fund | Federal Trust Fund |
| Fund Balance, Basis of Budgeting | \$ 1,349,301 | \$ 2,234,932 | \$ - |
| Adjustments from Budget to Modified Accrual: | | | |
| Accrued Revenues: | | | |
| Taxes | 772,141 | 159,666 | - |
| Tax Refunds | (390,683) | - | - |
| Other Revenue/Other Sources | 90,216 | 72,193 | 589,889 |
| Unearned Taxes (2) | (101,613) | - | - |
| Medicaid Payable | (312,609) | - | (323,011) |
| Accrued Expenditures/Other Uses | (777,116) | (202,047) | (131,616) |
| Fund Balance, Modified Accrual Basis | <u>\$ 629,637</u> | <u>\$ 2,264,744</u> | <u>\$ 135,262</u> |

1. As discussed in Note 1.E., the Literary Fund has no approved budget.
2. See also Note 1.R.

2. Appropriations

The amounts presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds are principally on a cash basis and represent the original budget adopted by the General Assembly and all supplemental appropriations and transfers. The following schedule reconciles original appropriations to the final adjusted expenditure appropriations for the General Fund and Major Special Revenue Funds, at June 30, 2014, except the Literary Fund which has no approved budget.

| <i>(Dollars in Thousands)</i> | | | |
|---|-----------------------------|---|--|
| | General Fund (9) | Commonwealth Transportation Fund | Federal Trust Fund (10) |
| Appropriations (1) | \$ 18,665,991 | \$ 4,454,082 | \$ 7,215,706 |
| Supplemental Appropriations: | | | |
| Reappropriations (2) | 206,396 | 36,378 | 25,979 |
| Subsequent Executive (3) | 127,307 | 807,926 | 406,157 |
| Subsequent Legislative (4) | (113,345) | 671,855 | (836) |
| Capital Outlay and Operating Reversions (5) | (770) | - | (1) |
| Transfers (6) | (25,444) | (921) | (9,446) |
| Capital Outlay Adjustment (7) | (83,447) | (14,925) | (21,502) |
| Debt Service Adjustment (8) | - | (4,914) | - |
| Appropriations, as adjusted | <u>\$ 18,776,688</u> | <u>\$ 5,949,481</u> | <u>\$ 7,616,057</u> |

1. Represents the budget appropriated through Chapter 806, 2013 Acts of Assembly, as amended by Chapter 1, 2014 Special Session I, Acts of Assembly.
2. Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
3. Actions taken by the Governor to carry forward any prior year unexpended balances, sum sufficient authority, and year 2 to year 1 reductions (General Fund) and actions taken to appropriate any additional revenues collected so that they can be legally spent (Special Revenue Funds).
4. Actions taken by the Governor and the General Assembly to adjust the budget.
5. Represents reversions of unexpended capital outlay and operating balances.
6. Represents transfers required by the Appropriation Act. Transfers out are reduced by approximately \$1.6 billion (General Fund) and \$3.5 million (Commonwealth Transportation Fund) for transfers to component units and fiduciary funds that have been reclassified as expenditures in accordance with GASB Statement No. 34.
7. Capital outlay appropriations cover the projects' lives and usually extend beyond the current fiscal year. These amounts have been adjusted to report the amount authorized for expenditure during the current fiscal year.
8. The Commonwealth Transportation Fund appropriations have been adjusted for debt service.
9. Budgetary reductions totaling \$21.6 million are excluded since they were not available for disbursement during the current fiscal year.
10. Appropriations do not include food stamp issuances of \$1.4 billion since this is a noncash item; however, this amount is included in actual expenditures.

Funding Progress for Defined Benefit Pension Plans

(Dollars in Millions)

| Actuarial Valuation Date June 30 | Actuarial Value of Assets [a] | Actuarial Accrued Liability (AAL) Entry Age [b] | Unfunded AAL (UAAL) [b-a] | Funded Ratio [a/b] | Covered Payroll [c] | UAAL as a Percentage of Covered Payroll [b-a]/[c] |
|--|-------------------------------------|--|---------------------------------|-----------------------|------------------------|--|
| Virginia Retirement System (VRS) | | | | | | |
| 2013 | \$ 52,125 | \$ 79,078 | \$ 26,953 | 65.9% | \$ 15,269 | 176.5% |
| 2012 | 51,212 | 77,859 | 26,647 | 65.8% | 14,880 | 179.1% |
| 2011 | 52,559 | 75,185 | 22,626 | 69.9% | 14,709 | 153.8% |
| 2010 | 52,729 | 72,801 | 20,072 | 72.4% | 14,758 | 136.0% |
| * 2009 | 53,185 | 66,323 | 13,138 | 80.2% | 14,948 | 87.9% |
| 2008 | 52,548 | 62,554 | 10,006 | 84.0% | 14,559 | 68.7% |
| 2007 | 47,815 | 58,116 | 10,301 | 82.3% | 13,834 | 74.5% |
| 2006 | 42,669 | 52,822 | 10,153 | 80.8% | 13,002 | 78.1% |
| * 2005 | 40,372 | 49,628 | 9,256 | 81.3% | 12,212 | 75.8% |
| 2004 | 39,691 | 43,958 | 4,267 | 90.3% | 11,510 | 37.1% |
| State Police Officers' Retirement System (SPORS) | | | | | | |
| 2013 | \$ 592 | \$ 997 | \$ 405 | 59.4% | \$ 109 | 371.6% |
| 2012 | 587 | 1,013 | 426 | 57.9% | 104 | 409.0% |
| 2011 | 617 | 986 | 369 | 62.6% | 100 | 370.3% |
| 2010 | 634 | 949 | 315 | 66.8% | 98 | 321.4% |
| * 2009 | 647 | 879 | 232 | 73.6% | 101 | 229.7% |
| 2008 | 646 | 844 | 198 | 76.5% | 103 | 192.2% |
| 2007 | 595 | 806 | 211 | 73.8% | 101 | 208.9% |
| 2006 | 539 | 730 | 191 | 73.8% | 94 | 203.2% |
| * 2005 | 514 | 673 | 159 | 76.4% | 91 | 174.7% |
| 2004 | 510 | 656 | 146 | 77.7% | 82 | 178.0% |
| Virginia Law Officers' Retirement System (VaLORS) | | | | | | |
| 2013 | \$ 942 | \$ 1,742 | \$ 800 | 54.1% | \$ 342 | 233.9% |
| 2012 | 909 | 1,753 | 844 | 51.9% | 345 | 244.8% |
| 2011 | 926 | 1,683 | 757 | 55.0% | 356 | 212.5% |
| 2010 | 925 | 1,579 | 654 | 58.6% | 346 | 189.0% |
| * 2009 | 913 | 1,412 | 499 | 64.7% | 359 | 139.0% |
| 2008 | 873 | 1,281 | 408 | 68.1% | 368 | 110.9% |
| 2007 | 766 | 1,166 | 400 | 65.7% | 341 | 117.3% |
| 2006 | 656 | 1,096 | 440 | 59.9% | 321 | 137.1% |
| * 2005 | 575 | 980 | 405 | 58.7% | 307 | 131.9% |
| 2004 | 509 | 927 | 418 | 54.9% | 298 | 140.3% |
| Judicial Retirement System (JRS) | | | | | | |
| 2013 | \$ 369 | \$ 591 | \$ 222 | 62.4% | \$ 57 | 389.5% |
| 2012 | 361 | 582 | 221 | 62.0% | 57 | 388.6% |
| 2011 | 371 | 569 | 198 | 65.2% | 59 | 336.8% |
| 2010 | 372 | 560 | 188 | 66.4% | 61 | 308.2% |
| * 2009 | 378 | 521 | 143 | 72.6% | 63 | 227.0% |
| 2008 | 374 | 495 | 121 | 75.6% | 61 | 198.4% |
| 2007 | 340 | 442 | 102 | 76.9% | 58 | 175.9% |
| 2006 | 302 | 424 | 122 | 71.2% | 54 | 225.9% |
| * 2005 | 288 | 402 | 114 | 71.6% | 52 | 219.2% |
| 2004 | 285 | 366 | 81 | 77.9% | 48 | 168.8% |

* Revised economic and demographic assumptions due to experience study.

See Notes on following page.

Notes for Funding Progress for Defined Benefit Pension Plans

| | | |
|---|--------|------------------------|
| Valuation Date: | | June 30, 2013 |
| Actuarial Cost Method: | | Entry Age Normal |
| Amortization Method: | | |
| State Employees | | Level percent, open |
| Teachers | | Level percent, open |
| Political Subdivision Employees | | Level percent, open |
| State Police/VA Law Officers/Judges | | Level percent, open |
| Payroll Growth Rate: | | |
| State Employees | | 3.0% |
| Teachers | | 3.0% |
| Political Subdivision Employees | | 3.0% |
| State Police/VA Law Officers/Judges | | 3.0% |
| Remaining Amortization Period: | | |
| State Employees | | 8 and 28 years |
| Teachers | | 8 and 28 years |
| Political Subdivision Employees | | 28 years |
| State Police/VA Law Officers/Judges | | 8 and 28 years |
| Asset Valuation Method: | | 5 year Smoothed Market |
| Actuarial Assumptions: | | |
| Investment Rate of Return (1) | | 7.0% |
| Projected Salary Increases (1) | | |
| State Employees | | 3.5% to 5.4% |
| Teachers | | 3.5% to 6.0% |
| Political Subdivision Employees (Non-Hazardous Duty Employees) | | 3.5% to 5.4% |
| Political Subdivision Employees (Hazardous Duty Employees) | | 3.5% to 4.8% |
| State Police/VA Law Officers Judges | | 3.5% to 4.8% 4.5% |
| Cost of Living Adjustments | Plan 1 | 2.5% |
| | Plan 2 | 2.3% |
| (1) Includes inflation at 2.50%. | | |

Schedule of Employer Contributions – Defined Benefit Pension Plans (1)

(Dollars in Thousands)

| <u>Year Ended June 30</u> | <u>Annual Required Contribution</u> | <u>Percentage Contributed</u> | <u>Statutory Required Contribution</u> | <u>Percentage Contributed</u> |
|--|---|-----------------------------------|--|-----------------------------------|
| Virginia Retirement System (VRS) | | | | |
| 2014 | \$ 2,282,942 | 75.8% | \$ 1,730,116 | 100.0% |
| 2013 | 2,227,090 | 75.8% | 1,687,865 | 100.0% |
| 2012 | 1,614,464 | 59.6% | 961,653 | 100.0% |
| 2011 | 1,577,131 | 46.7% | 736,950 | 100.0% |
| 2010 | 1,489,124 | 66.6% | 991,334 | 100.0% |
| 2009 | 1,501,018 | 81.3% | 1,219,645 | 100.0% |
| 2008 | 1,378,993 | 92.6% | 1,276,645 | 100.0% |
| 2007 | 1,299,606 | 85.9% | 1,116,217 | 100.0% |
| 2006 | 864,245 | 89.5% | 773,553 | 100.0% |
| 2005 | 810,944 | 85.3% | 691,415 | 100.0% |
| State Police Officers' Retirement System (SPORS) | | | | |
| 2014 | \$ 36,538 | 75.8% | \$ 27,711 | 100.0% |
| 2013 | 34,535 | 75.8% | 26,193 | 100.0% |
| 2012 | 26,250 | 43.6% | 11,441 | 100.0% |
| 2011 | 24,570 | 30.4% | 7,460 | 100.0% |
| 2010 | 23,791 | 66.1% | 15,714 | 100.0% |
| 2009 | 24,241 | 83.2% | 20,175 | 100.0% |
| 2008 | 22,941 | 91.5% | 20,989 | 100.0% |
| 2007 | 19,402 | 84.3% | 16,358 | 100.0% |
| 2006 | 23,132 | 66.0% | 15,258 | 100.0% |
| 2005 | 21,946 | 66.0% | 14,475 | 100.0% |
| Virginia Law Officers' Retirement System (VaLORS) | | | | |
| 2014 | \$ 68,806 | 75.8% | \$ 52,169 | 100.0% |
| 2013 | 66,463 | 75.8% | 50,392 | 100.0% |
| 2012 | 55,306 | 44.3% | 24,481 | 100.0% |
| 2011 | 53,686 | 32.1% | 17,255 | 100.0% |
| 2010 | 57,894 | 67.4% | 39,027 | 100.0% |
| 2009 | 60,059 | 84.8% | 50,932 | 100.0% |
| 2008 | 61,325 | 91.2% | 55,929 | 100.0% |
| 2007 | 56,190 | 86.0% | 48,338 | 100.0% |
| 2006 | 77,414 | 68.0% | 52,611 | 100.0% |
| 2005 | 74,301 | 68.0% | 50,495 | 100.0% |
| Judicial Retirement System (JRS) | | | | |
| 2014 | \$ 33,018 | 84.0% | \$ 27,727 | 100.0% |
| 2013 | 32,185 | 84.0% | 27,028 | 100.0% |
| 2012 | 27,631 | 68.4% | 18,907 | 100.0% |
| 2011 | 28,101 | 61.6% | 17,303 | 100.0% |
| 2010 | 23,638 | 72.2% | 17,065 | 100.0% |
| 2009 | 23,148 | 90.7% | 21,000 | 100.0% |
| 2008 | 23,599 | 94.9% | 22,386 | 100.0% |
| 2007 | 22,557 | 91.0% | 20,530 | 100.0% |
| 2006 | 23,871 | 67.9% | 16,206 | 100.0% |
| 2005 | 22,490 | 67.9% | 15,269 | 100.0% |

(1) Contributions made by employers were not in all cases in accordance with the actuarially determined Annual Required Contribution (ARC), but they did meet statutory requirements.

Funding Progress for Other Postemployment Benefit Plans

(Dollars in Millions)

| Actuarial Valuation Date June 30 | Actuarial Value of Assets [a] | Actuarial Accrued Liability (AAL) [b] | Unfunded AAL (UAAL) [b-a] | Funded Ratio [a/b] | Covered Payroll [c] | UAAL as a Percentage of Covered Payroll [b-a]/[c] |
|--|-------------------------------------|--|---------------------------------|--------------------------|------------------------|--|
| Group Life Insurance Fund | | | | | | |
| 2013 | \$ 837 | \$ 2,572 | \$ 1,735 | 32.5% | \$ 17,132 | 10.1% |
| 2012 | 756 | 2,458 | 1,702 | 30.7% | 16,697 | 10.2% |
| 2011 | 852 | 2,359 | 1,507 | 36.1% | 16,543 | 9.1% |
| 2010 | 929 | 2,245 | 1,316 | 41.4% | 16,526 | 8.0% |
| 2009 | 967 | 1,995 | 1,028 | 48.5% | 16,728 | 6.1% |
| 2008 | 975 | 1,772 | 797 | 55.0% | 16,267 | 4.9% |
| 2007 | 880 | 1,552 | 672 | 56.7% | 14,822 | 4.5% |
| 2006 (1) | 751 | 1,436 | 685 | 52.3% | 13,923 | 4.9% |
| Retiree Health Insurance Credit Fund | | | | | | |
| 2013 | \$ 139 | \$ 2,273 | \$ 2,134 | 6.1% | \$ 14,688 | 14.5% |
| 2012 | 130 | 2,258 | 2,128 | 5.8% | 14,211 | 15.0% |
| 2011 | 213 | 2,195 | 1,982 | 9.7% | 14,111 | 14.0% |
| 2010 (2) | 281 | 2,162 | 1,881 | 13.0% | 14,220 | 13.2% |
| 2009 (2) | 296 | 2,007 | 1,711 | 14.8% | 14,339 | 11.9% |
| 2008 (2) | 264 | 1,943 | 1,679 | 13.6% | 13,686 | 12.3% |
| 2007 (2) | 207 | 1,883 | 1,676 | 11.0% | 11,935 | 14.0% |
| Disability Insurance Trust Fund | | | | | | |
| 2013 | \$ 359 | \$ 228 | \$ (131) | 157.4% | \$ 3,473 | (3.8%) |
| 2012 | 344 | 303 | (41) | 113.7% | 3,433 | (1.2%) |
| 2011 | 369 | 296 | (73) | 124.6% | 3,372 | (2.2%) |
| 2010 (3) | 336 | 311 | (25) | 108.0% | 3,168 | (0.8%) |
| 2009 (3) | 290 | 291 | 1 | 99.7% | 4,080 | - |
| 2008 (3) | 313 | 392 | 79 | 79.9% | 4,111 | 1.9% |
| 2007 | 264 | 451 | 187 | 58.5% | 3,909 | 4.8% |
| 2006 (1) | 192 | 423 | 231 | 45.4% | 3,716 | 6.2% |
| Line of Duty Death and Disability (2) | | | | | | |
| 2013 | \$ 10 | \$ 204 | \$ 194 | 4.9% | N/A | - |
| 2012 | 6 | 226 | 220 | 2.7% | N/A | - |
| 2011 | - | 399 | 399 | - | N/A | - |
| 2010 (4) | - | 576 | 576 | - | N/A | - |
| 2009 | - | 373 | 373 | - | N/A | - |
| 2008 | 3 | 185 | 182 | 1.6% | N/A | - |
| 2007 | - | 146 | 146 | - | N/A | - |
| 2006 (1) | - | 99 | 99 | - | N/A | - |
| Pre-Medicare Retiree Healthcare | | | | | | |
| 2013 | \$ - | \$ 1,262 | \$ 1,262 | - | \$ 3,857 | 32.7% |
| 2012 | - | 1,351 | 1,351 | - | 3,709 | 36.4% |
| 2011 | - | 1,269 | 1,269 | - | 3,566 | 35.6% |
| 2010 (3) | - | 1,298 | 1,298 | - | 3,297 | 39.4% |
| 2009 | - | 1,218 | 1,218 | - | 3,170 | 38.4% |
| 2007 (5) | - | 982 | 982 | - | 2,931 | 33.5% |

- (1) 2006 was the first actuarial valuation prepared using the required parameters of GASB Statement No. 43.
- (2) Data for 2007-2010 has been restated to include the state-funded Retiree Health Insurance Credit benefit for local employees. Similar information for 2006 was not available so that year has been excluded.
- (3) Data for 2008-2010 has been restated to include state-funded Long-Term Care program. Prior years were funded by premiums paid to insurance carrier and the insurance carrier was responsible for the liability.
- (4) Contributions into the Line of Duty Act Trust Fund are based on the number of participants in the program using a per capita based contribution versus a payroll based contribution.
- (5) 2007 was the first actuarial valuation prepared for Pre-Medicare Retiree Healthcare.

See Notes on following page.

Notes for Funding Progress for Other Postemployment Benefit Plans

| | Group Life Insurance Fund | Retiree Health Insurance Credit Fund | Disability Insurance Trust Fund | Line of Duty Death and Disability | Pre-Medicare Retiree Healthcare |
|--|--|---|--|--|--|
| Valuation Date | June 30, 2013 | June 30, 2013 | June 30, 2013 | June 30, 2013 | July 01, 2013 |
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal | Entry Age Normal | Entry Age Normal | Projected Unit Credit |
| Amortization Method | Level Percent of Pay, Closed | Level Percent of Pay, Closed | Level Percent of Pay, Closed | Level Percent of Pay, Closed | Level dollar, Open |
| Payroll Growth Rate: | | | | | |
| State Employees | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Teachers | 3.0% | 3.0% | N/A | N/A | N/A |
| Political Subdivision Employees | 3.0% | 3.0% | N/A | 3.0% | N/A |
| State Police / Virginia Law Officers | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Judges | 3.0% | 3.0% | N/A | N/A | N/A |
| Remaining Amortization Period | 30 years | 30 years | 30 years | 3 and 30 years | 30 years |
| Asset Valuation Method | | | | | |
| State Employees and Teachers | 5-Year, Smoothed Market | 5-Year, Smoothed Market | 5-Year, Smoothed Market | Market Value | Market Value |
| Political Subdivision Employees and State-Funded Local Employees | 5-Year, Smoothed Market | Market Value | N/A | Market Value | Market Value |
| Actuarial Assumptions: | | | | | |
| Investment Rate of Return (1) | 7.0% | 7.0% | 7.0% | 4.3% and 7.0% | 4.0% |
| Projected Salary Increases (1) | | | | | |
| State Employees | 3.5% to 5.4% | 3.5% to 5.4% | 3.5% to 5.4% | N/A | 4.0% |
| Teachers | 3.5% to 6.0% | 3.5% to 6.0% | N/A | N/A | N/A |
| Political Subdivision Employees (Non-Hazardous Duty Employees) | 3.5% to 5.4% | 3.5% to 5.4% | N/A | N/A | N/A |
| Political Subdivision Employees (Hazardous Duty Employees) | 3.5% to 4.8% | 3.5% to 4.8% | N/A | N/A | N/A |
| State Police / Virginia Law Officers | 3.5% to 4.8% | 3.5% to 4.8% | 3.5% to 4.8% | N/A | 4.0% |
| Judges | 4.5% | 4.5% | N/A | N/A | N/A |
| Medical Trend Assumptions (Under Age 65) | N/A | N/A | N/A | 8.5% to 5.0% | |
| Medical Trend Assumptions (Ages 65 and Older) | N/A | N/A | N/A | 6.3% to 5.0% | |
| Year of Ultimate Trend Rate | N/A | N/A | N/A | 2019 | |

(1) Includes inflation rate of 2.5 percent.

Schedule of Employer Contributions – Other Postemployment Benefit Plans (1)

(Dollars in Thousands)

| <u>Year Ended June 30</u> | <u>Annual Required Contribution</u> | <u>Percentage Contributed</u> | <u>Statutory Required Contribution</u> | <u>Percentage Contributed</u> |
|--|---|-----------------------------------|--|-----------------------------------|
| Group Life Insurance Fund | | | | |
| 2014 | \$ 228,086 | 90.2% | \$ 205,623 | 100.0% |
| 2013 | 221,622 | 90.2% | 199,796 | 100.0% |
| 2012 | 181,527 | 26.1% | 47,293 | 100.0% |
| 2011 | 177,378 | 25.2% | 44,744 | 100.0% |
| 2010 | 145,228 | 65.5% | 95,185 | 100.0% |
| 2009 | 146,545 | 92.1% | 135,019 | 100.0% |
| 2008 | 158,740 | 100.0% | 158,740 | 100.0% |
| Retiree Health Insurance Credit Fund | | | | |
| 2014 | \$ 150,831 | 95.1% | \$ 143,425 | 100.0% |
| 2013 | 145,416 | 95.1% | 138,282 | 100.0% |
| 2012 | 138,195 | 37.5% | 51,882 | 100.0% |
| 2011 | 133,655 | 36.5% | 48,736 | 100.0% |
| 2010 | 148,956 | 66.7% | 99,356 | 100.0% |
| 2009 | 150,048 | 96.6% | 144,989 | 100.0% |
| 2008 | 147,524 | 100.0% | 147,524 | 100.0% |
| Disability Insurance Trust Fund | | | | |
| 2014 | \$ 20,610 | 81.0% | \$ 16,701 | 100.0% |
| 2013 | 21,032 | 81.0% | 17,043 | 100.0% |
| 2012 | 30,285 | 3.6% | 1,096 | 100.0% |
| 2011 | 28,646 | - | - | - |
| 2010 | 76,530 | 40.3% | 30,861 | 100.0% |
| 2009 | 78,120 | 91.3% | 71,344 | 100.0% |
| 2008 | 97,975 | 80.0% | 78,380 | 100.0% |
| Line of Duty Death and Disability (2) | | | | |
| 2014 | \$ 22,103 | 47.0% | \$ 10,381 | 100.0% |
| 2013 | 21,895 | 42.7% | 9,341 | 100.0% |
| 2012 | 25,033 | 33.3% | 8,323 | 100.0% |
| 2011 | - | - | - | - |
| 2010 | 16,901 | 53.8% | 9,084 | 100.0% |
| 2009 | 16,523 | 51.5% | 8,511 | 100.0% |
| 2008 | 9,786 | 102.5% | 10,026 | 100.0% |
| Pre-Medicare Retiree Healthcare | | | | |
| 2014 | \$ 198,873 | 17.3% | \$ - | - |
| 2013 | 182,970 | 8.5% | - | - |
| 2012 | 172,910 | 21.2% | - | - |

(1) Contributions made by employers were not in all cases in accordance with the actuarially determined Annual Required Contribution (ARC), but they did meet statutory requirements.

(2) Line of Duty Death and Disability became a cost sharing plan effective July 1, 2010. Accordingly, the net OPEB obligation at the beginning of the transition period has been reduced to zero.

Change in Discount Rate (1)

Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

| System/Plan | Net Pension Liability | | |
|--|-------------------------------------|---|-------------------------------------|
| | 1.0% Decrease (6.0%) | Current Discount Rate (7.0%) | 1.0% Increase (8.0%) |
| Virginia Retirement System: | | | |
| State | \$ 8,201,094 | \$ 5,598,398 | \$ 3,415,966 |
| Teacher | 17,745,186 | 12,084,700 | 7,424,273 |
| Political Subdivision | 5,052,686 | 2,507,469 | 394,561 |
| Total Virginia Retirement System | <u>30,998,966</u> | <u>20,190,567</u> | <u>11,234,800</u> |
| State Police Officers' Retirement System | 434,119 | 310,866 | 207,412 |
| Virginia Law Officers' Retirement System | 921,139 | 674,127 | 471,033 |
| Judicial Retirement System | 230,771 | 174,486 | 125,641 |
| Grand Total | <u>\$ 32,584,995</u> | <u>\$ 21,350,046</u> | <u>\$ 12,038,886</u> |

- (1) The Commonwealth implemented GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, during fiscal year 2014, and this schedule is now required.

Schedule of Changes in Employers' Net Pension Liability (1)

Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

| Change in the Net Pension Liability | VRS State 2014 | VRS Teacher 2014 | VRS Political Subdivisions 2014 | SPORS 2014 | VaLORS 2014 | JRS 2014 | Total 2014 |
|---|----------------------|------------------------|--|---------------------|---------------------|-------------------|----------------------|
| Total pension liability: | | | | | | | |
| Service cost | \$ 369,120 | \$ 831,501 | \$ 524,758 | \$ 18,341 | \$ 46,504 | \$ 24,024 | \$ 1,814,248 |
| Interest | 1,436,064 | 2,722,787 | 1,243,386 | 67,977 | 119,040 | 40,014 | 5,629,268 |
| Benefit changes | - | - | - | - | - | - | - |
| Difference between actual and expected experience | - | - | - | - | - | - | - |
| Assumption changes | - | - | - | - | - | - | - |
| Benefit payments | (1,081,866) | (1,874,636) | (754,706) | (50,467) | (78,412) | (37,984) | (3,878,071) |
| Refunds of contributions | (25,036) | (36,103) | (36,876) | (685) | (4,665) | - | (103,365) |
| Net change in total pension liability | 698,282 | 1,643,549 | 976,562 | 35,166 | 82,467 | 26,054 | 3,462,080 |
| Total pension liability - beginning | 21,068,651 | 39,852,334 | 18,158,446 | 996,690 | 1,742,110 | 590,626 | 82,408,857 |
| Total pension liability - ending (a) | \$ 21,766,933 | \$ 41,495,883 | \$ 19,135,008 | \$ 1,031,856 | \$ 1,824,577 | \$ 616,680 | \$ 85,870,937 |
| Plan fiduciary net position: | | | | | | | |
| Contributions - employer | \$ 343,259 | \$ 853,634 | \$ 539,366 | \$ 42,683 | \$ 67,483 | \$ 27,727 | \$ 1,874,152 |
| Contributions - member | 198,035 | 371,241 | 225,555 | 5,646 | 17,908 | 3,051 | 821,436 |
| Net investment income | 2,243,999 | 4,042,441 | 2,272,284 | 98,682 | 156,786 | 60,833 | 8,875,025 |
| Benefit payments | (1,081,866) | (1,874,636) | (754,706) | (50,467) | (78,412) | (37,984) | (3,878,071) |
| Refunds of contributions | (25,036) | (36,103) | (36,876) | (685) | (4,665) | - | (103,365) |
| Administrative expense | (12,341) | (22,036) | (12,153) | (431) | (681) | (268) | (47,910) |
| Other | 123 | 217 | 120 | - | - | - | 460 |
| Net change in plan fiduciary net position | 1,666,173 | 3,334,758 | 2,233,590 | 95,428 | 158,419 | 53,359 | 7,541,727 |
| Plan fiduciary net position - beginning | 14,502,362 | 26,076,425 | 14,393,949 | 625,562 | 992,031 | 388,835 | 56,979,164 |
| Plan fiduciary net position - ending (b) | \$ 16,168,535 | \$ 29,411,183 | \$ 16,627,539 | \$ 720,990 | \$ 1,150,450 | \$ 442,194 | \$ 64,520,891 |
| Net pension liability - ending (a-b) | \$ 5,598,398 | \$ 12,084,700 | \$ 2,507,469 | \$ 310,866 | \$ 674,127 | \$ 174,486 | \$ 21,350,046 |
| Plan fiduciary net position as a percentage of the total pension liability (b/a) | 74.3% | 70.9% | 86.9% | 69.9% | 63.1% | 71.7% | 75.1% |
| Covered employee payroll (c) | \$ 3,861,712 | \$ 7,313,025 | \$ 4,434,764 | \$ 112,010 | \$ 352,492 | \$ 61,020 | \$ 16,135,023 |
| Net pension liability as a percentage of covered employee payroll ((a-b)/c) | 145.0% | 165.3% | 56.5% | 277.5% | 191.3% | 286.0% | 132.3% |

- (1) The Commonwealth implemented GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, during fiscal year 2014, and this schedule is now required.

Claims Development Information – Risk Management

(Dollars in Thousands)

Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses

| Fiscal and Policy Year Ended | 2005 | 2006 | 2007 | 2008 |
|---|----------|----------|----------|----------|
| 1. Required contribution and investment revenue: | | | | |
| Earned | \$ 5,788 | \$ 6,166 | \$ 6,560 | \$ 6,759 |
| Ceded (a) | - | - | - | - |
| Net earned | 5,788 | 6,166 | 6,560 | 6,759 |
| 2. Unallocated expenses | 1,068 | 1,008 | 1,047 | 1,307 |
| 3. Estimated incurred claims and expenses, end of policy year: | | | | |
| Incurred | 2,791 | 1,539 | 2,060 | 3,330 |
| Ceded (a) | - | - | - | - |
| Net incurred | 2,791 | 1,539 | 2,060 | 3,330 |
| 4. Net paid (cumulative) as of: | | | | |
| End of policy year | 227 | 177 | 106 | 493 |
| One year later | 1,699 | 745 | 1,051 | 1,697 |
| Two years later | 2,079 | 1,421 | 2,436 | 3,476 |
| Three years later | 2,332 | 2,087 | 2,631 | 3,753 |
| Four years later | 2,438 | 2,176 | 2,662 | 3,834 |
| Five years later | 2,451 | 2,554 | 2,671 | 5,065 |
| Six years later | 2,455 | 2,591 | 2,671 | 5,084 |
| Seven years later | 2,474 | 2,630 | 2,671 | |
| Eight years later | 2,679 | 2,639 | | |
| Nine years later | 2,686 | | | |
| 5. Reestimated ceded claims and expenses (a) | - | - | - | - |
| 6. Reestimated incurred claims and expenses: | | | | |
| End of policy year | 2,791 | 1,539 | 2,060 | 3,330 |
| One year later | 3,563 | 2,168 | 3,316 | 3,928 |
| Two years later | 3,418 | 2,494 | 3,224 | 5,420 |
| Three years later | 3,204 | 2,872 | 2,887 | 5,309 |
| Four years later | 2,763 | 2,820 | 2,730 | 5,094 |
| Five years later | 2,736 | 2,591 | 2,731 | 6,065 |
| Six years later | 2,671 | 2,676 | 2,731 | 5,768 |
| Seven years later | 2,746 | 2,698 | 2,731 | |
| Eight years later | 2,758 | 2,698 | | |
| Nine years later | 2,926 | | | |
| 7. Increase (decrease) in estimated net incurred claims and expense from end of policy year | 135 | 1,159 | 671 | 2,438 |

The Commonwealth, through the Department of the Treasury, Division of Risk Management, provides errors and omissions liability insurance and law enforcement professional liability insurance for local governmental units, which went into effect in fiscal year 1987.

See Notes on page 194 in this section.

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|----|-------|----------|----------|----------|----------|----------|
| \$ | 6,197 | \$ 5,485 | \$ 4,131 | \$ 5,019 | \$ 5,043 | \$ 8,500 |
| | - | - | - | - | - | - |
| | 6,197 | 5,485 | 4,131 | 5,019 | 5,043 | 8,500 |
| | 1,272 | 1,269 | 1,310 | 1,382 | 1,273 | 1,435 |
| | 3,681 | 3,404 | 3,213 | 5,390 | 3,394 | 4,025 |
| | - | - | - | - | - | - |
| | 3,681 | 3,404 | 3,213 | 5,390 | 3,394 | 4,025 |
| | 300 | 412 | 396 | 1,677 | 335 | 367 |
| | 1,858 | 2,236 | 1,940 | 4,468 | 3,401 | |
| | 2,690 | 5,237 | 3,943 | 7,554 | | |
| | 3,679 | 6,744 | 4,317 | | | |
| | 3,867 | 7,013 | | | | |
| | 3,928 | | | | | |
| | - | - | - | - | - | - |
| | 3,681 | 3,404 | 3,213 | 5,390 | 3,394 | 4,025 |
| | 3,742 | 6,096 | 3,919 | 8,704 | 9,397 | |
| | 3,943 | 8,428 | 4,523 | 9,107 | | |
| | 4,721 | 8,640 | 4,570 | | | |
| | 4,555 | 8,692 | | | | |
| | 4,000 | | | | | |
| | 319 | 5,288 | 1,357 | 3,717 | 6,003 | - |

Claims Development Information – Health Care

(Dollars in Thousands)

Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses

| Fiscal and Policy Year Ended | 2005 | 2006 | 2007 | 2008 |
|---|------------|------------|------------|------------|
| 1. Required contribution and investment revenue: | | | | |
| Earned | \$ 157,959 | \$ 184,360 | \$ 202,366 | \$ 211,034 |
| Ceded (a) | - | - | - | - |
| Net earned | 157,959 | 184,360 | 202,366 | 211,034 |
| 2. Unallocated expenses | 10,655 | 11,899 | 13,782 | 16,215 |
| 3. Estimated incurred claims and expenses, end of policy year: | | | | |
| Incurred | 144,976 | 152,289 | 163,787 | 185,117 |
| Ceded (a) | - | - | - | - |
| Net incurred | 144,976 | 152,289 | 163,787 | 185,117 |
| 4. Net paid (cumulative) as of: | | | | |
| End of policy year | 140,452 | 147,534 | 159,769 | 181,566 |
| One year later | N/A | N/A | N/A | N/A |
| Two years later | N/A | N/A | N/A | N/A |
| Three years later | N/A | N/A | N/A | N/A |
| Four years later | N/A | N/A | N/A | N/A |
| Five years later | N/A | N/A | N/A | N/A |
| Six years later | N/A | N/A | N/A | N/A |
| Seven years later | N/A | N/A | N/A | N/A |
| Eight years later | N/A | N/A | N/A | N/A |
| Nine years later | N/A | | | |
| 5. Reestimated ceded claims and expenses (a) | - | - | - | - |
| 6. Reestimated incurred claims and expenses: | | | | |
| End of policy year | 144,976 | 152,289 | 163,787 | 185,117 |
| One year later | 144,976 | 152,289 | 163,787 | 185,117 |
| Two years later | N/A | N/A | N/A | N/A |
| Three years later | N/A | N/A | N/A | N/A |
| Four years later | N/A | N/A | N/A | N/A |
| Five years later | N/A | N/A | N/A | N/A |
| Six years later | N/A | N/A | N/A | N/A |
| Seven years later | N/A | N/A | N/A | N/A |
| Eight years later | N/A | N/A | N/A | N/A |
| Nine years later | N/A | | | |
| 7. Increase (decrease) in estimated net incurred claims and expense from end of policy year | - | - | - | - |

The Commonwealth, through its Department of Human Resource Management, provides health care insurance for local governmental units, which went into effect in fiscal year 1987.

See Notes on page 194 in this section.

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|----|---------|------------|------------|------------|------------|------------|
| \$ | 222,498 | \$ 240,305 | \$ 246,730 | \$ 259,135 | \$ 284,526 | \$ 320,678 |
| | - | - | - | - | - | - |
| | 222,498 | 240,305 | 246,730 | 259,135 | 284,526 | 320,678 |
| | 16,400 | 15,936 | 15,849 | 16,701 | 18,781 | 17,738 |
| | 214,411 | 215,376 | 213,694 | 250,019 | 277,455 | 290,557 |
| | - | - | - | - | - | - |
| | 214,411 | 215,376 | 213,694 | 250,019 | 277,455 | 290,557 |
| | 204,655 | 214,371 | 209,365 | 235,058 | 267,256 | 291,711 |
| | N/A | N/A | N/A | N/A | N/A | |
| | N/A | N/A | N/A | N/A | | |
| | N/A | N/A | N/A | | | |
| | N/A | N/A | | | | |
| | N/A | | | | | |
| | - | - | - | - | - | - |
| | 214,411 | 215,376 | 213,694 | 250,019 | 277,455 | 290,557 |
| | 214,411 | 215,376 | 213,694 | 250,019 | 277,455 | |
| | N/A | N/A | N/A | N/A | | |
| | N/A | N/A | N/A | | | |
| | N/A | N/A | | | | |
| | N/A | | | | | |
| | - | - | - | - | - | - |

Notes for Claims Development Information Tables

The tables on the previous four pages illustrate how the Risk Management and Health Care Claims Funds earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the funds as of the end of each of the past several years. The rows of the tables are defined as follows:

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of the funds, including overhead and claims expense not allocable to individual claims.
3. This line shows the funds' gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
6. This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.)
7. This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years.

The columns of the tables show data for successive policy years.

Notes:

- (a) During fiscal year 1997, the Commonwealth implemented GASB Statement No. 30, *Risk Financing Omnibus*. The Commonwealth has no reinsurers; therefore, the ceded amounts on lines 1, 3, and 5 are zero.