NORFOLK STATE UNIVERSITY

We see the future in you.


# 2021-2022 Financial Statements

**NORFOLK STATE UNIVERSITY**

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NORFOLK STATE
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**FINANCE AND ADMINISTRATION**
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May 26, 2023

Dr. Javaune Adams-Gaston, President; and Board of Visitors
Norfolk State University
700 Park Avenue
Norfolk, VA 23504

Dear President and Board of Visitors:

The official Financial Statements of Norfolk State University (NSU) for the fiscal year ended June 30, 2022, are hereby submitted. The statements include an accompanying statement of net position, statement of revenues, expenses, changes in net position and statement of cash flows, along with associated notes and schedules. Moreover, the financial statements were prepared in conformity with Generally Accepted Accounting Principles (GAAP) and represent a comprehensive record of the financial position of NSU operations for the fiscal year ended June 30, 2022.

University management is responsible for the accuracy and completeness of data, fairness of presentation, and disclosures; consequently, University management assumes full responsibility and, asserts, to the best of our knowledge and belief, that the information is accurate in all material aspects. To provide a reasonable basis for making these representations, University management has well-established, balanced internal controls designed to protect the University's assets from loss, theft and misuse; and a reputable accounting system that compiles sufficient reliable information for the preparation of the University's financial statements and documents.

The Commonwealth of Virginia Auditor of Public Accounts audited and rendered an opinion on the University's financial statements on pages 115-118 and issued a report on internal control titled "Independent Auditor's Report On Internal Control Over Financial Reporting and On Compliance and Other Matters," dated May 26, 2023.

The Governmental Accounting Standard Board (GASB) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This letter, the Management's Discussion and Analysis section and the Auditor of Public Accounts' Report should all be read in conjunction to gain enhanced understanding of the University's basic financial statements and required supplementary information.

The preparation and presentation of the financial statements are a collaborative process for the entire staff of the Division of Finance and Administration. Based upon their indefatigable and determined financial expertise, they are commended for maintaining the fiscal integrity and financial information for the University throughout the year. We truly appreciate their collective enthusiasm, professionalism and dedication to the University.

Sincerely,

Gerald E. Hunter, Ph.D.
Vice President
Finance and Administration

## Overview

The following Management's Discussion and Analysis (MD&A) is required supplemental information under the Governmental Accounting Standards Board (GASB) reporting model. It is designed to assist readers in understanding the accompanying financial statements and provides an objective, easily readable analysis of Norfolk State University's (University) 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, 2022. Note that although the University's foundations identified as component units under GASB Statement No.14, as amended by GASB Statement No. 39 and 61 are reported in the financial statements, they are excluded from this MD&A, except where specifically noted. Comparative numbers, where presented, are for the fiscal year ended June 30, 2021. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying financial statements, notes to the financial statements, and other supplementary information. University management is responsible for all of the financial information presented, including this discussion and analysis.

The three basic financial statements are the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The following analysis discusses elements from each of these statements, as well as an overview of the University's activities.

## Statement of Net Position

The Statement of Net Position presents the University's assets, deferred outflows, liabilities, deferred inflows and net position as of the end of the fiscal year. The purpose of this statement is to present to the financial statement readers a fiscal snapshot at June 30, 2022. From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the University's operations. They are also able to determine how much the University owes vendors and creditors.

Net Position is divided into three major categories. The first category, net investment in capital assets, represents the University's total investment in capital assets, net of accumulated depreciation and amortization and outstanding debt obligations related to those capital assets. The next category is restricted which is divided into two categories in the financial statements, nonexpendable and expendable. Restricted nonexpendable net position consists solely of the permanent endowment fund and is only available for investment purposes. As of June 30, 2022, the University does not have any permanent endowments. Expendable restricted net position is available for expenditure by the University but must be spent for purposes as determined by the donors and/or external entities that have placed time or purpose restrictions on the use of the asset. Unrestricted net position is available to the University for any lawful purpose of the University.

**Condensed Summary of Net Position**
**(amounts in thousands)**

| | As of June 30, | | Increase/(Decrease) | |
|---|---|---|---|---|
| | **2022** | **2021** | **Amount** | **Percent** |
| Assets: | | | | |
| Current | $ 63,726 | $ 53,524 | $ 10,202 | 19% |
| Other capital assets, net | 281,521 | 289,384 | (7,863) | (3%) |
| Other noncurrent | 31,317 | 21,583 | 9,734 | 45% |
| Total assets | 376,564 | 364,491 | 12,073 | 3% |
| Deferred outflows | 13,879 | 17,897 | (4,018) | (22%) |
| Total assets and deferred outflows | $ 390,443 | $ 382,388 | $ 8,055 | 2% |
| Liabilities: | | | | |
| Current | 37,580 | 24,821 | 12,759 | 51% |
| Noncurrent | 131,313 | 170,433 | (39,120) | (23%) |
| Total liabilities | 168,893 | 195,254 | (26,361) | (14%) |
| Deferred inflows | 34,189 | 10,364 | 23,825 | 230% |
| Total liabilities and deferred inflows | 203,082 | 205,618 | (2,536) | (1%) |
| Net position: | | | | |
| Net investment in capital assets | 197,010 | 206,843 | (9,833) | (5%) |
| Restricted | 8,215 | 5,816 | 2,399 | 41% |
| Unrestricted | (17,864) | (35,889) | 18,025 | 50% |
| Total net position | $ 187,361 | $ 176,770 | $ 10,591 | 6% |

The University's financial position continues to remain strong at the end of the fiscal year 2022. Total assets increased by $12.1 million or 3% primarily due to the increase in cash of $13 million, mainly due to increases in auxiliary revenues from room and board, American Rescue Plan Act State and Local Recovery Funds for Higher Education, and institutional reserves. Accounts receivable decreased by $2.3 million mainly due to a reduction in the recovery of lost revenues from the HEERF funding to be received in fiscal year 2023. Other capital assets decreased by $7.9 million or 3% primarily due to annual depreciation and amortization. Other capital assets also includes intangible right to use assets of $402,197 with the University's implementation of GASB 87, *Leases.* Other noncurrent assets increased by $9.7 million or 45% largely due to the increase in appropriation available for unspent educational and general funds at year-end to be re-appropriated in fiscal year 2022 and capital appropriation for maintenance reserve and planning for the Fine Arts building replacement.

Deferred outflows decreased by $4.0 million or 22% and includes the fiscal year 2022 retirement contributions of $6.0 million and OPEB contribution of $1.5 million made by the University after the measurement date and will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

The increase in current liabilities of $12.8 million or 51% is primarily attributed to the increase in the current portion of the long-term debt liability and unearned revenues. Due to debt restructuring of the University's Virginia

College Building Authority (VCBA) debt on the student center and the 9c General Obligation bonds for the residence hall renovation and construction project in FY 2021 no principal payments were due payable in FY 2022. Principal payments will begin in FY 2023. Additionally, the University's unearned revenues increased due to the award of $4.8 million during fiscal year 2022 from the American Rescue Plan Act State and Local Recovery Funds for Higher Education. These funds will be used for student scholarships and will be expended beginning in fiscal year 2023. Non-current liabilities decreased by $39.1 million or 23% primarily due to the decrease in net pension liability of $31.3 million, long-term debt of $4.7 million, and OPEB obligation of $2.9 million. Deferred inflows, which increased by $23.8 million or 230%, represent pension and OPEB plan investments and contributions that will be recognized as pension expenses in future years. Footnote 11 for pension plans and footnote 12 for OPEB plans discusses in more detail the pension expense recognition, deferred inflow and outflows and employer contributions.

The increase in total net position is attributed to the increase in unrestricted net position and restricted net position, netted against the decrease in net investment in capital asset. The decrease in net investment in capital assets by $9.8 million is largely attributed a reduction in capitalized assets due to depreciation and amortization. The increase of $18.0 million in unrestricted net position is largely attributed to the decrease in net pension liability.

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

Changes in total Net Position, as presented on the Statement of Net Position, are based on the activity as presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the University's operating and non-operating revenues recognized and expenses incurred and any other revenues, expenses, gains, and losses.

Generally speaking, operating revenues are received for providing goods and services to students and other constituencies of the institution. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry out the University's mission. Salaries, wages and fringe benefits for faculty and staff are the largest type of operating expense.

Non-operating revenues are revenues received for which goods and services are not provided. For example, the University's state appropriations are non-operating because they are provided by the state legislature without the legislature directly receiving commensurate goods and services for those revenues.

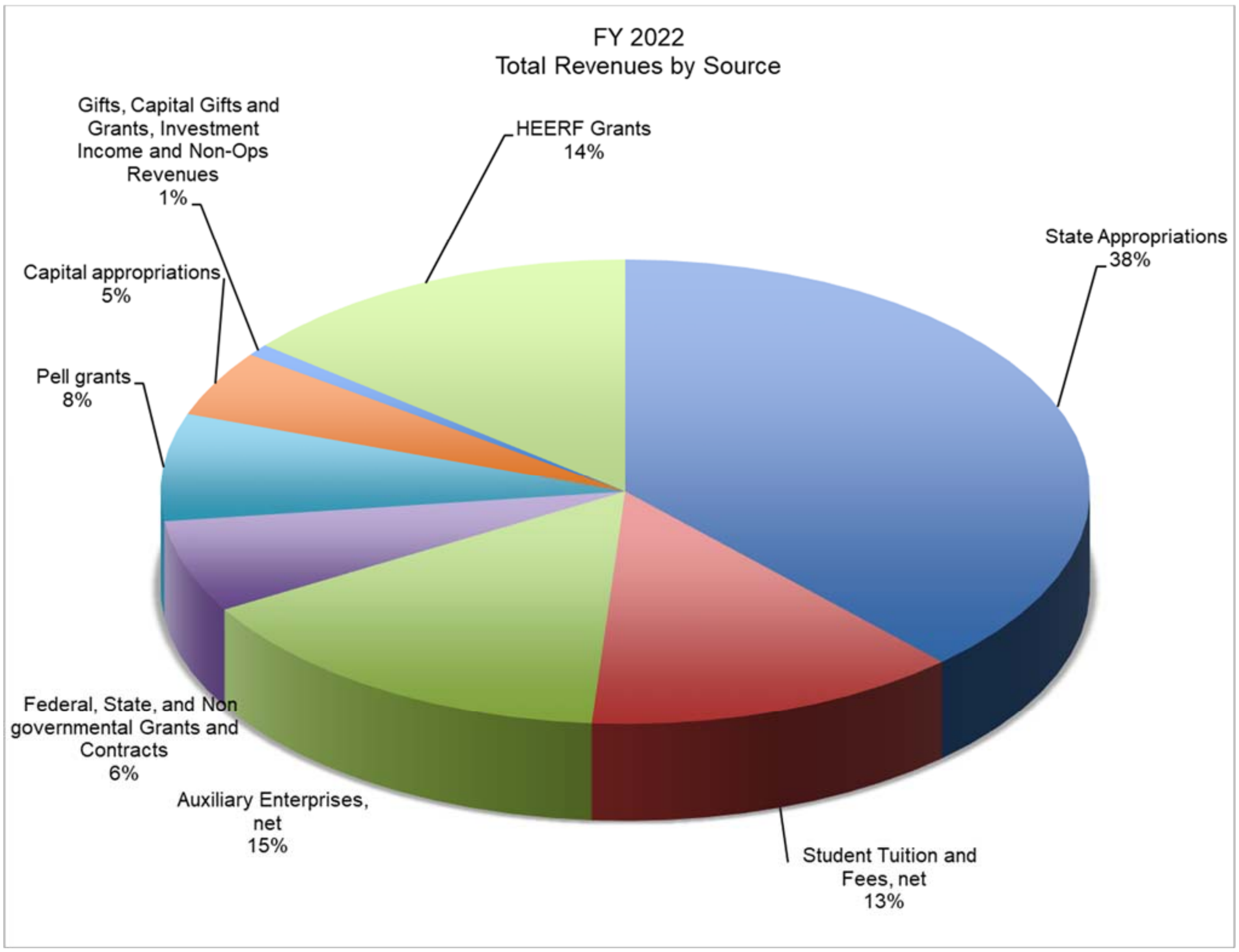
Other sources of revenue mainly consist of appropriation received for the fine arts building planning, central maintenance reserve and capital bond proceeds from the 21[ST] Century Program that is managed by the Virginia College Building Authority (VCBA) for the construction, renovation and maintenance reserve projects.

**Condensed Summary Statement of Revenues, Expenses, and Changes in Net Position**
**(amounts in thousands)**

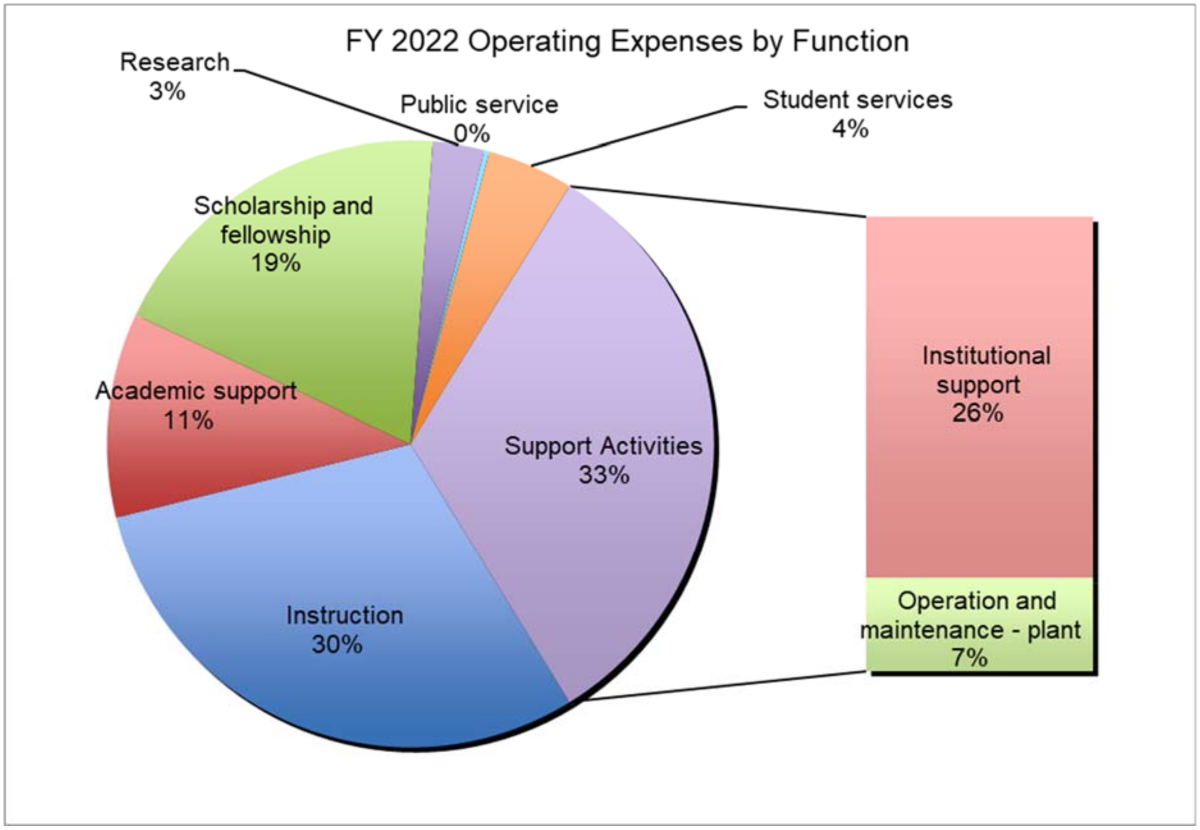
| | As of June 30, | | Increase/(Decrease) | |
|---|---|---|---|---|
| | **2022** | **2021** | **Amount** | **Percent** |
| **Operating revenues:** | | | | |
| Student tuition and fees, net of scholarship allowances of $19,599 and $18,870 | $ 29,389 | $ 26,761 | $ 2,628 | 10% |
| Federal grants and contracts | 12,123 | 12,899 | (776) | (6%) |
| State grants and contracts | 628 | 1,135 | (507) | (45%) |
| Nongovernmental grants and contracts | 1,692 | 1,444 | 248 | 17% |
| Public service | 174 | 78 | 96 | 123% |
| Auxiliary enterprises, net of scholarship allowances of $15,244 and $11,375 | 34,574 | 23,842 | 10,732 | 45% |
| Other operating revenues | 617 | 226 | 391 | 173% |
| Total operating revenues | 79,197 | 66,385 | 12,812 | 19% |
| **Operating expenses:** | | | | |
| Instruction | 45,840 | 45,108 | 732 | 2% |
| Research | 4,204 | 4,621 | (417) | (9%) |
| Public service | 422 | 247 | 175 | 71% |
| Academic support | 16,674 | 14,507 | 2,167 | 15% |
| Student services | 7,042 | 6,096 | 946 | 16% |
| Institutional support | 39,482 | 27,433 | 12,049 | 44% |
| Operation and maintenance - plant | 10,257 | 11,531 | (1,274) | (11%) |
| Depreciation and amortization expense | 19,474 | 18,979 | 495 | 3% |
| Scholarship and fellowship | 29,428 | 22,560 | 6,868 | 30% |
| Auxiliary activities | 38,046 | 27,912 | 10,134 | 36% |
| Total operating expenses | 210,869 | 178,994 | 31,875 | 18% |
| Operating loss | (131,672) | (112,609) | (19,063) | (17%) |
| Net non-operating revenues | 131,912 | 123,989 | 7,923 | 6% |
| Increase (decrease) before other revenues, expenses, gains or losses | 240 | 11,380 | (11,140) | (98%) |
| Net other revenues | 10,351 | 5,344 | 5,007 | 94% |
| Increase in net position | 10,591 | 16,724 | (6,133) | (37%) |
| Net position - beginning of the year | 176,770 | 160,046 | 16,724 | 10% |
| Net position - end of year | $ 187,361 | $ 176,770 | $ 10,591 | 6% |

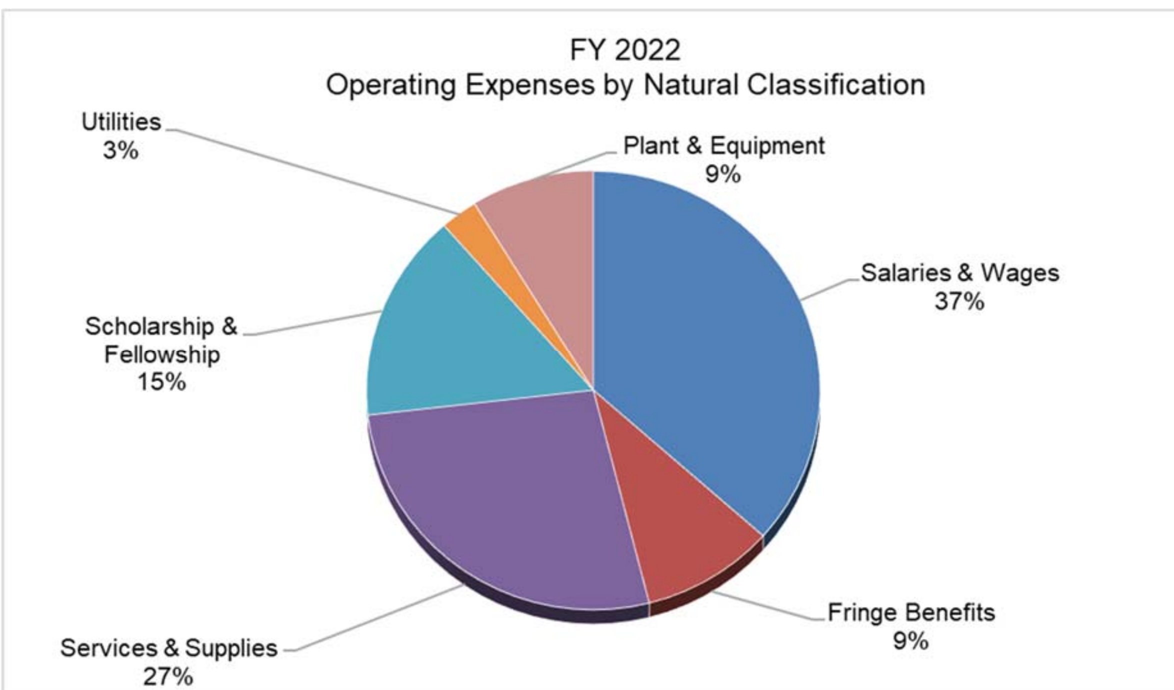
The following is a graphic illustration of total revenues by source (both operating and non-operating) used to fund the University's activities for the year ended June 30, 2022. Critical recurring revenue sources such as state appropriations, Pell grants, capital bond proceeds, and capital gifts and grants are considered non-operating.

Operating revenues primarily consist of tuition and fees, auxiliary enterprises and revenues from grants and contracts. Overall operating revenues increased by $12.8 million or 19% primarily due to an increase of $10.7 million in auxiliary enterprise revenues due to an increased number of students on campus during fiscal year 2022. Due to the COVID-19 pandemic, in FY 2021 the University experienced a decline in auxiliary enterprise revenue due to a decreased number of students living and dining on campus.



The following is a graphic illustration of operating expenses for fiscal year 2022.



Total operating expenses increased by $31.9 million or 18%. Institutional support expenses increased by $12 million and Auxiliary enterprises increased by $10.1 million mainly due to the spending of the HEERF award in fiscal year 2022 to mitigate the affects of the COVID-19 pandemic on campus operations. Scholarship and fellowship expenses increased by $6.9 million or 30% due to the student emergency aid funds awarded to students through the HEERF award. Financial aid scholarship awards also increased contributing to this increase.

Net non-operating revenues increased by $7.9 million or 6% due to increases of in state appropriations of $12.2 million, netted by a decrease in the HEERF revenues of $4.8 million.

## Statement of Cash Flows

The final statement presented by the University is the Statement of Cash Flows. This statement presents detailed information about the institution's cash activity during the year. Operating cash flows show the net cash used by the operating activities of the University. Significant sources of cash include student tuition and fees ($29.2 million), grants and contracts ($19.3 million), and auxiliary enterprises receipts ($34.8 million). Major uses of cash include payments for salaries, wages, and fringe benefits ($95.2 million), payments for scholarships and fellowships ($29.4 million), payments for services and supplies ($48.9 million) and payments for non-capitalized plant improvements and equipment ($16.8 million).

The next section reflects the cash flows from non-capital financial activities and includes state appropriations for the University's educational and general programs and financial aid ($76.6 million), Pell grants ($16.9 million) and Higher Education Emergency Relief Fund ($35.1 million). The cash flows from capital financing activities section reflect cash used for capital and related items. Primary sources of cash are proceeds from capital appropriation ($10.6 million). Significant cash outflows include the purchase of capital assets ($11.5 million), repayment of principal on capital related debt ($0.4 million), and interest paid on capital debt ($3.1 million). Cash flows from investing activities include interest from investments of $26,941. The final section of the cash flow statement reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenue, Expenses, and Changes in Net Position.

**Summary Statement of Cash Flows**
**(amounts in thousands)**

| | As of June 30, | | Increase/(Decrease) | |
|---|---|---|---|---|
| | 2022 | 2021 | Amount | Percent |
| Cash flows from operating activities | $ (111,694) | $ (97,460) | $ (14,234) | (15%) |
| Cash flows from noncapital financing activities | 128,925 | 114,841 | 14,084 | 12% |
| Cash flows from capital financing activities | (4,443) | (4,151) | (292) | (7%) |
| Cash flows from investing activities | 27 | 22 | 5 | 23% |
| Net change in cash | $ 12,815 | $ 13,252 | $ (437) | (3%) |

## Capital Asset and Debt Administration

One of the key factors in maintaining the high quality academic, research, and residence life functions is investment and renewal of the University's capital assets. The University continues to sustain and upgrade current facilities as well as pursue funding opportunities for renewal and replacement and purchase of additional equipment and facilities. The University continues to maintain and upgrade current structures across campus and have completed $2.5 million of building and infrastructure improvement projects during fiscal year 2022.

The University's total long-term debt decreased to $88.1 million in 2022 from $89.2 million in 2021. The University also implemented GASB 87, *Leases,* and recorded an intangible right to use liability of $406,078 at June 30, 2022. The University's Debt Management Policy requires annual debt service as a percentage of total operating expenses to remain below seven percent. The University's 2022 ratio was 1.52 percent compared to 3.17 percent in 2021. This ratio is intended to maintain the University's long-term operating flexibility to finance existing requirements and new initiatives. The Debt Management Policy also requires the debt service coverage ratio to be at least twice as large as the annual debt service. The ratio is intended to ensure operating revenues are sufficient to meet debt service requirements and that debt service does not consume too large a portion of income. The University's 2022 debt service coverage ratio was 9.37 compared to 6.28 in 2021.

Overall, unpaid construction and other related contractual commitments on capital projects increased from $2.9 million in 2021 to $7.8 million in 2022. Construction in progress totaled $8.6 million as of June 30, 2022. Further information relating to capital assets, construction, and capital debt is included in the Notes to the Financial Statement in notes 4, 7 and 10.

## Economic Outlook

As one of Virginia's comprehensive higher education institutions, the University's economic outlook is closely tied to the Commonwealth of Virginia (Commonwealth). Economic factors related to the Commonwealth can be found in the Commonwealth's Annual Comprehensive Financial Report (ACFR). There is a direct correlation between the amount of state appropriations and establishment of tuition and fees. As such, tuition and fee rates are largely dependent upon ongoing financial support from the state government. State appropriations currently cover 55.82% of operating expenses, excluding auxiliary activities and depreciation and amortization.

The University's financial position remains strong with net position of $187.4 million for the 2022 fiscal year. Management continues to evaluate and review current policies and procedures in an effort to enhance operational efficiency and fiscal stability while providing excellent services to its students and constituents. Resources will continue to be closely monitored to ensure the University's ability to counter unknown internal and external issues.

The COVID-19 pandemic continues to have a significant impact on the operations of the University, as well as the overall economy. The University has navigated this difficult pandemic through our commitment to a Culture of Care. Vaccination clinics and home kits were made available at the University for students, faculty and staff.
To support students, the University did not increase tuition, fees, housing and dining for the 2022 fiscal year. Federal Higher Education Emergency Relief Funds (HEERF) were distributed directly to support students facing financial hardship as a result of COVID-19 and an emergency student hardship fund was made available. Further information relating to HEERF is included in the Notes to the Financial Statement in note 16.

# NORFOLK STATE UNIVERSITY
## STATEMENT OF NET POSITION

*JUNE 30, 2022*

| | Norfolk State University | Component Units |
|---|---|---|
| **Current assets:** | | |
| Cash and cash equivalents (Note 2) | $ 49,475,070 | $ 15,578,417 |
| Cash held for securities lending (Note 2) | 2,637,278 | - |
| Restricted cash and cash equivalents | - | 2,151,514 |
| Investments | - | 50,000 |
| Accounts receivable, net of allowance for doubtful accounts of $1,165,719 (Note 3) | 8,477,717 | 34,921 |
| Contributions receivable, net of allowance for doubtful accounts of $35,162 (Note 3) | - | 1,151,158 |
| Due from the Commonwealth | 219,575 | - |
| Prepaid expenses | 2,816,084 | 28,476 |
| Notes receivable, net of allowance for doubtful accounts of $158,124 (Note 3) | 100,692 | - |
| Other assets | - | 267,058 |
| Total current assets | 63,726,416 | 19,261,544 |
| **Noncurrent assets:** | | |
| Restricted cash and cash equivalents (Note 2) | 2,696,726 | 2,509,719 |
| Appropriation available/due from primary government | 25,542,274 | - |
| Restricted other postemployment benefits asset (Note 12) | 2,857,801 | - |
| Investments (Note 2) | - | 84,967,159 |
| Contributions receivable, net of allowance for uncollectible contributions of $181,356 (Note 3) | - | 2,870,133 |
| Notes receivable, net of allowance for doubtful accounts of $1,356,748 (Note 3) | 218,918 | - |
| Nondepreciable capital assets (Note 4) | 14,497,008 | 2,570,384 |
| Other capital assets, net (Note 4) | 267,024,360 | 17,491,710 |
| Total noncurrent assets | 312,837,087 | 110,409,105 |
| **Total Assets** | 376,563,503 | 129,670,649 |
| **Deferred outflows:** | | |
| Deferred outflows - loss on refunding | 73,786 | - |
| Deferred outflows - pension (Note 11) | 10,795,687 | - |
| Deferred outflows - other postemployment benefits (Note 12) | 3,009,925 | - |
| **Total Deferred outflows** | 13,879,398 | |
| **Total Assets and deferred outflows** | $ 390,442,901 | $ 129,670,649 |
| **Current liabilities:** | | |
| Accounts payable and accrued expenses (Note 5) | $ 16,903,760 | $ 483,224 |
| Unearned revenue | 9,300,219 | 60,673 |
| Obligations under securities lending | 2,637,278 | - |
| Deposits held in custody for others | 2,661,786 | - |
| Long-term liabilities - current portion (Note 6) | 5,789,587 | 1,110,000 |
| Other postemployment benefits obligation (Note 12) | 287,523 | - |
| Total current liabilities | 37,580,153 | 1,653,897 |
| **Noncurrent liabilities:** | | |
| Long-term debt (Note 6) | 83,519,909 | 24,192,393 |
| Other noncurrent liabilities (Note 6) | 2,102,745 | - |
| Net pension liability (Note 11) | 32,355,622 | - |
| Other postemployment benefits obligation (Note 12) | 13,334,986 | - |
| Total noncurrent liabilities | 131,313,262 | 24,192,393 |
| **Total Liabilities** | 168,893,415 | 25,846,290 |
| **Deferred inflows:** | | |
| Deferred inflows - gain on refunding | 590,319 | - |
| Deferred inflows - pension (Note 11) | 24,671,385 | - |
| Deferred inflows - other postemployment benefits (Note 12) | 8,927,126 | - |
| **Total Deferred inflows** | 34,188,830 | - |
| **Total Liabilities and deferred inflows** | 203,082,245 | 25,846,290 |
| **Net position:** | | |
| Net investment in capital assets | 197,009,491 | (5,221,812) |
| Restricted for: | | |
| Nonexpendable | - | 16,346,489 |
| Expendable | | |
| Net other postemployment benefits - VSDP (Note 12) | 2,195,955 | - |
| Loans | 311,138 | - |
| Scholarships and other | 5,708,214 | - |
| Temporarily restricted | - | 36,936,158 |
| Unrestricted | (17,864,142) | 55,763,524 |
| **Total Net Position** | $ 187,360,656 | $ 103,824,359 |

**NORFOLK STATE UNIVERSITY**

STATEMENT OF REVENUES, EXPENSES, AND CHANGE OF NET POSITION

*FOR THE YEAR ENDED JUNE 30, 2022*

| | Norfolk State University | Component Units |
|---|---|---|
| **Operating revenues:** | | |
| Student tuition and fees, net of scholarship allowances of $19,599,308 | $ 29,389,602 | $ - |
| Federal grants and contracts | 12,122,780 | - |
| State grants and contracts | 628,115 | - |
| Nongovernmental grants and contracts | 1,691,811 | - |
| Public service | 173,666 | - |
| Auxiliary enterprises, net of scholarship allowances of $15,243,735 | 34,573,919 | - |
| Other operating revenues | 617,525 | 5,779,454 |
| Total operating revenues | 79,197,418 | 5,779,454 |
| **Operating expenses:** | | |
| Instruction | 45,840,161 | - |
| Research | 4,204,354 | - |
| Public service | 422,142 | - |
| Academic support | 16,674,296 | - |
| Student services | 7,041,847 | - |
| Institutional support | 39,482,361 | 4,519,983 |
| Operation and maintenance - plant | 10,256,508 | 843,714 |
| Depreciation and amortization expense (Note 4) | 19,474,172 | 941,683 |
| Scholarship and fellowship | 29,427,504 | 1,690,193 |
| Auxiliary activities | 38,045,748 | - |
| Total operating expenses (Note 8) | 210,869,093 | 7,995,573 |
| Operating loss | (131,671,675) | (2,216,119) |
| **Non-operating revenues (expenses):** | | |
| State appropriations (Note 9) | 85,604,014 | - |
| Investment income net of investment expense | 26,941 | (119,402) |
| Realized/unrealized gain on investments | - | 10,467,951 |
| Unrealized gain on interest rate swap | - | 1,284,172 |
| Interest on capital asset - related debt | (2,690,460) | (1,462,239) |
| Loss of disposal of assets (Note 4) | (95,372) | - |
| Gifts | 1,789,146 | 2,664,052 |
| Pell grants | 16,852,808 | - |
| Higher Education Emergency Relief Fund (Note 16) | 31,791,068 | - |
| Other non-operating revenues (expenses) | (1,366,134) | - |
| Net non-operating revenues | 131,912,011 | 12,834,534 |
| Increase (decrease) before other revenues, expenses, gains or losses | 240,336 | 10,618,415 |
| Capital appropriations (Note 9) | 10,350,688 | - |
| Contributions to permanently restricted endowments | - | 7,381,989 |
| Net other revenues | 10,350,688 | 7,381,989 |
| Increase in net position | 10,591,024 | 18,000,404 |
| Net position - beginning of the year | 176,769,632 | 85,823,955 |
| Net position - end of year | $ 187,360,656 | $ 103,824,359 |

**NORFOLK STATE UNIVERSITY**
STATEMENT OF CASH FLOWS

*FOR THE YEAR ENDED JUNE 30, 2022*

| | |
|---|---|
| **Cash flows from operating activities:** | |
| Student tuition and fees | $ 29,192,040 |
| Grants and contracts | 19,333,371 |
| Public service | 173,666 |
| Auxiliary enterprises | 34,754,074 |
| Other receipts | (323,871) |
| Payments to employees | (69,629,534) |
| Payments for fringe benefits | (25,532,121) |
| Payments for services and supplies | (48,847,677) |
| Payments for utilities | (5,096,680) |
| Payments scholarships and fellowships | (29,427,504) |
| Payments for non-capitalized plant improvements and equipment | (16,792,486) |
| Collections of loans from students | 3,920,801 |
| Loans issued to students | (3,802,881) |
| Custodial receipts | 241,963 |
| Custodial payments | 142,498 |
| Net cash used in operating activities | (111,694,341) |
| **Cash flows from non-capital financing activities:** | |
| State appropriations | 76,589,342 |
| Gifts and grants for other than capital purposes | 1,789,146 |
| Direct lending receipts | 38,606,774 |
| Direct lending payments | (38,606,774) |
| Pell grant receipts | 16,852,808 |
| Higher Education Emergency Relief Fund | 35,059,655 |
| Other non-operating expenses | (1,366,134) |
| Net cash provided by non-capital financing activities | 128,924,817 |
| **Cash flows from capital financing activities:** | |
| Proceeds from capital appropriation | 10,555,556 |
| Purchase of capital assets | (11,475,781) |
| Principal paid on capital debt, leases and installments | (418,841) |
| Interest paid on capital debt, leases and installments | (3,103,645) |
| Net cash provided by capital financing activities | (4,442,711) |
| **Cash flows from investing activities:** | |
| Interest on investments | 26,941 |
| Net cash provided by investing activities | 26,941 |
| Net increase in cash and cash equivalents | 12,814,706 |
| Cash and cash equivalents - beginning of year | 39,357,090 |
| Cash and cash equivalents - end of year | $ 52,171,796 |

The accompanying notes are an integral part of these financial statements.

| | | |
|---|---|---|
| RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES: | | |
| Operating loss | $ | (131,671,675) |
| Adjustment to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation and amortization expense | | 19,474,172 |
| Change in assets, deferred outflows, liabilities, and deferred inflows: | | |
| Receivables, net | | (981,331) |
| Notes receivable, net | | 117,920 |
| Prepaid expenses | | 1,083,531 |
| Restricted other postemployment benefits asset | | (1,057,404) |
| Deferred outflows of resources - pension | | 3,775,965 |
| Deferred outflows of resources - opeb | | 234,281 |
| Accounts payable and accrued expenses | | 2,487,504 |
| Unearned revenue | | 4,913,193 |
| Accrued compensated absences | | (120,877) |
| Deposits held in custody for others | | 384,461 |
| Net pension liability | | (31,280,931) |
| Other postemployment benefits obligation | | (2,927,410) |
| Deferred inflows of resources - pension | | 22,786,791 |
| Deferred inflows of resources - opeb | | 1,087,469 |
| Net cash used in operating activities | $ | (111,694,341) |
| | | |
| Non-cash investing, capital and financing activities: | | |
| Donated capital assets | $ | 217 |
| Change in fair value of investments | $ | 959 |
| Amortization of deferred net gain on defeased bonds | $ | 49,607 |
| Amortization of deferred loss on defeased bonds | $ | (7,258) |
| Amortization of bond discount | $ | (3,036) |
| Amortization of bond premium | $ | 508,626 |
| Loss on disposal of assets | $ | 95,372 |
| Lease liability assumed related to right to use lease assets | $ | 519,590 |

## Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

Norfolk State University (the "University") is a comprehensive university that is part of the Commonwealth of Virginia's (the "Commonwealth") 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 of Virginia, which includes all agencies, higher education institutions, boards, commissions, and authorities over which the Commonwealth exercises, or has the ability to exercise, oversight authority. The University is a component unit of the Commonwealth of Virginia and is included in the basic financial statements of the Commonwealth.

The Norfolk State University Foundation, Inc. and Subsidiary, the Athletics Foundation of Norfolk State University, Inc. and the Norfolk State University Research and Innovation Foundation and Affiliates meet criteria under GASB Statement No. 14, as amended by GASB Statements 39 and 61, qualifying them as component units of the University.

The Norfolk State University Foundation, Inc. and its wholly-owned subsidiary, Marshall Avenue Properties, Inc., is a legally separate, not-for-profit organization established to provide financial support to Norfolk State University.

The Athletics Foundation of Norfolk State University, Inc. is a legally separate, not-for-profit charitable organization governed by a local Board of Directors dedicated to raising funds for the benefit, scholarship, and educational needs of students attending and participating in athletic programs at Norfolk State University.

The Norfolk State University Research and Innovation Foundation and Affiliates (formerly Enterprise and Empowerment Foundation of Norfolk State University and Affiliates) is a legally separate, not-for-profit charitable organization governed by a Board of Directors dedicated to raising funds for a development called the Marie V. McDemmond Center for Applied Research. The development is organized around a public private partnership and is designed to create a digital village that acts as a hub for the Hampton Roads region's technology-led economic development agenda.

Complete financial statements for the component units can be obtained by writing the Assistant Vice President for Advancement/Fiscal Officer for Foundations, Norfolk State University Foundation, c/o University Advancement, 700 Park Avenue, Suite 410, Norfolk, Virginia, 23504.

Although the University does not control the timing or amount of receipts from the foundations, the majority of resources or income thereon that the foundations hold and invest is restricted to the activities of the University by the donors. These restricted resources held by the foundations can only be used by, or for the benefit of the University. Therefore, the foundations are considered component units of the University and are discretely presented in the financial statements.

During the year ended June 30, 2022, the Norfolk State University Foundation, Inc. and the Athletics Foundation of Norfolk State, Inc. made distributions of $1,556,719 and $232,428, respectively, to or on behalf of the University for both restricted and unrestricted purposes.

## Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### B. Basis of Presentation

Norfolk State University prepares its financial statements in conformity with accounting principles generally accepted in the United States of America. As a public institution, the University adheres to standards promulgated by the Governmental Accounting Standards Board (GASB). The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government* and GASB Statement 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.* The University follows Statement 34 and 35 requirements for "reporting by special purpose governments engaged only in business-type activities." The financial statement presentation provides a comprehensive entity-wide look at the University's financial activities.

During the year ended June 30, 2022, the following GASB Statements became effective: Statement No. 87, *Leases*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* Statement No 92, *Omnibus 2020,* Statement No. 93, *Replace of Interbank Offered Rates*; and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.*

In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. For the University, the requirements of this Statement are effective as of the fiscal year beginning July 1, 2021.

The University adopted this new accounting standard on July 1, 2021 and applied the new standard to leases existing as of July 1, 2021 with a threshold of $50,000 or more. This threshold applied to the lower of the calculated lease asset or the lease liability. This resulted in the recognition of Lease Liabilities of $406,078 and Right-of-Use Lease Assets of $402,197 net of accumulated amortization on the Statement of Net Position as of June 30, 2022. See Notes 4 and 6.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period. The* The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 did not have a material impact on the University for the year ending June 30, 2022.

GASBS Statement No. 92, Omnibus 2020, Paragraphs 11 and 13 were effective upon issuance in January 2020. GASB Statement No. 92 did not have a material impact on the University for the year ending June 30, 2022.

Statement No. 93, Replace of Interbank Offered Rates, excluding paragraphs 11b, 13, and 14.
GASB Statement No. 93 did not have a material impact on the University for the year ending June 30, 2022.

Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, only a portion of paragraph 4, paragraph 5,

## Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and revisions to Implementation Guide No. 2019-2, Fiduciary Activities. GASB Statement No. 97 did not have a material impact on the University for the year ending June 30, 2022.

The foundations are private, non-profit organizations that report under Financial Accounting Standards Board (FASB) standards, 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 and presentation features. Reclassifications have been made to convert the foundations' financial information to GASB format. The foundation statements and subsequent notes comply with the GASB presentation format.

### C. Basis of Accounting

The University's financial statements have been prepared 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 a liability is incurred, regardless of the timing of related cash flows. Bond premiums and discounts are deferred and amortized over the life of the debt. All significant intra-agency transactions have been eliminated. The University's accounting policies conform to generally accepted accounting principles as prescribed by GASB, including all applicable GASB pronouncements.

### D. Cash and Cash Equivalents

In accordance with the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, definition, cash and cash equivalents consist of cash on hand, money market funds, and temporary highly liquid investments with an original maturity of three months or less.

### E. Investments

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, modified by GASB Statement 59, *Financial Instruments Omnibus* and GASB Statement 72, *Fair Value Measurement,* purchased investments, interest bearing temporary investments classified with cash, and investments received as gifts are recorded at fair value. All investment income, including changes in the fair value of investments (unrealized gains and losses), is reported as non-operating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

### F. Prepaid Expenses

As of June 30, 2022, the University's prepaid expenses included items such as, advertising, software license renewal, insurance, and publication subscriptions, which include initial and renewal annual subscriptions for technical and professional publications. The University recognizes prepaids when purchased and expenses when used.

### G. Receivables

Receivables consist of tuition and fee charges to students and auxiliary enterprises' sales and services. Receivables also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to grants and contracts. Receivables are recorded net of estimated uncollectible amounts.

## Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### H. Capital Assets

Capital assets include land, buildings and other improvements, library materials, equipment and infrastructure assets such as parking lots, sidewalks, campus lighting, intangible assets, and computer network cabling systems, and right-to-use lease assets. The University generally defines capital assets as assets with an initial cost of $5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost.

Library materials are valued using cost of the library acquisitions. Donated capital assets are recorded at acquisition value at the date of contribution. Expenses for major capital assets and improvements are capitalized (construction-in-progress) as projects are constructed. The University holds a patent which was obtained with the sole intent of earning revenue in the future. As such, they do not meet the capitalization criteria of an intangible asset set out in GASB 51 and are not included in Capital Assets. As of June 30, 2022 no revenue has been earned from the patent. The University also includes any software development projects in excess of $100,000 as an intangible asset capitalizable under GASB 51. Any software purchased prior to July 1, 2009 was modified to the extent that it became internally generated software and is not required to be retroactively capitalized under GASB 51. The University has chosen not to retroactively capitalize internally generated software.

Right-to-use lease assets represent the University's right to use an underlying asset for a lease term, and are initially measured as the sum of the following:
- Amount of the initial measurement of the related lease liability
- Lease payments made prior to the commencement of the lease term, less any lease incentives
- Initial direct costs that are ancillary charges necessary to place the lease asset into service.

The University recorded three right to use leased assets as of June 30, 2022. The assets are right to use assets for leased equipment. The related leases are discussed in the Leases subsection of the Liabilities section of Footnote 7. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases. Amortization is not allocated to the functional expense categories. Amortization expense is combined with depreciation expense in the Statement of Revenues, Expenses, and Changes in Net Position.

The costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life are not capitalized. The University has reviewed its capital assets for impairment using criteria set forth in GASB 42, *Impairment of Capital Assets*, and has no impaired assets at year end.
Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Useful lives by asset categories are listed below:

Buildings - 30 years
Other improvements and infrastructure - 8 to 25 years
Equipment - 4 to 25 years
Library materials - 5 years
Intangible assets - 3 to 5 years

The University's art collections are held for public exhibition, education, and research in furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved; and are subject to University 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

## Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

collections are not available; in accordance with GASB Statement 34, no balances are reported in the accompanying financial statements.

I. Non-current Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or replacement reserve funds or to purchase or construct capital and other non-current assets are classified as non-current assets in the Statement of Net Position.

J. Unearned Revenue

Unearned revenue represents monies received, but not earned as of June 30, 2022. This primarily includes amounts received for tuition and fees and certain auxiliary activities in advance of the academic term as well as advance payments on grants and contracts that have not been spent or earned before the end of the fiscal year.

K. Accrued Compensated Absences

The amount of leave earned, but not taken by non-faculty salaried employees is recorded as a liability on the Statement of Net Position. The amount reflects, as of June 30, 2022, all unused vacation leave, sabbatical leave, and the amount payable upon termination under the Commonwealth of Virginia's sick leave payout policy. The applicable share of employer-related taxes payable on the eventual termination payments is also included.

L. Non-current Liabilities

Non-current liabilities include principal amounts of bonds payable, notes payable with contractual maturities greater than one year, estimated amounts for accrued compensated absences that will not be paid within the next fiscal year, lease liability related to the right to use leased asset, the University's proportionate share of the Virginia Retirement System (VRS) State Employee Retirement Plan and Virginia Law Officers' System (VaLORS) net pension liability, and the University's proportionate share of the VRS and Department of Human Resources Management (DHRM) OPEB obligations.

M. Federal Financial Assistance Programs

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

N. Deferred Outflows of Resources

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

O. Deferred Inflows of Resources

## Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

### P. Net Position

GASB standards require the classification of net position into three components: net investment in capital assets, amounts that are restricted and amounts that are unrestricted. These classifications are defined as follows:

Net investment in Capital Assets – component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.

Restricted Net Position:

Nonexpendable – represents endowment and similar type assets whose use is limited by donors or other outside sources and as a condition of the gift, the principal; is to be maintained in perpetuity.

Expendable – represents funds that have been received for specific purposes and the University is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties.

Unrestricted Net Position – represents resources derived from student tuition and fees, state appropriations, unrestricted gifts, interest income, and sales and services of educational departments and auxiliary enterprises.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense toward restricted resources and then toward unrestricted. Restricted funds remain classified as such until restrictions have been satisfied.

### Q. Revenue and Expense Classifications

Operating revenues include activities that have the characteristics of exchange transactions, such as: (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship allowances; and (3) federal, state, and nongovernmental grants and contracts.

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts, and other revenue sources that are defined as non-operating revenues by GASB Statement 9 and GASB Statement 34, such as state appropriations and investment and interest income.

## Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-operating expenses include interest on debt related to the purchase of capital assets and state appropriation reversions. All other expenses are classified as operating expenses.

R. Scholarship Discounts and Allowances

Student tuition and fees revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenue, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the student's behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that such revenues are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

S. Pension Obligation

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. See Note 11 for general information about the pension plans and calculation of the net pension liability.

T. Other Postemployment Benefits (OPEB)

The University participates in postemployment benefit programs that are sponsored by the Commonwealth and administered by the Virginia Retirement System. These programs include the Group Life Insurance Program, Virginia Sickness and Disability Program, Retiree Health Insurance Credit Program, and Line of Duty Act Program. The University also participates in the Pre-Medicare Retiree Healthcare Plan, sponsored by the Commonwealth and administered by the Department of Human Resources Management (DHRM). See Note 12 for general information about the OPEB plans and calculation of the OPEB liability. Descriptions of these plans are as follows:

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees or participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB

## Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

VRS Disability Insurance Program

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

State Employee Health Insurance Credit Program

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.

Line of Duty Act Program

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

## Note 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Pre-Medicare Retiree Healthcare Plan

Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes. This program was established by Title 2.2, Chapter 28 of the *Code of Virginia* for retirees who are not yet eligible to participate in Medicare. It is the same health insurance program offered to active employees and managed by the Virginia Department of Human Resource Management. After retirement, Norfolk State University 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.

## Note 2—CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash deposits held by the university are maintained in accounts that are collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., Code of Virginia. Cash and cash equivalents represent cash with the treasurer, 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®). This program offers 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. 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.

Deposits with banks are covered by the FDIC and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"). Under the Act, banks and saving institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice will pledge collateral that ranges in amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

The Virginia Security for Public Deposits Act eliminates any custodial credit risk for the University.

A. Securities Lending Transactions

GASB Statement 28, Accounting and Financial Reporting for Securities Lending Transactions, establishes accounting and financial reporting standards for security lending transactions. Cash equivalents held by the Treasurer of Virginia represent the University's allocated share of cash collateral

## Note 2—CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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. As of June 30, 2022, the University's share of the securities lending transactions held by the Treasurer of Virginia is $2,637,278.

B. Investments

The investment policy of the University is established by the Board of Visitors and monitored by the Board's Audit and Finance Committee. Authorized investments are set forth in the Investment of Public Funds Act of the Code of Virginia, Sections 2.2-4500 through 2.2-4518. Authorized investments include Certificates of Deposit, Commercial Paper, Bankers Acceptances, Repurchase Agreements, Agency Notes and Bonds, Treasury Bills, and Mutual Funds. The University's investments are in investment pools held by the Treasurer of Virginia and are not categorized as to levels of risk. Investments fall into two groups: short and long-term. Short-term investments have an original maturity of over 90 days but less than or equal to one year.

GASB Statement 40, *Deposit and Investment Risk Disclosures,* requires the following risk disclosures:

Concentration of Credit Risk – Concentration of credit risk requires the disclosure by amount and issuer of any investments in any one issuer that represents 5% or more of total investments. As of June 30, 2020, none of the University's investments involves concentration of credit risk.

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. This Statement requires the disclosure of the credit quality ratings of all investments subject to credit risk. Credit ratings on cash equivalents as of June 30, 2022, are shown below.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of failure of the counterparty, the University would not be able to recover the value of its investment or collateral securities that are in the possession of the outside party. All investments are registered and held in the name of the University and, therefore, the University does not have this risk.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University limits its exposure to interest rate risk by limiting the maximum maturity lengths of investments and structuring the portfolio to maintain adequate liquidity to ensure the University's ability to meet its operating requirements.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University does not have investments in foreign currency.

Norfolk State University and the Norfolk State University Foundation follow accounting standards on fair value measurements, which define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting standards establish a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

## Note 2—CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

The three levels are defined as follows:

Level 1 - inputs to the valuation methodology are quotes prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial statements.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The valuation method is determined in good faith by the investment advisors of the respective entities and may not reflect amounts that could be realized upon immediate sale, nor amount that may be ultimately realized.

| | Amount | 0-3 months | Credit Rating |
|---|---|---|---|
| **Cash equivalents:** | | | |
| Money market funds [1] | $ 902,699 | $ 902,699 | A-1 |
| SNAP [2] | 2,336,072 | 2,336,072 | AAAm |
| Totals | $ 3,238,771 | $ 3,238,771 | |

[1] The University invests certain short-term cash balances held within its accounts in money market funds. The funds are reported at amortized cost, which approximates fair value.

[2] SNAP investments are reported using the net asset value per share, which is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

The Norfolk State University Foundation's investments are managed by external investment managers in compliance with investments guidelines established by the Board of Directors. Financial instruments, which potentially subject the Foundation to concentration of credit risk, consist principally of cash, investments, and promises to give receivable. The Foundation places unrestricted cash and temporary overnight investments with high credit quality financial institutions. At times the balances may exceed the FDIC insurable limit.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. As of December 31, 2021, the Norfolk State University Foundation held the following investments carried at fair value and listed by the valuation hierarchy defined above:

| NSU Foundation<br>Investments (at fair value): | Level 1 | Level 2 | Level 3 | Total Fair Value |
|---|---|---|---|---|
| Cash held for investment | $ 84,477,245 | $ - | $ - | $ 84,477,245 |
| Money market funds | 106,869 | - | - | 106,869 |
| Mutual funds | 149,566 | - | - | 149,566 |
| | $ 84,733,680 | $ - | $ - | $ 84,733,680 |
| Chartiable remainder unitrusts | - | - | 231,246 | $ 231,246 |
| Promises to give, net | - | - | 4,002,188 | $ 4,002,188 |
| Split-interest agreement liability | - | - | (18,487) | $ (18,487) |
| Total Fair Value | $ 84,733,680 | $ - | $ 4,214,947 | $ 88,948,627 |
| | | | | |
| Investments in private investment companies at net asset value (a) | | | | 99,450 |

(a) In accordance with ASC 820, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of net position.

## Note 3—ACCOUNTS RECEIVABLE & NOTES RECEIVABLE

Accounts receivable consisted of the following at June 30, 2022:

| | | |
|---|---|---|
| Student tuition and fees | $ | 2,403,035 |
| Federal, state and nongovernmental grants and contracts | | 6,157,188 |
| Other receivables | | 1,083,213 |
| Total accounts receivables | | 9,643,436 |
| Less allowance for doubtful accounts | | (1,165,719) |
| Net accounts receivable | $ | 8,477,717 |

Notes receivable consisted of the following at June 30, 2022:

| | | |
|---|---|---|
| Current notes receivables: | | |
| Federal Perkins Student loan program | $ | 200,157 |
| Virginia State Student loan program | | 24,335 |
| Other short-term loans | | 34,324 |
| Total current notes receivable | | 258,816 |
| Less allowance for doubtful accounts | | (158,124) |
| Net current notes receivables | $ | 100,692 |
| Noncurrent notes receivables: | | |
| Federal Perkins Student loan program | $ | 1,009,492 |
| Federal Nursing loan program | | 7,865 |
| Virginia State Student loan program | | 558,309 |
| Total noncurrent notes receivable | | 1,575,666 |
| Less allowance for doubtful accounts | | (1,356,748) |
| Net noncurrent notes receivables | $ | 218,918 |

<u>Contributions Receivable – Component Units</u>

Pledges receivable represent pledges made by individuals, corporations, and organizations for various purposes. The following details the timing of expected receipts on pledges receivable at December 31, 2021 for Norfolk State University Foundation and at June 30, 2022 for Norfolk State University Research and Innovation Foundation and Affiliates.

| | Norfolk State University Foundation Inc. | University Research and Innovation Foundation and Affiliates | Total |
|---|---|---|---|
| Contributions currently due | $ 1,132,055 | $ 19,103 | $ 1,151,158 |
| Contributions due in one to five years | 2,717,859 | - | 2,717,859 |
| Contributions due in more than five years | 368,792 | - | 368,792 |
| Total contribution receivables | 4,218,706 | 19,103 | 4,237,809 |
| Less - time value discount | (181,356) | - | (181,356) |
| Less - allowance for uncollectible accounts | (35,162) | - | (35,162) |
| Net contributions receivable | $ 4,002,188 | $ 19,103 | $ 4,021,291 |

## Note 4—CAPITAL ASSETS

A summary of changes in the various capital asset categories and right-to-use lease assets for the year ended June 30, 2022, is presented as follows:

| | Beginning Balance July 1, 2021 | Additions | Deletions | Ending Balance June 30, 2022 |
|---|---|---|---|---|
| **Nondepreciable capital assets:** | | | | |
| Land | $ 5,941,099 | $ - | $ - | $ 5,941,099 |
| Construction in progress | 3,051,187 | 8,040,657 | 2,535,935 | 8,555,909 |
| Total nondepreciable capital assets | 8,992,286 | 8,040,657 | 2,535,935 | 14,497,008 |
| **Other capital assets:** | | | | |
| Buildings | 439,699,582 | 349,851 | - | 440,049,433 |
| Infrastructure | 7,941,677 | - | - | 7,941,677 |
| Equipment | 47,211,381 | 3,007,594 | 499,373 | 49,719,602 |
| Other improvements | 17,092,877 | 1,918,833 | - | 19,011,710 |
| Software | 2,306,375 | 316,014 | 15,960 | 2,606,429 |
| Library materials | 5,476,302 | 14,220 | - | 5,490,522 |
| **Right-to-use lease assets:** | | | | |
| Lease Equipment (GASB No. 87)* | 75,344 | 519,590 | - | 594,934 |
| Total other capital assets | 519,803,538 | 6,126,102 | 515,333 | 525,414,307 |
| **Less accumulated depreciation for:** | | | | |
| Buildings | 192,181,780 | 14,029,101 | - | 206,210,881 |
| Infrastructure | 3,566,266 | 560,044 | - | 4,126,310 |
| Equipment | 30,926,878 | 3,349,940 | 404,001 | 33,872,817 |
| Other improvements | 5,519,960 | 1,100,107 | - | 6,620,067 |
| Software | 1,723,064 | 206,225 | 15,960 | 1,913,329 |
| Library materials | 5,417,788 | 36,018 | - | 5,453,806 |
| **Less accumulated amortization for right-to-use lease assets:** | | | | |
| Lease Equipment (GASB No. 87) | - | 192,737 | - | 192,737 |
| Total accumulated depreciation and amortization | 239,335,736 | 19,474,172 | 419,961 | 258,389,947 |
| **Other capital assets, net** | 280,467,802 | (13,348,070) | 95,372 | 267,024,360 |
| Total capital assets, net | $ 289,460,088 | $ (5,307,413) | $ 2,631,307 | $ 281,521,368 |

*Amounts have been restated to include items related to the implementation of GASB Statement 87, Leases.

## Note 4—CAPITAL ASSETS (CONTINUED)

Capital Assets - Component Units

| | NSU Foundation Inc. as of December 31, 2021 | The Athletics Foundation of Norfolk State University, Inc. as of June 30, 2022 | NSU Research and Innovation Foundation and Affiliates as of June 30, 2022 | Total |
|---|---|---|---|---|
| **Nondepreciable capital assets:** | | | | |
| Land | $ 148,210 | $ - | $ - | $ 148,210 |
| Construction in Progress | 1,876,100 | - | - | 1,876,100 |
| Development costs | - | - | 546,074 | 546,074 |
| Total nondepreciable capital assets | 2,024,310 | - | 546,074 | 2,570,384 |
| **Other capital assets:** | | | | |
| Buildings | - | - | 29,293,965 | 29,293,965 |
| Equipment | 1,128,156 | 168,888 | 3,935,819 | 5,232,863 |
| Total other capital assets | 1,128,156 | 168,888 | 33,229,784 | 34,526,828 |
| **Less accumulated depreciation** | (818,613) | (164,203) | (16,052,302) | (17,035,118) |
| Other capital assets, net | 309,543 | 4,685 | 17,177,482 | 17,491,710 |
| Total capital assets, net | $ 2,333,853 | $ 4,685 | $ 17,723,556 | $ 20,062,094 |

## Note 5—ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2022:

| | |
|---|---|
| Vendors and suppliers accounts payable | $ 8,252,168 |
| Employee salaries, wages, and fringe benefits payable | 7,531,286 |
| Accrued interest payable | 536,759 |
| Retainage payable | 293,507 |
| Spartan Suites rent and scholarships | 290,040 |
| Total accounts payable and accrued liabilities | $ 16,903,760 |

## Note 6—NON-CURRENT LIABILITIES

The University, Norfolk State University Research and Innovation Foundation and Affiliates and Norfolk State University Foundation, Inc.'s non-current liabilities consist of long-term debt (further described in Note 7), other non-current liabilities, and right-to-use lease equipment. A summary of changes in non-current liabilities for the year ended June 30, 2022, is presented as follows:

| University | Beginning Balance | Additions | Deletions | Ending Balance | Current Portion |
|---|---|---|---|---|---|
| Long-term debt: | | | | | |
| Bonds payable 9c | $ 56,130,000 | $ - | $ - | $ 56,130,000 | $ 3,595,000 |
| Notes payable | 25,175,000 | - | - | 25,175,000 | - |
| Installment purchases (Direct Borrowing) | 1,278,349 | - | 518,771 | 759,578 | 385,131 |
| Unamortized bond discount | (43,036) | - | (3,036) | (40,000) | (3,038) |
| Unamortized bond premium | 6,633,674 | - | 580,624 | 6,053,050 | 580,626 |
| **Total long-term debt** | 89,173,987 | - | 1,096,359 | 88,077,628 | 4,557,719 |
| Accrued compensated absences | 2,589,963 | 1,726,699 | 1,847,577 | 2,469,085 | 992,510 |
| Lease Liability (**GASB 87**)* | 75,344 | 519,590 | 188,856 | 406,078 | 239,358 |
| Federal loan capital contributions | 723,247 | - | 263,797 | 459,450 | - |
| **Total long-term liabilities** | $ 92,562,541 | $ 2,246,289 | $ 3,396,589 | $ 91,412,241 | $ 5,789,587 |

*Amounts have been restated to include items related to the implementation of GASB Statement 87, Leases.

| Research and Innovation Foundation and Affiliates | Beginning Balance | Additions | Deletions | Ending Balance | Current Portion |
|---|---|---|---|---|---|
| Long-term debt: | | | | | |
| Bonds payable | $ 27,175,000 | $ - | $ 985,000 | $ 26,190,000 | $ 1,110,000 |
| Unamortized debt issuance costs | (981,602) | 75,508 | - | (906,094) | - |
| Total long-term debt | 26,193,398 | 75,508 | 985,000 | 25,283,906 | 1,110,000 |
| Derivative - interest rate swap | 1,150,143 | - | 1,150,143 | - | - |
| **Total long-term liabilities** | $ 27,343,541 | $ 75,508 | $ 2,135,143 | $ 25,283,906 | $ 1,110,000 |

| Norfolk State University Foundation, Inc. and Subsidiary | Beginning Balance | Additions | Deletions | Ending Balance | Current Portion |
|---|---|---|---|---|---|
| Long-term liabilities: | | | | | |
| Split-interest agreement | $ 38,320 | $ - | $ 19,833 | $ 18,487 | $ - |
| Capital lease obligation | 2,024 | - | 2,024 | - | - |
| **Total long-term liabilities** | $ 40,344 | $ - | $ 21,857 | $ 18,487 | $ - |

## Note 7—LONG-TERM DEBT

Norfolk State University has issued two categories of bonds pursuant to Section 9 of Article X of the *Constitution of Virginia*. Section 9 (d) bonds are revenue bonds, which are limited obligations of the University payable exclusively from pledged general revenues and are not debt of the Commonwealth, legally, morally, or otherwise. Pledged general revenues include general fund appropriations, tuition and fees, auxiliary enterprise revenues, and other revenues not required by law to be used for another purpose. The University also 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) also issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University and various other institutions of higher education. The University's general revenue also secures these notes.

Section 9(c) bonds are general obligation bonds issued by the Commonwealth of Virginia on behalf of the University, which are secured by the net revenues of the completed project and the full faith, credit, and taxing power of the Commonwealth of Virginia. On November 10, 2016, $71,200,000 Commonwealth of Virginia General Obligation Bonds, Series 2016A were issued for residence hall projects authorized under Article X, Section 9(c) of the Constitution of Virginia. The University's portion of the $71,200,000 was $7,875,000. Bonds of $7,875,000 were issued at a premium of $1,389,200 to finance the costs to renovate and upgrade various residence halls on campus. Debt payments began on June 1, 2017 and will mature on June 1, 2031. The interest rates charged are from 3.00% - 5.00% and the bond proceeds were deposited in the State Non-Arbitrage Program. As of June 30, 2022, $5,495,000 in principal remains outstanding.

On August 14, 2018, the Commonwealth of Virginia closed on the sale of $106,890,000 Commonwealth of Virginia General Obligation Bonds, Series 2018A (the "Bonds") issued for projects authorized under Article X, Section 9(c) of the Constitution of Virginia. The Bonds sold at a true interest cost of 2.8365% on July 25, 2018 and were issued to finance the cost of acquiring, construction and equipping revenue-producing capital projects at institutions of higher education of the Commonwealth. The University's portion of the $106,890,000 was $52,185,000. Bonds of $52,185,000 were issued at a premium of $6,984,626 on behalf of Norfolk State University to finance the cost to construct a new residential housing on campus. Debt payments began on December 1, 2018 and will mature on June 1, 2033. The interest rates charged are from 3.00% - 5.00% and the bond proceeds were deposited in the State Non-Arbitrage Program. As of June 30, 2022, $43,765,000 in principal remains outstanding.

On April 14, 2021, the Treasury Board completed the sale of $38,005,000 in General Obligation Refunding Bonds, Series 2021A and General Obligation Refunding Bonds, Series 2021B (Federally Taxable) (the "Bonds"). The Bonds closed on May 5, 2021. The sale of these bonds enabled the University to refund $6,680,000 of debt outstanding on the Series 2016A and the Series 2018A bonds used for the Residence Hall Renovation and Residence Hall Construction projects. The interest rates on these bonds were at 5.000%. The refunding resulted in Series 2021A and Series 2021B being issued for a combined par value of $6,870,000 and premium of $224,787. The refunding will generate a cash flow savings of $6,861,512 between fiscal years 2021 and 2022, and over the term of the bonds generates savings of $-1,794,625. The overall net present value of the savings is $-208,147, at discount rates of 1.3464% for 2021A and 2.0041% for 2021B. The refunding generated a deferred accounting gain of $404,253. Principal and interest payments will be due annually beginning December 1, 2021 and ending June 1, 2035.

## Note 7—LONG-TERM DEBT (CONTINUED)

On February 9, 2021, the Virginia College Building Authority sold Educational Facilities Revenue Refunding Bonds (Public Higher Education Financing Program), Series 2021A and Series 2021B. The sale of these bonds enabled the University to refund $6,450,000 of debt outstanding on the Student Center bonds Series 2010A bonds and the Series 2012A bonds, which had interest rates ranging from 2.750% to 5.000%. The refunding resulted in Series 2021A and Series 2021B being issued for a combined par value of $6,675,000 and premium of $238,516. The refunding will generate a cash flow savings of $3,610,338 between fiscal years 2021 and 2023, and over the term of the bonds generates savings of $-815,777. The overall net present value of the savings is $-110,439, at discount rates of 1.1228% for 2021A and 1.7396% for 2021B. The 2021A refunding generated a deferred accounting loss of $84,067, and the 2021B refunding generated an accounting gain of $230,915. Principal and interest payments will be due annually beginning September 1, 2021 and ending September 1, 2037.

At June 30, 2022, installment purchases consist of the current and long-term portions of obligations resulting from various contracts used to finance the acquisition of equipment. The lengths of the purchase agreements are for five years and the interest rates charged are from 1.565% to 2.141%. On July 24, 2019 the University entered into a five year installment purchase through the Commonwealth of Virginia Master Equipment Lease Program for the synthetic turf at the William Price football stadium totaling $1,200,895.00. As of June 30, 2022, the balance of $759,578 of installment purchases from direct borrowings (from a lender) remains outstanding.

<u>Debt Defeasance</u>

In prior years, in accordance with GASB Statement No. 7, Advance Refundings Resulting in the Defeasance of Debt, the University excluded from its financial statements the assets in escrow and the Section 9(c) or 9(d) bonds payable that were previously defeased “in-substance.” As of June 30, 2022, there were $4,795,000 in Section 9(d) bonds that were defeased and outstanding.

<u>Lease Equipment Liability</u>

Norfolk State University has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The first agreement was executed on April 30 2019, to lease a copy machine and requires 60 monthly payments of $2,316.31. There are no variable payment components of the lease. As a result of the lease, Norfolk State University has recorded a right to use asset with a lease liability of $49,406 on June 30, 2022.

The second agreement was executed on July 1, 2021, to lease laundry services and requires 24 monthly payments of $6,231. There are no variable payment components of the lease. As a result of the lease, Norfolk State University has recorded a right to use asset with a lease liability of $73,472 at June 30, 2022.

The third agreement was executed on November 15, 2021, to lease copy machine and requires 32 monthly payments of $12,204. There are no variable payment components of the lease. As a result of the lease, Norfolk State University has recorded a right to use asset with a lease liability of $283,200 at June 30, 2022.

## Note 7—LONG-TERM DEBT (CONTINUED)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

| | Interest Rates (%) | Maturity Fiscal Year End | Balance at June 30, 2022 |
|---|---|---|---|
| **Bond payable:** | | | |
| 9C Debt Residential Halls Renovations | | | |
| Series 2016A | 3.00 - 5.00 | 2031 | $ 5,495,000 |
| Series 2021A refunding 2016A | 3.00 | 2032 | 400,000 |
| Series 2021B refunding 2016A | 1.95 | 2033 | 520,000 |
| 9C Debt New Construction - New Res Hall | | | |
| Series 2018A | 3.00 - 5.00 | 2033 | 43,765,000 |
| Series 2021A refunding 2018A | 2.00 | 2034 | 2,745,000 |
| Series 2021B refunding 2018A | 2.15 | 2035 | 3,205,000 |
| **Net bonds payable** | | | 56,130,000 |
| **Notes payable:** | | | |
| Student Center | | | |
| Series 2010A-1 | 4.55 - 5.50 | 2031 | 9,430,000 |
| Series 2021A refunding 2010A | 2.00 - 3.00 | 2033 | 1,900,000 |
| Series 2021B refunding 2012A | 0.48 - 2.30 | 2038 | 4,775,000 |
| Series 2014B | 3.00 - 3.25 | 2036 | 9,070,000 |
| **Total notes payable** | | | 25,175,000 |
| Less: unamortized discount | | | (40,000) |
| Add: unamortized premium | | | 6,053,050 |
| **Net bonds payable and notes payable** | | | 87,318,050 |
| **Installments payable:** | | | |
| Master equipment lease program | 1.57 - 2.14 | 2020 - 2025 | 759,578 |
| **Net installments payable** | | | 759,578 |
| **Lease Equipment Liability (GASB 87)** | | | |
| Lease Equipment Liability (GASB 87) | 3.25 | 2023-2024 | 406,078 |
| **Net Lease Equipment Liability (GASB 87)** | | | 406,078 |
| **Total** | | | $ 88,483,706 |

## Note 7—LONG-TERM DEBT (CONTINUED)

Long-term debt matures as follows:

| | | | Notes from Direct Borrowings | |
|---|---|---|---|---|
| **Year ending:** | **Principal** | **Interest** | **Principal** | **Interest** |
| 2023 | $ 3,595,000 | $ 3,215,014 | $ 385,131 | $ 13,039 |
| 2024 | 5,560,000 | 3,009,641 | 248,300 | 6,695 |
| 2025 | 5,780,000 | 2,767,841 | 126,147 | 1,350 |
| 2026 | 5,995,000 | 2,512,344 | - | - |
| 2027 | 5,895,000 | 2,241,204 | - | - |
| 2028-2032 | 35,540,000 | 6,544,954 | - | - |
| 2033-2037 | 18,030,000 | 990,012 | - | - |
| 2038-2041 | 910,000 | 10,465 | - | - |
| Unamortized Premium | 6,053,050 | - | - | - |
| Unamortized Discount | (40,000) | - | - | - |
| Total | 87,318,050 | 21,291,475 | 759,578 | 21,084 |

| | | |
|---|---|---|
| Lease Equipment Liability (GASB 87) | | |
| 2023 | 239,359 | 9,653 |
| 2024 | 166,719 | 2,887 |
| | $ 406,078 | $ 12,540 |

Norfolk State University Research and Innovation Foundation and Affiliates Debt

In February 2005, the Norfolk State University Research and Innovation Foundation and Affiliates Debt entered into an agreement to finance the construction of a 620-bed student housing facility. The terms of the agreement obligate the Foundation pursuant to $32,000,000 Tax-Exempt Variable Rate Demand Qualified 501(c)(3) Bonds Series 2017 (Refinanced in 2018-Series 2005 in 2017), interest at 70% of LIBOR due monthly beginning February 1, 2018. The terms of the indenture call for varying annual maturities through July 1, 2034, with a variable interest rate determined based on the flexible weekly rate as determined by the remarketing agent; principal payments are due semiannually starting January 1, 2018. The terms of the agreement require a debt service coverage ratio of at least 1.2:1 beginning January 1, 2017. The interest rate was 2.59% at June 30, 2022. The balance due on this loan as of June 30, 2022 was $26,190,000.

As of June 30, 2022, the Norfolk State University Research and Innovation Foundation and Affiliates bonds mature as follows:

Future principal payments are as follows:

| | |
|---|---|
| 2023 | 1,110,000 |
| 2024 | 1,250,000 |
| 2025 | 1,385,000 |
| 2026 | 1,540,000 |
| 2027-2035 | 20,905,000 |
| Total | $ 26,190,000 |

## Note 7—LONG-TERM DEBT (CONTINUED)

The bonds payable bear interest at a variable interest rate based on the flexible weekly rate as determined by the remarketing agent. To minimize the effect of changes in the variable rate, the Foundation entered an interest rate swap contract with a notional amount of $32,000,000 with a term of 29 years. The contract pays interest at a fixed 3.733% rate and receives interest at 67% of LIBOR. The 2005 swap contract was terminated in January 2018 resulting in cash proceeds of $1,125,000 and a realized gain of $1,624,076. A new swap contract was entered into in January 2018 with an original notional amount of $29,465,000 with term of 16 years paying interest at a fixed 3.15% rate and receiving interest at 70% of LIBOR. The unrealized gain relating to the swap as of June 30, 2022 was $ 1,284,172.

In conjunction with the bond issuance, the University signed a support agreement with the Norfolk State University Research and Innovation Foundation and Affiliates stating that the project will be an equal part of the Student Housing Program, provide preferential treatment to provide 95% occupancy if the debt service coverage ratio is less than 1.2 to 1, and limit additional housing projects.

## Note 8—EXPENSES BY NATURAL CLASSIFICATIONS

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 | Scholarship and Fellowship | Utilities | Plant and Equipment | Depreciation and amortization | Total |
|---|---|---|---|---|---|---|---|---|
| Instruction | $ 29,674,497 | $ 8,276,280 | $ 5,341,179 | $ - | $ - | $ 2,548,206 | $ - | $ 45,840,161 |
| Research | 1,772,492 | 273,728 | 2,123,711 | - | - | 34,422 | - | 4,204,354 |
| Public service | 218,218 | 24,163 | 177,603 | - | - | 2,158 | - | 422,142 |
| Academic support | 8,660,018 | 1,880,110 | 2,947,319 | - | - | 3,186,849 | - | 16,674,296 |
| Student services | 4,262,076 | 1,277,503 | 1,484,767 | - | - | 17,500 | - | 7,041,847 |
| Institutional support | 13,248,478 | 2,806,313 | 13,477,882 | - | - | 9,949,688 | - | 39,482,361 |
| Operations and maintenance-plant | 4,523,897 | 1,601,962 | 446,084 | - | 2,803,825 | 880,741 | - | 10,256,508 |
| Depreciation and amortization | - | - | - | - | - | - | 19,474,172 | 19,474,172 |
| Scholarship and fellowship | - | - | - | 29,427,504 | - | - | - | 29,427,504 |
| Auxiliary activities | 7,601,063 | 2,010,822 | 25,959,724 | - | 2,292,855 | 181,283 | - | 38,045,748 |
| Total operating expenses | $ 69,960,739 | $ 18,150,882 | $ 51,958,269 | $ 29,427,504 | $ 5,096,680 | $ 16,800,847 | $ 19,380,522 | $ 210,869,093 |

## Note 9—STATE APPROPRIATIONS & CAPITAL APPROPRIATIONS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriation 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 reappropriation 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 education and general state appropriations received by the University including all supplemental appropriations and reversions:

| | |
|---|---|
| Original legislative state appropriation: | |
| Educational and general programs | $ 60,920,122 |
| Student financial assistance | 19,560,214 |
| Adjustments: | |
| VIVA ILL Allocation | 1,050 |
| Clinical Faculty Grant | 1,553 |
| VA Military Survivors & Dependents | 90,790 |
| Two Yr College Transfer Grant | 28,000 |
| Affordable Access | 2,843,500 |
| FY21 Central Approp | 1,846,536 |
| NSU Talent Tech | 241,601 |
| Chapter 854; NSU interest earnings | 70,648 |
| Adjusted state appropriation | $ 85,604,014 |

The Commonwealth has established several programs to provided state-supported institutions for higher education with bond proceeds for financing the acquisition and replacement of instructional and research equipment and facilities. During fiscal year 2022, funding was provided to the University from the 21st Century program and the Equipment Trust Fund, 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.

The following is a summary of capital appropriation and gifts recognized by the University for year ended June 30, 2022:

| | |
|---|---|
| VCBA 21st Century program | $ 3,686,601 |
| FY22 Central Maintenance Reserve | 4,164,087 |
| Fine Arts Building Planning | 2,500,000 |
| Total capital appropriations | $ 10,350,688 |

## Note 10—COMMITMENTS

During fiscal year 2022, the University committed and spent $4,063,934 on construction contracts. Outstanding commitments on these contracts totaled $7,770,196 as of June 30, 2022.

The University is committed under various operating agreements for equipment and space. Those agreements that are long-term in nature and/or greater than $50,000 in value are classified separately in accordance with GASB Statement No. 87 – Leases (See Note 6 and 7 for details). Otherwise, leases short-term in nature and/or less significant in value are recorded as outflows of resources in the period to which they pertain. Rental expense related to these types of lease agreements was approximately $173,848 for the year ended June 30, 2022.

## Note 11—RETIREMENT PLANS

Virginia Retirement System - General Information about the Pension Plan

*Plan Description*

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Retirement Plan or the 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 different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

| RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE | | |
|---|---|---|
| **PLAN 1** | **PLAN 2** | **HYBRID RETIREMENT PLAN** |
| **About Plan 1**<br>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula. | **About Plan 2**<br>Same as Plan 1. | **About the Hybrid Retirement Plan**<br>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.<br>• The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.<br>• 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.<br>• 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. |

**Note 11—RETIREMENT PLANS (CONTINUED)**
*Plan Description*

| | | |
|---|---|---|
| **Eligible Members**<br>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.<br><br>**Hybrid Opt-In Election**<br>VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.<br><br>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.<br><br>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. | **Eligible Members**<br>Employees are in Plan 2 if their membership date is from July 1, 2010, to December 31, 2013, and they have not taken a refund, or their membership date is prior to July 1, 2010, and they were not vested as of January 1, 2013.<br><br>**Hybrid Opt-In Election**<br>Same as Plan 1. | **Eligible Members**<br>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:<br>• Full-time permanent, salaried state employees.*<br>• 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<br><br>*Non-Eligible Members<br>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:<br>• Members of the Virginia Law Officers' Retirement System (VaLORS)<br><br>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. |

**Note 11—RETIREMENT PLANS (CONTINUED)**
*Plan Description*

| | | |
|---|---|---|
| **Retirement Contributions**<br>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. | **Retirement Contributions**<br>Same as Plan 1. | **Retirement Contributions**<br>A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages. |
| **Service Credit**<br>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. | **Service Credit**<br>Same as Plan 1. | **Service Credit**<br>*Defined Benefit Component:*<br>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. |

**Note 11—RETIREMENT PLANS (CONTINUED)**
*Plan Description*

| | | |
|---|---|---|
| | | *Defined Contributions Component:*<br>Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan. |
| **Vesting**<br>Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.<br><br>Members are always 100% vested in the contributions that they make. | **Vesting**<br>Same as Plan 1. | **Vesting**<br>*Defined Benefit Component:*<br>Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.<br><br>*Defined Contributions Component:*<br>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.<br><br>Members are always 100% vested in the contributions that they make.<br><br>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. |

**Note 11—RETIREMENT PLANS (CONTINUED)**
*Plan Description*

| | | |
|---|---|---|
| | | • After two years, a member is 50% vested and may withdraw 50% of employer contributions.<br>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.<br>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.<br><br>Distributions not required, except as governed by law. |
| **Calculating the Benefit**<br>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. | **Calculating the Benefit**<br>See definition under Plan 1. | **Calculating the Benefit**<br>*Defined Benefit Component:*<br>See definition under Plan 1.<br><br>*Defined Contribution Component:*<br>The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions. |
| **Average Final Compensation**<br>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee. | **Average Final Compensation**<br>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee. | **Average Final Compensation**<br>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan. |

**Note 11—RETIREMENT PLANS (CONTINUED)**
*Plan Description*

| | | |
|---|---|---|
| **Service Retirement Multiplier**<br>**VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.<br><br>**VaLORS:** The retirement multiplier for VaLORS employees is 1.70% or 2.00%. | **Service Retirement Multiplier**<br><br>**VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.<br><br>**VaLORS:** The retirement multiplier for VaLORS employees is 2.00%. | **Service Retirement Multiplier**<br>*Defined Benefit Component:*<br>**VRS:** The retirement multiplier for the defined benefit component is 1.00%.<br><br>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.<br><br>**VaLORS:** Not applicable.<br><br>*Defined Contribution Component:*<br>Not applicable. |
| **Normal Retirement Age**<br>**VRS:** Age 65.<br><br>**VaLORS:** Age 60. | **Normal Retirement Age**<br>**VRS:** Normal Social Security retirement age.<br><br>**VaLORS:** Same as Plan 1. | **Normal Retirement Age**<br>*Defined Benefit Component:*<br>**VRS:** Same as Plan 2.<br><br>**VaLORS:** Not applicable.<br><br>*Defined Contribution Component:*<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |
| **Earliest Unreduced Retirement Eligibility**<br>**VRS:** Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.<br><br>**VaLORS:** Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit. | **Earliest Unreduced Retirement Eligibility**<br>**VRS:** Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90.<br><br>**VaLORS:** Same as Plan 1. | **Earliest Unreduced Retirement Eligibility**<br>*Defined Benefit Component:*<br>**VRS:** Same as Plan 2.<br><br>**VaLORS:** Not applicable.<br>*Defined Contribution Component:*<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |

**Note 11—RETIREMENT PLANS (CONTINUED)**
*Plan Description*

| | | |
|---|---|---|
| **Earliest Reduced Retirement Eligibility**<br>**VRS:** Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.<br><br>**VaLORS:** Age 50 with at least five years of service credit. | **Earliest Reduced Retirement Eligibility**<br>**VRS:** Age 60 with at least five years (60 months) of service credit.<br><br>**VaLORS:** Same as Plan 1. | **Earliest Reduced Retirement Eligibility**<br>*Defined Benefit Component:*<br>**VRS:** Same as Plan 2.<br><br>**VaLORS:** Not applicable.<br><br>*Defined Contribution Component:*<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |
| **Cost-of-Living Adjustment (COLA) in Retirement**<br>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%.<br><br>*Eligibility:*<br>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.<br><br>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. | **Cost-of-Living Adjustment (COLA) in Retirement**<br>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%.<br><br>*Eligibility:*<br>Same as Plan 1. | **Cost-of-Living Adjustment (COLA) in Retirement**<br>*Defined Benefit Component:*<br>Same as Plan 2.<br><br>*Defined Contribution Component:*<br>Not applicable.<br><br>*Eligibility:*<br>Same as Plan 1 and Plan 2. |

**Note 11—RETIREMENT PLANS (CONTINUED)**
*Plan Description*

| | | |
|---|---|---|
| *Exceptions to COLA Effective Dates:*<br>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:<br>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.<br>• The member retires on disability.<br>• The member retires directly from short-term or long-term disability.<br>• The member Is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.<br>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit.<br><br>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. | *Exceptions to COLA Effective Dates:*<br>Same as Plan 1. | *Exceptions to COLA Effective Dates:*<br>Same as Plan 1 and Plan 2. |
| **Disability Coverage**<br>For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.<br><br>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. | **Disability Coverage**<br>For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.<br><br>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. | **Disability Coverage**<br>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. |

**Note 11—RETIREMENT PLANS (CONTINUED)**
*Plan Description*

| | | |
|---|---|---|
| VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits. | VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits. | 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. |
| **Purchase of Prior Service**<br>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. | **Purchase of Prior Service**<br>Same as Plan 1. | **Purchase of Prior Service**<br>*Defined Benefit Component:*<br>Same as Plan 1, with the following exception:<br>• Hybrid Retirement Plan members are ineligible for ported service.<br><br>*Defined Contribution Component:*<br>Not applicable. |

***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, 2022, 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 rates, when combined with employee contributions, were 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 Norfolk State University to the VRS State Employee Retirement Plan were $ 5,774,249 and $ 5,420,309 for the years ended June 30, 2022 and June 30, 2021, respectively. Contributions from Norfolk State University to the VaLORS Retirement Plan were $ 205,445 and $ 151,252 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, Norfolk State University reported a liability of $ 31,322,217 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of $ 1,033,405 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2021, and the total pension liability used to calculate the Net Pension Liability

## Note 11—RETIREMENT PLANS (CONTINUED)

was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. Norfolk State University's proportion of the Net Pension Liability was based on Norfolk State's actuarially determined employer contributions to the pension plans for the year ended June 30, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, Norfolk State University's proportion of the VRS State Employee Retirement Plan was .86353% as compared to .85147% at June 30, 2020. At June 30, 2021, Norfolk State University's proportion of the VaLORS Retirement Plan was .19809% as compared to .24924% at June 30, 2020.

For the year ended June 30, 2022, Norfolk State University recognized pension expense of $ 1,296,408 for the VRS State Employee Retirement Plan and $(189,466) for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2020, and June 30, 2021, 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, 2022, Norfolk State University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

VRS Retirement Plan

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 282,146 | $ 1,798,513 |
| Net difference between projected and actual earnings on pension plan investments | - | 21,563,329 |
| Change in assumptions | 3,600,834 | - |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | 848,130 | 631,320 |
| Employer contributions subsequent to the measurement date | 5,774,249 | - |
| Total | $ 10,505,359 | $ 23,993,162 |

## Note 11—RETIREMENT PLANS (CONTINUED)

VaLORS Retirement Plan

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 10,745 | $ 28,444 |
| Net difference between projected and actual earnings on pension plan investments | - | 396,437 |
| Change in assumptions | 74,138 | - |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | - | 253,342 |
| Employer contributions subsequent to the measurement date | 205,445 | - |
| Total | $ 290,328 | $ 678,223 |

Norfolk State University has $5,774,249 for VRS and $205,445 for VaLORS reported as deferred outflows of resources related to pensions resulting from Norfolk State University's contributions subsequent to the measurement date that will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2023. 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:

**Year ended June 30**

| VRS Retirement Plan | | | VaLORS Retirement Plan | | |
|---|---|---|---|---|---|
| FY 2023 | $ | (3,332,697) | FY 2023 | $ | (253,038) |
| FY 2024 | $ | (4,631,642) | FY 2024 | $ | (126,854) |
| FY 2025 | $ | (4,713,744) | FY 2025 | $ | (92,543) |
| FY 2026 | $ | (6,583,969) | FY 2026 | $ | (120,905) |
| FY 2027 | $ | - | FY 2027 | $ | - |

## Note 11—RETIREMENT PLANS (CONTINUED)

### *Actuarial Assumptions*

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

| | |
|---|---|
| Inflation | 2.50 percent |
| Salary increases, including Inflation | 3.50 percent – 5.35 percent |
| Investment rate of return | 6.75 percent, net of pension plan investment expenses, including inflation |

Mortality rates:

Pre-retirement:
Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years.
Post-retirement:
Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females.
Post-disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years.
Beneficiaries and Survivors:
Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females.
Mortality Improvement:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

## Note 11—RETIREMENT PLANS (CONTINUED)

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

| | |
|---|---|
| Inflation | 2.50 percent |
| Salary increases, including Inflation | 3.50 percent – 4.75 percent |
| Investment rate of return | 6.75 percent, net of pension plan investment expenses, including inflation |

Mortality rates:

Pre-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
Mortality Improvement:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Increased rates at some younger ages, decreased at age 62, and changed final retirement age for 65 to 70 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

## Note 11—RETIREMENT PLANS (CONTINUED)

### *Net Pension Liability*

The net pension liability (NPL) is calculated separately for each plan and represents that particular plan's total pension liability determined in accordance with GASB Statement No. 67, less that plan's fiduciary net position. As of June 30, 2021, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

| | State Employee Retirement Plan | VaLORS Retirement Plan |
|---|---|---|
| Total Pension Liability | $ 26,739,647 | $ 2,390,609 |
| Plan Fiduciary Net Position | 23,112,417 | 1,868,924 |
| Employers' Net Pension Liability (Asset) | $ 3,627,230 | $ 521,685 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 86.44% | 78.18% |

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 | 34.00 % | 5.00 % | 1.70 % |
| Fixed Income | 15.00 % | 0.57 % | 0.09 % |
| Credit Strategies | 14.00 % | 4.49 % | 0.63 % |
| Real Assets | 14.00 % | 4.76 % | 0.67 % |
| Private Equity | 14.00 % | 9.94 % | 1.39 % |
| MAPS - Multi -Asset Public | 6.00 % | 3.29 % | 0.20 % |
| PIP- Private Investment Partnership | 3.00 % | 6.84 % | 0.21 % |
| **Total** | **100.00 %** | | **4.89 %** |
| | Inflation | | 2.50 % |
| | Expected arithmetic nominal return * | | **7.39 %** |

## Note 11—RETIREMENT PLANS (CONTINUED)

* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, 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 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation rate of 2.50%.

### *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, 2021, the rate contributed by Norfolk State 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, 2021, 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 Norfolk State University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

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

| | 1.00% Decrease (5.75%) | Current Discount Rate (6.75%) | 1.00% Increase (7.75%) |
|---|---|---|---|
| Norfolk State University's proportionat share of the VRS State Employee Retirement Plan Net Pension Liability | $ 58,670,547 | $ 31,322,217 | $ 8,405,697 |

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

## Note 11—RETIREMENT PLANS (CONTINUED)

| | 1.00% Decrease (5.75%) | Current Discount Rate (6.75%) | 1.00% Increase (7.75%) |
|---|---|---|---|
| Norfolk State University's proportionate share of the VaLORS Retirement Plan Net Pension Liability | $ 1,663,925 | $ 1,033,405 | $ 516,821 |

### *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 2021 Annual Comprehensive Financial Report (ACFR). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2021-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*

At June 30, 2022, the University had accrued retirement contributions payable to the pension plan of $517,522, payable to the VRS State employee Retirement Plan and $ 25,437 payable to the VaLORS Retirement Plan. The payable is based on retirement contributions earned by University employees through June 30, 2022 but not yet paid to the plan.

Optional Retirement Plans

The Commonwealth's colleges and universities participate in the retirement plans administered by VRS. In addition, full-time faculty and certain administrative staff of the Commonwealth's colleges and universities may participate in optional retirement plans as authorized by the Code of Virginia rather than the VRS retirement plans. These optional retirement plans are defined contribution plans offered through Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF), and DCP (record-kept by Mission Square Retirement). There are two defined contribution plans. Plan 1 is for employees hired prior to July 1, 2010, and retirement benefits received are based upon the employer's 10.4 percent contributions, plus net investment gains. Plan 2 is for employees hired on or after July 1, 2010, and retirement benefits received are based upon the employer's 8.5 percent not to exceed 8.9 percent contribution and the employee's 5.0 percent contribution, plus net investment gains. For Plan 2, the employer contributions for fiscal year 2022 were 8.5 percent. Vesting is full and immediate for both employer and employee contributions. For fiscal year 2022, total pension expense recognized was $1,525,670. For fiscal year 2022, contributions were calculated using the base salary amount of $16,260,687.

Deferred Compensation Plan

Most employees of the Commonwealth's colleges and universities may participate in the Commonwealth's deferred compensation plan in accordance with Internal Revenue Code Section 457(b) and/or the University's deferred compensation plan in accordance with Internal Revenue Code Sections 403(b). Under either plan, the University's cash match under the Internal Revenue Code Sections 401(a) during fiscal year 2022 was a maximum match up to $20 per pay period or $40 per month. This employer match is for either plan but not both plans. Employer contributions under these plans were approximately $157,272 for fiscal year 2022.

## Note 12—POSTEMPLOYMENT BENEFITS

The University participates in postemployment benefit programs that are sponsored by the Commonwealth and administered by the Virginia Retirement System. These programs include the Group Life Insurance Program, Virginia Sickness and Disability Program, Retiree Health Insurance Credit Program, and Line of Duty Act Program. The University also participates in the Pre-Medicare Retiree Healthcare Plan, sponsored by the Commonwealth and administered by the Department of Human Resources Management. Below are the detailed descriptions for each program.

### General Information about the 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 |
| --- |
| **Eligible Employees**<br>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:<br>• City of Richmond<br>• City of Portsmouth<br>• City of Roanoke<br>• City of Norfolk<br>• Roanoke City School Board<br><br>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**<br>The benefits payable under the Group Life Insurance Program have several components.<br>• **Natural Death Benefit** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.<br>• **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit. |

**Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)**
**Group Life Insurance Program**

- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
    - Accidental dismemberment benefit
    - Safety belt benefit
    - Repatriation benefit
    - Felonious assault benefit
    - Accelerated death benefit option

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

**Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)**
For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $8,722 as of June 30, 2022.

***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, 2022 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 Norfolk State University were $ 309,338 and $292,706 for the years ended June 30, 2022, and June 30, 2021, 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, 2022, Norfolk State University reported a liability of $ 3,056,677 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 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, 2020, and rolled forward to the measurement date of June 30, 2021. 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

**Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Group Life Insurance Program**

Program for the year ended June 30, 2021, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, Norfolk State University, employer's proportion was .26254% as compared to .26088% at June 30, 2020.

For the year ended June 30, 2022, Norfolk State University, recognized GLI OPEB expense of $100,358 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, 2022, Norfolk State University reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 348,625 | $ 23,290 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 729,563 |
| Change in assumptions | 168,514 | 418,219 |
| Changes in proportionate share | 69,623 | 130,976 |
| Employer contributions subsequent to the measurement date | 309,338 | - |
| Total | $ 896,100 | $ 1,302,048 |

$309,338 reported as deferred outflows of resources related to the GLI OPEB resulting from Norfolk State University'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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

**Year ended June 30**

| | | |
|---|---|---|
| FY 2023 | $ | (175,452) |
| FY 2024 | $ | (133,130) |
| FY 2025 | $ | (132,002) |
| FY 2026 | $ | (234,372) |
| FY 2027 | $ | (40,330) |
| Thereafter | $ | - |

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

**Group Life Insurance Program**

***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021.

| | |
|---|---|
| Inflation | 2.50 percent |
| Salary increases, including inflation – | |
| General state employees | 3.50 percent – 5.35 percent |
| Teachers | 3.50 percent – 5.95 percent |
| SPORS employees | 3.50 percent – 4.75 percent |
| VaLORS employees | 3.50 percent – 4.75 percent |
| JRS employees | 4.50 percent |
| Locality – General employees | 3.50 percent – 5.35 percent |
| Locality – Hazardous Duty employees | 3.50 percent – 4.75 percent |
| Investment rate of return | 6.75 Percent, net of investment expenses, including inflation |

**Mortality rates – General State Employees**

Pre-Retirement:
Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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:

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

**Group Life Insurance Program**

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

**Mortality rates – Teachers**

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 100% of rates for males.

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females.

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020 except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Disount Rate | No change |

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

### Group Life Insurance Program

**Mortality rates – SPORS Employees**

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rate for 0 years of service and increased rates for 1 to 6 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

**Mortality rates – VaLORS Employees**

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

**Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Group Life Insurance Program**

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

**Mortality rates – JRS Employees**

Pre-Retirement:
Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males and females set back 2 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally.

**Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Group Life Insurance Program**

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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) | Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Decreased rates for ages 60-66 and 70-72 |
| Withdrawal Rates | No change |
| Disability Rates | No change |
| Salary Scale | Reduce increases across all ages by 0.50% |
| Discount Rate | No change |

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

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is75% of the MP-2020 rates.

**Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Group Life Insurance Program**

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward2 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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:

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

**Group Life Insurance Program**

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

**Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees**

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

**Group Life Insurance Program**

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

***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 the Measurement Date of June 30, 2021, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

**Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Group Life Insurance Program**

| | Group Life Insurance OPEB Program |
|---|---|
| Total GLI OPEB Liability | $ 3,577,346 |
| Plan Fiduciary Net Position | 2,413,074 |
| Employers' GLI Net OPEB Liability (Asset) | $ 1,164,272 |
| | |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 67.45% |

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 | 34.00 % | 5.00 % | 1.70 % |
| Fixed Income | 15.00 % | 0.57 % | 0.09 % |
| Credit Strategies | 14.00 % | 4.49 % | 0.63 % |
| Real Assets | 14.00 % | 4.76 % | 0.67 % |
| Private Equity | 14.00 % | 9.94 % | 1.39 % |
| MAPS - Multi -Asset Public Strategies | 6.00 % | 3.29 % | 0.20 % |
| PIP- Private Investment Partnership | 3.00 % | 6.84 % | 0.21 % |
| **Total** | **100.00 %** | | **4.89 %** |
| | | | |
| | Inflation | | 2.50 % |
| | Expected arithmetic nominal return * | | 7.39 % |

* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, 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 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

**Group Life Insurance Program**

***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 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. Through the fiscal year ending June 30, 2021, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue 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 Norfolk State University's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate***

The following presents the employer's proportionate share of the net GLI OPEB Liability using the discount rate of 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:

| | 1.00% Decrease (5.75%) | Current Discount Rate (6.75%) | 1.00% Increase (7.75%) |
|---|---|---|---|
| Norfolk State University's proportionate share of the Group Life Insurance Plan Net OPEB Liability | $ 4,465,916 | $ 3,056,677 | $ 1,918,653 |

***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 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

***Payables VRS Group Life Insurance OPEB Plan***

At June 30, 2022, the University had accrued group life insurance contributions payable of $48,687 including $47,492 payable for General State employees and $1,195 payable for VaLORS employees. The payable is based on group life insurance contributions earned by University employees through June 30, 2022, but not yet paid to the plan.

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

### *VRS Disability Insurance Program*

### General Information about the *VRS Disability Insurance Program*

***Plan Description***

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

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

**VSDP PLAN PROVISIONS**

**Eligible Employees**

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

Eligible employees are enrolled automatically upon employment. They include:

- Full-time and part-time permanent salaried state employees covered under VRS, SPORS and ValORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP).
- State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement.
- Public college and university faculty members who elect the VRS defined benefit plan. They may participate in VSDP or their institution's disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.

**Benefit Amounts**

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

- Leave – Sick, family and personal leave. Eligible leave benefits are paid by the employer.
- Short-Term Disability – The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer.

**Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)**
***VRS Disability Insurance Program***

- **Long-Term Disability (LTD)** – The program provides a long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee's pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the Virginia Disability Insurance Program (VSDP) OPEB Plan.
- **Income Replacement Adjustment** – The program provides for an income replacement adjustment to 80% for catastrophic conditions.
- **VSDP Long-Term Care Plan** – The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.

**Disability Insurance Program (VSDP) Plan Notes:**

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

**Cost-of-Living Adjustment (COLA)**

- During periods an employee receives long-term disability benefits, the LTD benefit may be increased annually by an amount recommended by the actuary and approved by the Board.
  - Plan 1 employees vested as of 1/1/2013 – 100% of the VRS Plan 1 COLA (The first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%).
  - Plan 1 employee non-vested as of 1/1/2013, Plan 2 and Hybrid Plan employees – 100% of the VRS Plan 2 and Hybrid COLA (The first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%).

- For participating full-time employees taking service retirement, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.
  o 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.
  o 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%.

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

### VRS Disability Insurance Program

***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, 2022, 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 Norfolk State University were $236,000 and $218,570 for the years ended June 30, 2022, and June 30, 2021, respectively.

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

At June 30, 2022, Norfolk State University reported an asset of $2,857,801 for its proportionate share of the Net VSDP OPEB Asset. The Net VSDP OPEB Asset was measured as of June 30, 2021, and the total VSDP OPEB liability used to calculate the Net VSDP OPEB Asset was determined by an actuarial valuation as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. Norfolk State University's proportion of the Net VSDP OPEB Asset was based on the agency's actuarially determined employer contributions to the VSDP OPEB plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, Norfolk State University's proportion was .82902% as compared to .81581 % at June 30, 2020.

For the year ended June 30, 2022, Norfolk State University recognized VSDP OPEB expense of $(27,645). 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, 2022, Norfolk State University reported deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 135,814 | $ 463,381 |
| Net difference between projected and actual earnings on VSDP OPEB program investments | - | 535,068 |
| Change in assumptions | 19,252 | 67,344 |
| Changes in proportionate share | 73,493 | 60,612 |
| Employer contributions subsequent to the measurement date | 236,000 | - |
| Total | $ 464,559 | $ 1,126,405 |

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

***VRS Disability Insurance Program***

$236,000 reported as deferred outflows of resources related to the VSDP OPEB resulting from Norfolk State University contributions subsequent to the measurement date will be recognized as an adjustment of the Net VSDP OPEB Asset in the fiscal year ending June 30, 2023. 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:

| Year ended June 30 | | |
|---|---|---|
| FY 2023 | $ | (197,897) |
| FY 2024 | $ | (195,391) |
| FY 2025 | $ | (194,993) |
| FY 2026 | $ | (222,891) |
| FY 2027 | $ | (69,017) |
| Thereafter | $ | (17,657) |

***Actuarial Assumptions***

The total VSDP OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021.

| | | |
|---|---|---|
| Inflation | | 2.50 percent |
| Salary increases, including | | |
| Inflation – | General state employees | 3.50 percent – 5.35 percent |
| | SPORS employees | 3.50 percent – 4.75 percent |
| | VaLORS employees | 3.50 percent – 4.75 percent |
| Investment rate of return | | 6.75 percent, net of investment expenses, including inflation |

**Mortality rates – General State Employees**

Pre-Retirement:
Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females.

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

***VRS Disability Insurance Program***

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

**Mortality rates – SPORS Employees**

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

***VRS Disability Insurance Program***

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rate for 0 years of service and increased rates for 1 to 6 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

**Mortality rates – VaLORS Employees**

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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:

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

***VRS Disability Insurance Program***

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

***Net VSDP OPEB 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, 2021, NOA amounts for the Disability Insurance Program (VSDP) are as follows (amounts expressed in thousands):

| | Virginia Sickness and Disability Program |
|---|---|
| Total VSDP OPEB Liability | $ 267,198 |
| Plan Fiduciary Net Position | 611,919 |
| VSDP Net OPEB Liability (Asset) | ($ 344,721) |
| | |
| Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability | 229.01% |

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:

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

***VRS Disability Insurance Program***

| 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 | 34.00 % | 5.00 % | 1.70 % |
| Fixed Income | 15.00 % | 0.57 % | 0.09 % |
| Credit Strategies | 14.00 % | 4.49 % | 0.63 % |
| Real Assets | 14.00 % | 4.76 % | 0.67 % |
| Private Equity | 14.00 % | 9.94 % | 1.39 % |
| MAPS - Multi -Asset Public Strategies | 6.00 % | 3.29 % | 0.20 % |
| PIP- Private Investment Partnership | 3.00 % | 6.84 % | 0.21 % |
| **Total** | **100.00%** | | **4.89 %** |
| | Inflation | | 2.50 % |
| | *Expected arithmetic nominal return | | 7.39 % |

* The above allocation provides a one-year return of 7.39%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

***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, 2021, 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, 2021, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VSDP OPEB Program's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total VSDP OPEB liability.

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

***VRS Disability Insurance Program***

***Sensitivity of Norfolk State University's Proportionate Share of the Net VSDP OPEB Asset to Changes in the Discount Rate***

The following presents the Norfolk State University's proportionate share of the net VSDP OPEB asset using the discount rate of 6.75%, as well as what the Norfolk State University's proportionate share of the net VSDP OPEB 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%) |
|---|---|---|---|
| Norfolk State University's proportionate share of the VSDP Net OPEB Asset | $ 2,699,976 | $ 2,857,801 | $ 2,996,590 |

***VSDP OPEB Fiduciary Net Position***

Detailed information about the Disability Insurance Program (VSDP) Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2021-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***

At June 30, 2022, the University had accrued VSDP contributions payable of $16,756 including $16,179 payable to the VRS State employee Retirement Plan and $577 payable to the VaLORS Retirement Plan. The payable is based on VSDP contributions earned by University employees through June 30, 2022, but not yet paid to the plan.

**General Information about the State Employee Health Insurance Credit Program**

***Plan Description***

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

**Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)**
**Health Insurance Credit Program**

| STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS |
|---|
| **Eligible Employees**<br>The State Employee Retiree Health Insurance Credit Program was established January 1, 1990, for retired state employees covered under VRS, SPORS, VaLORS and JRS who retire with at least 15 years of service credit.<br><br>Eligible employees are enrolled automatically upon employment. They include:<br>• Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS. |
| **Benefit Amounts**<br>The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:<br>• **At Retirement** – For State employees who retire, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount.<br><br>• **Disability Retirement** – For State employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is $120.00 or $4.00 per year of service, whichever is higher.<br>For State police officers 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.<br><br>For State police officers 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. |
| **Health Insurance Credit Program Notes:**<br>• The monthly Health Insurance Credit benefit cannot exceed the individual's premium amount.<br>• Employees who retire after being on long-term disability under VSDP must have at least 15 years of service credit to qualify for the Health Insurance Credit as a retiree. |

***Contributions***

The contribution requirement for active employees is governed by §51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency's contractually required employer contribution rate for the year ended June 30, 2022 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 Norfolk State University to the VRS State Employee Health Insurance Credit Program were $ 641,083 and $ 605,800 for the years ended June 30, 2022 and June 30, 2021, respectively.

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

### Health Insurance Credit Program

In June 2021, the Commonwealth made a special contribution of approximately $38.7 million which was applied to the Health Insurance Credit Plan for state employees. This special payment was authorized by a budget amendment included in Chapter 552 of the 2021 Appropriation Act.

***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, 2022, Norfolk State University reported a liability of $6,339,038 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, 2021 and the total VRS State Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS State Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. Norfolk State University's proportion of the Net VRS State Employee Health Insurance Credit Program OPEB Liability was based on Norfolk State 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, 2021, Norfolk State University's proportion of the VRS State Employee Health Insurance Credit Program was .75059% as compared to. 74388% at June 30, 2020.

For the year ended June 30, 2022, Norfolk State University recognized VRS State Employee Health Insurance Credit Program OPEB expense of $ 508,911. 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, 2022, Norfolk State 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:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 1,961 | $ 206,419 |
| Net difference between projected and actual earnings on State HIC OPEB program investments | $ - | $ 120,315 |
| Change in assumptions | 164,171 | 17,884 |
| Changes in proportionate share | 106,808 | 171,998 |
| Employer contributions subsequent to the measurement date | 641,083 | - |
| Total | $ 914,023 | $ 516,616 |

$ 641,083 reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from Norfolk State 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, 2023. 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:

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

**Health Insurance Credit Program**

| Year ended June 30 | | |
|---|---|---|
| FY 2023 | $ | (79,808) |
| FY 2024 | $ | (51,033) |
| FY 2025 | $ | (46,994) |
| FY 2026 | $ | (66,221) |
| FY 2027 | $ | 368 |
| Thereafter | $ | 12 |

**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, 2020, 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, 2021.

| | |
|---|---|
| Inflation | 2.50 percent |
| Salary increases, including inflation – | |
| General state employees | 3.50 percent – 5.35 percent |
| SPORS employees | 3.50 percent – 4.75 percent |
| VaLORS employees | 3.50 percent – 4.75 percent |
| JRS employees | 4.50 percent |
| Investment rate of return | 6.75 percent, net of plan investment expenses, including inflation |

**Mortality rates – General State Employees**

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

**Health Insurance Credit Program**

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

**Mortality rates – SPORS Employees**

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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:

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

**Health Insurance Credit Program**

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rate for 0 years of service and increased rates for 1 to 6 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

**Mortality rates – VaLORS Employees**

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

**Health Insurance Credit Program**

**Mortality rates – JRS Employees**

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males and females set back 2 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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) | Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Decreased rates for ages 60-66 and 70-72 |
| Withdrawal Rates | No change |
| Disability Rates | No change |
| Salary Scale | Reduce increases across all ages by 0.50% |
| Discount Rate | No change |

***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, 2021, NOL amounts for the VRS State Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

| | State Employee HIC OPEB Plan |
|---|---|
| Total State Employee HIC OPEB Liability | $ 1,052,400 |
| Plan Fiduciary Net Position | 207,860 |
| State Employee net HIC OPEB Liability (Asset) | $ 844,540 |
| | |
| Plan Fiduciary Net Position as a Percentage of the Total State Employee HIC OPEB Liability | 19.75% |

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

### Health Insurance Credit Program

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 | 34.00 % | 5.00 % | 1.70 % |
| Fixed Income | 15.00 % | 0.57 % | 0.09 % |
| Credit Strategies | 14.00 % | 4.49 % | 0.63 % |
| Real Assets | 14.00 % | 4.76 % | 0.67 % |
| Private Equity | 14.00 % | 9.94 % | 1.39 % |
| MAPS - Multi -Asset Public Strategies | 6.00 % | 3.29 % | 0.20 % |
| PIP- Private Investment Partnership | 3.00 % | 6.84 % | 0.21 % |
| **Total** | **100.00 %** | | **4.89 %** |
| | Inflation | | 2.50 % |
| | Expected arithmetic nominal return * | | 7.39 % |

* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, 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 40th 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 7.11%, including expected inflation of 2.50% asset allocation.

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

### Health Insurance Credit Program

***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, 2021, the rate contributed by Norfolk State 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, 2021, on, all agencies are assumed to continue 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 Norfolk State University's Proportionate Share of the State Employee HIC Net OPEB Liability to Changes in the Discount Rate***

The following presents Norfolk State 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 Norfolk State 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%) |
|---|---|---|---|
| Norfolk State University's proportionate share of the VRS State Employee HIC OPEB Plan Net HIC OPEB Liability | $ 7,111,128 | $ 6,339,038 | $ 5,677,546 |

***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 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2021-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***

At June 30, 2022, the University had accrued health insurance credit contributions payable of $40,754 including $39,695 payable to the VRS State employee Retirement Plan and $1,059 payable to the VaLORS Retirement Plan. The payable is based on health insurance credit contributions earned by University employees through June 30, 2022, but not yet paid to the plan.

**Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Line of Duty Act Program**

**General Information about the 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 FY 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:

| LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS |
|---|
| **Eligible Employees**<br>The eligible employees of the LODA include paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under VRS, SPORS, or VaLORS. |

**Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Line of Duty Act Program**

**Benefit Amounts**

The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals:

- **Death** – 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:
  - $100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.
  - $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.
  - 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.

- **Health Insurance** – The Line of Duty Act program provides health insurance benefits.
  - 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.

**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, 2022, was $722.55 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 entity were $10,116 and $11,477 for the years ended June 30, 2022, and June 30, 2021, respectively.

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## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

### Line of Duty Act Program

**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, 2022, the entity reported a liability of $ 367,611 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2021 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2021 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2021, the entity's proportion was .08336% as compared to .11945% at June 30, 2020.

For the year ended June 30, 2022, the entity recognized LODA OPEB expense of $ 26,566. 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, 2022, Norfolk State University reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 30,649 | $ 55,659 |
| Net difference between projected and actual earnings on LODA OPEB program investments | - | 2,129 |
| Change in assumptions | 101,730 | 17,585 |
| Changes in proportionate share | 49,285 | 149,037 |
| Employer contributions subsequent to the measurement date | 10,116 | - |
| Total | $ 191,780 | $ 224,410 |

$10,116 reported as deferred outflows of resources related to the LODA OPEB resulting from Norfolk State 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

**Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Line of Duty Act Program**

| Year ended June 30 | | |
|---|---|---|
| FY 2023 | $ | 1,160 |
| FY 2024 | $ | 1,258 |
| FY 2025 | $ | 1,287 |
| FY 2026 | $ | 1,317 |
| FY 2027 | $ | (3,134) |
| Thereafter | $ | (44,634) |

***Actuarial Assumptions***

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021.

| | |
|---|---|
| Inflation | 2.50% |
| Salary increases, including | |
| General state employees | N/A |
| SPORS employees | N/A |
| VaLORS employees | N/A |
| Locality employees | N/A |
| Medical cost trend rates | |
| Under age 65 | 7.00% – 4.75% |
| Ages 65 and older | 5.375% – 4.75% |
| Year of ultimate trend rate | |
| Under age 65 | Fiscal year ended 2029 |
| Ages 65 and older | Fiscal year ended 2024 |
| Investment rate of return | 2.16%, including inflation* |

* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 2.16% was used since it approximates the risk-free rate of return.

**Mortality rates – General State Employees**

Pre-Retirement:
Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years.

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

**Line of Duty Act Program**

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and f emales set forward 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |

**Mortality rates – SPORS Employees**

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

**Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Line of Duty Act Program**

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rate for 0 years of service and increased rates for 1 to 6 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |

**Mortality rates – VaLORS Employees**

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

**Line of Duty Act Program**

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP- 2020 |
| Retirement Rates | Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |

**Mortality rates – Largest Ten Locality Employers With Public Safety Employees**

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP- 2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |

**Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Line of Duty Act Program**

**Mortality rates – Non- Largest Ten Locality Employers With Public Safety Employees**

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP- 2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

### Line of Duty Act Program

***Net LODA OPEB Liability***

The net OPEB liability (NOL) for 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, 2021, NOL amounts for LODA are as follows (amounts expressed in thousands):

| | Line of Duty Act Program |
|---|---|
| Total LODA OPEB Liability | $ 448,542 |
| Plan Fiduciary Net Position | 7,553 |
| LODA Net OPEB Liability (Asset) | $ 440,989 |
| | |
| Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability | 1.68% |

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 2.16% 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 2.16% 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, 2021.

***Discount Rate***

The discount rate used to measure the total LODA OPEB liability was 2.16%. 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, 2021, 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.

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

### Line of Duty Act Program

***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 2.16%, 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 (1.16%) or one percentage point higher (3.16%) than the current rate:

| | 1.00% Decrease (1.16%) | Current Discount Rate (2.16%) | 1.00% Increase (3.16%) |
|---|---|---|---|
| Norfolk State University's proportionate share of the LODA Net OPEB Liability | $ 422,887 | $ 367,611 | $ 323,689 |

**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 provisions 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% | Current Discount Rate 7.00% decreasing to 4.75% | 1.0% Increase 8.00% decreasing to 5.75% |
|---|---|---|---|
| Norfolk State University's proportionate share of the LODA Net OPEB Liability | $ 301,634 | $ 367,611 | $ 452,206 |

**Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)**

## Line of Duty Act Program

### 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 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2021-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

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

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

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

**Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Pre-Medicare Retiree Healthcare**

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 4,100 retirees and 88,000 active employees in the program as of June 30, 2021. 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, 2021. 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 4.50 percent for medical and pharmacy and 4.0 percent for dental.

| | |
|---|---|
| Valuation Date | Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported. |
| Measurement Date | June 30, 2021 (one year prior to the end of the fiscal year) |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level dollar, Closed |
| Effective Amortization Period | 6.37 years |
| Discount Rate | 2.16% |
| Projected Salary Increases | 5.35% to 3.5% based on years of service from 1 year to 20 years or more |
| Medical Trend Under 65 | Medical & Rx: 6.75% to 4.50% Dental: 4.00% |
| Year of Ultimate Trend | 2033 |
| Mortality | Mortality rates vary by participant status and gender |
| Pre-Retirement: | Pub-2010 Benefits Weighted General Employee Rates projected generationally with a Modified MP-2021 Improvement Scale; females set forward 2 years |
| Post-Retirement | Pub-2010 Benefits Weighted General Healthy Retiree Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for females |
| Post-Disablement: | Pub-2010 Benefits Weighted General Disabled Rates projected generationally with a Modified MP-2021 Improvement Scale; males and females set forward 3 years |
| Beneficiaries and Survivors: | Pub-2010 Benefits Weighted General Contingent Annuitant Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for males and females |

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2021.

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

### Pre-Medicare Retiree Healthcare

*Changes of Assumptions:* The following actuarial assumptions were updated since the June 30, 2020 valuation based on recent experience:

- Retiree Participation - reduced the rate from 45% to 40%

Spousal coverage and retiree participation were based on a blend of recent experience and the prior year assumptions. The mortality table has been updated from adjusted RP-2014 mortality tables using Scale BB to adjusted Pub-2010 Headcount-Weighted mortality tables projected generationally with modified MP-2021 Improvement Scales.

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, 2021. Additionally, the discount rate was decreased from 2.21% to 2.16% based on the Bond Buyers GO 20 Municipal Bond Index. There were no plan changes in the valuation since the prior year.

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

At June 30, 2022 the employer reported a liability of $3,859,183 for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of $448.9 million. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2021. 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 December premium holiday amounts, as a percentage of the total employer's calculated healthcare premium contributions for all participating employers. At June 30, 2021, the participating employer's proportion was .85971% as compared to . 85565% at June 30, 2020. For the year ended June 30, 2022, the participating employer recognized Pre-Medicare Retiree Healthcare OPEB gain of $1,495,129.

At June 30, 2022, Norfolk State University reported deferred outflows or resources and deferred inflows of resources related to Pre-Medicare Retiree Healthcare from the following sources:

| | Deferred Outflows | Deferred Inflows |
|---|---|---|
| Differences between expected and actual experience | $ - | $ 1,962,160 |
| Change in assumptions | - | 3,711,722 |
| Changes in proportion | 261,304 | 83,765 |
| Sub Total | 261,304 | 5,757,647 |
| Amounts associated with transactions subsequent to the measurement date | 282,159 | - |
| Total | $ 543,463 | $ 5,757,647 |

## Note 12—POSTEMPLOYMENT BENEFITS (CONTINUED)

$282,159 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pre-Medicare Retiree Healthcare OPEB will be recognized in the Pre-Medicare Retiree Healthcare OPEB expense as follows:

| Year ended June 30 | | |
|---|---|---|
| FY 2023 | $ | (1,987,577) |
| FY 2024 | $ | (1,684,806) |
| FY 2025 | $ | (987,652) |
| FY 2026 | $ | (515,804) |
| FY 2027 | $ | (253,636) |
| Thereafter | $ | (66,869) |

### Pre-Medicare Retiree Healthcare

***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 2.16%, 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 (1.16%) or one percentage point higher (3.16%) than the current rate:

| | 1.00% Decrease (1.16%) | Current Rate (2.16%) | 1.00% Increase (3.16%) |
|---|---|---|---|
| OPEB Liability | $ 4,057,146 | $ 3,859,183 | $ 3,658,793 |

***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%) |
|---|---|---|---|
| OPEB Liability | $ 3,481,319 | $ 3,859,183 | $ 4,297,909 |

## Note 13—CONTINGENCIES

Grants and Contracts

The University has received grants for specific purposes that are subject to review and audit by the 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 expenditures 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 requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. As of June 30, 2022, the University estimates that no material liabilities will result from such audits or questions.

Litigation

The University has been named a defendant in a number of grievances and lawsuits. The final outcome of these grievances and lawsuits cannot be determined at this time. However, management is of the opinion that any ultimate liability to which the University may be exposed will not have a material effect upon the University's financial position.

## Note 14—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; non-performance of duty; injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth of Virginia. 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, and air and watercraft plans. The University pays premiums to each of these Departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth's *Annual Comprehensive Financial Report*.

## Note 15—COMPONENT UNITS

| | NSU Foundation Inc. as of December 31, 2021 | The Athletics Foundation of Norfolk State University, Inc. as of June 30, 2022 | Norfolk State University Research and Innovation Foundation and Affiliates as of June 30, 2022 | Total |
|---|---|---|---|---|
| **Current assets:** | | | | |
| Cash and cash equivalents | $ 12,757,712 | $ 143,291 | $ 2,677,414 | $ 15,578,417 |
| Restricted cash and cash equivalents | - | - | 2,151,514 | 2,151,514 |
| Short-term investments | - | 50,000 | - | 50,000 |
| Accounts Receivable | - | - | 34,921 | 34,921 |
| Contributions receivable, net | 1,132,055 | - | 19,103 | 1,151,158 |
| Prepaid expenses | - | - | 28,476 | 28,476 |
| Other assets | 267,058 | - | - | 267,058 |
| Total current assets | 14,156,825 | 193,291 | 4,911,428 | 19,261,544 |
| Restricted cash and cash equivalents | - | - | 2,509,719 | 2,509,719 |
| Investments | 84,833,130 | - | - | 84,833,130 |
| Contributions receivable, net | 2,870,133 | - | - | 2,870,133 |
| Derivative interest swap rate | - | - | 134,029 | 134,029 |
| Nondepreciable capital assets | 2,024,310 | - | 546,074 | 2,570,384 |
| Depreciable capital assets, net | 309,543 | 4,685 | 17,177,482 | 17,491,710 |
| Total noncurrent assets | 90,037,116 | 4,685 | 20,367,304 | 110,409,105 |
| **Total Assets** | $ 104,193,941 | $ 197,976 | $ 25,278,732 | $ 129,670,649 |
| Accounts payable and accrued expenses | 208,922 | - | 274,302 | $ 483,224 |
| Unearned revenue | - | 56,014 | 4,659 | 60,673 |
| Long-term liabilities - current portion | - | - | 1,110,000 | 1,110,000 |
| Total current liabilities | 208,922 | 56,014 | 1,388,961 | 1,653,897 |
| Noncurrent liabilities | 18,487 | - | 24,173,906 | 24,192,393 |
| **Total Liabilities** | 227,409 | 56,014 | 25,562,867 | 25,846,290 |
| **Net position:** | | | | |
| Net investment in capital assets | 2,333,853 | 4,685 | (7,560,350) | (5,221,812) |
| Restricted for: | | | | |
| Nonexpendable | 16,296,489 | 50,000 | - | 16,346,489 |
| Expendable | 36,709,464 | 207,591 | 19,103 | 36,936,158 |
| Unrestricted | 48,626,726 | (120,314) | 7,257,112 | 55,763,524 |
| **Total Net Position** | $ 103,966,532 | $ 141,962 | $ (284,135) | $ 103,824,359 |

## Note 15—COMPONENT UNITS (CONTINUED)

| | NSU Foundation Inc. as of December 31, 2021 | The Athletics Foundation of Norfolk State University, Inc. as of June 30, 2022 | Norfolk State University Research and Innovation Foundation and Affiliates as of June 30, 2022 | Total |
|---|---|---|---|---|
| **Operating revenues:** | | | | |
| Other operating revenues | $ - | $ (52,820) | $ 5,832,274 | $ 5,779,454 |
| Total operating revenues | - | (52,820) | 5,832,274 | 5,779,454 |
| **Operating expenses:** | | | | |
| Institutional support | 1,893,746 | 390,601 | 2,235,636 | 4,519,983 |
| Operation and maintenance - plant | - | - | 843,714 | 843,714 |
| Depreciation expense | 39,053 | 12,611 | 890,019 | 941,683 |
| Scholarship and fellowship | 1,690,193 | - | - | 1,690,193 |
| Total operating expenses | 3,622,992 | 403,212 | 3,969,369 | 7,995,573 |
| Operating loss | (3,622,992) | (456,032) | 1,862,905 | (2,216,119) |
| **Non-operating revenues:** | | | | |
| Investment income net of investment expense | (119,402) | - | - | (119,402) |
| Realized/unrealized gain (loss) on investments | 10,467,951 | - | | 10,467,951 |
| Unrealized gain on interest rate swap | - | - | 1,284,172 | 1,284,172 |
| Interest on capital asset - related debt | - | - | (1,462,239) | (1,462,239) |
| Gifts | 2,214,761 | 449,291 | - | 2,664,052 |
| Net non-operating revenues | 12,563,310 | 449,291 | (178,067) | 12,834,534 |
| Increase before other revenues, expenses, gains or losses | 8,940,318 | (6,741) | 1,684,838 | 10,618,415 |
| Contributions to permanently restricted endowments | 7,381,989 | - | - | 7,381,989 |
| Net other revenues | 7,381,989 | - | - | 7,381,989 |
| Increase in net position | 16,322,307 | (6,741) | 1,684,838 | 18,000,404 |
| Net position - beginning of the year | 87,644,225 | 148,703 | (1,968,973) | 85,823,955 |
| Net position - end of year | $ 103,966,532 | $ 141,962 | $ (284,135) | $ 103,824,359 |

## Note 16—COVID 19 – HIGHER EDUCATION EMERGENCY RELIEF FUND (HEERF)

In FY 2021, Norfolk State University (NSU) was awarded student emergency aid funding of $3.5 million and institutional aid funding of $8.0 million pursuant to Section 314(a)(1) of the Coronavirus Response and Relief Supplemental Appropriations Act 2021 (CRRSAA). Additionally, NSU was awarded student emergency aid funding of $10.0 million and institutional aid funding of $9.8 million pursuant to section 2003 of the American Rescue Plan (ARP). These awards supplemented the initial award of $6.9 million for student emergency aid and institutional aid under the CARES Act funding for a cumulative award amount of $16.9 million for student emergency aid and $21.3 million for institutional aid. As of June 30, 2022, a cumulative total $37.5 million of HEERF funds were expended for student emergency aid and institutional aid.

The University was also awarded HEERF funding of $18.6 million during fiscal year 2021, pursuant to Section 314(a)(2) of the CRRSAA and $ 32.4 million in August 2021, pursuant to section 2003 of the ARP for the CARES Act Strengthening Historically Black Colleges and Universities (HBCUs) Program. These awards supplemented the initial award of $13.4 million under the CARES Act for a cumulative award of $64.4 million. These funds were awarded to defray expenses incurred by the University, including lost revenues, reimbursements for expenses already incurred, technology costs associated with transitions to distance education, faculty and staff training, and payroll. As of June 30, 2022, the University spent a cumulative total of $33.1 million of the HEERF HBCU funding.

The University was also awarded an additional $4.8 million during fiscal year 2022 from the American Rescue Plan Act State and Local Recovery Funds for Higher Education. These funds will be used for student scholarships and will be expended beginning in fiscal year 2023.

**NORFOLK STATE UNIVERSITY**
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

*JUNE 30, 2022*

## RETIREMENT PLANS

**Schedule of Employer's Share of Net Pension Liability**
**VRS State Employee Retirement Plan**
**For the Years Ended June 30, 2015 through 2022***

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Employer's Proportion of the Net Pension Liability | 0.86% | 0.85% | 0.88% | 0.85% | 0.85% | 0.86% | 0.93% | 0.98% |
| Employer's Proportionate Share of the Net Pension Liability | $31,322,217 | $61,687,790 | $55,312,827 | $45,871,000 | $49,418,000 | $56,926,000 | $56,950,000 | $54,796,000 |
| Employer's Covered Payroll | $37,484,850 | $35,668,920 | $36,058,735 | $34,590,188 | $33,615,222 | $34,046,270 | $35,843,667 | $37,797,709 |
| Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 83.56% | 172.95% | 153.40% | 132.61% | 147.01% | 167.20% | 158.88% | 144.97% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 86.44% | 72.15% | 75.13% | 77.39% | 75.33% | 71.29% | 72.81% | 74.28% |

*Schedule is intended to show information for 10 years. Since 2022 is the eighth year for this presentation, there are only eight years available. However, additional years will be included as they become available.*
**The amounts presented have a measurement date of the previous fiscal year end.*

**Schedule of Employer's Share of Net Pension Liability**
**VaLORS Employee Retirement Plan**
**For the Years Ended June 30, 2015 through 2022***

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Employer's Proportion of the Net Pension Liability | 0.20% | 0.25% | 0.28% | 0.33% | 0.34% | 0.26% | 0.29% | 0.27% |
| Employer's Proportionate Share of the Net Pension Liability | $1,033,405 | $1,948,763 | $1,948,154 | $2,051,000 | $2,215,000 | $2,039,000 | $2,026,000 | $1,802,000 |
| Employer's Covered Payroll | $690,648 | $922,168 | $982,451 | $1,137,353 | $1,162,617 | $909,368 | $965,553 | $942,647 |
| Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 149.63% | 211.32% | 198.30% | 180.33% | 190.52% | 224.22% | 209.83% | 191.16% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 78.18% | 65.74% | 68.31% | 69.56% | 67.22% | 61.01% | 62.64% | 63.05% |

*Schedule is intended to show information for 10 years. Since 2022 is the eighth year for this presentation, there are only eight years available. However, additional years will be included as they become available.*
**The amounts presented have a measurement date of the previous fiscal year end.*

## RETIREMENT PLANS (CONTINUED)

**Schedule of Employer Contributions**
**VRS State Employee Retirement Plan**
**For the Years Ended June 30, 2013 through 2022**

| Date | Contractually Required Contribution | Contributions in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a % of Covered Payroll |
|---|---|---|---|---|---|
| 2022 | $ 5,774,249 | $ 5,774,249 | $ - | $ 39,932,567 | 14.46% |
| 2021 | $ 5,420,309 | $ 5,420,309 | $ - | $ 37,484,850 | 14.46% |
| 2020 | $ 4,822,438 | $ 4,822,438 | $ - | $ 35,668,920 | 13.52% |
| 2019 | $ 4,875,141 | $ 4,875,141 | $ - | $ 36,058,735 | 13.52% |
| 2018 | $ 4,666,216 | $ 4,666,216 | $ - | $ 34,590,188 | 13.49% |
| 2017 | $ 4,534,693 | $ 4,534,693 | $ - | $ 33,615,222 | 13.49% |
| 2016 | $ 4,780,212 | $ 4,780,212 | $ - | $ 34,046,270 | 14.04% |
| 2015 | $ 4,419,524 | $ 4,419,524 | $ - | $ 35,843,667 | 12.33% |
| 2014 | $ 3,311,079 | $ 3,311,079 | $ - | $ 37,797,709 | 8.76% |
| 2013 | $ 3,194,466 | $ 3,194,466 | $ - | $ 36,466,507 | 8.76% |

**Schedule of Employer Contributions**
**VaLORS Employee Retirement Plan**
**For the Years Ended June 30, 2013 through 2022**

| Date | Contractually Required Contribution | Contributions in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a % of Covered Payroll |
|---|---|---|---|---|---|
| 2022 | $ 205,445 | $ 205,445 | $ - | $ 938,103 | 21.90% |
| 2021 | $ 151,252 | $ 151,252 | $ - | $ 690,648 | 21.90% |
| 2020 | $ 199,281 | $ 199,281 | $ - | $ 922,168 | 21.61% |
| 2019 | $ 212,308 | $ 212,308 | $ - | $ 982,451 | 21.61% |
| 2018 | $ 239,413 | $ 239,413 | $ - | $ 1,137,353 | 21.05% |
| 2017 | $ 244,731 | $ 244,731 | $ - | $ 1,162,617 | 21.05% |
| 2016 | $ 171,435 | $ 171,435 | $ - | $ 909,368 | 18.85% |
| 2015 | $ 170,613 | $ 170,613 | $ - | $ 965,553 | 17.67% |
| 2014 | $ 139,512 | $ 139,512 | $ - | $ 942,647 | 14.80% |
| 2013 | $ 138,277 | $ 138,277 | $ - | $ 934,307 | 14.80% |

## RETIREMENT PLANS (CONTINUED)
## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**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 for the VRS State Employee Retirement Plan in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

The following changes in actuarial assumptions were made for the VaLORS Retirement Plan effective June 30, 2020 except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

## POSTEMPLOYMENT BENEFITS

**Schedule of Employer's Share of Net OPEB Liability**
**Group Life Insurance Program (GLI)**
**For the Years Ended June 30, 2018 through 2022***

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Employer's Proportion of the Net GLI OPEB Liability | 0.2625% | 0.2609% | 0.2646% | 0.2705% | 0.2662% |
| Employer's Proportionate Share of the Net GLI OPEB Liability | $ 3,056,677 | $ 4,353,660 | $ 4,305,258 | $ 4,108,000 | $ 4,004,000 |
| Employer's Covered Payroll | $54,204,815 | $44,441,154 | $ 51,864,538 | $51,435,728 | $49,095,318 |
| Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll | 5.64% | 9.80% | 8.30% | 7.99% | 8.16% |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 67.45% | 52.64% | 52.00% | 51.22% | 48.86% |

*Schedule is intended to show information for 10 years. Since 2022 is the fifth year for this presentation, only five years of data are available. However, additional years will be included as they become available.*
**The amounts presented have a measurement date of the previous fiscal year end.*

**Schedule of Employer's Share of Net OPEB Asset**
**Disability Insurance Program (VSDP)**
**For the Years Ended June 30, 2018 through 2022***

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Employer's Proportion of the Net VSDP OPEB Asset | 0.8290% | 0.8158% | 0.8471% | 0.8281% | 0.8371% |
| Employer's Proportionate Share of the Net VSDP OPEB Asset | $ 2,857,801 | $ 1,800,397 | $ 1,661,951 | $ 1,865,000 | $ 1,719,000 |
| Employer's Covered Payroll | $35,831,106 | $28,174,839 | $ 34,287,150 | $32,658,716 | $ 31,581,754 |
| Employer's Proportionate Share of the Net VSDP OPEB Asset as a Percentage of its Covered Payroll | 7.98% | 6.39% | 4.85% | 5.71% | 5.44% |
| Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability | 229.01% | 181.88% | 167.18% | 194.74% | 186.63% |

*Schedule is intended to show information for 10 years. Since 2022 is the fifth year for this presentation, only five years of data are available. However, additional years will be included as they become available.*
**The amounts presented have a measurement date of the previous fiscal year end.*

## POSTEMPLOYMENT BENEFITS (CONTINUED)

**Schedule of Employer's Share of Net OPEB Liability**
**Health Insurance Credit Program (HIC)**
**For the Years Ended June 30, 2018 through 2022***

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Employer's Proportion of the Net HIC OPEB Liability | 0.7506% | 0.7439% | 0.7601% | 0.7590% | 0.7577% |
| Employer's Proportionate Share of the Net HIC OPEB Liability | $ 6,339,038 | $ 6,828,864 | $ 7,015,803 | $ 6,924,000 | $ 6,899,000 |
| Employer's Covered Payroll | $54,089,340 | $ 53,835,556 | $51,792,526 | $ 51,108,515 | $48,954,780 |
| Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of its Covered Payroll | 11.72% | 12.68% | 13.55% | 13.55% | 14.09% |
| Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability | 19.75% | 12.02% | 10.56% | 9.51% | 8.03% |

*Schedule is intended to show information for 10 years. Since 2022 is the fifth year for this presentation, only five years of data are available. However, additional years will be included as they become available.*
**The amounts presented have a measurement date of the previous fiscal year end.*

**Schedule of Employer's Share of Net OPEB Liability**
**Line of Duty Act Program (LODA)**
**For the Years Ended June 30, 2018 through 2022***

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Employer's Proportion of the Net LODA OPEB Liability | 0.0834% | 0.1195% | 0.1157% | 0.1332% | 0.1105% |
| Employer's Proportionate Share of the Net LODA OPEB Liability | $ 367,611 | $ 500,275 | $ 415,080 | $ 417,000 | $ 290,000 |
| Covered-Employee Payroll** | $ 690,648 | $ 922,166 | $ 977,828 | $ 1,075,985 | $ 1,070,900 |
| Employer's Proportionate Share of the Net LODA OPEB Liability as a Percentage of its Covered-Employee Payroll | 53.23% | 54.25% | 42.45% | 38.76% | 27.08% |
| Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability | 1.68% | 1.02% | 0.79% | 0.60% | 1.30% |

*Schedule is intended to show information for 10 years. Since 2022 is the fifth year for this presentation, only five years of data are available. However, additional years will be included as they become available.*
**The amounts presented have a measurement date of the previous fiscal year end.*
** 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.

## POSTEMPLOYMENT BENEFITS (CONTINUED)

**Schedule of Employer's Share of Total OPEB Liability**
**Pre-Medicare Retirees**
**For the Years Ended June 30, 2018 through 2022***

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Employer's Proportion of the collective total OPEB Liability | 0.8597% | 0.8557% | 0.8580% | 0.8322% | 0.8395% |
| Employer's Proportionate Share of the collective total OPEB Liability | $ 3,859,183 | $ 4,867,120 | $ 5,824,499 | $ 8,368,704 | $ 10,904,664 |
| Employer's Covered-Employee Payroll | $50,274,268 | $ 49,507,652 | $ 48,212,680 | $ 46,529,555 | $ 44,715,974 |
| Employer's Proportionate Share of the collective total OPEB Liability as a Percentage of its Covered-employee Payroll | 7.68% | 9.83% | 12.08% | 17.99% | 24.39% |

*Schedule is intended to show information for 10 years. Since 2022 is the fifth year for this presentation, only five years of data are available. However, additional years will be included as they become available.*

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

## POSTEMPLOYMENT BENEFITS (CONTINUED)

**Schedule of Employer Contributions**
**Group Life Insurance Program (GLI)**
**For the Years Ended June 30, 2018 through 2022***

| Date | Contractually Required Contribution | Contributions in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a % of Covered Payroll |
|---|---|---|---|---|---|
| 2022 | $ 309,338 | $ 309,338 | $ - | $ 57,284,678 | 0.54% |
| 2021 | $ 292,706 | $ 292,706 | $ - | $ 54,204,815 | 0.54% |
| 2020 | $ 231,094 | $ 231,094 | $ - | $ 44,441,154 | 0.52% |
| 2019 | $ 269,696 | $ 269,696 | $ - | $ 51,864,538 | 0.52% |
| 2018 | $ 267,466 | $ 267,466 | $ - | $ 51,435,728 | 0.52% |

*Schedule is intended to show information for 10 years. Since 2022 is the fifth year for this presentation, only five years of data are available. However, additional years will be included as they become available.

**Schedule of Employer Contributions**
**Virginia Sickness and Disability Program (VSDP)**
**For the Years Ended June 30, 2018 through 2022***

| Date | Contractually Required Contribution | Contributions in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a % of Covered Payroll |
|---|---|---|---|---|---|
| 2022 | $ 236,000 | $ 236,000 | $ - | $ 38,688,673 | 0.61% |
| 2021 | $ 218,570 | $ 218,570 | $ - | $ 35,831,106 | 0.61% |
| 2020 | $ 174,684 | $ 174,684 | $ - | $ 28,174,839 | 0.62% |
| 2019 | $ 212,980 | $ 212,980 | $ - | $ 34,287,150 | 0.62% |
| 2018 | $ 215,548 | $ 215,548 | $ - | $ 32,658,716 | 0.66% |

*Schedule is intended to show information for 10 years. Since 2022 is the fifth year for this presentation, only five years of data are available. However, additional years will be included as they become available.

## POSTEMPLOYMENT BENEFITS (CONTINUED)

**Schedule of Employer Contributions**
**Health Insurance Credit Program (HIC)**
**For the Years Ended June 30, 2018 through 2022***

| Date | Contractually Required Contribution | Contributions in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a % of Covered Payroll |
|---|---|---|---|---|---|
| 2022 | $ 641,083 | $ 641,083 | $ - | $ 57,239,500 | 1.12% |
| 2021 | $ 605,800 | $ 605,800 | $ - | $ 54,089,340 | 1.12% |
| 2020 | $ 629,876 | $ 629,876 | $ - | $ 53,835,556 | 1.17% |
| 2019 | $ 605,973 | $ 605,973 | $ - | $ 51,792,526 | 1.17% |
| 2018 | $ 603,080 | $ 603,080 | $ - | $ 51,108,515 | 1.18% |

*Schedule is intended to show information for 10 years. Since 2022 is the fifth year for this presentation, only five years of data are available. However, additional years will be included as they become available.

**Schedule of Employer Contributions**
**Line of Duty Act Program (LODA)**
**For the Years Ended June 30, 2018 through 2022****

| Date | Contractually Required Contribution | Contributions in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Covered-Employee Payroll* | Contributions as a % of Covered-Employee Payroll |
|---|---|---|---|---|---|
| 2022 | $ 10,116 | $ 10,116 | $ - | $ 938,103 | 1.08% |
| 2021 | $ 11,477 | $ 11,477 | $ - | $ 690,648 | 1.66% |
| 2020 | $ 16,233 | $ 16,233 | $ - | $ 922,166 | 1.76% |
| 2019 | $ 15,526 | $ 15,526 | $ - | $ 977,828 | 1.59% |
| 2018 | $ 14,184 | $ 14,184 | $ - | $ 1,075,985 | 1.32% |

*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 employees in the OPEB plan.

**Schedule is intended to show information for 10 years. Since 2022 is the fifth year for this presentation, only five years of data are available. However, additional years will be included as they become available.

## POSTEMPLOYMENT BENEFITS (CONTINUED)
## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
**Group Life Insurance, Disability Insurance, Health Insurance Credit and Line of Duty Act Programs:**

**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, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

**General State Employees**

**Group Life Insurance Program, Disability Insurance Program, Health Insurance Credit Program and Line of Duty Act Program**

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

**Teachers**

**Group Life Insurance Program**

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

## POSTEMPLOYMENT BENEFITS (CONTINUED)
## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

**SPORS Employees**

**Group Life Insurance Program, Disability Insurance Program, Health Insurance Credit Program and Line of Duty Act Program**

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rate for 0 years of service and increased rates for 1 to 6 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

**VaLORS Employees**

**Group Life Insurance Program, Disability Insurance Program, Health Insurance Credit Program and Line of Duty Act Program**

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

**JRS Employees**

**Group Life Insurance Program and Health Insurance Credit Program**

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Decreased rates for ages 60-66 and 70-72 |
| Withdrawal Rates | No change |
| Disability Rates | No change |
| Salary Scale | Reduce increases across all ages by 0.50% |
| Discount Rate | No change |

## POSTEMPLOYMENT BENEFITS (CONTINUED)
## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

**Largest Ten Locality Employers - General Employees**
**Group Life Insurance Program**

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

**Non-Largest Ten Locality Employers - General Employees**
**Group Life Insurance Program**

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

**Largest Ten Locality Employers – Hazardous Duty Employees**
**Group Life Insurance Program**

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP- 2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

**POSTEMPLOYMENT BENEFITS (CONTINUED)**
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**

**Non-Largest Ten Locality Employers – Hazardous Duty Employees**
**Group Life Insurance Program**

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP- 2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

**Employees In The Largest Ten Locality Employers With Public Safety Employees**
**Line of Duty Act Program**

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP- 2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |

**Employees In The Non- Largest Ten Locality Employers With Public Safety Employees**
**Line of Duty Act Program**

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP- 2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |

## POSTEMPLOYMENT BENEFITS (CONTINUED)
## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

### 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 actuarial assumptions were updated since the June 30, 2020 valuation based on recent experience:

- Retiree Participation – reduced the rate from 45% to 40%

Spousal coverage and retiree participation were based on a blend of recent experience and the prior year assumptions. The mortality table has been updated from adjusted RP-2014 mortality tables using Scale BB to adjusted Pub-2010 Headcount-Weighted mortality tables projected generationally with modified MP-2021 Improvement Scales.

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, 2021. Additionally, the discount rate was decreased from 2.21% to 2.16% based on the Bond Buyers GO 20 Municipal Bond Index as of June 30, 2022.

# NORFOLK STATE UNIVERSITY
## HIGHLIGHTS

*FIVE YEARS IN REVIEW*

| FALL SEMESTER | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|---|---|---|---|---|---|
| **ENROLLMENT** | | | | | |
| **Total** | **5,305** | **5,204** | **5,601** | **5,457** | **5,458** |
| In-state | 4,289 | 4,032 | 4,256 | 4,092 | 4,008 |
| Out-of-state | 1,016 | 1,172 | 1,345 | 1,365 | 1,450 |
| **FRESHMAN APPLICATIONS** | | | | | |
| **Number of Applications Received** | **6,008** | **7,442** | **5,974** | **6,944** | **6,490** |
| In-state | 1,924 | 2,334 | 1,608 | 1,612 | 1,348 |
| Out-of-state | 4,084 | 5,108 | 4,366 | 5,332 | 5,142 |
| **Number of Applications Accepted** | **5,415** | **6,675** | **5,499** | **6,324** | **5,753** |
| In-state | 1,735 | 2,086 | 1,505 | 1,501 | 1,225 |
| Out-of-state | 3,680 | 4,589 | 3,994 | 4,823 | 4,528 |
| **Number of Accepted Enrolled** | **1,036** | **1,098** | **1,225** | **1,066** | **1,113** |
| In-state | 734 | 740 | 817 | 729 | 738 |
| Out-of-state | 302 | 358 | 408 | 337 | 375 |
| **TRANSFER APPLICATIONS** | | | | | |
| **Number of Applications Received** | **956** | **812** | **940** | **841** | **840** |
| In-state | 662 | 563 | 427 | 382 | 346 |
| Out-of-state | 294 | 249 | 513 | 459 | 494 |
| **Number of Applications Accepted** | **856** | **730** | **869** | **742** | **739** |
| In-state | 590 | 504 | 397 | 358 | 296 |
| Out-of-state | 266 | 226 | 472 | 384 | 443 |
| **Number of Accepted Enrolled** | **445** | **381** | **434** | **347** | **353** |
| In-state | 368 | 305 | 348 | 246 | 250 |
| Out-of-state | 77 | 76 | 86 | 101 | 103 |
| **GRADUATE APPLICATIONS** | | | | | |
| **Number of Applications Received** | **304** | **279** | **343** | **323** | **292** |
| In-state | 213 | 136 | 155 | 123 | 105 |
| Out-of-state | 91 | 143 | 188 | 200 | 187 |
| **Number of Applications Accepted** | **255** | **219** | **281** | **229** | **192** |
| In-state | 182 | 110 | 153 | 89 | 92 |
| Out-of-state | 73 | 109 | 128 | 140 | 100 |
| **Number of Accepted Enrolled** | **182** | **171** | **181** | **158** | **116** |
| In-state | 150 | 138 | 142 | 121 | 82 |
| Out-of-state | 32 | 33 | 39 | 37 | 34 |
| **TUITION AND FEES** | | | | | |
| **Undergraduate** | | | | | |
| In-state | $9,036 | $9,490 | $9,622 | $9,622 | $9,622 |
| Out-of-state | $21,238 | $21,418 | $21,550 | $21,550 | $21,550 |
| **Graduate** | | | | | |
| In-state | $11,556 | $12,136 | $12,690 | $12,690 | $12,690 |
| Out-of-state | $23,712 | $24,668 | $25,502 | $25,502 | $25,502 |
| **ROOM AND BOARD** | | | | | |
| **Total Room and Board** | **$9,866** | **$10,360** | **$10,844** | **$10,844** | **$10,844** |
| Room rates | $6,534 | $6,862 | $7,206 | $7,206 | $7,206 |
| Board rates | $3,332 | $3,498 | $3,638 | $3,638 | $3,638 |

Commonwealth of Virginia

*Auditor of Public Accounts*

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 26, 2023

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Board of Visitors
Norfolk State University

## INDEPENDENT AUDITOR'S REPORT

**Report on Financial Statements**

*Opinions*

We have audited the financial statements of the business-type activities and aggregate discretely presented component units of **Norfolk State University** (University), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component units of the University as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the aggregate discretely presented component units of the University, which are discussed in Notes 1 and 15. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University, is based solely on the report of the other auditors.

*Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the component units of the University that were audited by other auditors upon whose reports we are relying, were not audited in accordance with Government Auditing Standards.

*Emphasis of Matter*

Change in Accounting Principle

As discussed in Note 1 of the accompanying financial statements, the University implemented Governmental Accounting Standards Board Statement No. 87, Leases, related to accounting and financial reporting for lease liabilities and right-to-use lease assets. Our opinion is not modified with respect to this matter.

*Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*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 9; the Schedule of Employer's Share of Net Pension Liability, the Schedule of Employer Contributions, and the Notes to the Required Supplementary Information on pages 101 through 103; the Schedule of Employer's Share of Net OPEB Liability, the Schedule of Employer's Share of Net OPEB Asset, the Schedule of Employer's Share of Total OPEB Liability, the Schedule of Employer Contributions, and the Notes to the Required Supplementary Information for the Group Life Insurance, Disability Insurance, Health Insurance Credit, Line of Duty, and Pre-Medicare Retiree programs on pages 104 through 113. Such information is the responsibility of management and, 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 Information*

Management is responsible for the other information included in the annual report. The other information comprises the Letter from the Vice President for Finance and Administration on page 1 and the University Highlights on page 114 but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated May 26, 2023, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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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Norfolk, Virginia



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We see the future in you.