Fairfax County Uniformed Retirement System

Actuarial Valuation as of July 1, 2014

Produced by Cheiron

February 2015

CHEIRON Classic Values, Innovative Advice

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February xx, 2015

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, 2014

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, 2014. 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 2016 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.

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.

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, 2014. 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 2016; 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 67.

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, 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.

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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 and the normal cost is redetermined each year according to the entry age normal cost method.

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 the 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 corridor funded status falls outside the corridor, a credit (if above 120%) or charge (if below 90%) will be established based on a rolling 15-year amortization equal to the amount necessary to re-enter the corridor. The County is taking steps to increase the 90% corridor floor to 100%. Once this threshold is reached, the 15 year periods will become closed 15 year layers.

The employer contribution rate for FY 2016 as calculated under this method decreases from 34.70% to 33.56% of payroll, on the basis of this year's valuation results. The County's FY 2015 contribution was actually based on a 93% corridor floor and for FY 2016, we have provided numbers for a 94% and 95% floor. On that basis, the contribution in FY 2015 was 37.79% and for FY 2016 it will be either 37.78% or 38.83%.

The valuation reflects a change in both liabilities and assets due to assumption changes. The liability is higher by $20.2 million due to a change in the entry age normal cost method, sick leave assumption and service-connected disability changes. As a partial offset to this liability impact, the smoothed value of assets includes an additional recognition of $18.5 million of the remaining balance of past investment gains.

This valuation contains information reported in the June 30, 2014 Comprehensive Annual Financial Report (CAFR) of the System under the new GASB Statement No. 67. Disclosures are based on the use of updated procedures to roll forward the 2013 valuation results. The 2013 starting point is higher than the funding numbers from 2013 since the change in the assumptions and methods was included in the 2013 liabilities. The calculation of Net Pension Liability in Section V is shown as disclosed for the plan year June 30, 2014 and we also present a projection of the June 30, 2015 disclosure if all actuarial assumptions are met over the coming year.

Trends

The System outperformed the investment assumption during the fiscal year ending in 2014, causing an actuarial gain on the asset side of the System. The actual return on a market value basis was approximately 16.02%. On an actuarial value basis, the assets returned 10.05%

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compared with an assumed rate of return of 7.5%. The investment gain recognized for funding purposes was $34.5 million.

The measurement of liabilities produced a loss this year in the amount of $9.0 million. This loss 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 8.4% for active participants who were in both the July 1, 2013 and July 1, 2014 valuations. This was more than the expected salary growth based on the actuarial assumption, which worked out to average 6.0%. This resulted in a loss of $17.7 million. The annual payroll was provided as of December 31, 2013 and adjusted to July 1, 2014; which included annualizing the 4.29% increase from July 1, 2014.

- The valuation assumed a 2.75% cost-of-living adjustment in 2014 for benefits in pay status. The actual CPI-based COLA was 1.6% last year, creating a liability gain of $7.9 million.

- The 2014 valuation incorporates actual sick leave hours into both eligibility and projected benefits for active participants. The 2014 valuation is the first to include a projection of future sick leave accruals. The accrual of additional sick leave from 2013 to 2014 resulted in a loss of $2.5 million.

- 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. This year they account for a $1.1 million loss.

- There was a $4.4 million liability gain 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.

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 79.1% at July 1, 2013 to 81.7% at July 1, 2014. 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 82.4% at July 1, 2013 to 84.5% at July 1, 2014.

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

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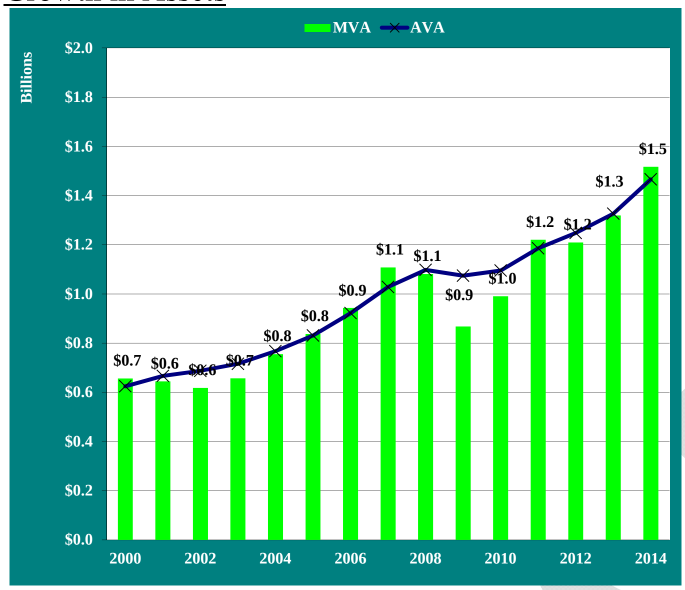
projection graphs, showing the possible condition of the System over the next 15 years under various market return scenarios.

Growth in Assets

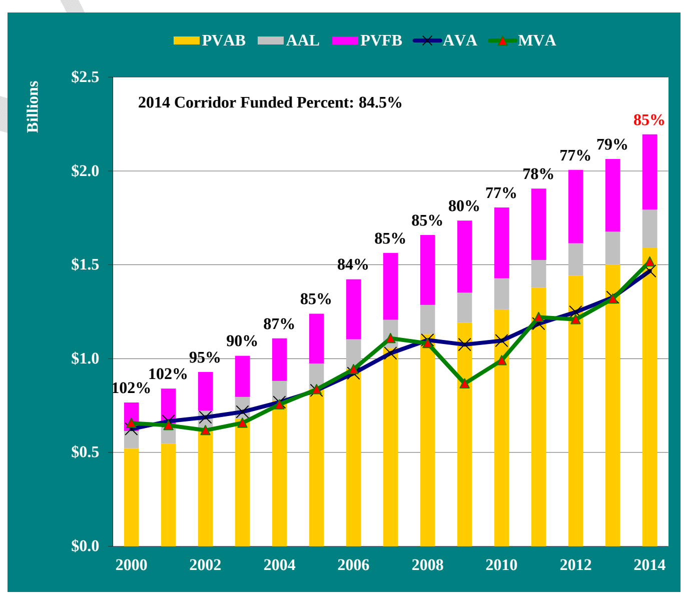


There was an increase in the market value of assets (MVA) over last year due to a return of 16.0%. The actuarial value of assets (AVA) increased due to the continued recognition of recent asset gains. For the 2014 valuation, the System recognized an additional $18.5 million of stored asset gains in order to reduce the total unfunded liability based on the actuarial value of assets. The System still has $50.6 million in unrecognized gains that will be phased in over the next few years.

Over the period of July 1, 2000 to June 30, 2014, 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. Through the 2013 valuation, we compare the actuarial value of assets to this measure of liability in developing the funded percent. Starting in 2014, the comparison uses the market value of assets. These are the percentages shown in the graph labels.



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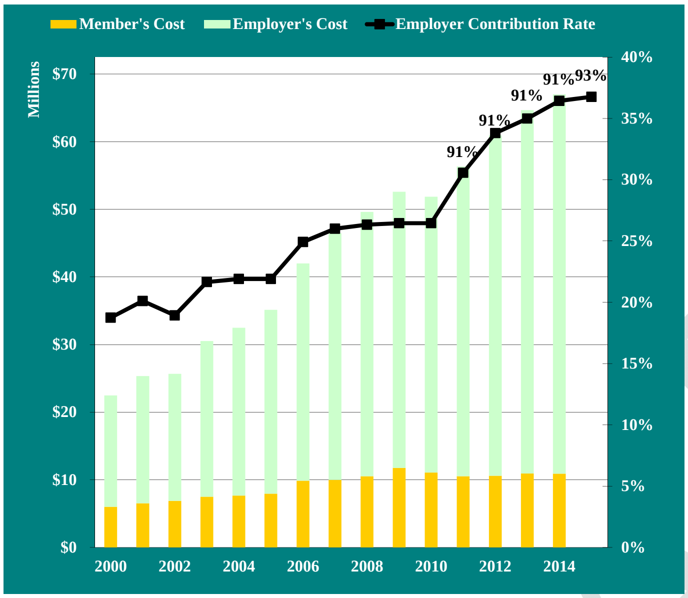
Contribution Rates

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).

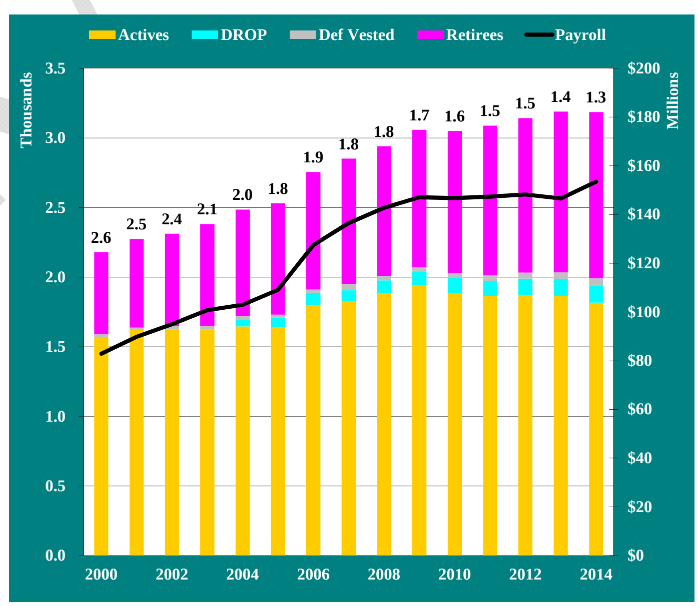


The member contribution rate is set by the County Ordinance. The County contribution rate is set by the actuarial process, as constrained by the corridor method. Note there is a lag in the rate shown. For example, the 2014 value is the rate prepared by the 2012 valuation and implemented for the period July 1, 2013 to June 30, 2014.

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 2.6 actives to each inactive in 2000 to 1.3 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.



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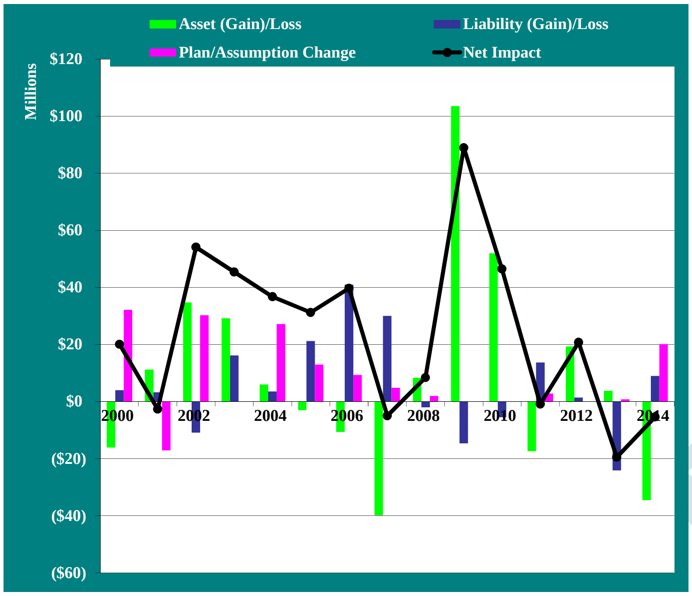
Gains and Losses



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.

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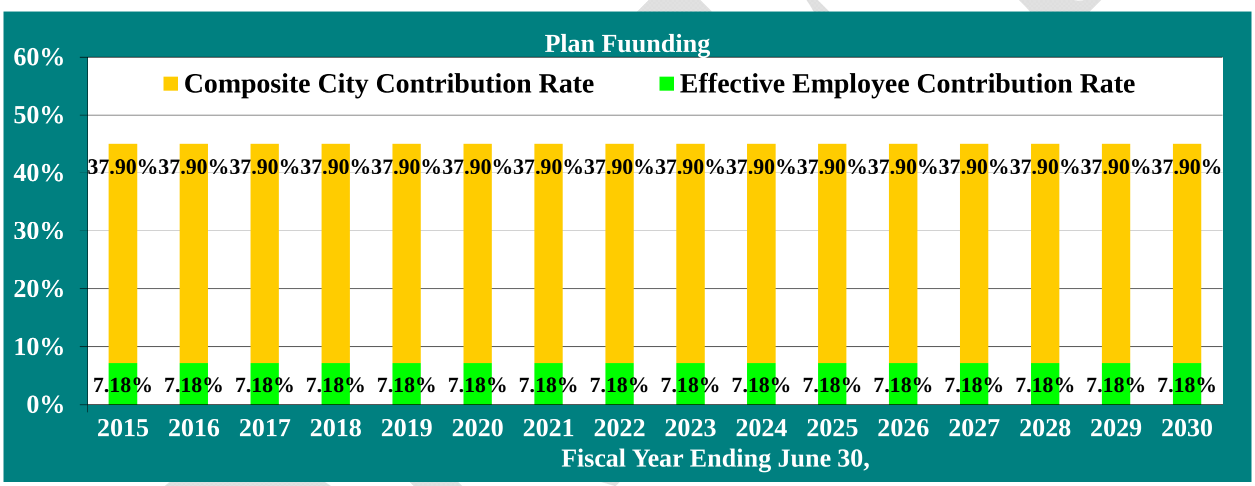
Future Outlook

<u>Base-line Projections</u>

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.*

While the County's written policy is to contribute to 90% of the corridor, for FY 2016, the County actually plans to contribute an amount based on amortizing to 94%. In FY 2017, the amortization target will increase to 95% and continue increasing each year until the amortization target is 100%. In addition to the increasing corridor floor, the County does not intend to reduce the contribution rate until the System is 100% funded.

The graph entitled "Plan Funding" shows the contribution rates remaining at the 37.90% level throughout the projection period.



The "Assets and Liabilities" graph shows the projected funding status over the next 15 years. The funded ratio slowly increases over the entire period until reaching 100% by 2029.

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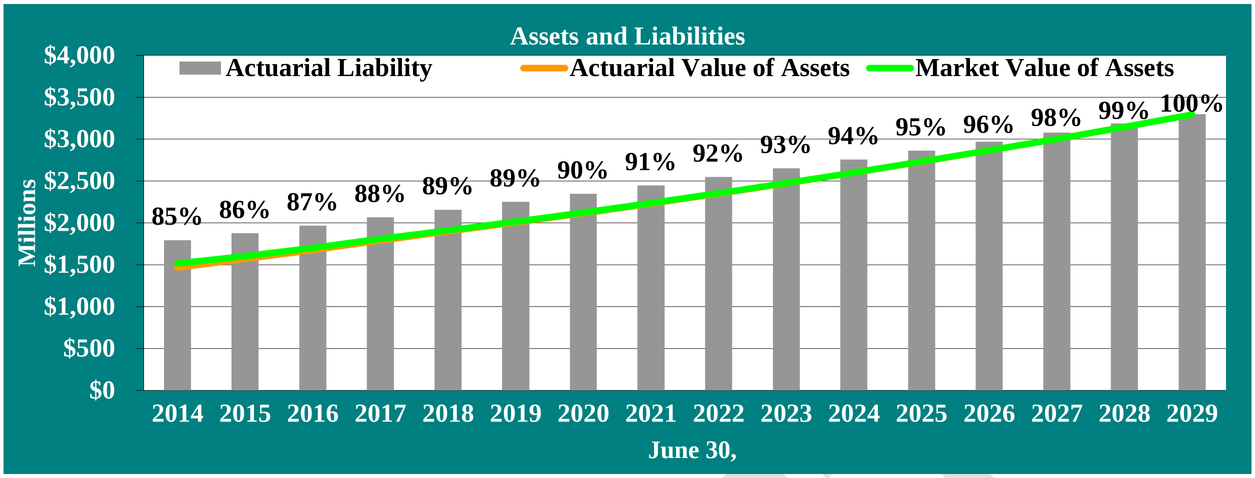

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The future funding status of this System will be influenced by the investment earnings. The prior projection assumed the System would earn 7.5% each and every year, which is extremely unlikely.

In the projections that follow, we show the risk to the System under volatile markets. Since 1980 the System has averaged 9.47% 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%
2014	7.67%	2.34%	-5.85%
2015	7.05	7.17	4.54
2016	1.67	17.72	18.15
2017	2.98	30.01	32.56
2018	5.16	19.42	-8.98
2019	-0.19	5.61	12.47
2020	1.48	11.03	17.81
2021	17.59	4.30	-13.95
2022	9.50	15.60	15.19
2023	9.25	-0.44	14.83
2024	-2.11	2.05	28.45
2025	-3.75	-8.37	24.92
2026	4.20	4.65	3.95
2027	7.27	-0.59	7.37
2028	9.17	7.83	10.22
Average	**5.00%**	**7.50%**	**10.00%**

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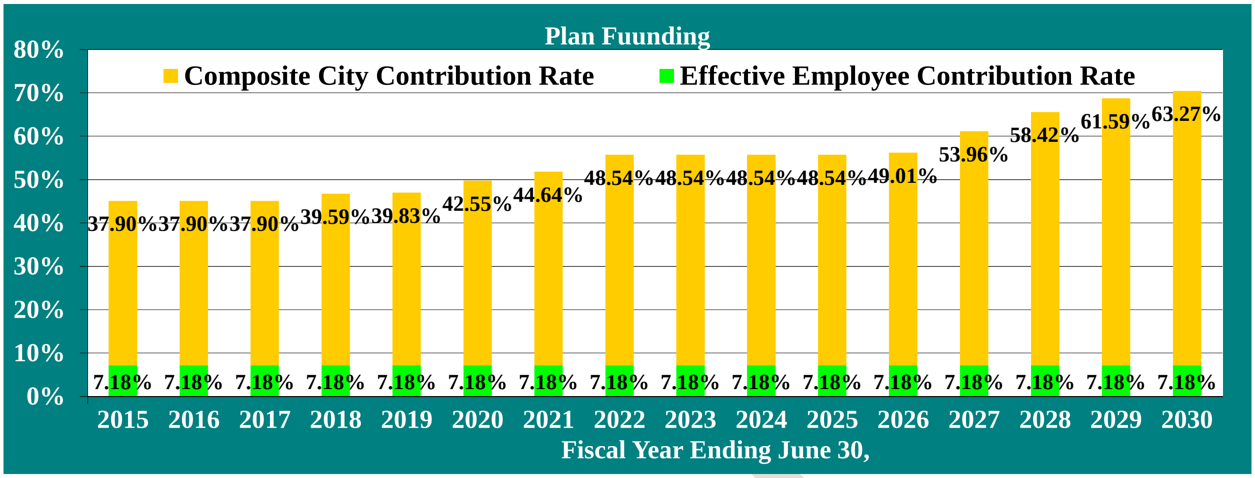
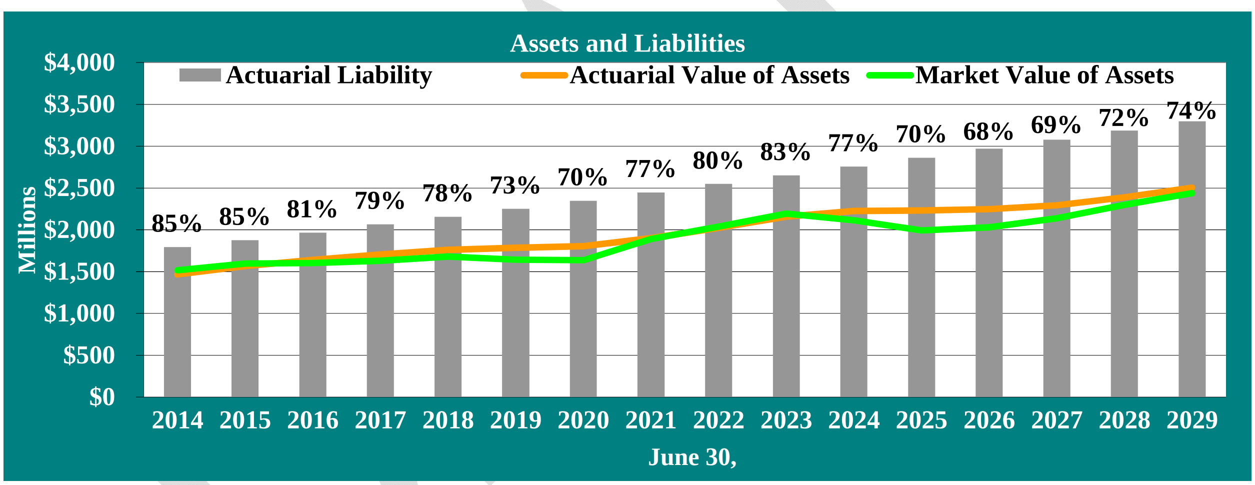
Alternative Projection -- with average return of 5.0% in the period

Under this scenario, the corridor contribution rate increases from 37% to about 63% of payroll. The System funding drops to 68% even with the ramping up of contributions.





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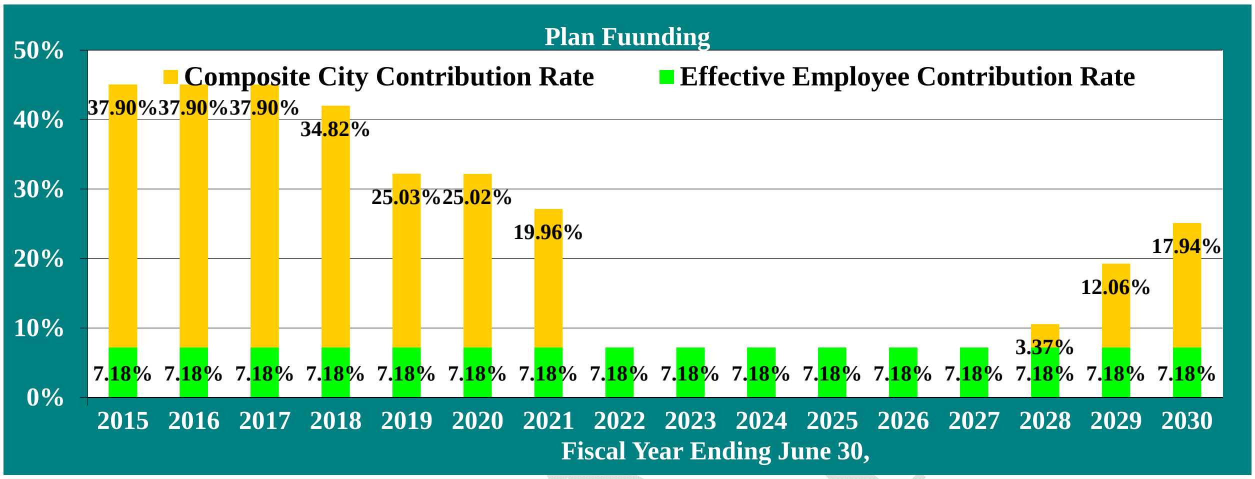
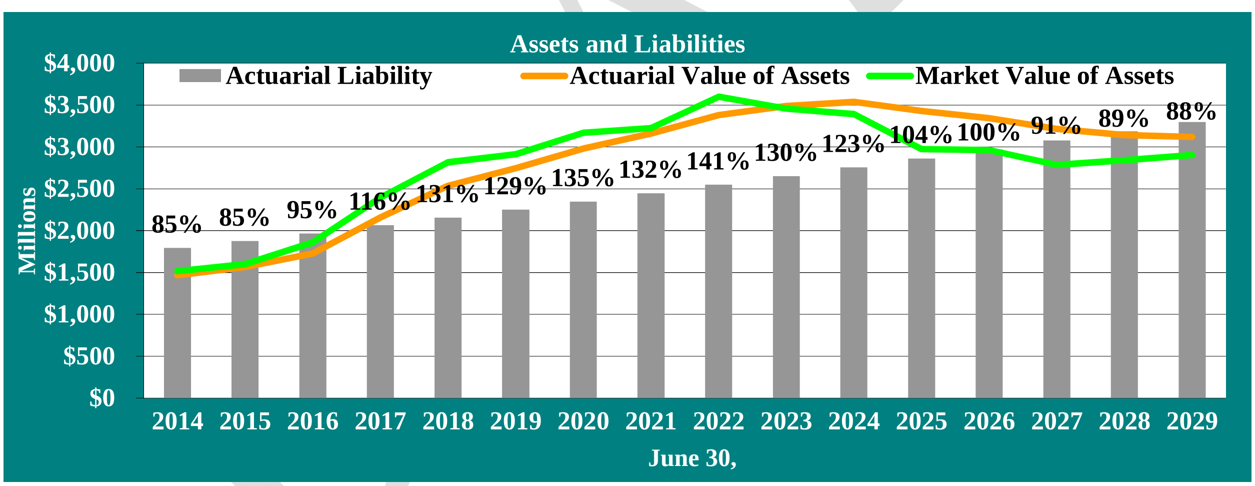
<u>Alternative Projection – with average return of 7.5% in the period</u>

Under this scenario, in which the System is assumed to enjoy higher than average returns in the first few years, the corridor contribution rate remains at the 37.90% level until the System reaches full funding in 2017. After that time, the contribution drops dramatically as returns continue to push the funded percent over the 120% top of the corridor.





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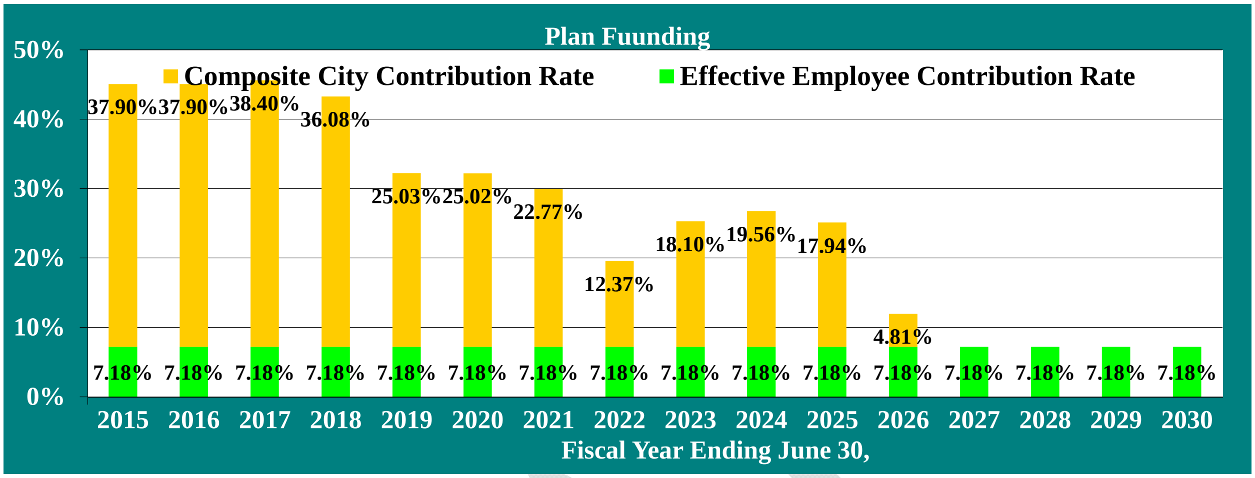
Alternative Projection -- with average return of 10.0% in the period

Under this scenario, in which the System is assumed to face lower returns in the first two years but significantly higher returns thereafter, the corridor contribution rate ticks up at first before dropping off once the System reaches 100% funding.



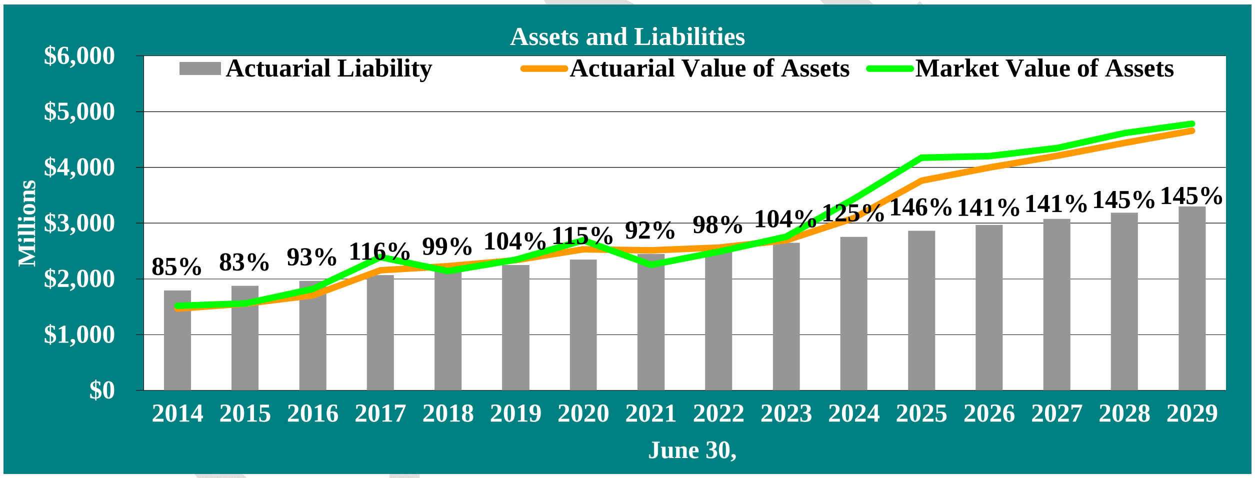


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Table I-2
Summary of Principal Plan Results

Valuation as of:	7/1/2013	7/1/2014	% Chg
Participant Counts			
Actives (excluding DROP)	1,862	1,817	-2.4%
DROPs	126	125	-0.8%
Terminated Vesteds	47	50	6.4%
In Pay Status	1,155	1,194	3.4%
Total	3,190	3,186	-0.1%
Annual Salaries of Active Members	$ 146,597,688	$ 153,456,176	4.7%
Annual Retirement Allowances for Retired Members and Beneficiaries (Base amount only – not supplements)	$ 63,939,689	$ 68,396,659	7.0%
Assets and Liabilities			
Actuarial Accrued Liability	$ 1,676,265,698	$ 1,793,852,293	7.0%
Assets for Valuation Purposes	1,326,424,772	1,466,110,756	10.5%
Unfunded Actuarial Liability	$ 349,840,926	$ 327,741,537	-6.3%
Funding Ratio	79.1%	81.7%	
Present Value of Accrued Benefits	$ 1,501,617,558	$ 1,588,582,859	6.1%
Market Value of Assets	1,318,814,001	1,516,720,045	15.0%
Unfunded Accrued Liability (not less than $0)	$ 182,803,557	$ 71,862,814	-59.7%
Accrued Benefit Funding Ratio	87.8%	95.5%	
Contributions as a Percentage of Payroll	**Fiscal Year 2015**	**Fiscal Year 2016**	
Corridor Method:			
Normal Cost Contribution	19.47%	20.31%	
Increase Due to Amortized Changes	7.10%	7.20%	
Administrative Expense	0.25%	0.25%	
Base Rate	26.82%	27.76%	
Amortize to 93%	37.79%*	36.72%	
Amortize to 94%	38.83%	37.78%	
Amortize to 95%	39.86%	38.83%	

*Actual FY 2015 contribution rate is 37.90%.

SECTION II
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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, 2013 and July 1, 2014;
- 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 33⅓% 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 7½%.

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ASSETS

Table II-1
Statement of Assets at Market Value

	7/1/2013	7/1/2014
Assets		
Equity in County's Pooled Cash,		
Contributions Receivable and Other Assets	$ 4,950,928	$ 5,061,921
Accrued Interest and Dividends Receivable	2,324,203	2,555,653
Receivable from Sale of Investments	76,402,193	51,191,852
US Government Obligations	27,997,277	34,686,456
Asset-Backed Securities	88,660,593	91,778,372
Other Bonds and Notes	90,516,896	147,080,486
Common and Preferred Stock	254,911,588	238,208,622
Pooled and Mutual Funds	715,252,760	868,662,379
Short-Term Investments	143,238,485	143,415,635
Cash Collateral Received Under		
Securities Lending Agreements	10,886,602	8,587,339
Total Assets	$ 1,415,141,525	$ 1,591,228,716
Liabilities		
Payable for Collateral Received Under		
Securities Lending Agreements	$ 10,886,602	$ 8,587,339
Payable for Purchase of Investments	82,823,192	63,109,492
Accounts Payable and Accrued Expenses	2,617,730	2,811,840
Total Liabilities	$ 96,327,524	$ 74,508,671
Net Assets Available for Benefits	**$ 1,318,814,001**	**$ 1,516,720,045**

SECTION II
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Table II-2
Changes in Market Values

Value of Assets – July 1, 2013		$ 1,318,814,001
Additions		
Contributions:		
Employer Contributions	$ 56,094,690	
Employee Contributions	10,905,744	
Total Contributions		$ 67,000,434
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	$ 191,207,399	
Interest	14,012,306	
Dividends	10,272,199	
Total Investment Income	$ 215,491,904	
Investment Activity Expenses:		
Management Fees	$ (4,955,562)	
Custodian Fees	(69,244)	
Consulting Expense	(189,025)	
Allocated Administrative Expenses	(201,112)	
Total Investment Activity Expenses	$ (5,414,943)	
From Securities Lending Activities:		
Securities Lending Income	$ 261,717	
Securities Lending Expenses		
Borrowers Rebates	0	
Management Fees	(82,646)	
Net Income from Securities Lending Activities	$ 179,071	
Net Investment Income		$ 210,256,032
Total Additions		$ 277,256,466
Deductions		
Annuity Benefits	$ (69,212,758)	
Disability Benefits	(8,164,393)	
Survivor Benefits	(981,792)	
Refunds and Other Expenses	(557,938)	
Administrative Expenses	(433,541)	
Total Deductions		$ (79,350,422)
Total		
Net Increase (Decrease)		$ 197,906,044
Value of Assets – July 1, 2014		**$ 1,516,720,045**

SECTION II
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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, 2014 valuation.

Table II-3
Development of Actuarial Value of Assets
as of July 1, 2014

1.	Actuarial Value of Assets at July 1, 2013	**$ 1,326,424,772**
2.	Amount in (1) with Interest to July 1, 2014	1,425,906,630
3.	Employer and Member Contributions for the Plan Year Ended June 30, 2014	67,000,434
4.	Interest on Contributions Assuming Received Uniformly Throughout the Year to July 1, 2014	2,512,516
5.	Disbursements from Trust Except Investment Expenses, July 1, 2013 Through June 30, 2014	(79,350,422)
6.	Interest on Disbursements Assuming Payments Made Uniformly Throughout the Year to July 1, 2014	(2,975,641)
7.	Expected Value of Asset at July 1, 2014 = (2) + (3) + (4) + (5) + (6)	$ 1,413,093,517
8.	Market Value of Assets at July 1, 2014	1,516,720,045
9.	Excess of (8) Over (7)	$ 103,626,528
10.	Additional Recognition of Past Deferred Gains	18,475,063
11.	Actuarial Value of Assets at July 1, 2014 = (7) + 33-1/3% of (9) + (10)	**$ 1,466,110,756**

All interest adjustments are made using the 7½% per annum actuarial assumed interest rate.

SECTION II
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Investment Performance

The market value of assets (MVA) returned 16.02% during 2014, which is more than the assumed 7.50% return. A return of 10.05% 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.

Table II-4
Annual Rates of Return

Year Ending June 30,	Market Value	Actuarial Value	Total Return Standard & Poor's 500 Index	Barclays Global Aggregate Index[1]
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%
2014	16.0%	10.0%	24.6%	4.4%

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.

SECTION II
ASSETS

Expected benefit payments are projected for the closed group valued at July 1, 2014. 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 37.90% for FY 2015, and then using the amortize to 94% rate for FY 2016, amortize to 95% for FY 2017 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 Payments[1]	Expected County Contributions
2014	$ 94,282,000	$ 58,160,000
2015	92,943,000	59,905,000
2016	91,420,000	61,702,000
2017	110,727,000	63,553,000
2018	115,489,000	65,459,000
2019	120,052,000	67,423,000
2020	126,790,000	69,446,000
2021	134,686,000	71,529,000
2022	141,852,000	73,675,000
2023	148,670,000	75,885,000

[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, 2013 and July 1, 2014;
- 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**.

SECTION III
LIABILITIES

Table III-1
Liabilities/Net (Surplus)/Unfunded

	July 1, 2013	July 1, 2014
Present Value of Future Benefits		
Active Participant Benefits (excluding DROP)	$ 1,021,357,054	$ 1,099,994,677
DROP Participant Benefits	172,202,477	170,125,420
Retiree Benefits	863,603,378	917,538,195
Terminated Vested and Inactive Members	6,279,795	6,921,019
Present Value of Benefits (PVB)	**$ 2,063,442,704**	**$ 2,194,579,311**
Market Value of Assets (MVA)	$ 1,318,814,001	$ 1,516,720,045
Future Employee Contributions	103,174,438	105,127,952
Future County Contributions	641,454,265	572,731,314
Total Resources	**$ 2,063,442,704**	**$ 2,194,579,311**
Actuarial Accrued Liability		
Present Value of Benefits (PVB)	$ 2,063,442,704	$ 2,194,579,311
Present Value of Future Normal Costs (PVFNC)		
County Portion	284,002,568	295,599,066
Employee Portion	103,174,438	105,127,952
Actuarial Accrued Liability (AAL = PVB – PVFNC)	**$ 1,676,265,698**	**$ 1,793,852,293**
Actuarial Value of Assets (AVA)	1,326,424,772	1,466,110,756
Net (Surplus)/Unfunded (AAL – AVA)	**$ 349,840,926**	**$ 327,741,537**
Present Value of Accrued Benefits		
Present Value of Benefits (PVB)	$ 2,063,442,704	$ 2,194,579,311
Present Value of Future Benefit Accruals (PVFBA)	561,825,146	605,996,452
Present Value of Accrued Benefits (PVAB = PVB – PVFBA)	**$ 1,501,617,558**	**$ 1,588,582,859**
Market Value of Assets (MVA)	1,318,814,001	1,516,720,045
Net Unfunded, not less than $0 (PVAB – MVA)	**$ 182,803,557**	**$ 71,862,814**

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 plan 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 7/1/2013	$ 2,063,442,704	$ 1,676,265,698	$ 1,501,617,558
Liabilities 7/1/2014	2,194,579,311	1,793,852,293	1,588,582,859
Liability Increase (Decrease)	$ 131,136,607	$ 117,586,595	$ 86,965,301
Change Due to:			
Plan Amendment and Ad Hoc COLAs	$ 1,824,327	$ 1,702,105	$ 1,970,973
Actuarial (Gain)/Loss	*Not Calculated*	9,026,264	*Not Calculated*
Method and Assumption Change	18,316,785	18,475,063	1,464,620
Benefits Accumulated and Other Sources	110,995,495	88,383,163	83,529,708

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.

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-1

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%	+ 0.05
2014 Reduce Disability Offset to 15%	+ 0.10
Total Increase	+ 7.20%

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-2
Actuarially Determined Rate (for Corridor Contribution)

Valuation Date	**July 1, 2013**	**July 1, 2014**
Fiscal Year	**2015**	**2016**
Normal Cost Rate	19.47%	20.31%
UAL Rate	7.10%	7.20%
Amortization of Amount Outside Corridor	7.88%	5.80%
Expense Rate	0.25%	0.25%
Total County Rate	34.70%*	33.56%**
Total Rate with Alternative Amortization Targets of		
93%	37.79%	36.72%
94%	38.83%	37.78%
95%	39.86%	38.83%

*The actual contribution rate being paid by the County in FY 2015 is 37.90%.

SECTION IV
CONTRIBUTIONS

Table IV-3
Development of Corridor Contribution Rate

	July 1, 2013 (for FY 2015)	July 1, 2014 (for FY 2016)
1. Present Value of Future Benefits		
a. Active Employees	$ 1,021,357,054	$ 1,099,994,677
b. DROP	172,202,477	170,125,420
c. Retired Members	863,603,378	917,538,195
d. Vested Terminated and Inactive Members	6,279,795	6,921,019
e. Total Present Value	$ 2,063,442,704	$ 2,194,579,311
2. Present Value of Future Normal Costs		
a. County Portion	$ 284,002,568	$ 295,599,066
b. Employee Portion	103,174,438	105,127,952
c. Total Present Value	$ 387,177,006	$ 400,727,018
3. Actuarial Accrued Liability (1) – (2)	$ 1,676,265,698	$ 1,793,852,293
4. Actuarial Value of Assets for Corridor Purposes		
a. Actuarial Assets	$ 1,326,424,772	$ 1,466,110,756
b. Outstanding Balance of Plan and Assumption Changes	54,045,317	49,595,880
c. Adjusted Assets (a) + (b)	$ 1,380,470,089	$ 1,515,706,636
5. Funding Ratio for Corridor Test	82.4%	84.5%
6. Liability to be Amortized if outside Corridor		
a. 90%x(3) - (4)(c)	$ 128,169,039	$ 98,760,428
b. (4)(c) - 120%x(3)	0	0
7. Active Member Payroll	$ 146,597,688	$ 153,456,176
8. Unfunded Liability Amortization Factor	11.0918	11.0918
9. Amortization as a % of Payroll (6)/(7)/(8)	7.88%	5.80%
10. County Contribution Results (Corridor)		
a. Normal Cost Rate	19.47%	20.31%
b. Administrative Expense Rate	0.25%	0.25%
c. Plan Change Amortizations	7.10%	7.20%
d. Amortization Outside Corridor (9)	7.88%	5.80%
e. Total County Contribution Rate June 30[1]	34.70%	33.56%

[1]Alternative rate calculations developed by amortizing to 94% for FY 2016 is a County Rate of 37.78%

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.

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 No. 25 requires the actuarial accrued liability be compared with the actuarial value of assets for funding purposes. The relevant amounts as of July 1, 2013 and July 1, 2014 are exhibited in Table V-1, which also includes a reconciliation of liabilities determined as of the prior valuation, July 1, 2013, to the liabilities as of July 1, 2014.

This valuation contains information reported in the June 30, 2014 Comprehensive Annual Financial Report (CAFR) of the System under the new GASB Statement No. 67. Disclosures are based on the use of update procedures to roll forward the 2013 valuation results. The 2013 starting point is higher than the funding numbers from 2013 since the change in the assumed investment return was included in the 2013 liabilities. The calculation of Net Pension Liability in Table V-2 shows the amounts disclosed for the plan year June 30, 2014 as well as a projection of the anticipated June 30, 2015 disclosure if all actuarial assumptions are met over the coming year.

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.

SECTION V
ACCOUNTING STATEMENT INFORMATION

Table V-1
Accounting Statement Information

	July 1, 2013	July 1, 2014
A. FASB ASC Topic 960 Basis		
1. Present Value of Benefits Accrued and Vested to Date		
a. Members Currently Receiving Payments	$ 863,603,378	$ 917,538,195
b. Vested Terminated and Inactive Members	6,279,795	6,921,019
c. DROP	172,202,477	170,125,420
d. Active Members	293,723,214	304,112,569
e. Total PVVB	$ 1,335,808,864	$ 1,398,697,203
2. Present Value of Non-Vested Accrued Benefits for Active Members	165,808,694	189,885,656
3. Total Present Value of Accrued Benefits	$ 1,501,617,558	$ 1,588,582,859
4. Assets at Market Value	1,318,814,001	1,516,720,045
5. Unfunded Present Value of Accrued Benefits, But Not Less Than Zero	$ 182,803,557	$ 71,862,814
6. Ratio of Assets to Value of Benefits (4) / (3)	87.8%	95.5%
B. Statement of Changes in Present Value of Accrued Benefits		
Actuarial Present Value of Accrued Benefits as of July 1, 2013		$ 1,501,617,558
Increase (Decrease) During Years Attributable to:		
Passage of Time		$ 109,661,934
Benefit Paid – FY 2014		(78,916,881)
Assumption Changes		1,464,620
Benefit Change		1,970,973
Benefits Accrued, Other Gains/Losses		52,784,655
Net Increase (Decrease)		$ 86,965,301
Actuarial Present Value of Accrued Benefits as of July 1, 2014		$ 1,588,582,859

SECTION V
ACCOUNTING STATEMENT INFORMATION

Table V-2
GASB No. 67 Disclosures

	June 30, 2014	Estimated* June 30, 2015
Total Pension Liability		
Service Cost	$ 39,647,527	$ 41,720,784
Interest	125,659,578	131,649,411
Changes in benefit terms	0	1,702,105
Differences between expected and actual experience	0	11,019,203
Changes in assumptions	0	0
Benefit payments, including refunds or member contributions	(78,916,881)	(94,282,000)
Net change in Total Pension Liability	**$ 86,390,224**	**$ 91,809,503**
Total Pension Liability – beginning	**$ 1,694,740,761**	**$ 1,781,130,985**
Total Pension Liability – ending (a)	**$ 1,781,130,985**	**$ 1,872,940,488**
Plan Fiduciary Net Position		
Contributions – Employer	$ 56,094,690	$ 58,160,000
Contributions – Member	10,905,744	10,850,000
Net investment income	210,256,032	112,810,000
Benefit payments, including refunds of member contributions	(78,916,881)	(94,282,000)
Administrative Expenses	(433,541)	(380,000)
Net change in Plan Fiduciary Net Position	**$ 197,906,044**	**$ 87,158,000**
Plan Fiduciary Net Position – beginning	**$ 1,318,814,001**	**$ 1,516,720,045**
Plan Fiduciary Net Position – ending (b)	**$ 1,516,720,045**	**$ 1,603,878,045**
Plan Net Pension Liability (Asset) – ending [(a) – (b)]	**$ 264,410,940**	**$ 269,062,443**

*These numbers will change to reflect the actual Plan Fiduciary Net Position and benefit payments. Estimates are provided here for planning purposes only.

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, 2014
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.

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

Type of Activity	2009	2010	2011	2012	2013	2014
	Gain (or Loss) for Year ending June 30,					
Investment Income	$ (103,521,233)	$ (52,003,538)	$ 17,409,148	$ (19,330,917)	$ (3,805,385)	$ 34,542,175
Combined Liability Experience	14,593,398	5,509,116	(13,747,922)	(1,456,752)	24,088,845	(9,026,264)
Gain (or Loss) During Year from Financial Experience	$ (88,927,835)	$ (46,494,422)	$ 3,661,226	$ (20,787,669)	$ 20,283,460	$ 25,515,911
Non-Recurring Items	0	0	(2,808,343)	0	(813,016)	(20,177,168)
Composite Gain (or Loss) During Year	**$ (88,927,835)**	**$ (46,494,422)**	**$ 852,883**	**$ (20,787,669)**	**$ 19,470,444**	**$ 5,338,743**

Table V-5
Solvency Test

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)
	Aggregate Accrued Liabilities For						
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%
2014	137,482,080	1,094,584,634	561,785,579	1,466,110,756	100%	100%	42%

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, 2014 and the inactive data was collected as of July 1, 2014.

Active pay information is adjusted to project the pay expected to be earned from July 1, 2014 through June 30, 2015. The annual payroll was provided as of December 31, 2013 and adjusted to July 1, 2013; which included annualizing the 4.29% increase from July 1, 2014.

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

APPENDIX A
MEMBERSHIP INFORMATION

Summary of Membership Data as of July 1, 2014

	Active Members *			
Plan	**Count**	**Average Age**	**Average Service**	**Average Annual Salary**
A	0	0.0	0.0	$ 0
B	60	48.1	21.0	100,503
C	0	0.0	0.0	0
D	1,712	39.9	12.2	84,544
E	45	29.6	0.7	59,689
Total	1,817	39.9	12.2	$ 84,456

* Excludes DROP participants.

APPENDIX A
MEMBERSHIP INFORMATION

Inactive Members and DROP Participants

	Count	Total Annual Benefit	Average Monthly Benefit
Service Retirement [1]			
Basic Benefit	967	$ 59,007,659	$ 5,085
Pre-62 Supplement	26	419,628	1,345
Pre-Social Security Supplement	532	3,897,338	610
Service-Connected Disability [2]	176	8,044,042	3,809
Ordinary Disability	17	328,271	1,609
Beneficiaries	34	1,016,687	2,492
DROP	125	8,838,776	5,893
Vested Former Members [3]	50	715,193	1,192

[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.

APPENDIX A
MEMBERSHIP INFORMATION

Data Reconciliation from July 1, 2013 to July 1, 2014

	Active	DROP	Terminated Vested	Retired	Service-Connected Disability	Ordinary Disability	Beneficiary	Total
Participant count as of July 1, 2013	**1,862**	**126**	**47**	**925**	**184**	**17**	**29**	**3,190**
New Hires / Re-hires	48							**48**
Terminated Vested	(3)		3					**0**
DROP	(39)	39						**0**
Retired	(17)	(40)		57				**0**
Deceased with beneficiary				(5)			5	**0**
Deceased without beneficiary				(10)	(9)	(1)		**(20)**
Benefits Expired								**0**
Ordinary Disability			(1)			1		**0**
Service-Connected Disability	(1)				1			**0**
Terminated Not Vested	(33)							**(33)**
Corrections			1					**1**
Change	(45)	(1)	3	42	(8)	0	5	**(4)**
Participant count as of July 1, 2014	**1,817**	**125**	**50**	**967**	**176**	**17**	**34**	**3,186**

APPENDIX A
MEMBERSHIP INFORMATION

Distribution of Active Participants - - Plan B

COUNTS BY AGE/SERVICE

	Service								
Age	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	Total
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	16	5	0	0	21
45 to 49	0	0	0	0	6	8	5	0	19
50 to 54	0	0	0	0	9	4	2	0	15
55 to 59	0	0	0	0	1	0	0	1	2
60 to 64	0	0	0	0	2	0	1	0	3
65 & up	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	34	17	8	1	60

TOTAL SALARY BY AGE/SERVICE

	Service								
Age	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	Total
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	1,607,096	519,455	0	0	2,126,551
45 to 49	0	0	0	0	575,545	915,828	515,219	0	2,006,592
50 to 54	0	0	0	0	844,783	378,290	181,141	0	1,404,214
55 to 59	0	0	0	0	98,073	0	0	138,500	236,573
60 to 64	0	0	0	0	168,095	0	88,180	0	256,275
65 & up	0	0	0	0	0	0	0	0	0
Total	$ 0	$ 0	$ 0	$ 0	$ 3,293,592	$ 1,813,573	$ 784,540	$ 138,500	$ 6,030,205

APPENDIX A
MEMBERSHIP INFORMATION

Distribution of Active Participants - - Plan D

COUNTS BY AGE/SERVICE

	Service								
Age	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	Total
Under 25	0	38	0	0	0	0	0	0	38
25 to 29	1	109	93	0	0	0	0	0	203
30 to 34	0	60	182	56	0	0	0	0	298
35 to 39	0	24	109	129	47	1	0	0	310
40 to 44	0	16	67	110	116	45	3	0	357
45 to 49	0	8	41	44	77	74	57	0	301
50 to 54	0	3	17	20	33	36	36	14	159
55 to 59	0	2	5	3	10	2	1	9	32
60 to 64	0	0	4	2	3	1	1	2	13
65 & up	0	0	0	0	0	0	0	1	1
Total	1	260	518	364	286	159	98	26	1,712

TOTAL SALARY BY AGE/SERVICE

	Service								
Age	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	Total
Under 25	$ 0	$ 2,160,937	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,160,937
25 to 29	37,311	6,601,324	6,239,008	0	0	0	0	0	12,877,643
30 to 34	0	3,778,812	12,831,200	4,705,188	0	0	0	0	21,315,200
35 to 39	0	1,430,721	7,714,708	11,251,923	4,720,302	83,210	0	0	25,200,864
40 to 44	0	1,055,321	4,993,016	9,656,518	11,768,011	5,181,300	327,008	0	32,981,174
45 to 49	0	518,382	3,023,137	3,560,590	7,457,364	8,336,628	6,698,013	0	29,594,114
50 to 54	0	194,657	1,276,297	1,685,405	3,228,115	4,013,568	4,078,334	1,794,270	16,270,646
55 to 59	0	107,105	374,903	267,420	911,221	166,569	114,678	1,178,762	3,120,658
60 to 64	0	0	274,308	128,773	275,895	109,926	96,842	209,304	1,095,048
65 & up	0	0	0	0	0	0	0	123,673	123,673
Total	$ 37,311	$ 15,847,259	$ 36,726,577	$ 31,255,817	$ 28,360,908	$ 17,891,201	$ 11,314,875	$ 3,306,009	$ 144,739,957

APPENDIX A
MEMBERSHIP INFORMATION

Distribution of Active Participants - - Plan E

COUNTS BY AGE/SERVICE

Age	Service: Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	Total
Under 25	14	0	0	0	0	0	0	0	14
25 to 29	12	0	0	0	0	0	0	0	12
30 to 34	11	1	0	0	0	0	0	0	12
35 to 39	3	0	0	0	0	0	0	0	3
40 to 44	1	0	0	0	0	0	0	0	1
45 to 49	2	0	0	0	0	0	0	0	2
50 to 54	0	0	0	0	0	0	0	0	0
55 to 59	1	0	0	0	0	0	0	0	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	44	1	0	0	0	0	0	0	45

TOTAL SALARY BY AGE/SERVICE

Age	Service: Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	Total
Under 25	$ 770,228	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 770,228
25 to 29	669,373	0	0	0	0	0	0	0	669,373
30 to 34	638,300	49,374	0	0	0	0	0	0	687,674
35 to 39	177,825	0	0	0	0	0	0	0	177,825
40 to 44	82,264	0	0	0	0	0	0	0	82,264
45 to 49	103,112	0	0	0	0	0	0	0	103,112
50 to 54	0	0	0	0	0	0	0	0	0
55 to 59	195,538	0	0	0	0	0	0	0	195,538
60 to 64	0	0	0	0	0	0	0	0	0
65 & up	0	0	0	0	0	0	0	0	0
Total	$ 2,636,640	$ 49,374	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,686,014

APPENDIX A
MEMBERSHIP INFORMATION

Distribution of Active Participants - - Total

COUNTS BY AGE/SERVICE

	Service								
Age	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	Total
Under 25	14	38	0	0	0	0	0	0	52
25 to 29	13	109	93	0	0	0	0	0	215
30 to 34	11	61	182	56	0	0	0	0	310
35 to 39	3	24	109	129	47	1	0	0	313
40 to 44	1	16	67	110	132	50	3	0	379
45 to 49	2	8	41	44	83	82	62	0	322
50 to 54	0	3	17	20	42	40	38	14	174
55 to 59	1	2	5	3	11	2	1	10	35
60 to 64	0	0	4	2	5	1	2	2	16
65 & up	0	0	0	0	0	0	0	1	1
Total	45	261	518	364	320	176	106	27	1,817

TOTAL SALARY BY AGE/SERVICE

	Service								
Age	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	Total
Under 25	$ 770,228	$ 2,160,937	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,931,165
25 to 29	706,684	6,601,324	6,239,008	0	0	0	0	0	13,547,016
30 to 34	638,300	3,828,186	12,831,200	4,705,188	0	0	0	0	22,002,874
35 to 39	177,825	1,430,721	7,714,708	11,251,923	4,720,302	83,210	0	0	25,378,689
40 to 44	82,264	1,055,321	4,993,016	9,656,518	13,375,107	5,700,755	327,008	0	35,189,989
45 to 49	103,112	518,382	3,023,137	3,560,590	8,032,909	9,252,456	7,213,232	0	31,703,818
50 to 54	0	194,657	1,276,297	1,685,405	4,072,898	4,391,858	4,259,475	1,794,270	17,674,860
55 to 59	195,538	107,105	374,903	267,420	1,009,294	166,569	114,678	1,317,262	3,552,769
60 to 64	0	0	274,308	128,773	443,990	109,926	185,022	209,304	1,351,323
65 & up	0	0	0	0	0	0	0	123,673	123,673
Total	$ 2,673,951	$ 15,896,633	$ 36,726,577	$ 31,255,817	$ 31,654,500	$ 19,704,774	$ 12,099,415	$ 3,444,509	$ 153,456,176

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

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.

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 is used as of the valuation date. Future sick leave accruals assumed to occur at the lesser of 172 hours per year or ½ the ratio of current balance to credited service.

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

A sick leave accrual assumption has been added to project sick leave as part of future benefit and service accruals.

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

B. Actuarial Methods

1. Funding Method

The Entry Age Normal Cost method is used to determine costs. 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 each plan participant.

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.

Under the Corridor Funding Method, the County's total contribution rate is equal to the normal cost rate, plus the UAL amortization rates for 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.

In 2014, there was an additional recognition of $18.5 million of the remaining balance of past investment gains.

3. Changes since Last Valuation

Moved from the entrant variation of the Entry-Age Normal funding method to the individual method.

There was an additional recognition of $18.5 million of the past investment gains.

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 members were enrolled in Plan D. On and following January 1, 2013, all members are enrolled in Plan E.

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.
Plan E: 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).

APPENDIX C
SUMMARY OF PLAN PROVISIONS

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

5. Social Security Wage Base

The amount of wages subject to Social Security (FICA) taxes ($113,700 in 2014).

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 & E Benefit: 2.5% of average final compensation multiplied by credited service.

Pre-Social Security Supplement (Plans C, D & E): 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 & E: 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

<u>Death or Disability during DROP</u>

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

<u>Eligibility</u>

No age or service requirement.

<u>Benefit</u>

40% of final compensation less 15% 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

<u>Eligibility</u>

Five years of credited service.

<u>Benefit</u>

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 25% to 15% of any primary Social Security benefit.