

**Fairfax County Uniformed
Retirement System**

**Actuarial Valuation
as of July 1, 2013**

Produced by [Cheiron](#)

March 2014

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March 24, 2014

Board of Trustees
Fairfax County Uniformed
Retirement System
10680 Main Street, Suite 280
Fairfax, Virginia 22030-3812

**Re: *Fairfax County Uniformed Retirement System
Actuarial Valuation as of July 1, 2013***

Dear Members of the Board:

At your request, we have conducted our annual actuarial valuation of the Fairfax County Uniformed Retirement System as of July 1, 2013. The results of the valuation are contained in this report. The purpose of this report is to present the annual actuarial valuation of the Fairfax County Uniformed Retirement System. This report is for the use of the Fairfax County Uniformed Retirement System Board of Trustees and its auditors in preparing financial reports in accordance with applicable law and accounting requirements.

Your attention is called to the Foreword in which we refer to the general approach employed in the preparation of this report. We also comment on the sources and reliability of both the data and the actuarial assumptions on which our findings are based. Those comments are the basis for our certification that this report is complete to the best of our knowledge and belief. The results of this report are only applicable to the County contribution for Fiscal Year 2015 and rely on future plan experience conforming to the underlying assumptions. To the extent that actual plan experience deviates from the underlying assumptions, the results would vary accordingly.

The assumptions and methods used in determining the assets, liabilities, and the annual required contributions of the employer as defined by the Government Accounting Standards Board (GASB) meet the parameters set by GASB Statement Number 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*.

In preparing our report, we relied on information (some oral and some written) supplied by the Retirement System. This information includes, but is not limited to, plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standards of Practice Number 23.

This report was prepared exclusively for the Fairfax County Uniformed Retirement System for the purpose described herein. This report is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.



Board of Trustees
Fairfax County Uniformed Retirement System
March 24, 2014

We hereby certify that, to the best of our knowledge, this report and its contents, have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinions contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

Sincerely,
Cheiron



Fiona E. Liston, FSA, EA
Principal Consulting Actuary



Christian E. Benjaminson, FSA, EA
Principal Consulting Actuary

FOREWORD

Cheiron has performed the actuarial valuation of the Fairfax County Uniformed Retirement System as of July 1, 2013. The purpose of this report is to:

- 1) **Measure and disclose**, as of the valuation date, the financial condition of the System;
- 2) **Indicate trends** in the financial progress of the System;
- 3) **Determine the contribution rate** to be paid by the County for Fiscal Year 2015; and
- 4) **Provide specific information** and documentation required by the Governmental Accounting Standards Board (GASB).

An actuarial valuation establishes and analyzes system assets and liabilities on a consistent basis and traces the progress of both from one year to the next. It includes measurement of the system's investment performance as well as an analysis of actuarial liability gains and losses.

Section I presents a summary containing our findings and disclosing important trends experienced by the System in recent years.

Section II contains details on various asset measures, together with pertinent performance measurements.

Section III shows similar information on system liabilities, measured for actuarial, accounting, and governmental reporting purposes.

Section IV develops the employer contribution rate, determined using actuarial techniques, and compares that to the rate developed using the corridor method of funding.

Section V includes the required disclosures under GASB Statement Number 25.

The appendices to this report contain a summary of the System's membership at the valuation date, a summary of the major provisions of the System, and the actuarial methods and assumptions used in the valuations.

In preparing our report, we relied on information (some oral and some written) supplied by the System's staff. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice Number 23.

The actuarial assumptions reflect our understanding of the likely future experience of the System, and the assumptions taken individually represent our best estimate for the future experience of the System. The results of this report are dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from the actuarial assumptions, the true cost of the System could vary from our results.

Finally, in preparing this report, we have conformed to generally accepted actuarial principles and practices which are consistent with the Code of Professional Conduct, and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board.

**FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013**

**SECTION I
BOARD SUMMARY**

General Comments

Fairfax County's annual contribution to this System is determined by using a corridor funding method. Under this funding approach, the County's contribution rate is based on the normal cost rate determined as of the implementation date of the corridor method (July 1, 2001) 17.55% of payroll, plus an expense rate, currently 0.25% of payroll. This rate is adjusted for plan and assumption changes but otherwise will remain the same as long as the System's actuarial funded ratio remains within a corridor of 90% to 120%.

The County's contribution rate will change when benefits are increased or modified or assumptions are changed. The new rate will reflect the change in normal cost rate and the change in actuarial liability amortized over 15 years. The changes in both normal cost and UAL rate are summarized in Section IV. The normal cost rate and actuarial accrued liability will continue to be measured using the entry age funding method. If the funded status falls outside the corridor, a credit (if above 120%) or charge (if below 90%) will be established based on a 15-year amortization equal to the amount necessary to re-enter the corridor. Once the funded status is within the corridor, the contribution rate will return to the normal cost rate plus expense rate and any remaining amortization for benefit or assumption changes.

The valuation as of July 1, 2013 shows that the actuarial funded ratio (including a credit for the amortization of prior benefit increases and assumption changes) remains outside of the corridor.

The employer contribution rate for FY 2015 as calculated under this method decreases from 35.45% to 34.70% of payroll, on the basis of this year's valuation results. The County's FY 2014 contribution was actually based on amortizing to reach 91% funded, rather than amortizing just to re-enter the corridor and in FY 2015 they are likely to contribute an amount to amortize to 93% funded. On that basis, the contribution in FY 2014 was 36.43% and for FY 2015 it will be 37.79%.

The calculated contribution rate for Governmental Accounting Standards Board (GASB) purposes is based on a rolling 15-year amortization of the actuarial unfunded liability.

Trends

The financial markets increased during the fiscal year ending in 2013, however due to the unrecognized losses still being phased in, there was a small loss on the asset side of the System. The actual return on a market value basis was approximately 10.00%. On an actuarial value basis, the assets returned 7.19% compared with an assumed rate of return of 7.5%. The loss recognized for funding purposes was \$3.8 million.

**FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013**

**SECTION I
BOARD SUMMARY**

The measurement of liabilities produced a gain this year in the amount of \$24.1 million. This gain was due to experience not meeting our assumptions about salary increases, retirement behavior, death, etc. Specific components of the gain include:

- The average salary increase was 1.4% for active participants who were in both the July 1, 2012 and July 1, 2013 valuations. This was less than the expected salary growth based on the actuarial assumption, which worked out to average 6.1%. This resulted in a gain of \$20.7 million. The annual payroll was provided as of December 31, 2012 and adjusted to July 1, 2013; which included annualizing the 2.18% increase from July 1, 2012.
- The valuation assumed a 2.75% cost-of-living adjustment in 2013 for benefits in pay status. The actual CPI-based COLA was 1.4% last year, creating a liability gain of \$10.8 million.
- The 2013 valuation incorporates actual sick leave hours into both eligibility and projected benefits for active participants. The accrual of additional sick leave from 2012 to 2013 produced a loss of \$1.8 million, as we do not currently include an assumption regarding sick leave accrual.
- An annual component of liability loss is the delayed recognition of new hires throughout the year. This does not contribute to an increase in the System's unfunded liability because both the member and the employer make contributions from the date of hire. However, when we look only at the liability side, they are a component of the annual liability loss, and this year they contributed \$1.3 million to that number.
- There was a \$4.3 million liability loss component that is made up of various other causes such as members terminating, retiring, dying or becoming disabled in a way contrary to the assumption and also data changes from previous years.

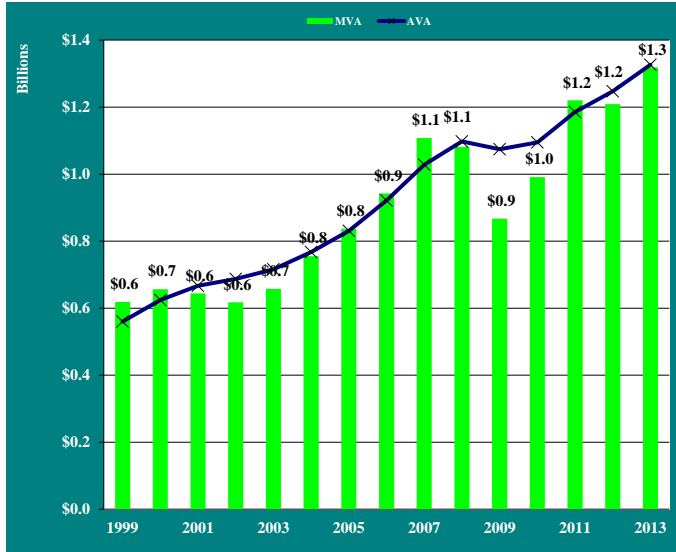
The combination of liability and investment experience and County plus member contributions over the last year caused an increase in the System's funding ratio (actuarial value of assets over actuarial accrued liability) from 77.3% at July 1, 2012 to 79.1% at July 1, 2013. For purposes of measuring whether the System remains within the funding corridor, an adjusted funding ratio is used. In this ratio, there is an additional asset recognized in the amount of the unfunded actuarial liability (UAL) payments being made by the County to pay for benefit increases and assumption changes. On this basis, the System's actuarial funded ratio increased from 81.1% at July 1, 2012 to 82.4% at July 1, 2013.

It is important to take a step back from the latest results and view them in the context of the System's recent history. On the next two pages, we present a series of charts which display key factors in the valuations over the last 15 years. After the historical review, we present a few projection graphs, showing the possible condition of the System over the next 15 years under various market return scenarios.

**FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013**

**SECTION I
BOARD SUMMARY**

Growth in Assets

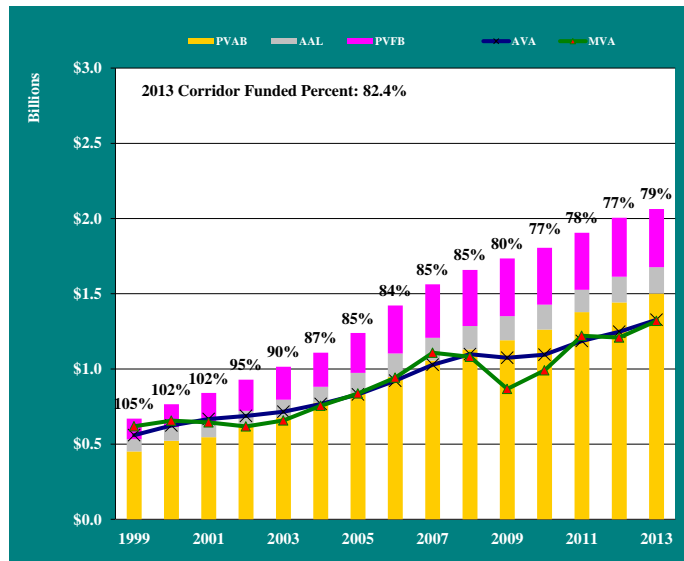


There was an increase in the market value of assets (MVA) over last year due to a return of 10.0%. The actuarial value of assets (AVA) increased but not by as much since there were \$39 million in unrecognized losses as of the 2012 valuation. Thanks to better than expected market returns, these losses were pared down to \$7.6 million.

Over the period of July 1, 1999 to June 30, 2013, the System’s assets returned approximately 6.1% per year measured at actuarial value, compared to a valuation assumption of 7.5% per year.

Assets and Liabilities

The three colored bars represent the three different measures of liability mentioned in this report. The amount represented by the top of the pink bars, the present value of future benefits (PVFB), is the amount needed to provide all benefits for the current participants and their beneficiaries. If the System had assets equal to the PVFB, no contributions would, in theory, be needed for the current members. For funding purposes, the target amount is represented by the top of the gray bar. We compare the actuarial value of assets to this measure of liability in developing the funded percent. These are the percentages shown in the graph labels.



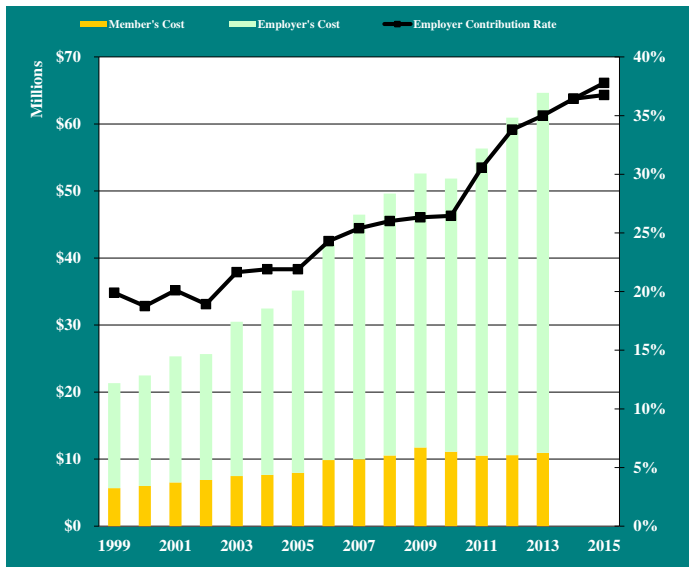
Since 2007, the System’s funded status has declined from 85% to 79% as a result of investment gains and losses, liability gains and losses, and the underfunding inherent in the corridor method once it falls below 90%.

**FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013**

**SECTION I
BOARD SUMMARY**

Contribution Rates

The stacked bars in this graph show the contributions made by both the County and the members (left hand scale). The black line shows the County contribution rate as a percent of payroll (right hand scale).

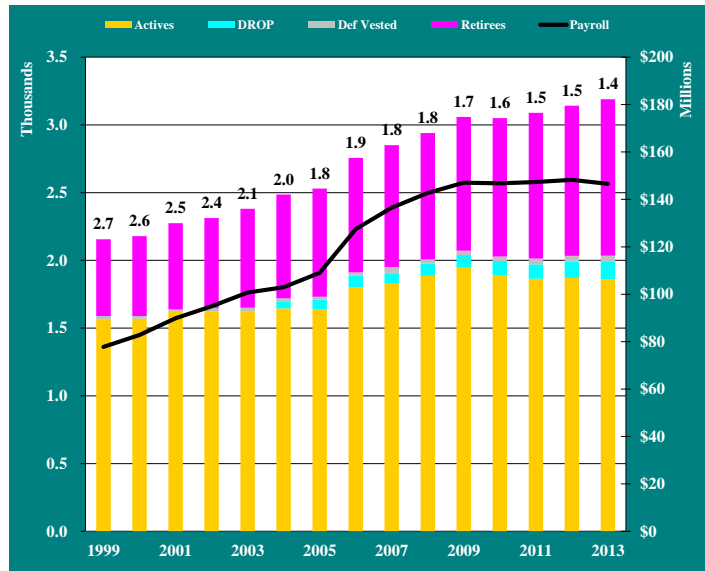


The member contribution rate is set by the County Ordinance. The County contribution rate is set by the actuarial process, as constrained by the corridor method. Note there is a lag in the rate shown. For example, the 2013 value is the rate prepared by the 2011 valuation and implemented for the period July 1, 2012 to June 30, 2013. For FY 2015, the graph shows both the base corridor contribution rate and the anticipated rate using the “amortize to 93%” approach.

Participant Trends

As with many funds in this country, there has been a steady growth in the number of retired members as the System has matured. The active-to-inactive ratio has decreased from 2.7 actives to each inactive in 1999 to 1.4 actives for each inactive today. While this would be an alarming trend in a pay-as-you-go system, the pool of invested assets has been established in anticipation of this development.

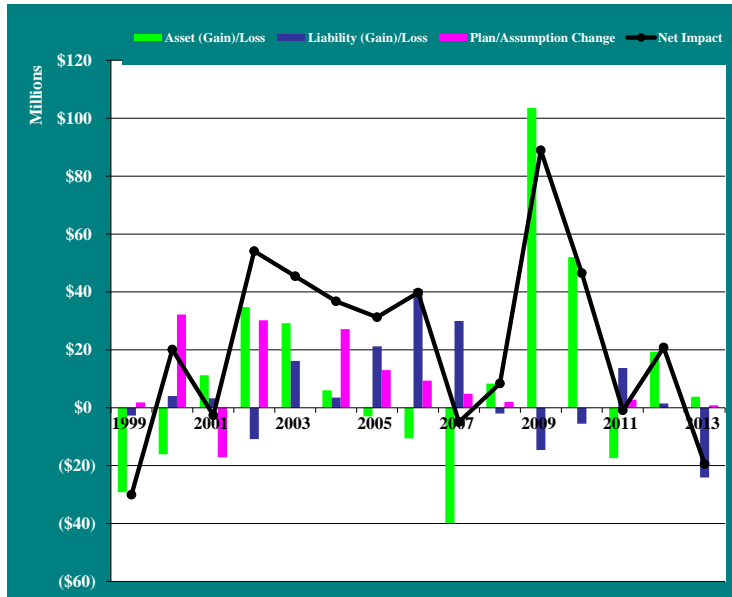
Starting in 2004, the chart also shows the number of DROP participants. Neither employer nor member contributions are made on their behalf, which leads to a slightly lower growth in effective covered payroll for this System.



**FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013**

**SECTION I
BOARD SUMMARY**

Gains and Losses



This graph shows the annual gains and losses experienced by the System, along with the change in unfunded actuarial liability (UAL) due to plan amendments and changes in assumptions. The black line shows the net impact of all such changes in a given year. Positive numbers represent increases in the UAL while negative numbers show reductions.

Cash Flow

The graph shows the annual cash flows into and out of the System. The graph shows the magnitude of the investment returns on the market value (green bars) compared to the contributions (yellow bars). The net cash flow (line) is comparing the contributions to benefits and expenses (red bar). Negative cash flow is expected for a mature plan such as this one. The implications of a plan with negative cash flow are that the impact of market fluctuations can be more severe. This is because as assets are being depleted to pay benefits in down markets, less principal is available to be reinvested during periods of favorable returns.



FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013

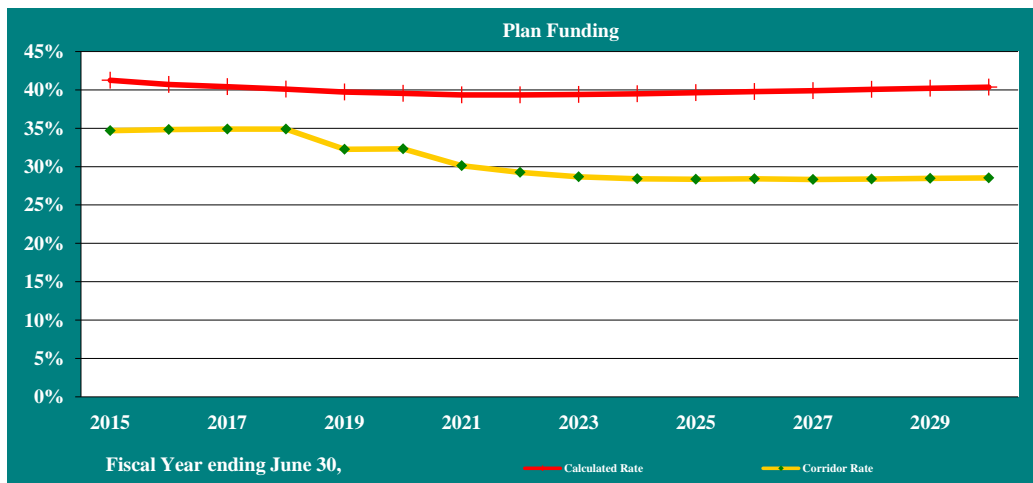
SECTION I
BOARD SUMMARY

Future Outlook

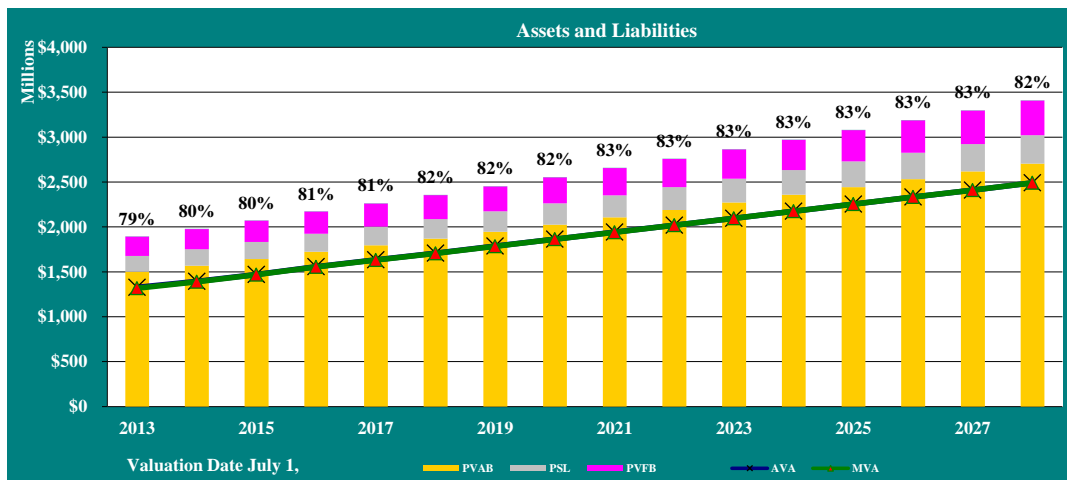
Base-line Projections

The two graphs below show the expected progress of the System over the next 15 years assuming the System’s assets earn 7.5% on their *market value*.

The graph entitled “Plan Funding” shows the contribution rates declining, but the System does not re-enter the corridor (if all other actuarial assumptions are met as well as the 7.5% interest rate). The contribution rate decreases as the stored investment gains are fully phased-in and as plan change bases become fully amortized and drop out. The red line shows the actuarially calculated rate if the corridor were not in place. Under this scenario the corridor rate remains stable for the next few years before declining.



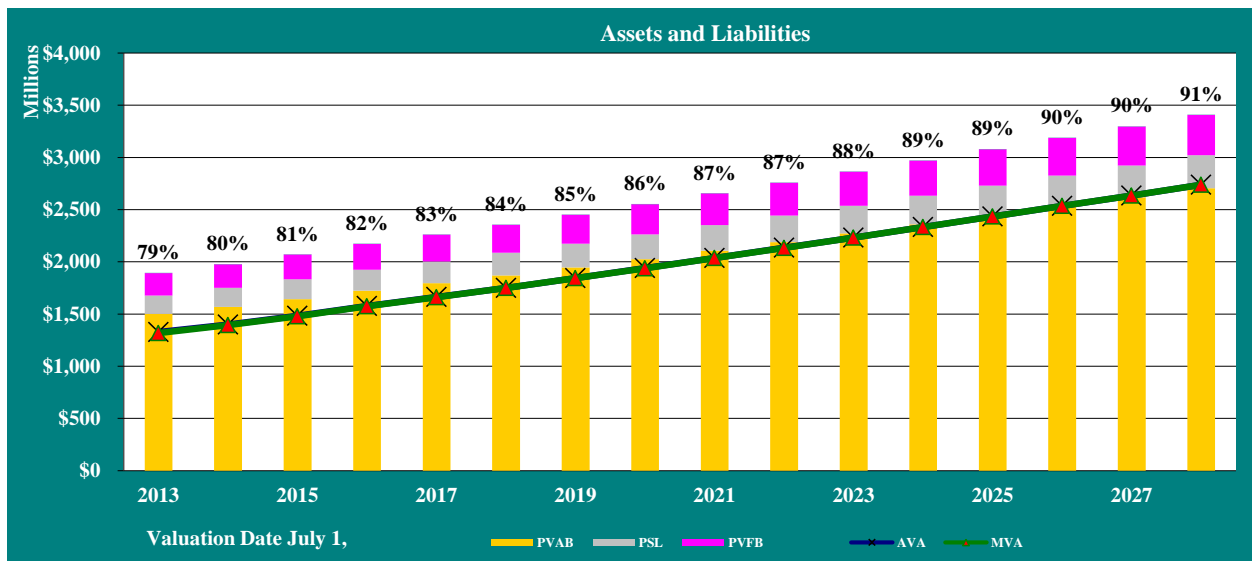
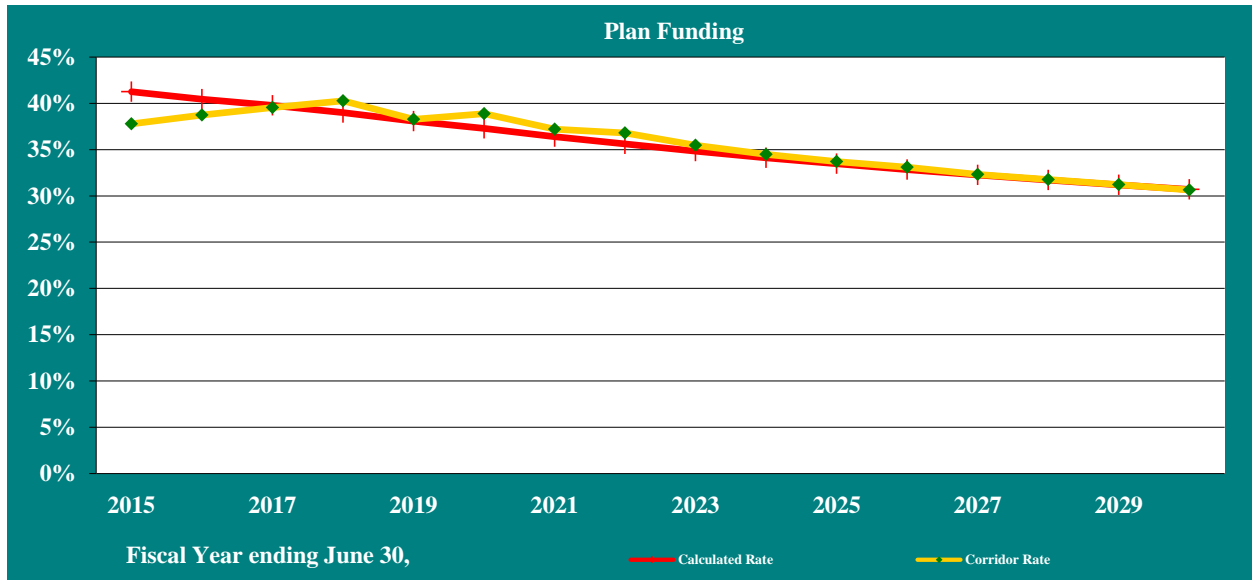
The “Assets and Liabilities” graph shows the projected funding status over the next 15 years. The funded ratio slowly increases in the short-term and then basically marks time and keeps the System around 83% funded.



**FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013**

**SECTION I
BOARD SUMMARY**

While the County's written policy is to contribute to 90% of the corridor, for FY 2015, the County actually plans to contribute an amount based on amortizing to 93%. In FY 2016, the amortization target will increase to 94% and continue increasing each year until the amortization target is 100%.



**FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013**

**SECTION I
BOARD SUMMARY**

The future funding status of this System will be influenced by the investment earnings. The prior projection assumed the System would earn 7.5% each and every year, which is extremely unlikely.

In the projections that follow, we show the risk to the System under volatile markets. Since 1980 the System has averaged 9.27% return per year. Therefore, for this analysis we have created the following three scenarios that produce the same average return.

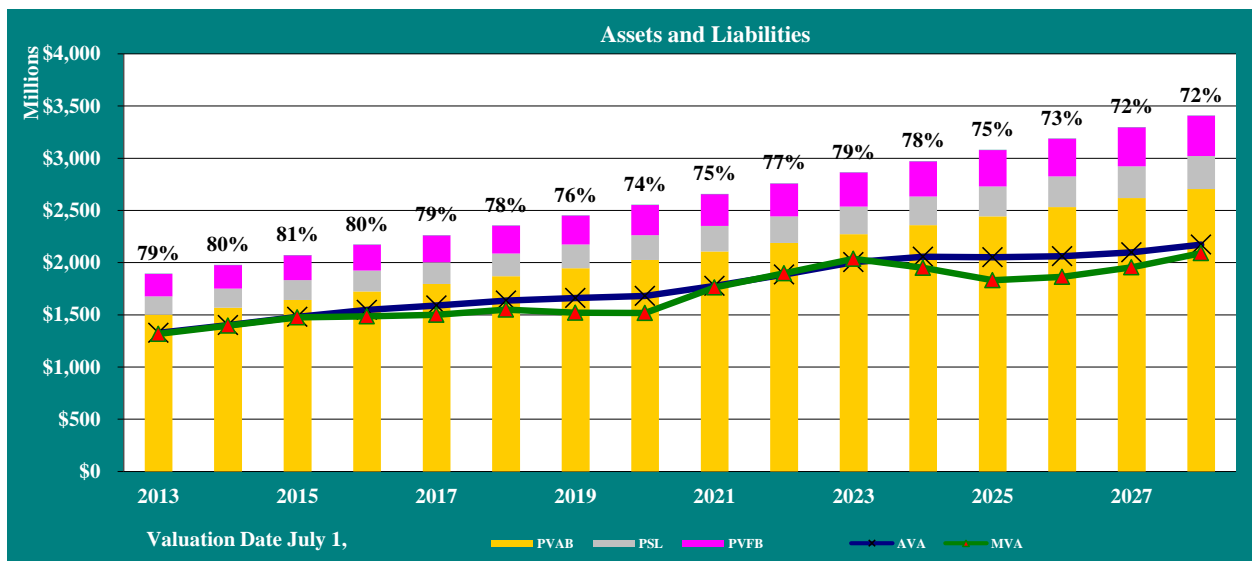
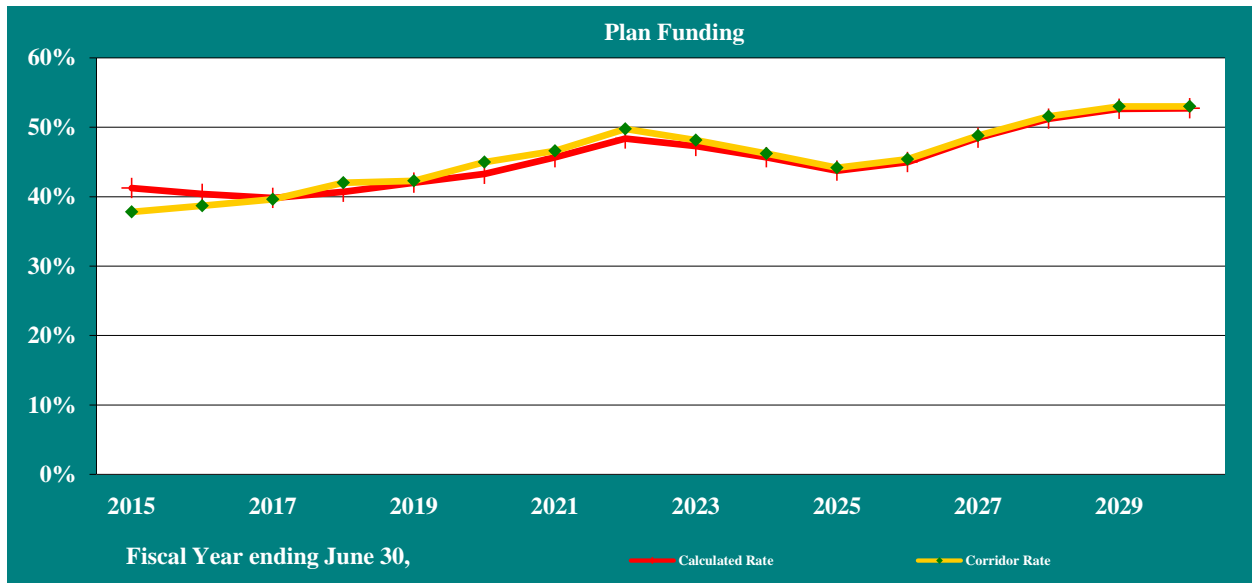
Table I-1			
Fiscal Year Ending June 30,	Average 5.0%	Average 7.5%	Average 10.0%
2013	7.67%	2.34%	-5.85%
2014	7.05	7.17	4.54
2015	1.67	17.72	18.15
2016	2.98	30.01	32.56
2017	5.16	19.42	-8.98
2018	-0.19	5.61	12.47
2019	1.48	11.03	17.81
2020	17.59	4.30	-13.95
2021	9.50	15.60	15.19
2022	9.25	-0.44	14.83
2023	-2.11	2.05	28.45
2024	-3.75	-8.37	24.92
2025	4.20	4.65	3.95
2026	7.27	-0.59	7.37
2027	9.17	7.83	10.22
Average	5.00%	7.50%	10.00%

**FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013**

**SECTION I
BOARD SUMMARY**

Alternative Projection -- with average return of 5.0% in the period

Under this scenario, the corridor contribution rate increases from 35% to about 53% of payroll. The System funding drops to 72% even with the ramping up of contributions from 93% of the corridor to 100%.

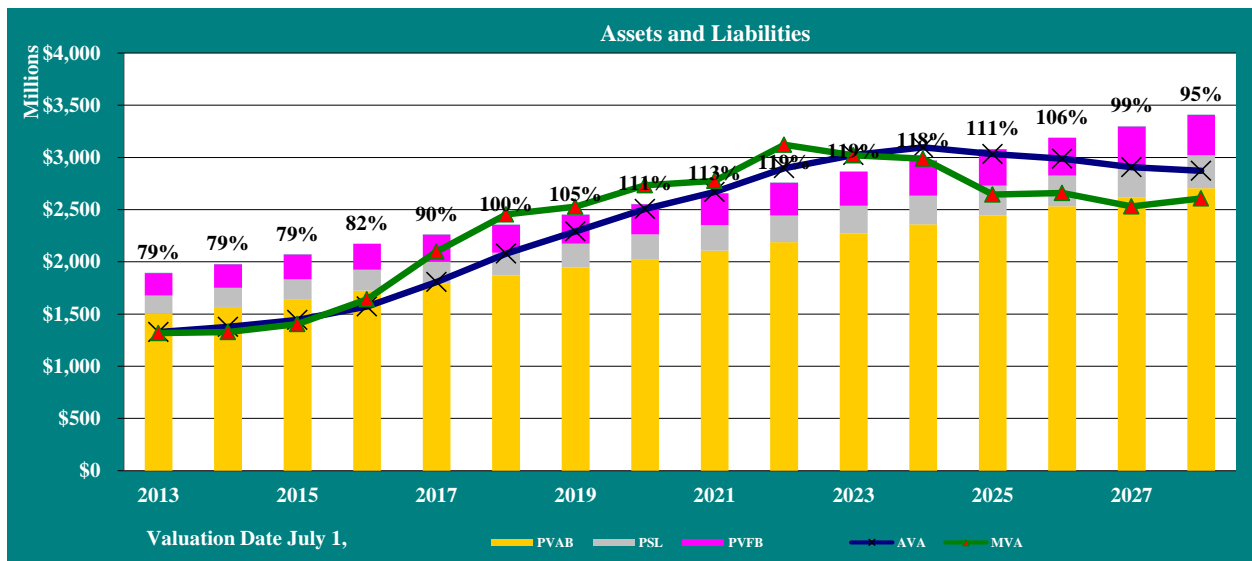
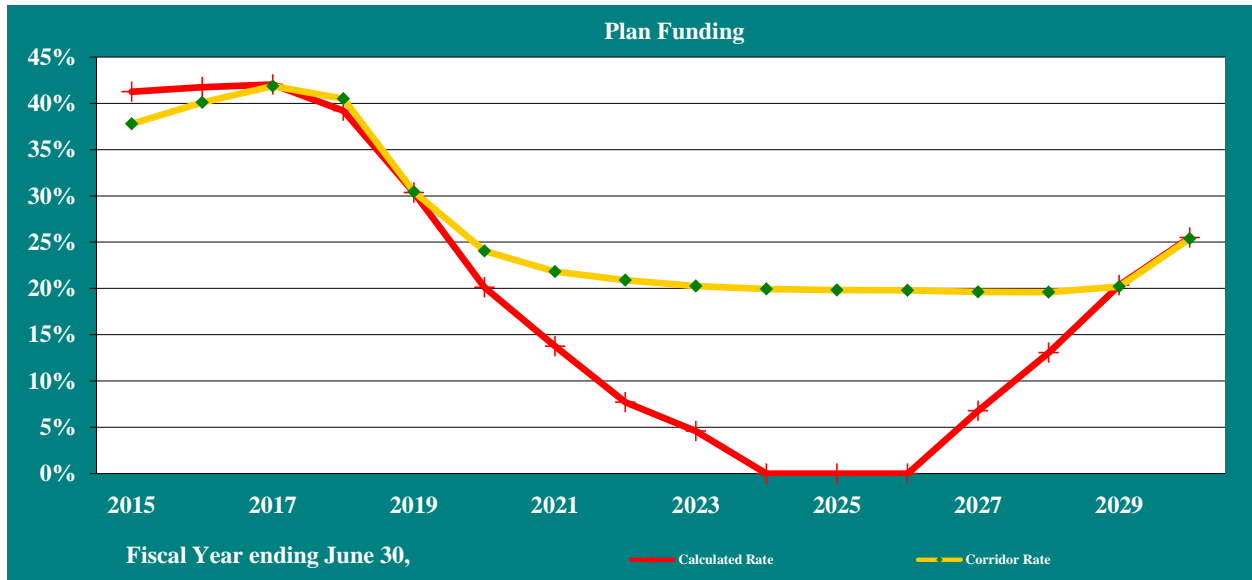


FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013

SECTION I
BOARD SUMMARY

Alternative Projection – with average return of 7.5% in the period

Under this scenario, the corridor contribution rate increases until the System re-enters the corridor in 2017 and reaches full funding in 2018.

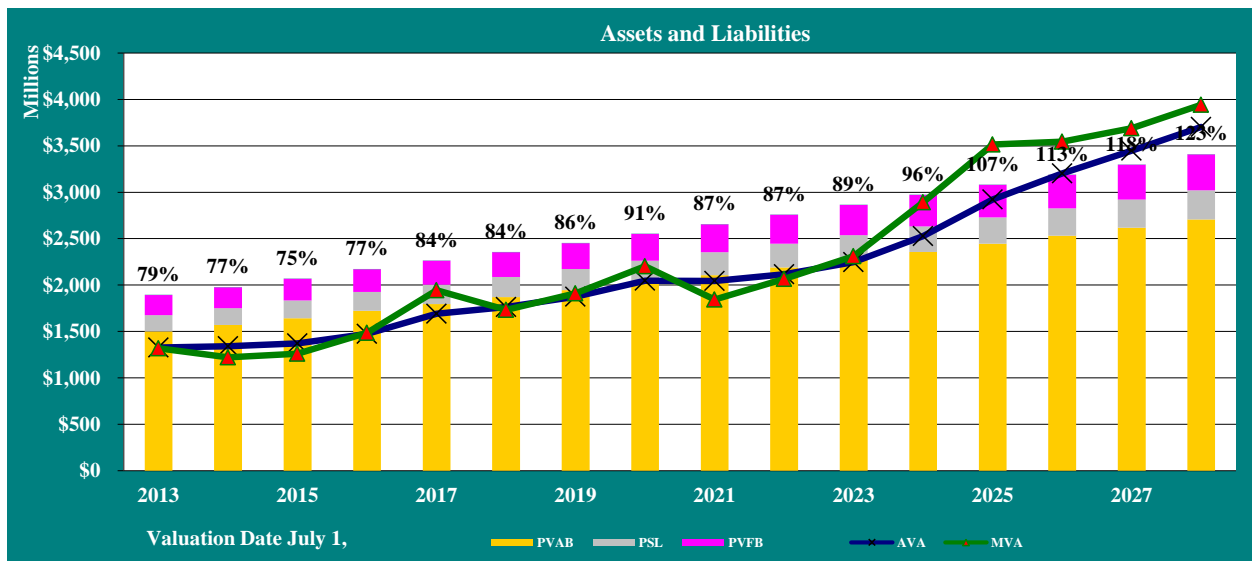
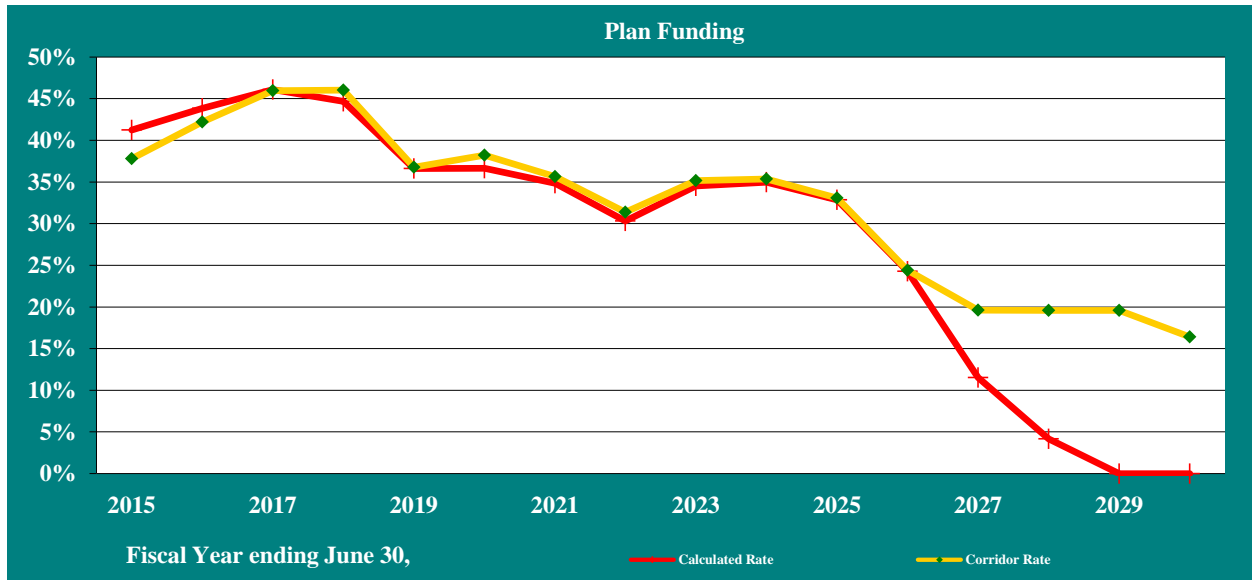


**FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013**

**SECTION I
BOARD SUMMARY**

Alternative Projection -- with average return of 10.0% in the period

Under this scenario, the corridor contribution rate declines most years of the projection period until reaching the level of just paying normal cost by 2027.



FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013

SECTION I
BOARD SUMMARY

Table I-2			
Summary of Principal Plan Results			
Valuation as of:	7/1/2012	7/1/2013	% Chg
<u>Participant Counts</u>			
Actives (excluding DROP)	1,870	1,862	-0.4%
DROPs	119	126	5.9%
Terminated Vesteds	44	47	6.8%
In Pay Status	1,109	1,155	4.1%
Total	3,142	3,190	1.5%
Annual Salaries of Active Members	\$ 148,235,740	\$ 146,597,688	-1.1%
Annual Retirement Allowances for Retired Members and Beneficiaries (Base amount only – not supplements)	\$ 59,412,133	\$ 63,939,689	7.6%
<u>Assets and Liabilities</u>			
Actuarial Accrued Liability	\$ 1,613,654,132	\$ 1,676,265,698	3.9%
Assets for Valuation Purposes	1,247,526,438	1,326,424,772	6.3%
Unfunded Actuarial Liability	\$ 366,127,694	\$ 349,840,926	-4.4%
Funding Ratio	77.3%	79.1%	
Present Value of Accrued Benefits	\$ 1,441,983,267	\$ 1,501,617,558	4.1%
Market Value of Assets	1,208,864,603	1,318,814,001	9.1%
Unfunded Accrued Liability (not less than \$0)	\$ 233,118,664	\$ 182,803,557	-21.6%
Accrued Benefit Funding Ratio	83.8%	87.8%	
<u>Contributions as a Percentage of Payroll</u>			
<u>GASB Method:</u>		Fiscal Year 2014	Fiscal Year 2015
Normal Cost Contribution	19.46%	19.47%	
Unfunded Actuarial Liability Contribution	22.27%	21.52%	
Administrative Expense	0.25%	0.25%	
Total Contribution	41.98%	41.24%	
<u>Corridor Method:</u>			
Normal Cost Contribution	19.46%	19.47%	
Increase Due to Amortized Changes	7.05%	7.10%	
Amortization of Amount Outside Corridor	8.69%	7.88%	
Administrative Expense	0.25%	0.25%	
Corridor Method	35.45% ¹	34.70% ²	

¹ The actual contribution rate being paid by the County in FY 14 is 36.43%.

² Corridor Method based on amortization to 90% per current funding policy. Alternative rate calculations developed by amortizing to 93% is 37.79%.

SECTION II
ASSETS

Pension system assets play a key role in the financial operation of the System and in the decisions the Trustees may make with respect to future deployment of those assets. The level of assets, the allocation of assets among asset classes, and the methodology used to measure assets will likely impact upon benefit levels, County contributions, and the ultimate security of participants' benefits.

In this section, we present detailed information on system assets including:

- **Disclosure** of system assets at July 1, 2012 and July 1, 2013;
- Statement of the **changes** in market values during the year;
- Development of the **actuarial value of assets**;
- An assessment of **investment performance**; and
- A projection of the System's expected **cash flows** for the next ten years.

Disclosure

The market value of assets represents "snap-shot or cash-out" values which provide the principal basis for measuring financial performance from one year to the next. Market values, however, can fluctuate widely with corresponding swings in the marketplace. As a result, market values are usually not suitable for long-range planning.

The actuarial values are market values which have been smoothed; they are used for evaluating the System's ongoing liability to meet its obligations.

Current methods employed by this System set the actuarial value equal to the expected value plus 33 $\frac{1}{3}$ % of the difference between the expected value of assets and the actual market value, where the expected value is equal to the prior year's actuarial value, rolled forward with actual contributions, benefit payments, and administrative expenses plus interest imputed at 7 $\frac{1}{2}$ %.

FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013

**SECTION II
ASSETS**

Table II-1		
Statement of Assets at Market Value		
	7/1/2012	7/1/2013
<u>Assets</u>		
Equity in County's Pooled Cash,		
Contributions Receivable and Other Assets	\$ 5,169,700	\$ 4,950,928
Accrued Interest and Dividends Receivable	2,479,579	2,324,203
Receivable from Sale of Investments	45,669,330	76,402,193
US Government Obligations	12,633,376	27,997,277
Asset-Backed Securities	107,881,704	88,660,593
Other Bonds and Notes	101,287,810	90,516,896
Common and Preferred Stock	275,092,786	254,911,588
Pooled and Mutual Funds	647,921,167	715,252,760
Short-Term Investments	79,158,612	143,238,485
Cash Collateral Received Under		
Securities Lending Agreements	<u>8,885,660</u>	<u>10,886,602</u>
Total Assets	\$ 1,286,179,724	\$ 1,415,141,525
<u>Liabilities</u>		
Payable for Collateral Received Under		
Securities Lending Agreements	\$ 8,885,660	\$ 10,886,602
Payable for Purchase of Investments	65,895,822	82,823,192
Accounts Payable and Accrued Expenses	<u>2,533,639</u>	<u>2,617,730</u>
Total Liabilities	\$ 77,315,121	\$ 96,327,524
Net Assets Available for Benefits	\$ 1,208,864,603	\$ 1,318,814,001

FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013

**SECTION II
ASSETS**

Table II-2		
Changes in Market Values		
Value of Assets – July 1, 2012		\$ 1,208,864,603
<u>Additions</u>		
Contributions:		
Employer Contributions	\$ 53,722,160	
Employee Contributions	<u>10,937,857</u>	
Total Contributions		\$ 64,660,017
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	\$ 100,343,285	
Interest	14,785,653	
Dividends	<u>10,386,663</u>	
Total Investment Income	\$ 125,515,601	
Investment Activity Expenses:		
Management Fees	\$ (4,815,533)	
Custodian Fees	(69,244)	
Consulting Expense	(185,545)	
Allocated Administrative Expenses	<u>(196,754)</u>	
Total Investment Activity Expenses	\$ (5,267,076)	
From Securities Lending Activities:		
Securities Lending Income	\$ 246,701	
Securities Lending Expenses		
Borrowers Rebates	0	
Management Fees	<u>(77,622)</u>	
Net Income from Securities Lending Activities	\$ 169,079	
Net Investment Income		\$ 120,417,604
Total Additions		<u>\$ 185,077,621</u>
<u>Deductions</u>		
Annuity Benefits	\$ (64,917,112)	
Disability Benefits	(8,112,708)	
Survivor Benefits	(884,891)	
Refunds and Other Expenses	(779,395)	
Administrative Expenses	<u>(434,117)</u>	
Total Deductions		<u>\$ (75,128,223)</u>
<u>Total</u>		
Net Increase (Decrease)		<u>\$ 109,949,398</u>
Value of Assets – July 1, 2013		\$ 1,318,814,001

FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013

**SECTION II
ASSETS**

Actuarial Value of Assets

The actuarial value of assets represents a “smoothed” value developed by the actuary to reduce, or eliminate, erratic results which could develop from short-term fluctuations in the market value of assets. For this System, the actuarial value has been calculated by adding 33⅓% of the difference between market value and expected value to the expected value. The following table illustrates the calculation of the actuarial value of assets for the July 1, 2013 valuation.

Table II-3 Development of Actuarial Value of Assets as of July 1, 2013	
1. Actuarial Value of Assets at July 1, 2012	\$ 1,247,526,438
2. Amount in (1) with Interest to July 1, 2013	1,341,090,921
3. Employer and Member Contributions for the Plan Year Ended June 30, 2013	64,660,017
4. Interest on Contributions Assuming Received Uniformly Throughout the Year to July 1, 2013	2,424,751
5. Disbursements from Trust Except Investment Expenses, July 1, 2012 Through June 30, 2013	(75,128,223)
6. Interest on Disbursements Assuming Payments Made Uniformly Throughout the Year to July 1, 2013	<u>(2,817,309)</u>
7. Expected Value of Asset at July 1, 2013 = (2) + (3) + (4) + (5) + (6)	\$ 1,330,230,157
8. Market Value of Assets at July 1, 2013	<u>1,318,814,001</u>
9. Excess of (8) Over (7)	\$ (11,416,156)
10. Actuarial Value of Assets at July 1, 2013 = (7) + 33-1/3% of (9)	\$ 1,326,424,772
<i>All interest adjustments are made using the 7½% per annum actuarial assumed interest rate.</i>	

**FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013**

**SECTION II
ASSETS**

Investment Performance

The market value of assets (MVA) returned 10.00% during 2013, which is more than the assumed 7.50% return. A return of 7.19% on the actuarial value of assets (AVA) is primarily the result of the asset smoothing method being utilized for the calculation of the actuarial value of assets. Since only 33⅓% of the gain or loss from the performance of the System is recognized in a given year, in periods of very good performance, the AVA can lag significantly behind the MVA. In a period of negative returns, the AVA does not decline as rapidly as the MVA.

Year Ending June 30,	Market Value	Actuarial Value	Total Return Standard & Poor's 500 Index	Barclays Global Aggregate Index¹
1989	11.8%	9.6%	20.4%	12.3%
1990	8.5%	9.6%	16.4%	7.1%
1991	7.8%	8.6%	7.4%	10.2%
1992	14.1%	9.8%	13.5%	14.2%
1993	12.2%	10.0%	13.6%	13.2%
1994	1.4%	6.3%	1.3%	-1.5%
1995	14.6%	9.3%	26.1%	12.8%
1996	15.0%	14.2% ²	26.0%	4.7% ³
1997	17.2%	12.9%	34.6%	8.2%
1998	16.2%	10.8%	30.2%	10.5%
1999	9.6%	13.4%	22.7%	3.1%
2000	5.2%	10.4%	7.3%	4.6%
2001	-2.8%	5.7%	-14.8%	11.2%
2002	-4.9%	2.3%	-18.0%	8.6%
2003	5.4%	3.3%	0.3%	10.4%
2004	14.3%	6.7%	19.1%	0.3%
2005	10.4%	7.9%	6.3%	6.8%
2006	10.5%	8.8%	8.6%	-0.8%
2007	17.8%	11.8%	20.6%	6.1%
2008	-2.5%	6.7%	-13.1%	7.1%
2009	-19.6%	-1.9%	-26.2%	5.5%
2010	15.2%	2.6%	14.4%	9.5%
2011	24.1%	9.1%	30.8%	3.9%
2012	-0.3%	5.9%	5.4%	7.5%
2013	10.0%	7.2%	20.6%	-0.1%

¹ Formerly the Lehman Global Aggregate Bond Index

² The actuarial return in 1996 reflects the adjustment to a revised actuarial valuation method.

³ Figures shown prior to 1997 are Shearson Lehman Government/Corporate Bond Index.

**FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013**

**SECTION II
ASSETS**

Expected benefit payments are projected for the closed group valued at July 1, 2013. Projecting any farther than ten years using a closed-group would not yield reliable predictions due to the omission of new hires.

Expected contributions are projected based on the current County contribution rate of 36.43% for FY 2014, and then using the amortize to 93% rate for FY 2015, amortize to 94% for FY 2016 and so on increasing to 100%. This projection assumes no further gains or losses, a 3% annual increase in the total covered payroll and models the anticipated impact of new hires coming in with altered plan provisions.

Table II-5		
Projection of System's Benefit Payments and County Contributions		
Year Beginning July 1,	Expected Benefit Payments¹	Expected County Contributions
2013	\$ 88,760,000	\$ 54,201,000
2014	89,472,000	57,903,000
2015	88,070,000	61,141,000
2016	106,417,000	64,302,000
2017	110,722,000	67,444,000
2018	115,111,000	65,998,000
2019	119,473,000	69,075,000
2020	125,359,000	68,077,000
2021	132,947,000	69,327,000
2022	139,572,000	68,827,000

¹ Assumes assets in the inactive and suspense account are paid out in first year.

SECTION III LIABILITIES

In this section, we present detailed information on system liabilities including:

- **Disclosure** of system liabilities at July 1, 2012 and July 1, 2013;
- Statement of **changes** in these liabilities during the year; and
- A **projection** of future liabilities.

Disclosure

Several types of liabilities are calculated and presented in this report. Each type is distinguished by the people ultimately using the figures and the purpose for which they are using them.

- **Present Value of Benefits:** Used for analyzing the financial outlook of the System, this represents the amount of money needed today to fully pay off all future benefits and expenses of the System, assuming participants continue to accrue benefits.
- **Actuarial Accrued Liability:** Used for funding calculations and GASB disclosures, this liability is calculated taking the present value of benefits above and subtracting the present value of future member contributions and future employer normal costs under an acceptable actuarial funding method. This method is referred to as the **Entry Age Normal** funding method.
- **Present Value of Accrued Liabilities:** Used for communicating the current level of liabilities, this liability represents the total amount of money needed today to fully pay off the current accrued obligations of the System, assuming no future accruals of benefits. These liabilities are also required for accounting purposes (FASB ASC Topic 960) and used to assess whether the plan can meet its current benefit commitments.

The following table discloses each of these liabilities for the current and prior valuations. With respect to each disclosure, a subtraction of the appropriate value of system assets yields, for each respective type, a **net surplus** or an **unfunded liability**.

FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013

**SECTION III
LIABILITIES**

Table III-1		
Liabilities/Net (Surplus)/Unfunded		
	July 1, 2012	July 1, 2013
Present Value of Future Benefits		
Active Participant Benefits (excluding DROP)	\$ 1,023,843,346	\$ 1,021,357,054
DROP Participant Benefits	168,256,209	172,202,477
Retiree Benefits	807,867,893	863,603,378
Terminated Vested and Inactive Members	<u>5,798,448</u>	<u>6,279,795</u>
Present Value of Benefits (PVB)	\$ 2,005,765,896	\$ 2,063,442,704
Market Value of Assets (MVA)	\$ 1,208,864,603	\$ 1,318,814,001
Future Employee Contributions	104,528,827	103,174,438
Future County Contributions	<u>692,372,466</u>	<u>641,454,265</u>
Total Resources	\$ 2,005,765,896	\$ 2,063,442,704
Actuarial Accrued Liability		
Present Value of Benefits (PVB)	\$ 2,005,765,896	\$ 2,063,442,704
Present Value of Future Normal Costs (PVFNC)		
County Portion	287,582,937	284,002,568
Employee Portion	<u>104,528,827</u>	<u>103,174,438</u>
Actuarial Accrued Liability	\$ 1,613,654,132	\$ 1,676,265,698
(AAL = PVB – PVFNC)		
Actuarial Value of Assets (AVA)	<u>1,247,526,438</u>	<u>1,326,424,772</u>
Net (Surplus)/Unfunded (AAL – AVA)	\$ 366,127,694	\$ 349,840,926
Present Value of Accrued Benefits		
Present Value of Benefits (PVB)	\$ 2,005,765,896	\$ 2,063,442,704
Present Value of Future Benefit Accruals (PVFBA)	<u>563,782,629</u>	<u>561,825,146</u>
Present Value of Accrued Benefits	\$ 1,441,983,267	\$ 1,501,617,558
(PVAB = PVB – PVFBA)		
Market Value of Assets (MVA)	<u>1,208,864,603</u>	<u>1,318,814,001</u>
Net Unfunded, not less than \$0 (PVAB – MVA)	\$ 233,118,664	\$ 182,803,557

**FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013**

**SECTION III
LIABILITIES**

Changes in Liabilities

Each of the liabilities disclosed in the prior table is expected to change at each valuation. The components of that change, depending upon which liability is analyzed, can include:

- New hires since the last valuation
- Benefits accrued since the last valuation
- Plan amendments increasing benefits
- Passage of time which adds interest to the prior liability
- Benefits paid to retirees since the last valuation
- Participants retiring, terminating, or dying at rates different than expected
- A change in actuarial or investment assumptions
- A change in the actuarial funding method

Unfunded liabilities will change because of all of the above and also due to changes in system assets resulting from:

- Employer contributions less than the full actuarial contribution
- Investment earnings different than expected
- A change in the method used to measure system assets

In each valuation, we report on those elements of change which are of particular significance, potentially affecting the long-term financial outlook of the System. Below we present key changes in liabilities since the last valuation.

Table III-2			
	Present Value of Benefits	Actuarial Accrued Liability	Present Value of Accrued Benefits
Liabilities 7/1/2012	\$ 2,005,765,896	\$ 1,613,654,132	\$ 1,441,983,267
Liabilities 7/1/2013	<u>2,063,442,704</u>	<u>1,676,265,698</u>	<u>1,501,617,558</u>
Liability Increase (Decrease)	\$ 57,676,808	\$ 62,611,566	\$ 59,634,291
Change Due to:			
Plan Amendment and Ad Hoc COLAs	\$ 958,883	\$ 813,016	\$ 0
Actuarial (Gain)/Loss	<i>Not Calculated</i>	(24,088,845)	<i>Not Calculated</i>
Benefits Accumulated and Other Sources	56,717,925	85,887,395	59,634,291

FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013

**SECTION IV
CONTRIBUTIONS**

In the process of evaluating the financial condition of any pension system, the actuary analyzes the assets and liabilities to determine what level (if any) of contributions is needed to properly maintain the funding status of the system. Typically, the actuarial process will use a funding technique that will result in a pattern of contributions that is both stable and predictable.

For this System, the funding method employed is the **Entry Age Actuarial Cost Method**. Under this method, there are three components to the total contribution: **the normal cost rate**, the **unfunded actuarial liability rate** (UAL rate), and the **administrative expense rate**. The normal cost rate is determined in the following steps. First, an individual normal cost rate is determined by taking the value, as of entry age into the system, of each member’s projected future benefits. This value is then divided by the value of the member’s expected future salary, also at entry age. Second, the individual normal cost rate for each member is weighted by the present value of future pay at current age to obtain an average total normal cost rate for the system. Finally, the total normal cost rate is reduced by the average member contribution rate to produce the County’s normal cost rate.

Actuarially Determined Rate (for GASB Disclosure)

Effective with the 2001 valuation, the normal cost rate was frozen until the System is amended or there is a significant change in assumptions. The net impact on the normal cost rate is an increase of 1.92% of payroll. The changes are summarized in the following chart.

Changes Since 2001	Impact on Normal Cost
2002 Pre-Social Security Supplement	+ 1.40%
2004 DROP	+ 0.17
2005 Assumption Changes	+ 0.18
2007 Reduce Disability Offset to 40%	+ 0.02
2008 Reduce Disability Offset to 30%	+ 0.01
2010 Assumption Changes	+ 0.13
2013 Reduce Disability Offset to 25%	<u>+ 0.01</u>
Total Increase	+ 1.92%

The UAL rate is the level percent of member payroll which, when applied to each year’s payroll, is sufficient to amortize the unfunded actuarial liability (UAL) over a 15-year period. This is essentially developing the UAL rate “fresh-starting” each year.

The assumed administrative expense rate is 0.25% of payroll. This rate, when applied to payroll, is intended to provide an allowance above the cost of funding the benefits to pay for the expense of operating the System. The table on the next page presents and compares the actuarially determined contributions for the System for this valuation and the prior one.

FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013

**SECTION IV
CONTRIBUTIONS**

Table IV-2		
Actuarially Determined Rate (For GASB Disclosure)		
	July 1, 2012	July 1, 2013
Normal Cost Rate	19.46%	19.47%
UAL Rate	22.27%	21.52%
Expense Rate	<u>0.25%</u>	<u>0.25%</u>
Total County Rate	41.98%	41.24%

Budgeted Rate (Based on Corridor Method)

The County's total contribution rate is equal to the normal cost rate plus rate changes due to amendments passed or assumption changes adopted since July 1, 2001, plus the expense rate as long as the System's actuarial funded status remains within a corridor of 90% to 120%. The normal cost rate and actuarial accrued liability will continue to be measured using the entry age funding method. If the funded status falls outside the corridor, a credit (if above 120%) or charge (if below 90%) will be established based on a 15-year amortization equal to the amount necessary to re-enter the corridor. Once the funded status is within the corridor, the contribution rate will return to the normal cost rate, plus expense rate, plus amortization of post-2001 changes.

Table IV-3	
Changes Since 2001	Impact on UAL Rate
2002 ad-hoc COLA	+ 0.25%
2002 Pre-Social Security Supplement	+ 2.45
2004 DROP	+ 0.53
2004 Retiree Increase	+ 1.70
2005 Assumption Changes	+ 0.91
2006 DPSC Transfer	+ 0.62
2007 Reduce Disability Offset to 40%	+ 0.30
2008 Reduce Disability Offset to 30%	+ 0.12
2010 Assumption Changes	+ 0.17
2013 Reduce Disability Offset to 25%	<u>+ 0.05</u>
Total Increase	+ 7.10%

**FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013**

**SECTION IV
CONTRIBUTIONS**

The table below presents and compares the budgeted rate for the System for this valuation and the prior one. In both cases, the amortization follows the corridor method amortization to 90%.

Table IV-4		
Actuarially Determined Rate (for Corridor Contribution)		
Valuation Date	July 1, 2012	July 1, 2013
Fiscal Year	2014	2015
Normal Cost Rate	19.46%	19.47%
UAL Rate	7.05%	7.10%
Amortization of Amount Outside Corridor	8.69%	7.88%
Expense Rate	<u>0.25%</u>	<u>0.25%</u>
Total County Rate	35.45%*	34.70%**

* The actual contribution rate being paid by the County in FY 14 is 36.43%.

** The anticipated contribution rate to be paid by the County in FY15 is 37.79%.

FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013

**SECTION IV
CONTRIBUTIONS**

In the table below, we develop the actuarially determined rate, used in GASB disclosures, and the corridor contribution rate to be made by the employers.

Table IV-5		
Development of Actuarially Determined Contribution Rate		
	July 1, 2012	July 1, 2013
	(for FY 2014)	(for FY 2015)
1. Present Value of Future Benefits		
a. Active Employees	\$ 1,023,843,346	\$ 1,021,357,054
b. DROP	168,256,209	172,202,477
c. Retired Members	807,867,893	863,603,378
d. Vested Terminated and Inactive Members	<u>5,798,448</u>	<u>6,279,795</u>
e. Total Present Value	\$ 2,005,765,896	\$ 2,063,442,704
2. Present Value of Future Normal Costs		
a. County Portion	\$ 287,582,937	\$ 284,002,568
b. Employee Portion	<u>104,528,827</u>	<u>103,174,438</u>
c. Total Present Value	\$ 392,111,764	\$ 387,177,006
3. Present Value of Future Salaries for Current Active Members		
	\$ 1,477,815,710	\$ 1,458,667,528
4. Actuarial Value of Assets		
	\$ 1,247,526,438	\$ 1,326,424,772
5. Actuarial Accrued Liability (1) – (2)		
	\$ 1,613,654,132	\$ 1,676,265,698
6. Unfunded Actuarial Liability (5) – (4)		
	\$ 366,127,694	\$ 349,840,926
7. Active Member Payroll		
	\$ 148,235,740	\$ 146,597,688
8. Unfunded Liability Amortization Factor		
	11.0918	11.0918
9. County Contribution Results (GASB)		
a. Normal Cost Rate	19.46%	19.47%
b. Fresh Start Unfunded Liability Amortization (6 ÷ 8 ÷ 7)	22.27%	21.52%
c. Administrative Expense Rate	<u>0.25%</u>	<u>0.25%</u>
d. Total County Contribution Rate June 30	41.98%	41.24%

FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013

**SECTION IV
CONTRIBUTIONS**

Table IV-6 Development of Corridor Contribution Rate		
	July 1, 2012 (for FY 2014)	July 1, 2013 (for FY 2015)
1. Present Value of Future Benefits		
a. Active Employees	\$ 1,023,843,346	\$ 1,021,357,054
b. DROP	168,256,209	172,202,477
c. Retired Members	807,867,893	863,603,378
d. Vested Terminated and Inactive Members	<u>5,798,448</u>	<u>6,279,795</u>
e. Total Present Value	\$ 2,005,765,896	\$ 2,063,442,704
2. Present Value of Future Normal Costs		
a. County Portion	\$ 287,582,937	\$ 284,002,568
b. Employee Portion	<u>104,528,827</u>	<u>103,174,438</u>
c. Total Present Value	\$ 392,111,764	\$ 387,177,006
3. Actuarial Accrued Liability (1) – (2)	\$ 1,613,654,132	\$ 1,676,265,698
4. Actuarial Value of Assets for Corridor Purposes		
a. Actuarial Assets	\$ 1,247,526,438	\$ 1,326,424,772
b. Outstanding Balance of Plan and Assumption Changes	<u>61,859,319</u>	<u>54,045,317</u>
c. Adjusted Assets (a) + (b)	\$ 1,309,385,757	\$ 1,380,470,089
5. Funding Ratio for Corridor Test	81.1%	82.4%
6. Liability to be Amortized if outside Corridor		
a. 90% x (3) - (4)(c)	\$ 142,902,962	\$ 128,169,039
b. (4)(c) - 120% x (3)	0	0
7. Active Member Payroll	\$ 148,235,740	\$ 146,597,688
8. Unfunded Liability Amortization Factor	11.0918	11.0918
9. Amortization as a % of Payroll (6)/(7)/(8)	8.69%	7.88%
10. County Contribution Results (Corridor)		
a. Normal Cost Rate	19.46%	19.47%
b. Administrative Expense Rate	0.25%	0.25%
c. Plan Change Amortizations	7.05%	7.10%
d. Amortization Outside Corridor (9)	<u>8.69%</u>	<u>7.88%</u>
e. Total County Contribution Rate June 30 ¹	35.45%	34.70%

¹Alternative rate calculations developed by amortizing to 93%: 37.79%

**FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013**

**SECTION V
ACCOUNTING STATEMENT INFORMATION**

ASC Topic 960 of the Financial Accounting Standards Board (FASB) requires the System to disclose certain information regarding its funded status. Statement Number 25 of the Governmental Accounting Standards Board (GASB) establishes standards for disclosure of pension information by public employee retirement systems (PERS) and governmental employers in notes to financial statements and supplementary information.

The FASB ASC Topic 960 disclosures provide a quasi “snap shot” view of how the System’s assets compare to its liabilities if contributions stopped and accrued benefit claims had to be satisfied. However, due to potential legal requirements and the possibility that alternative interest rates would have to be used to determine the liabilities, these values may not be a good indication of the amount of money it would take to buy the benefits for all members if the System were to terminate.

The GASB-25 actuarial accrued liability is the same as the actuarial liability amount calculated for funding purposes.

Both the present value of accrued benefits (FASB ASC Topic 960) and the actuarial accrued liability (GASB-25) are determined assuming that the System is on-going and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions. Liabilities are discounted at the assumed valuation interest rate of 7.5% per annum.

FASB ASC Topic 960 specifies that a comparison of the present value of accrued (accumulated) benefits with the market value of the assets as of the valuation date must be provided. GASB Statement Number 25 requires the actuarial accrued liability be compared with the actuarial value of assets for funding purposes. The relevant amounts as of July 1, 2012 and July 1, 2013 are exhibited in Table V-1. Finally, Table V-2 reconciles the FASB ASC Topic 960 liabilities determined as of the prior valuation, July 1, 2012, to the liabilities as of July 1, 2013.

Tables V-3 through V-5 are exhibits to be used with the System’s CAFR report. Table V-3 is the Notes to Required Supplementary Information, Table V-4 is a history of gains and losses in Accrued Liability, and Table V-5 is the Solvency Test which shows the portion of Accrued Liability covered by Assets.

FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013

SECTION V
ACCOUNTING STATEMENT INFORMATION

Table V-1		
Accounting Statement Information		
	July 1, 2012	July 1, 2013
A. FASB ASC Topic 960 Basis		
1. Present Value of Benefits Accrued and Vested to Date		
a. Members Currently Receiving Payments	\$ 807,867,893	\$ 863,603,378
b. Vested Terminated and Inactive Members	5,798,448	6,279,795
c. DROP	168,256,209	172,202,477
d. Active Members	<u>289,675,406</u>	<u>293,723,214</u>
e. Total PVVB	\$ 1,271,597,956	\$ 1,335,808,864
2. Present Value of Non-Vested Accrued Benefits for Active Members	<u>170,385,311</u>	<u>165,808,694</u>
3. Total Present Value of Accrued Benefits	\$ 1,441,983,267	\$ 1,501,617,558
4. Assets at Market Value	<u>1,208,864,603</u>	<u>1,318,814,001</u>
5. Unfunded Present Value of Accrued Benefits, But Not Less Than Zero	\$ 233,118,664	\$ 182,803,557
6. Ratio of Assets to Value of Benefits (4) / (3)	83.8%	87.8%
B. GASB No. 25 Basis		
1. Actuarial Liabilities		
a. Members Currently Receiving Payments	\$ 807,867,893	\$ 863,603,378
b. Vested Deferred and Inactive Status Members	5,798,448	6,279,795
c. DROP	168,256,209	172,202,477
d. Active Members	<u>631,731,582</u>	<u>634,180,048</u>
e. Total	\$ 1,613,654,132	\$ 1,676,265,698
2. Actuarial Value of Assets	<u>1,247,526,438</u>	<u>1,326,424,772</u>
3. Unfunded Actuarial Liability	\$ 366,127,694	\$ 349,840,926
4. Ratio of Actuarial Value of Assets to Actuarial Liability	77.3%	79.1%

FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013

SECTION V
ACCOUNTING STATEMENT INFORMATION

Table V-2 Statement of Changes in Total Actuarial Present Value of All Accrued Benefits	Accumulated Benefit Obligation (FASB ASC Topic 960)
Actuarial Present Value of Accrued Benefits as of July 1, 2012	\$ 1,441,983,267
Increase (Decrease) During Years Attributable to:	
Passage of Time	\$ 105,347,716
Benefits Paid – FY 2013	(74,694,106)
Assumption Change	780,495
Benefits Accrued, Other Gains/Losses	<u>28,200,186</u>
Net Increase (Decrease)	\$ 59,634,291
Actuarial Present Value of Accrued Benefits as of July 1, 2013	\$ 1,501,617,558

FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013

SECTION V
ACCOUNTING STATEMENT INFORMATION

Table V-3
Note to Required Supplementary Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	July 1, 2013
Actuarial cost method	Entry age
Amortization method	Level percent open
Remaining amortization period	15 years
Asset valuation method	3-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases*	4.8% - 11.0%
Cost-of-living adjustments	2.75%
*Includes inflation at	3.0%

The actuarial assumptions used have been recommended by the actuary and adopted by the System's Board of Trustees based on the most recent review of the System's experience, completed in 2011.

The rate of employer contributions to the System is composed of the normal cost, amortization of the unfunded actuarial accrued liability and an allowance for administrative expenses. The normal cost is a level percent of payroll cost which, along with the member contributions, will pay for projected benefits at retirement for the average plan participant. The actuarial accrued liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and the funds accumulated as of the same date is the unfunded actuarial accrued liability. The allowance for administrative expenses is based upon the System's actual administrative expenses.

FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013

SECTION V
ACCOUNTING STATEMENT INFORMATION

Table V-4
Analysis of Financial Experience
Gains and Losses in Accrued Liability During Years Ended June 30
Resulting from Differences Between Assumed Experience and Actual Experience
Gain (or Loss) for Year ending June 30,

Type of Activity	2008	2009	2010	2011	2012	2013
Investment Income	\$ (8,352,154)	\$(103,521,233)	\$ (52,003,538)	\$ 17,409,148	\$ (19,330,917)	\$ (3,805,385)
Combined Liability Experience	<u>1,986,816</u>	<u>14,593,398</u>	<u>5,509,116</u>	<u>(13,747,922)</u>	<u>(1,456,752)</u>	<u>24,088,845</u>
Gain (or Loss) During Year from Financial Experience	\$ (6,365,338)	\$ (88,927,835)	\$ (46,494,422)	\$ 3,661,226	\$ (20,787,669)	\$ 20,283,460
Non-Recurring Items	<u>(2,027,721)</u>	<u>0</u>	<u>0</u>	<u>(2,808,343)</u>	<u>0</u>	<u>(813,016)</u>
Composite Gain (or Loss) During Year	\$ (8,393,059)	\$ (88,927,835)	\$ (46,494,422)	\$ 852,883	\$ (20,787,669)	\$ 19,470,444

Table V-5
Solvency Test
Aggregate Accrued Liabilities For

Valuation Date July 1,	(1) Active Member Contributions	(2) Retirees Vested Terms, Beneficiaries & DROP	(3) Active Members (Employer Financed Portion)	Reported Assets	Portion of Accrued Liabilities by Reported Assets		
					(1)	(2)	(3)
2008	\$ 100,789,409	\$ 693,098,403	\$ 491,806,439	\$ 1,097,994,261	100%	100%	62%
2009	108,449,048	745,549,680	497,205,327	1,074,229,685	100%	100%	44%
2010	113,757,792	813,049,990	500,808,928	1,095,079,616	100%	100%	34%
2011	120,040,592	896,003,321	510,174,331	1,185,593,678	100%	100%	33%
2012	120,373,016	981,922,550	511,358,566	1,247,526,438	100%	100%	28%
2013	130,979,546	1,042,085,650	503,200,502	1,326,424,772	100%	100%	30%

**FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013**

**APPENDIX A
MEMBERSHIP INFORMATION**

The data for this valuation was provided electronically by the Fairfax County Retirement System staff. Cheiron did not perform a formal audit on the data. However, we did perform checks of the data for reasonable and consistency in accordance with Actuarial Standards of Practice Number 23 Data Quality. The active data was collected as of January 1, 2013 and the inactive data was collected as of July 1, 2013.

Active pay information is adjusted to project the pay expected to be earned from July 1, 2013 through June 30, 2014. The annual payroll was provided as of December 31, 2012 and adjusted to July 1, 2013; which included annualizing the 2.18% increase from July 1, 2012.

For inactive participants given with a Joint and Survivor form of benefit and no continuation percentage provided, a survivor percentage of 100% is assumed.

FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013

**APPENDIX A
MEMBERSHIP INFORMATION**

Summary of Membership Data as of July 1, 2013

Plan	Count	Active Members *		
		Average Age	Average Service	Average Annual Salary
A	1	57.3	32.0	\$ N/A
B	65	47.4	20.3	93,348
C	2	56.5	31.3	109,294
D	<u>1,794</u>	<u>39.1</u>	<u>11.5</u>	<u>78,152</u>
Total	1,862	39.5	11.8	\$ 78,731

* Excludes DROP participants.

	Inactive Members and DROP Participants		
	Count	Total Annual Benefit	Average Monthly Benefit
Service Retirement ¹			
Basic Benefit	925	\$ 54,741,837	\$ 4,932
Pre-62 Supplement	29	412,388	1,185
Pre-Social Security Supplement	492	3,529,576	598
Service-Connected Disability ²	184	8,023,852	3,634
Ordinary Disability	17	331,194	1,624
Beneficiaries	29	842,805	2,422
DROP	126	9,087,087	6,010
Vested Former Members ³	47	690,952	1,225

¹ Supplements shown include only amounts currently payable. For members who are in Plan B and have not yet attained age 55, this means their pre-62 supplement will double in future years.

² Benefits are net of offsets for Workers' Compensation and Social Security.

³ Benefits are payable at age 55.

**FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013**

**APPENDIX A
MEMBERSHIP INFORMATION**

Data Reconciliation from July 1, 2012 to July 1, 2013								
	Active	DROP	Terminated Vested	Retired	Service- Connected Disability	Ordinary Disability	Beneficiary	Total
Participant count as of July 1, 2012	1,870	119	44	878	187	18	26	3,142
New Hires / Re-hires	97		(1)					96
Terminated Vested	(4)		4					0
DROP	(52)	52						0
Retired	(7)	(45)		52				0
Deceased with beneficiary				(3)	(1)		4	0
Deceased without beneficiary				(2)	(3)	(1)	(1)	(7)
Benefits Expired								0
Ordinary Disability								0
Service-Connected Disability								0
Terminated Not Vested	(42)							(42)
Corrections					1			1
Change	(8)	7	3	47	(3)	(1)	3	48
Participant count as of July 1, 2013	1,862	126	47	925	184	17	29	3,190

**FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013**

**APPENDIX A
MEMBERSHIP INFORMATION**

Distribution of Active Participants - - Plan A

COUNTS BY AGE/SERVICE

Age	Service								Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	
Under 25	0	0	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0	0	0
30 to 34	0	0	0	0	0	0	0	0	0
35 to 39	0	0	0	0	0	0	0	0	0
40 to 44	0	0	0	0	0	0	0	0	0
45 to 49	0	0	0	0	0	0	0	0	0
50 to 54	0	0	0	0	0	0	0	0	0
55 to 59	0	0	0	0	0	0	0	1	1
60 to 64	0	0	0	0	0	0	0	0	0
65 & up	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	1	1

TOTAL SALARY BY AGE/SERVICE

Age	Service								Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	
Under 25	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
25 to 29	0	0	0	0	0	0	0	0	0
30 to 34	0	0	0	0	0	0	0	0	0
35 to 39	0	0	0	0	0	0	0	0	0
40 to 44	0	0	0	0	0	0	0	0	0
45 to 49	0	0	0	0	0	0	0	0	0
50 to 54	0	0	0	0	0	0	0	0	0
55 to 59	0	0	0	0	0	0	0	N/A	N/A
60 to 64	0	0	0	0	0	0	0	0	0
65 & up	0	0	0	0	0	0	0	0	0
Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	N/A	N/A

FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013

**APPENDIX A
MEMBERSHIP INFORMATION**

Distribution of Active Participants - - Plan B

COUNTS BY AGE/SERVICE

Age	Service								Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	
Under 25	0	0	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0	0	0
30 to 34	0	0	0	0	0	0	0	0	0
35 to 39	0	0	0	0	4	0	0	0	4
40 to 44	0	0	0	0	17	6	0	0	23
45 to 49	0	0	0	0	6	7	4	0	17
50 to 54	0	0	0	0	10	4	3	0	17
55 to 59	0	0	0	0	1	0	0	1	2
60 to 64	0	0	0	0	1	0	1	0	2
65 & up	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	39	17	8	1	65

TOTAL SALARY BY AGE/SERVICE

Age	Service								Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	
Under 25	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
25 to 29	0	0	0	0	0	0	0	0	0
30 to 34	0	0	0	0	0	0	0	0	0
35 to 39	0	0	0	0	422,970	0	0	0	422,970
40 to 44	0	0	0	0	1,552,508	646,335	0	0	2,198,844
45 to 49	0	0	0	0	546,801	640,443	365,980	0	1,553,223
50 to 54	0	0	0	0	854,196	387,553	275,619	0	1,517,368
55 to 59	0	0	0	0	78,262	0	0	133,755	212,016
60 to 64	0	0	0	0	79,031	0	84,159	0	163,190
65 & up	0	0	0	0	0	0	0	0	0
Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,533,768	\$ 1,674,331	\$ 725,757	\$ 133,755	\$ 6,067,610

**FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013**

**APPENDIX A
MEMBERSHIP INFORMATION**

Distribution of Active Participants - - Plan C

COUNTS BY AGE/SERVICE

Age	Service									Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up		
Under 25	0	0	0	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0	0	0	0
30 to 34	0	0	0	0	0	0	0	0	0	0
35 to 39	0	0	0	0	0	0	0	0	0	0
40 to 44	0	0	0	0	0	0	0	0	0	0
45 to 49	0	0	0	0	0	0	0	0	0	0
50 to 54	0	0	0	0	0	0	0	0	0	0
55 to 59	0	0	0	0	0	0	0	1	1	2
60 to 64	0	0	0	0	0	0	0	0	0	0
65 & up	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	1	1	2

TOTAL SALARY BY AGE/SERVICE

Age	Service									Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up		
Under 25	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
25 to 29	0	0	0	0	0	0	0	0	0	0
30 to 34	0	0	0	0	0	0	0	0	0	0
35 to 39	0	0	0	0	0	0	0	0	0	0
40 to 44	0	0	0	0	0	0	0	0	0	0
45 to 49	0	0	0	0	0	0	0	0	0	0
50 to 54	0	0	0	0	0	0	0	0	0	0
55 to 59	0	0	0	0	0	0	124,554	94,034		218,588
60 to 64	0	0	0	0	0	0	0	0	0	0
65 & up	0	0	0	0	0	0	0	0	0	0
Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 124,554	\$ 94,034		\$ 218,588

**FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013**

**APPENDIX A
MEMBERSHIP INFORMATION**

Distribution of Active Participants - - Plan D

COUNTS BY AGE/SERVICE

Age	Service								Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	
Under 25	33	37	0	0	0	0	0	0	70
25 to 29	25	123	90	1	0	0	0	0	239
30 to 34	15	71	172	55	1	0	0	0	314
35 to 39	7	41	112	126	30	4	0	0	320
40 to 44	6	17	69	107	127	41	4	0	371
45 to 49	0	8	43	41	69	73	41	1	276
50 to 54	2	5	15	13	36	41	30	19	161
55 to 59	1	1	5	5	6	2	5	4	29
60 to 64	0	1	4	2	2	1	0	3	13
65 & up	0	0	1	0	0	0	0	0	1
Total	89	304	511	350	271	162	80	27	1,794

TOTAL SALARY BY AGE/SERVICE

Age	Service								Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	
Under 25	\$ 1,683,605	\$ 2,052,225	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,735,830
25 to 29	1,415,501	6,897,520	5,831,706	69,347	0	0	0	0	14,214,074
30 to 34	819,633	4,121,748	11,445,246	4,424,872	93,232	0	0	0	20,904,731
35 to 39	368,347	2,344,505	7,742,973	10,674,715	2,813,880	492,639	0	0	24,437,059
40 to 44	422,193	949,606	4,863,260	8,916,637	12,164,982	4,269,471	384,381	0	31,970,530
45 to 49	0	466,608	2,975,372	3,270,942	6,460,602	7,569,996	4,674,034	155,561	25,573,115
50 to 54	115,209	314,431	1,030,310	1,098,461	3,395,703	4,170,474	3,444,598	2,246,976	15,816,162
55 to 59	52,596	66,340	355,461	425,841	496,091	181,679	554,939	365,677	2,498,624
60 to 64	0	31,843	231,415	136,263	176,731	100,213	0	322,796	999,261
65 & up	0	0	55,919	0	0	0	0	0	55,919
Total	\$ 4,877,084	\$ 17,244,826	\$ 34,531,662	\$ 29,017,078	\$ 25,601,221	\$ 16,784,472	\$ 9,057,952	\$ 3,091,010	\$ 140,205,305

**FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013**

**APPENDIX A
MEMBERSHIP INFORMATION**

Distribution of Active Participants - - Total

COUNTS BY AGE/SERVICE

Age	Service								Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	
Under 25	33	37	0	0	0	0	0	0	70
25 to 29	25	123	90	1	0	0	0	0	239
30 to 34	15	71	172	55	1	0	0	0	314
35 to 39	7	41	112	126	34	4	0	0	324
40 to 44	6	17	69	107	144	47	4	0	394
45 to 49	0	8	43	41	75	80	45	1	293
50 to 54	2	5	15	13	46	45	33	19	178
55 to 59	1	1	5	5	7	2	6	7	34
60 to 64	0	1	4	2	3	1	1	3	15
65 & up	0	0	1	0	0	0	0	0	1
Total	89	304	511	350	310	179	89	30	1,862

TOTAL SALARY BY AGE/SERVICE

Age	Service								Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	
Under 25	\$ 1,683,605	\$ 2,052,225	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,735,830
25 to 29	1,415,501	6,897,520	5,831,706	69,347	0	0	0	0	14,214,074
30 to 34	819,633	4,121,748	11,445,246	4,424,872	93,232	0	0	0	20,904,731
35 to 39	368,347	2,344,505	7,742,973	10,674,715	3,236,850	492,639	0	0	24,860,029
40 to 44	422,193	949,606	4,863,260	8,916,637	13,717,490	4,915,806	384,381	0	34,169,374
45 to 49	0	466,608	2,975,372	3,270,942	7,007,403	8,210,439	5,040,014	155,561	27,126,338
50 to 54	115,209	314,431	1,030,310	1,098,461	4,249,899	4,558,027	3,720,217	2,246,976	17,333,530
55 to 59	52,596	66,340	355,461	425,841	574,353	181,679	679,493	699,650	3,035,413
60 to 64	0	31,843	231,415	136,263	255,762	100,213	84,159	322,796	1,162,451
65 & up	0	0	55,919	0	0	0	0	0	55,919
Total	\$ 4,877,084	\$ 17,244,826	\$ 34,531,662	\$ 29,017,078	\$ 29,134,989	\$ 18,458,803	\$ 9,908,264	\$ 3,424,983	\$ 146,597,688

FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013

**APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS**

A. Long-Term Assumptions Used to Determine System Costs and Liabilities

1. Demographic Assumptions

a. Healthy Mortality

Annual Deaths Per 10,000 Members RP-2000 Mortality Projected to 2015*		
Age	Male	Female
20	3	2
25	3	2
30	4	2
35	7	4
40	10	6
45	12	9
50	16	13
55	27	24
60	53	47
65	103	90
70	177	155
75	306	249
80	554	413
85	997	708
90	1,727	1,259
95	2,596	1,888
100	3,394	2,339
105	3,979	2,931

* 5% of deaths are assumed to be service-connected.

b. Disabled Morality

Annual Deaths Per 10,000 Disabled Members RP-2000 Mortality Project to 2015 with Ages Set Forward Five Years		
Age	Male	Female
40	12	9
45	16	13
50	27	24
55	53	47
60	103	90
65	177	155
70	306	249
75	554	413
80	997	708

FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013

**APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS**

c. Termination of Employment (Prior to Normal Retirement Eligibility)

Annual Terminations Per 1,000 Members		
Service	Sheriffs	Non-Sheriffs
0	135	120
5	43	18
10	10	8
15	5	5
20	5	5
25	5	5

It is assumed that members who terminate before normal or early retirement age elect to receive a refund of contributions instead of vested benefits.

d. Disability

Annual Disabilities Per 1,000 Members*	
Age	Male and Female
20	1
25	2
30	2
35	3
40	4
45	7
50	11
55	16
60	16

* Disabilities are assumed to be all service-connected. Of these, 30% are assumed to receive Social Security benefits and 38% are assumed to receive Workers' Compensation benefits.

e. Retirement

Annual Retirement Per 1,000 Eligible*		
Age	Less than 24 years of Service	Greater than 23 years of Service
Less than 55	0	350
55-64	350	350
65 and Older	1,000	1,000

* 75% are assumed to DROP.

FAIRFAX COUNTY UNIFORMED RETIREMENT SYSTEM
ACTUARIAL VALUATION AS OF JULY 1, 2013

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

f. Merit/Seniority Salary Increase (in addition to across-the-board increase)

Year of Service	Merit/Seniority Increase
0	8.0%
5	5.0%
10	1.5%
15	3.0%
20	1.8%
25	1.8%
30	1.8%

*There is a spike of 3.5% at 19 years of service.

g. Family Composition

For purposes of valuing the pre-retirement death benefit, an assumption is made concerning how many employees are married. The assumption used in this valuation is that 80% of employees are married at death while active and that the female spouse is three years younger than the male spouse.

h. Sick Leave Credit

Unused sick leave balances as reported for each active member will be used as the unused sick leave balance throughout the remaining active period.

2. Economic Assumptions

- a. Rate of Investment Return: 7.50%
- b. Rate of General Wage Increase: 3.00%
- c. Rate of Increase in Cost of Living: 2.75%*
- d. Rate of Increase in Total Payroll
(for Amortization): 3.00%
- e. Administrative Expenses as a
Percentage of Payroll: 0.25%

* Benefit increases are limited to 4% per year.

3. Changes since Last Valuation

None.

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

B. Actuarial Methods

1. Funding Method

The funding method used for GASB disclosure purposes is the “aggregate accrual modification of the Entry Age Normal Cost method.” Under this method, the employer contribution has three components: the normal cost, the payment toward the unfunded actuarial liability, and the expense rate.

The normal cost is a level percent of pay cost which, along with the member contributions, will pay for projected benefits at retirement for the average plan participant. The level percent developed is called the normal cost rate, and the product of that rate and payroll is the normal cost.

The actuarial liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and funds accumulated as of the same date is referred to as the unfunded actuarial liability.

The expense rate is added to cover the System’s administrative expenses.

The County contributions are calculated using the same basic actuarial method (EAN). However, in order to produce a more level contribution rate, the System has adopted a Corridor Funding Method.

Under the Corridor Funding Method, the County’s total contribution rate is equal to the normal cost rate, plus rate changes due to assumption changes or amendments passed since July 1, 2001 plus the expense rate as long as the System’s actuarial funded status remains within a corridor of 90% to 120%. If the funded status falls outside the corridor, a credit (if above 120%) or charge (if below 90%) will be established based on a 15-year amortization equal to the amount necessary to re-enter the corridor. Once the funded status is within the corridor, the contribution rate will return to the normal cost rate, plus expense rate, plus amortization of post-2001 changes.

2. Actuarial Value of Assets

For purposes of determining the County contribution to the System, we use an actuarial value of assets. The asset adjustment method dampens the volatility in asset values that could occur because of fluctuations in market conditions. Use of an asset smoothing method is consistent with the long-term nature of the actuarial valuation process.

In determining the actuarial value of assets, we calculate an expected actuarial value based on cash flow for the year and imputed returns at the actuarial assumption. This expected value is compared to the market value and one-third of the difference is added to the preliminary actuarial value to arrive at the final actuarial value.

3. Changes since Last Valuation

None.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

1. Membership

The plan covers uniformed employees including non-clerical employees of the Fire and Rescue Department, Park Police Department, Sheriff's Department, Helicopter Pilots, Department of Public Safety Communications, and Game Wardens, who are not covered by the Fairfax County Police Officers Retirement System, the Employees' Retirement System or the VRS. In order to join, an eligible employee must take a physical examination, agree to make required contributions, and may not be within five years of his normal retirement date.

Plan A members as of July 1, 1981 were given the opportunity to join Plan B at that time. Between July 1, 1981 and March 31, 1998, all members were enrolled in Plan B. As of April 1, 1998, Plan A members were given the opportunity to join Plan C, and Plan B members were given the opportunity to join Plan D. On and following April 1, 1998, all future members are enrolled in Plan D.

2. Member Contributions

Plan A: 4% of compensation up to Social Security wage base and 5-3/4% of compensation in excess of wage base.

Plan B: 7.08% of compensation up to Social Security wage base and 8.83% of compensation in excess of wage base.

Plan C: 4% of compensation.

Plan D: 7.08% of compensation.

Interest is credited at the rate of 5% per year.

Member contributions are made through an "employer pick-up" arrangement which results in deferral of the taxes on these contributions.

3. Credited Service

All service as a member plus certain purchased prior service is credited. Also, credit is allowed at the rate of one month for 172 hours of accrued unused sick leave. For those hired on or after January 1, 2013, the amount of unused sick leave that may be used is capped at 2,080 hours.

4. Average Final Compensation

Compensation includes salary paid due to regularly scheduled hours worked, holiday hours worked, administrative emergency leave worked and shift differential paid. It does not include premium pay such as all overtime. Pay at the rate of final salary is credited for any unused sick leave period. Average final compensation is the average over the high 36 consecutive months (or shorter period of total service).

Participants whose average final compensation was affected by the 1992-1993 step freeze shall have their average final compensation adjusted.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

5. Social Security Wage Base

The amount of wages subject to Social Security (FICA) taxes (\$113,700 in 2013).

6. Social Security Breakpoint

The Social Security breakpoint is the average of past and future Social Security wage bases over an employee's career.

7. Normal Retirement

Eligibility

- (i) age 55 with six years of service, or
- (ii) completion of 25 years of service

Benefit

Plan A Benefit: 2.0% of average final compensation multiplied by credited service, plus, starting at age 55, 100% of the Pre-62 Supplement defined below.

Plan B Benefit: 2.0% of average final compensation multiplied by credited service, plus 50% of the Pre-62 Supplement defined below until age 55 and 100% of the supplement after age 55.

Pre-62 Supplement: Estimated Primary Social Security Benefit multiplied by a ratio, not to exceed one, of the years of credited service as of the date of the calculation, to 25. If the member was hired prior to July 1, 1976, this ratio is equal to one. The supplement is reduced by the Social Security benefits the member is eligible to receive.

Pre-Social Security Supplement (Plans A&B): 0.2% of average final compensation multiplied by credited service.

Plans C&D Benefit: 2.5% of average final compensation multiplied by credited service.

Pre-Social Security Supplement (Plans C&D): 0.3% of average final compensation multiplied by credited service.

All benefits increased by 3%.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

8. Early Retirement

Eligibility

20 years of service.

Benefit

Plans A&B: Normal retirement benefit, excluding the Pre-Social Security supplement, calculated using average final compensation and service at early retirement, actuarially reduced.

Plan A: The Pre-62 Supplement is not provided until age 55; the full supplement is provided at this time.

Plan B: Prior to age 55, one-half of the Pre-62 Supplement is provided. At age 55, the full supplement is paid.

Plans C&D: Normal retirement benefit calculated using average final compensation and service at early retirement, actuarially reduced.

All benefits increased by 3%.

9. DROP (Deferred Retirement Option Program)

Eligibility

All members are eligible for DROP participation upon attaining eligibility for normal service retirement. Members can only participate in DROP once and their election is irrevocable.

Benefit

The benefit scheduled to begin at normal retirement will be credited to a separate DROP account within the Retirement System, accumulating with interest while the member continues to work for a period of 36 months. Upon completion of the three-year period, DROP participation ends and participants must terminate employment. At that time, the participant will receive payment of the accumulated DROP benefits and begin receiving his or her monthly retirement benefit (in the same amount as determined at commencement of DROP participation, plus annual cost-of-living increases).

For those hired on or after January 1, 2013, the amount credited to the DROP account will exclude the Pre-Social Security Supplement described in item 7.

The DROP account will be credited with interest at an annual rate of 5%, compounded monthly.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

Death or Disability during DROP

Non Service-Connected: The effective date of the death or disability will be treated as the end of the DROP participation.

Service-Connected Disability: The member may elect either (1) to receive the service-connected disability benefits to which he or she would otherwise be entitled (forfeiture of DROP balance) or (2) the normal retirement benefit plus the DROP account balance.

Service-Connected Death: The beneficiary will receive payment of the accumulated DROP benefits and the regular service-connected benefit.

10. Service-Connected Disability

Eligibility

No age or service requirement.

Benefit

40% of final compensation less 25% of Social Security disability benefit to which the member is entitled and less 100% of Virginia Workers' Compensation benefit.

If severely disabled, the benefit is 90% of final compensation with the same offsets for Social Security and Workers' Compensation.

11. Ordinary Disability

Eligibility

Five years of credited service.

Benefit

2% of average final compensation times years of credited service; maximum is 60% of average final compensation, increased by 3%.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

12. Service - Connected Death

Eligibility

No age or service requirement.

Benefit

Lump sum payment of \$10,000 plus ordinary death benefit.

13. Ordinary Death

Eligibility

Less than five years of service.

Benefit

Return of employee contributions with interest, payable in a lump sum.

Eligibility

Five or more years of service.

Benefit

Spouse Allowance: In lieu of the refund of contributions, the spouse of the deceased member may elect an allowance of 50% of the normal retirement benefit, excluding the Pre-Social Security Retirement Age supplement, based on average final compensation and service as of the date of the member's death. The allowance is payable for the life of the spouse but ceases upon the spouse's remarriage, if such remarriage occurs prior to the spouse's age 60.

14. Vesting

Eligibility

Five years of service.

Benefit

Normal retirement benefit based on average final compensation and service at date of termination. Benefit is payable in full at age 55 or actuarially reduced and payable at early retirement age. No supplements are payable.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

A member may withdraw his contributions with interest at termination, in which case no vested benefit is payable.

15. Withdrawal

Eligibility

Not eligible for other benefits.

Benefit

Contributions with interest.

16. Form of Payment

The normal form of payment is a life annuity with a guarantee that at least the amount of member contributions with interest will be paid to the retiree or beneficiaries.

A member may elect an actuarially equivalent “pop-up” Joint and Survivor benefit.

17. Cost-of-Living Adjustment

Each July 1, benefits are increased by the lesser of 4% or the increase in the cost-of-living index for the Washington metropolitan area. The increase is prorated for those who have not been retired for a full year.

Cost-of-living adjustments do not apply to the Pre-62 or Pre-Social Security Supplements or to deferred vested benefits prior to benefit commencement. For Plan A benefits, cost-of-living adjustments do not apply to service retirement benefits until the member has attained age 55.

In addition to automatic adjustments, benefits may be further increased on an ad hoc basis, if actuarial experience has been favorable.

18. Changes since Last Valuation

The service-connected disability benefit offset was reduced from 30% to 25% of any primary Social Security benefit.