



Cavanaugh Macdonald
CONSULTING, LLC

The experience and dedication you deserve



**Virginia
Retirement
System**

**Report on the Actuarial Valuation of the
Virginia Local Disability Program**

Prepared as of June 30, 2014





Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

December 19, 2014

The Board of Trustees
Virginia Retirement System
1200 E. Main Street
Richmond, VA 23219

Dear Trustees:

Governmental Accounting Standards Board Statements No. 43 and No. 45 (GASB 43 and 45) require actuarial valuations of retiree health care and other postemployment benefit (OPEB) plans. Cavanaugh Macdonald Consulting, LLC (CMC) is submitting the results of the annual actuarial valuation of the long-term disability (LTD) benefits payable by the Virginia Local Disability Program (VLDP), prepared as of June 30, 2014. While not verifying the data at source, the actuary performed tests for consistency and reasonability.

The valuation indicates the Annual Required Contribution (ARC) under GASB 43 and 45 for the LTD benefits of applicable members of participating local public school divisions (Teachers) is 0.30% of active covered payroll and 0.59% of active covered payroll for applicable members of participating political subdivisions (Political Subdivisions). Contribution rates for Virginia Retirement System (VRS) employers are established every two years. The actuarially calculated employer contribution rates based on the current valuation are for informational purposes only.

The promised LTD benefits of VLDP are included in the actuarially calculated contribution rates, developed using the entry age normal actuarial cost method with projected benefits. Five-year smoothed market value of assets is used for actuarial valuation purposes. GASB requires the discount rate used to value a plan be based on the likely return of the assets used to pay benefits. As of June 30, 2014, LTD benefits have no assets in trust solely to provide benefits to eligible recipients. However, it is our understanding that VRS intends to advance fund VLDP benefits using the Hybrid Retirement Program Disability Insurance Trust Fund under a multiple employer cost-sharing arrangement in a manner similar to VRS' other defined benefit deferred compensation plans. Therefore, the discount rate has been set at 7.00%. In accordance with the new funding policy adopted by the Board of Trustees, gains and losses in each valuation year are amortized within a closed 20 year period, on the assumption that payroll will increase by 3.00% annually and the amortization period will decrease by one each year until reaching 0 years. In the event that the funding policy produces an effective amortization period of greater than 30 years, a 30 year amortization period is to be used in accordance with GASB Statements 43 and 45. The assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the Fund and to reasonable expectations of anticipated experience under the Fund and meet the parameters for the disclosures under GASB Statements 43 and 45.

The liability associated with long-term care (LTC) benefits was calculated by Milliman.

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The Board of Trustees
December 19, 2014
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Our organization has only a contractual relationship with the Virginia Retirement System to provide actuarial consulting services and we do not provide other services to nor have a financial interest in the Virginia Retirement System. There are no known interests or relationships that our firm has with the Virginia Retirement System that may impair or appear to impair the objectivity of our work.

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the Plan and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of VRS.

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: VLDP experience differing from that anticipated by the economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on VLDP's funded status); and changes in VLDP provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

The Table of Contents, which immediately follows, outlines the material contained in the report.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Jose I. Fernandez', with a stylized flourish at the end.

Jose I. Fernandez, ASA, FCA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in blue ink, appearing to read 'Eric H. Gary', with a stylized flourish at the end.

Eric H. Gary, FSA, FCA, MAAA
Chief Health Actuary

JIF/EHG:bcn



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Section I – Summary of Principal Results

1. For convenience of reference, the principal results of the valuation. In addition, a summary of the LTD valuation results, split by employer group, are presented on the following page.

VIRGINIA LOCAL DISABILITY PROGRAM (\$ IN THOUSANDS)

Valuation Date – June 30, 2014			
Employer Group	Teachers	Political Subdivisions	Total
Number Active (participating in VLDP)	282	845	1,127
Number Disabled	<u>0</u>	<u>0</u>	<u>0</u>
Total	282	845	1,127
Annual Covered Payroll*	\$ 9,247	\$ 24,688	\$ 33,935
LTD Assets:			
Market Value	\$ 0	\$ 0	\$ 0
Actuarial Value	\$ 0	\$ 0	\$ 0
LTD Unfunded Actuarial Accrued Liability	\$ 1	\$ 7	\$ 8
Effective Amortization Period (Years)	20.0	20.0	20.0
LTD Annual Required Contribution (ARC) in Dollars:			
Normal Cost***	\$ 15	\$ 111	\$ 126
Accrued Liability	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ 15	\$ 111	\$ 126
LTD ARC as a Percent of Active Payroll**:			
Normal Cost	0.17%	0.46%	0.38%
Accrued Liability	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	0.17%	0.46%	0.38%
LTC Contribution Rate****	<u>0.13%</u>	<u>0.13%</u>	<u>0.13%</u>
Total Combined ARC	0.30%	0.59%	0.51%
Discount Rate	7.00%	7.00%	7.00%

*Annual Covered Payroll consists of only those Teachers and Political Subdivisions employees participating in VLDP.

**Includes timing adjustment factor of 1.0192

***Includes estimated third party administrator expenses of \$3,699, \$34,564, and \$38,263 for Teachers, Political Subdivisions, and Total, respectively.

****LTC contribution rate was calculated by Milliman.



Section I – Summary of Principal Results (continued)

2. A preliminary study conducted as of June 30, 2013 indicates the annual required contribution (ARC) for VLDP benefits for the fiscal years 2015 and 2016 is 0.29% of active covered payroll payable for applicable members of participating local public school divisions and 0.60% of active covered payroll payable for applicable members of participating political subdivisions. The contribution rates based on the June 30, 2014 valuation are presented for informational purposes only. Comments on the valuation results as of June 30, 2014 are given in Section IV and further discussion of the contribution levels is provided in Section V.
3. The main provisions of VLDP's LTD benefits, as summarized in Schedule E, were taken into account in the current valuation. The valuation for LTC benefits was performed by Milliman.
4. Schedule B shows the market and actuarial value of assets. Schedule C and Schedule D of this report outline the full set of actuarial assumptions and methods used in the current valuation.



Section II – Membership Data

1. Data regarding the membership in VLDP for use as a basis of the valuation were furnished by VRS. The following table shows the number of active members who are participating in VLDP and the total annual covered payroll for each employer group, as of June 30, 2014, on the basis of which the valuation was prepared.

TABLE 1
THE NUMBER AND ANNUAL COVERED PAYROLL OF
ACTIVE MEMBERS AS OF JUNE 30, 2014
(\$ IN THOUSANDS)

Group	Number	Covered Payroll
Teachers	282	\$9,247
Political Subdivisions	845	24,688
Total	1,127	\$33,935

Schedule F, which can be found at the end of this document, shows the distribution by age and service of the number of active members included in the valuation.

2. The following table shows a one-year history of active member valuation data.

TABLE 2
SCHEDULE OF TOTAL ACTIVE MEMBER VALUATION DATA

Valuation Date	Number	Annual Covered Payroll* (\$ in Thousands)	Annual Average Pay	% Change in Average Pay
<u>TEACHERS</u>				
6/30/2014	282	9,247	32,790	N/A
<u>POLITICAL SUBDIVISIONS</u>				
6/30/2014	845	24,688	29,217	N/A



Section II – Membership Data (continued)

3. The following table shows a one-year history of disabled member valuation data.

TABLE 3

SCHEDULE OF BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

Valuation Date	Number Added to Rolls	Annualized LTD Payments (\$1,000s)	Number Removed from Rolls	Annualized LTD Payments (\$1,000s)	Number on Rolls at the End of the Year	Annualized LTD Payments (\$1,000s)	Increase in Annualized LTD Payments	Average Annualized LTD Payments	Increase in Average Annualized LTD Payments
<u>TEACHERS</u>									
6/30/2014	0	\$0	0	\$0	0	\$0	0.00%	\$0	0.00%
<u>POLITICAL SUBDIVISIONS</u>									
6/30/2014	0	\$0	0	\$0	0	\$0	0.00%	\$0	0.00%



Section III – Assets

- Schedule B shows the additions and deductions of VLDP for the year preceding the valuation date and a reconciliation of the fund balances at market value. As of June 30, 2014, the market value of assets used to determine the actuarial value of assets for VLDP is shown below:

TABLE 4
COMPARISON OF MARKET VALUE OF ASSETS AT
JUNE 30, 2014
(\$ IN THOUSANDS)

Benefit	Teachers	Political Subdivisions	Total
LTD	\$0	\$0	\$0
LTC	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$0	\$0	\$0

- Schedule B shows the development of the five-year market related actuarial value of assets as of June 30, 2014. The following table shows the actuarial value of assets allocated among Teachers and Political Subdivisions.

TABLE 5
COMPARISON OF ACTUARIAL VALUE OF ASSETS AT
JUNE 30, 2014
(\$ IN THOUSANDS)

Benefit	Teachers	Political Subdivisions	Total
LTD	\$0	\$0	\$0
LTC	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$0	\$0	\$0



Section IV – Comments on Valuation

TEACHERS

1. The June 30, 2014 valuation shows LTD benefits have total prospective benefit liabilities of \$111,125, of which \$761 is for the prospective LTD benefits payable on account of present disabled retirees, and \$110,364 is for the prospective LTD benefits payable on account of present active members. Against these liabilities, LTD benefits have present assets of \$0 as of June 30, 2014. The difference of \$111,125 between the total liabilities and the total present actuarial value of assets presents the present value of contributions to be made in the future on account of benefits. Schedule A of this report outlines the results of the actuarial valuation.
2. The contributions for the Plan on account of disabled retiree benefits consist of normal contributions and accrued liability contributions. The normal contribution is equal to the actuarial present value of LTD benefits accruing during the current year, plus third-party administrator expenses. The normal contribution of LTD benefits is determined to be 0.17% of total active covered payroll.
3. Prospective LTD normal contributions have a present value of \$110,288. When this amount is subtracted from \$111,125, which is the present value of the total future contributions to be made by the employers, there remains \$837 as the amount of future accrued liability contributions.
4. For the Plan, it is recommended that the accrued liability contribution rate payable by employers on account of LTD benefits be set at 0.00% of total active covered payroll. This rate includes an amount sufficient to liquidate the surplus of \$837 over 20 years, based on a 7.00% investment rate of return and the assumption that the payroll will increase by 3.00% annually. The valuation was prepared in accordance with the actuarial assumptions and the actuarial cost method, which are described in Schedule C and Schedule D.
5. The contribution payable to support LTC benefits, as valued by Milliman, is 0.13% of total active covered payroll.
6. The total annual required contribution (ARC) for LTD benefits and LTC benefits, combined, is 0.30% of total active covered payroll.



Section IV – Comments on Valuation

POLITICAL SUBDIVISIONS

1. The June 30, 2014 valuation shows LTD benefits have total prospective benefit liabilities of \$575,371, of which \$7,183 is for the prospective LTD benefits payable on account of present disabled retirees, and \$568,188 is for the prospective LTD benefits payable on account of present active members. Against these liabilities, LTD benefits have present assets of \$0 as of June 30, 2014. The difference of \$575,371 between the total liabilities and the total present actuarial value of assets presents the present value of contributions to be made in the future on account of benefits. Schedule A of this report outlines the results of the actuarial valuation.
2. The contributions for the Plan on account of disabled retiree benefits consist of normal contributions and accrued liability contributions. The normal contribution is equal to the actuarial present value of LTD benefits accruing during the current year, plus third-party administrator expenses. The normal contribution of LTD benefits is determined to be 0.46% of total active covered payroll.
3. Prospective LTD normal contributions have a present value of \$568,171. When this amount is subtracted from \$575,371, which is the present value of the total future contributions to be made by the employers, there remains \$7,200 as the amount of future accrued liability contributions.
4. For the Plan, it is recommended that the accrued liability contribution rate payable by employers on account of LTD benefits be set at 0.00% of total active covered payroll. This rate includes an amount sufficient to liquidate the surplus of \$7,200 over 20 years, based on a 7.00% investment rate of return and the assumption that the payroll will increase by 3.00% annually. The valuation was prepared in accordance with the actuarial assumptions and the actuarial cost method, which are described in Schedule C and Schedule D.
5. The contribution payable to support LTC benefits, as valued by Milliman, is 0.13% of total active covered payroll.
6. The total annual required contribution (ARC) for LTD benefits and LTC benefits, combined, is 0.59% of total active covered payroll.



Section V – Contribution Rates

1. The actuarially determined employer contribution rates as of June 30, 2014 for LTD benefits and LTC benefits are shown in the following table:

TABLE 6

**ANNUAL REQUIRED CONTRIBUTION (ARC) EXPRESSED AS
A PERCENTAGE OF ACTIVE MEMBER COVERED PAYROLL**

Benefit	Annual Required Contribution (ARC)		
	Teachers	Political Subdivisions	Total
LTD	0.17%	0.46%	0.38%
LTC	<u>0.13%</u>	<u>0.13%</u>	<u>0.13%</u>
Total	0.30%	0.59%	0.51%

2. The normal contribution rate, the unfunded actuarial accrued liability (UAAL), amortization period and the actuarially required contribution rate as of June 30, 2014 with the new amortization method are shown in the following table.

TABLE 7

**EMPLOYER CONTRIBUTION RATE EXPRESSED AS A
PERCENTAGE OF ACTIVE MEMBER COVERED PAYROLL**

	Percentage of Covered Payroll		
	Teachers	Political Subdivisions	Total
LTD Normal Cost	0.17%	0.46%	0.38%
LTD Percent to Amortize Unfunded Actuarial Accrued Liability (UAAL)	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Actuarial Required Contribution Rate to pay Normal Cost and amortize UAAL of LTD	0.17%	0.46%	0.38%
LTC Contribution Rate	<u>0.13%</u>	<u>0.13%</u>	<u>0.13%</u>
Total Actuarial Required Contribution Rate	0.30%	0.59%	0.51%



Section VI – Accounting Information

1. GASB 43 and 45 set forth certain items of required supplementary information to be disclosed in the financial statements of VRS. One such item is a distribution of the number of members by type of membership, as follows:

NUMBER OF ALL MEMBERS AS OF JUNE 30, 2014

Group	Count		
	Teachers	Political Subdivisions	Total
Active Members	282	845	1,127
Disabled Members	<u>0</u>	<u>0</u>	<u>0</u>
Total	282	845	1,127

2. Another such item is the Schedule of Funding Progress for LTD benefits (Teachers and Political Subdivisions), shown in the following table.

SCHEDULE OF FUNDING PROGRESS FOR VIRGINIA LOCAL DISABILITY PROGRAM'S LTD BENEFITS (\$ IN THOUSANDS)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
<u>TEACHERS</u>						
6/30/2014	\$0	\$1	\$1	0.00%	\$9,247	0.01%
<u>POLITICAL SUBDIVISIONS</u>						
6/30/2014	\$0	\$7	\$7	0.00%	\$24,688	0.03%



Section VI – Accounting Information (continued)

3. The information presented in the required supplementary schedules was determined as part of the actuarial valuation of LTD benefits at June 30, 2014. Additional information as of the latest actuarial valuation follows:

Valuation date	6/30/2014
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay, Closed
Payroll growth rate	3.00%
Effective amortization period	20.0 years
Asset valuation method	5-year Smoothed Market
Actuarial assumptions:	
Investment rate of return*	7.00%
*Includes inflation at	2.50%

The assumed investment rate of return reflects the assumption a Trust has been established to set aside assets that are legally held exclusively for long-term disability benefits.



Section VII – Derivation of Experience Gains and Losses

LTD BENEFITS CHANGES IN UNFUNDED ACTUARIAL ACCRUED LIABILITIES (UAAL) DURING FISCAL YEAR 2014 (\$ IN THOUSANDS)

Fiscal Year 2014	Teachers	Political Subdivisions
1. Beginning of Year:		
(a) Actuarial Accrued Liability (AAL)	\$ 0.0	\$ 0.0
(b) Normal Cost	\$ 0.0	\$ 0.0
(c) Benefit Payments	\$ 0.0	\$ 0.0
2. End of Year:		
(a) Expected AAL [[(1a) + (1b)] x 1.07] – [(1c) x (1 + [0.07 x 0.50])]	\$ 0.0	\$ 0.0
(b) Actual AAL	\$ 0.8	\$ 7.2
3. Total AAL Gain (or Loss) (2a) – (2b)	\$ (0.8)	\$ (7.2)
4. Actuarial Value of Assets (AVA) Beginning of Year	\$ 0.0	\$ 0.0
5. Net external cash flow during the year	\$ 0.0	\$ 0.0
6. End of Year:		
(a) Expected AVA [(4) x 1.07] + [(5) x (1 + [0.07 x 0.50])]	\$ 0.0	\$ 0.0
(b) Actual AVA	\$ 0.0	\$ 0.0
7. AVA Gain (or Loss) (6b) – (6a)	\$ 0.0	\$ 0.0
8. Expected UAAL at End of Year (2a) – (6a)	\$ 0.0	\$ 0.0
9. Actual UAAL at End of Year (2b) – (6b)	\$ 0.8	\$ 7.2
10. UAAL Gain (or Loss) (8) – (9)	\$ (0.8)	\$ (7.2)



Schedule A – Results of the Valuation

VIRGINIA LOCAL DISABILITY PROGRAM (\$ IN THOUSANDS)

Valuation Date - June 30, 2014		Teachers	Political Subdivisions
1.	COVERED PAYROLL*	\$ 9,247	\$ 24,688
2.	LTD ACTUARIAL ACCRUED LIABILITY Present value of prospective benefits payable in respect of:		
	(a) Present active members:	\$ 110	\$ 568
	(b) Present disabled members:	<u>1</u>	<u>7</u>
	(c) Total present value of prospective benefits	\$ 111	\$ 575
	(d) Present value of future normal contributions	<u>110</u>	<u>568</u>
	(e) Total actuarial accrued liability (2c) – (2d)	\$ 1	\$ 7
3.	PRESENT ASSETS FOR LTD VALUATION PURPOSES	\$ 0	\$ 0
4.	LTD UNFUNDED ACTUARIAL ACCRUED LIABILITY (2e) – (3)	\$ 1	\$ 7
5.	AMORTIZATION PERIOD	20	20
6.	LTD NORMAL CONTRIBUTION**	\$ 15	\$ 111
7.	LTD ACCRUED LIABILITY CONTRIBUTION	<u>0</u>	<u>0</u>
8.	TOTAL LTD CONTRIBUTION BASED ON COVERED PAYROLL (6) + (7)	\$ 15	\$ 111
9.	LTD NORMAL CONTRIBUTION AS A PERCENT OF COVERED PAYROLL (6) ÷ (1)***	0.17%	0.46%
10.	LTD ACCRUED LIABILITY CONTRIBUTION AS A PERCENT OF COVERED PAYROLL (7) ÷ (1)***	<u>0.00%</u>	<u>0.00%</u>
11.	TOTAL LTD CONTRIBUTION AS A PERCENT OF COVERED PAYROLL (9) + (10)***	0.17%	0.46%
12.	LTC CONTRIBUTION***	<u>0.13%</u>	<u>0.13%</u>
13.	TOTAL VLDP CONTRIBUTION (11) + (12)***	0.30%	0.59%
14.	DISCOUNT RATE	7.00%	7.00%

*Covered payroll consist of only those Teachers and Political Subdivisions employees participating in VLDP

**Includes estimated third party administrator expenses of \$3,699 and \$34,564 for Teachers and Political Subdivisions, respectively.

***Includes timing adjustment factor of 1.0192



Schedule A – Solvency Test

LTD BENEFITS SOLVENCY TEST (\$ IN THOUSANDS)

Valuation Date	Aggregate Accrued Liabilities For				Actuarial Value of Assets	Portion of Accrued Liabilities Covered by Actuarial Value of Assets		
	(1) Active Member Contributions	(2) Retirees, Survivors, and Inactive Members	(3) Active Members (Employer Financed Portion)	Total		(1)	(2)	(3)
TEACHERS								
6/30/2014	n/a	\$1	\$0	\$1	\$0	n/a	0.00%	0.00%
POLITICAL SUBDIVISIONS								
6/30/2014	n/a	\$7	\$0	\$7	\$0	n/a	0.00%	0.00%



Schedule B – Plan Assets

GASB 43 and 45 define plan assets as resources, usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, or equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employers or plan administrator, for the payment of benefits in accordance with the terms of the plan.

For valuation purposes, an actuarial value of assets is used. This is a smoothed market value, phasing-in investment returns above or below the 7.00% assumption over five years. This smoothed value is subject to a corridor that restricts the actuarial value of assets from being more than 120% or less than 80% of the market value of assets. This asset valuation will be initiated once funds are deposited into the Trust, and gains and losses will be phased-in prospectively only. The actuarial value of assets used for the valuation of Teachers is \$0 and the actuarial value of assets used for the valuation of Political Subdivisions is \$0. The corresponding market value of assets for Teachers is \$0 and the market value of assets for Political Subdivisions is \$0.



Schedule B – Plan Assets (continued)

TEACHERS

**RECONCILIATION OF ASSETS
VIRGINIA LOCAL DISABILITY PLAN
(\$ IN THOUSANDS)**

Valuation Date – June 30, 2014	LTD	LTC	Total
1. Market value of assets at beginning of year	\$ 0	\$ 0	\$ 0
Revenue of the Year			
Contributions and miscellaneous revenue	\$ 0	\$ 0	\$ 0
Net investment income	<u>0</u>	<u>0</u>	<u>0</u>
2. Total revenue	\$ 0	\$ 0	\$ 0
Expenditures for the year			
Benefit payments	\$ 0	\$ 0	\$ 0
Administrative expenses	<u>0</u>	<u>0</u>	<u>0</u>
3. Total expenditures	\$ 0	\$ 0	\$ 0
4. Change in net assets (2) – (3)	\$ 0	\$ 0	\$ 0
5. Market value of assets at end of year (1) + (4)	\$ 0	\$ 0	\$ 0

POLITICAL SUBDIVISIONS

**RECONCILIATION OF ASSETS
VIRGINIA LOCAL DISABILITY PLAN
(\$ IN THOUSANDS)**

Valuation Date – June 30, 2014	LTD	LTC	Total
6. Market value of assets at beginning of year	\$ 0	\$ 0	\$ 0
Revenue of the Year			
Contributions and miscellaneous revenue	\$ 0	\$ 0	\$ 0
Net investment income	<u>0</u>	<u>0</u>	<u>0</u>
7. Total revenue	\$ 0	\$ 0	\$ 0
Expenditures for the year			
Benefit payments	\$ 0	\$ 0	\$ 0
Administrative expenses	<u>0</u>	<u>0</u>	<u>0</u>
8. Total expenditures	\$ 0	\$ 0	\$ 0
9. Change in net assets (2) – (3)	\$ 0	\$ 0	\$ 0
10. Market value of assets at end of year (1) + (4)	\$ 0	\$ 0	\$ 0



Schedule B – Plan Assets (continued)

TEACHERS

**DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS
PREPARED AS OF JUNE 30, 2014
(\$ IN THOUSANDS)**

BENEFIT	LTD	LTC
1. Excess (Shortfall) of invested income for current and previous three years		
a. Current Year	\$ 0	\$ 0
b. First Prior Year	0	0
c. Second Prior Year	0	0
d. Third Prior Year	0	0
e. Total for four years	\$ 0	\$ 0
2. Deferral of excess (shortfall) of investment income		
a. Current Year at 80%: (1a) x 0.80	\$ 0	\$ 0
b. First Prior Year at 60%: (1b) x 0.60	0	0
c. Second Prior Year at 40%: (1c) x 0.40	0	0
d. Third Prior Year at 20%: (1d) x 0.20	0	0
e. Total for four years	\$ 0	\$ 0
3. Market value of assets at end of year	\$ 0	\$ 0
4. Preliminary actuarial value of assets at end of year: (3) – (2e)	\$ 0	\$ 0
5. Actuarial value of assets corridor		
a. 80% of market value at end of year: (3) x 0.80	\$ 0	\$ 0
b. 120% of market value at end of year: (3) x 1.20	0	0
6. Actuarial value of assets at end of year	\$ 0	\$ 0



Schedule B – Plan Assets (continued)

POLITICAL SUBDIVISIONS

**DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS
PREPARED AS OF JUNE 30, 2014
(\$ IN THOUSANDS)**

BENEFIT	LTD	LTC
7. Excess (Shortfall) of invested income for current and previous three years		
f. Current Year	\$ 0	\$ 0
g. First Prior Year	0	0
h. Second Prior Year	0	0
i. Third Prior Year	0	0
j. Total for four years	\$ 0	\$ 0
8. Deferral of excess (shortfall) of investment income		
f. Current Year at 80%: (1a) x 0.80	\$ 0	\$ 0
g. First Prior Year at 60%: (1b) x 0.60	0	0
h. Second Prior Year at 40%: (1c) x 0.40	0	0
i. Third Prior Year at 20%: (1d) x 0.20	0	0
j. Total for four years	\$ 0	\$ 0
9. Market value of assets at end of year	\$ 0	\$ 0
10. Preliminary actuarial value of assets at end of year: (3) – (2e)	\$ 0	\$ 0
11. Actuarial value of assets corridor		
c. 80% of market value at end of year: (3) x 0.80	\$ 0	\$ 0
d. 120% of market value at end of year: (3) x 1.20	0	0
12. Actuarial value of assets at end of year	\$ 0	\$ 0



Schedule C – Outline of Actuarial Assumptions and Methods

Assumptions and Methods Applicable to all LTD Benefit Employer Groups

Investment Return Rate:	7.00% per annum, compounded annually (net of VRS administrative expenses).
Inflation Assumption:	2.50% per year.
Actuarial Cost Method:	Entry age normal cost method, allocated as a level percent of payroll, from first funding age to last age before terminal retirement age. Actuarial gains and losses, as they occur, are reflected in the unfunded actuarial accrued liability. See Schedule D for a detailed explanation.
Funding Period:	With each subsequent valuation, a new amortization base will be used to amortize that portion of the UAAL not covered by the current balances of the previously established amortization bases. Here, each valuation's newly allocated share of the UAAL will be amortized over a closed 20-year period. In the event this funding policy produces an effective amortization period of greater than 30 years, a 30 year amortization period for the aggregate UAAL is used in accordance with GASB 43 and 45.
Payroll Growth Rate:	3.00% per annum.
Asset Valuation Method:	The method of valuing assets is intended to recognize a "smoothed" market value of assets. Under this method, the difference between actual return on market value from investment experience and the expected return on market value is recognized over a five-year period. The resulting actuarial value of asset value cannot be less than 80% or more than 120% of the market value of assets.
Cost-Of-Living Increase:	0.00% per year, compounded annually.
Administrative Expenses:	Third party administrative expenses are included in the normal cost.
Health Insurance Credit and Group Life Insurance Benefits	Health Insurance Credit and Group Life Insurance benefits provided by VLDP are valued under the respective programs.
Liability Assumed for Disabled Members in Waiting Period:	The liability associated for those disabled and not yet eligible to receive benefits was based upon the expected number of long-term disabilities incurred during the period of January 1, 2014 and June 30, 2014.



Schedule C – Outline of Actuarial Assumptions and Methods (continued)

Assumptions and Methods Applicable to all LTD Benefit Employer Groups

Offsets for Disabled Members:

It is assumed that the offset amounts reported by the administrator will continue to apply to each member's benefit until the benefit expires. For members with less than six years of disability and no current benefit offsets, benefit amounts are adjusted to reflect future offsets as follows:

Year of Long-Term Disability	Percentage Receiving Offsets in the Next Year if Currently Not in Receipt	Average Percentage of Full Benefit Paid if in Receipt of Offsets
1	38%	25%
2	32%	25%
3	24%	25%
4	14%	25%
5	14%	25%
6 and Longer	0%	30%

Offsets for Active Members:

The following benefit adjustments are assumed for the expected future monthly benefits to be paid to future disabled members. The benefit adjustments are consistent with recent experience.

Year of Long-Term Disability	Benefit Adjustment Factor
1	0.745
2	0.557
3	0.493
4	0.439
5	0.414
6 and Longer	0.378

Income Replacement for Future Disabled Members:

61% of a member's pre-disability income.



Schedule C – Outline of Actuarial Assumptions and Methods (continued)

Assumptions and Methods which apply to all LTD benefit employer groups

Rates of Termination of Benefits Due to Death or Recovery:

2012 Group Long Term Disability Valuation Table (2012 GLDT) as proposed by the Society of Actuaries' Group Disability Experience Committee for use by the National Association of Insurance Commissioners. Used as a basis those rates applicable to plans with a six-month elimination period, "Own Occupation" definition of disability, initial maximum guaranteed benefit of \$1,900, "No Diagnosis" cause of disability, 15% margin for recovery, 28% margin for deaths, and adjusted for prior five years of VRS experience with the following adjustment factors:

Adjustment Factor

Month of Disability	Male	Female
4 - 24	0.944	0.870
25 - 60	1.016	0.992
61 - 120	1.086	1.083
121 and over	1.066	1.095

Covered Members:

The VLDP will provide disability benefits for those Hybrid Plan members of Teachers and Political Subdivisions (excluding members with enhanced hazardous duty coverage) employer groups that elected VLDP for the provision of LTD and LTC benefits.

Hybrid Retirement Plan:

General Employee Pension Benefit Coverage members of Teachers and Political Subdivisions employer groups hired on or after January 1, 2014 or members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1, 2014 through April 30, 2014. Members of Political Subdivisions with LEOs/Fire Pension Benefit Coverage are not eligible to participate in the Hybrid Plan.

Normal Retirement Eligibility:

A member may retire with unreduced pension benefits upon Normal Retirement once they attain their normal Social Security retirement age and have at least five years of service.

Early Retirement Eligibility:

A member may retire early with unreduced pension benefits upon the sum of their age and their service being 90 (Rule of 90). A member may retire early with reduced pension benefits after reaching age 60 with at least five years of service credit.

Disability:

Applicable members covered under the Hybrid Plan are eligible from the first day of employment for work-related VLDP disability benefits, but must have a minimum of one year of service to be eligible for non-work related VLDP disability benefits.



Schedule C – Outline of Actuarial Assumptions and Methods (continued)

TEACHERS

MORTALITY RATES:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with Males set back 3 years and Females set back 5 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with Males set back 2 years and Females set back 3 years.

Post-Disablement:

RP-2000 Disabled Life Mortality Table Projected to 2020 with Males set back 1 year and no provision for future mortality improvement.

Mortality Rates						
Age	Male			Female		
	Pre Retirement	Post Retirement	Post Disablement	Pre Retirement	Post Retirement	Post Disablement
20	0.00021	0.00022	0.00000	0.00012	0.00014	0.00000
25	0.00026	0.00028	0.01737	0.00014	0.00014	0.00562
30	0.00035	0.00036	0.02042	0.00016	0.00018	0.00609
35	0.00051	0.00057	0.02042	0.00022	0.00030	0.00597
40	0.00082	0.00086	0.01961	0.00038	0.00043	0.00551
45	0.00099	0.00104	0.01773	0.00052	0.00063	0.00540
50	0.00128	0.00135	0.01965	0.00081	0.00092	0.00819
55	0.00163	0.00195	0.02280	0.00119	0.00152	0.01409
60	0.00258	0.00382	0.02946	0.00215	0.00315	0.01976
65	0.00437	0.00755	0.03644	0.00356	0.00602	0.02535
70	0.00000	0.01348	0.04497	0.00000	0.01100	0.03405
75		0.02246	0.05729		0.01832	0.04448
80		0.04094	0.08287		0.02964	0.06283
85		0.07640	0.11724		0.04892	0.08884
90		0.13623	0.15309		0.08892	0.13188

Mortality improvement is anticipated under the post-retirement assumption as projected with Scale AA.



Schedule C – Outline of Actuarial Assumptions and Methods (continued)

TEACHERS

RETIREMENT RATES:

The following rates of retirement are assumed for members eligible to retire.

Teachers Rates of Retirement				
Age	Male		Female	
	Age & Service Meets Rule of 90			
	No	Yes	No	Yes
<=49	0.000	0.000	0.000	0.000
50	0.000	0.400	0.000	0.350
51	0.000	0.175	0.000	0.150
52	0.000	0.175	0.000	0.150
53	0.000	0.175	0.000	0.150
54	0.000	0.175	0.000	0.150
55	0.000	0.225	0.000	0.225
56	0.000	0.225	0.000	0.225
57	0.000	0.225	0.000	0.225
58	0.000	0.225	0.000	0.225
59	0.000	0.225	0.000	0.225
60	0.075	0.225	0.085	0.225
61	0.110	0.300	0.120	0.300
62	0.170	0.350	0.170	0.350
63	0.140	0.350	0.160	0.350
64	0.180	0.300	0.165	0.350
65	0.300	0.400	0.300	0.350
66	0.300	0.400	0.300	0.350
67	0.300	0.400	0.300	0.350
68	0.300	0.400	0.300	0.350
69	0.300	0.400	0.300	0.350
>=70	1.000	1.000	1.000	1.000



Schedule C – Outline of Actuarial Assumptions and Methods (continued)

TEACHERS

DISABILITY RATES: As shown below for selected ages.

Teachers Disability Rates		
Age	Male	Female
20	0.00000	0.00000
25	0.00008	0.00004
30	0.00010	0.00010
35	0.00018	0.00030
40	0.00021	0.00036
45	0.00099	0.00042
50	0.00133	0.00090
55	0.00195	0.00204
60	0.00308	0.00240
65	0.00276	0.00330
70	0.00000	0.00000

TERMINATION RATES: The following withdrawal rates are used based on age and service. (For causes other than death, disability, or retirement)

Teachers Rates of Termination								
Age	Male				Female			
	Years of Service							
	0-2	3-4	5-9	>=10	0-2	3-4	5-9	>=10
20	0.182	0.143	0.143	0.008	0.159	0.160	0.160	0.000
25	0.154	0.118	0.118	0.008	0.146	0.120	0.120	0.150
30	0.149	0.090	0.090	0.037	0.164	0.110	0.110	0.047
35	0.141	0.073	0.073	0.031	0.149	0.090	0.090	0.039
40	0.141	0.070	0.070	0.025	0.127	0.075	0.075	0.028
45	0.147	0.075	0.075	0.019	0.117	0.064	0.064	0.021
50	0.138	0.070	0.070	0.016	0.118	0.058	0.058	0.018
55	0.143	0.070	0.070	0.003	0.124	0.058	0.058	0.003
60	0.166	0.080	0.000	0.000	0.129	0.077	0.000	0.000
65	0.170	0.083	0.000	0.000	0.130	0.080	0.000	0.000
70	0.170	0.083	0.000	0.000	0.130	0.080	0.000	0.000



Schedule C – Outline of Actuarial Assumptions and Methods (continued)

TEACHERS

SALARY INCREASE RATES: The following total salary increase rates are used. The total salary increase rate consists of an inflation rate of 2.50%, a productivity component of 1.00%, and a variable merit component that is dependent on years of service.

Pay Increase Assumption	
Years of Service	Total Increase (Next Year)
1	5.95%
2	5.85
3	5.85
4 - 6	5.45
7 - 9	5.35
10 - 12	4.85
13 - 14	4.75
15 - 16	4.65
17	4.55
18 - 19	4.45
20 or more	3.50



Schedule C – Outline of Actuarial Assumptions and Methods (continued)

POLITICAL SUBDIVISIONS GROUP A

MORTALITY RATES:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with Males set forward 4 years and Females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with Males set forward 1 year.

Post-Disablement:

RP-2000 Disabled Life Mortality Table with Males set back 3 years and no provision for future mortality improvement.

Mortality Rates						
Age	Male			Female		
	Pre Retirement	Post Retirement	Post Disablement	Pre Retirement	Post Retirement	Post Disablement
20	0.00029	0.00025	0.00000	0.00014	0.00014	0.00000
25	0.00037	0.00034	0.02257	0.00014	0.00016	0.00745
30	0.00064	0.00045	0.02257	0.00019	0.00022	0.00745
35	0.00089	0.00076	0.02257	0.00033	0.00038	0.00745
40	0.00110	0.00095	0.02257	0.00045	0.00052	0.00745
45	0.00142	0.00122	0.02257	0.00069	0.00081	0.00745
50	0.00188	0.00167	0.02512	0.00100	0.00119	0.01154
55	0.00320	0.00292	0.03156	0.00168	0.00231	0.01654
60	0.00530	0.00567	0.03803	0.00298	0.00457	0.02184
65	0.00717	0.01109	0.04498	0.00456	0.00878	0.02803
70	0.00000	0.01816	0.05445	0.00000	0.01515	0.03764
75		0.03181	0.06941		0.02394	0.05223
80		0.06013	0.09215		0.03987	0.07231
85		0.10670	0.12188		0.06866	0.10020
90		0.18438	0.15524		0.12400	0.14005

Mortality improvement is anticipated under the post-retirement assumption as projected with Scale AA.



Schedule C – Outline of Actuarial Assumptions and Methods (continued)

**POLITICAL SUBDIVISIONS
GROUP A**

RETIREMENT RATES:

Group A General Employee Rates of Retirement				
Age	Male		Female	
	Reduced Retirement	Unreduced Retirement	Reduced Retirement	Unreduced Retirement
<=49	0.000	0.000	0.000	0.000
50	0.000	0.130	0.000	0.156
51	0.000	0.125	0.000	0.122
52	0.000	0.090	0.000	0.109
53	0.000	0.104	0.000	0.113
54	0.000	0.108	0.000	0.104
55	0.000	0.115	0.000	0.143
56	0.000	0.130	0.000	0.108
57	0.000	0.130	0.000	0.117
58	0.000	0.120	0.000	0.140
59	0.000	0.135	0.000	0.134
60	0.060	0.170	0.075	0.128
61	0.105	0.190	0.100	0.177
62	0.175	0.310	0.155	0.280
63	0.130	0.210	0.135	0.277
64	0.165	0.290	0.170	0.183
65	0.300	0.410	0.300	0.296
66	0.300	0.275	0.300	0.311
67	0.300	0.240	0.300	0.332
68	0.300	0.210	0.300	0.325
69	0.300	0.100	0.300	0.225
>=70	1.000	1.000	1.000	1.000



Schedule C – Outline of Actuarial Assumptions and Methods (continued)

**POLITICAL SUBDIVISIONS
GROUP A**

DISABILITY RATES: As shown below for selected ages.

Group A General Employees Rates of Disability		
Age	Male	Female
20	0.00000	0.00000
25	0.00060	0.00000
30	0.00060	0.00045
35	0.00060	0.00045
40	0.00180	0.00045
45	0.00180	0.00090
50	0.00240	0.00180
55	0.00480	0.00315
60	0.00720	0.00450
65	0.00540	0.00315
70	0.00000	0.00000



Schedule C – Outline of Actuarial Assumptions and Methods (continued)

**POLITICAL SUBDIVISIONS
GROUP A**

TERMINATION RATES:

Male Rates of Termination			
Age	Years of Service		
	0 - 2	3 - 9	>=10
25	0.218	0.137	0.000
30	0.185	0.112	0.029
35	0.172	0.097	0.058
40	0.147	0.080	0.037
45	0.143	0.071	0.029
50	0.128	0.060	0.025
55	0.109	0.053	0.007
60	0.126	0.067	0.000
65	0.136	0.082	0.000

Female Rates of Termination			
Age	Years of Service		
	0 - 2	3 - 9	>=10
25	0.233	0.167	0.000
30	0.213	0.141	0.074
35	0.186	0.106	0.051
40	0.160	0.093	0.039
45	0.148	0.077	0.028
50	0.130	0.064	0.026
55	0.119	0.063	0.000
60	0.135	0.062	0.000
65	0.126	0.082	0.000



Schedule C – Outline of Actuarial Assumptions and Methods (continued)

**POLITICAL SUBDIVISIONS
GROUP A**

SALARY INCREASE RATES: The following salary increase rates are used. Inflation rate of 2.50% plus productivity component of 1.00% plus step-rate/promotional component as shown:

Pay Increase Assumption	
Years of Service	Total Increase (Next Year)
1 – 2	5.35%
3	4.75
4 - 6	4.45
7	4.35
8	4.25
9 - 10	4.00
11 - 19	3.65
20 or more	3.50



Schedule C – Outline of Actuarial Assumptions and Methods (continued)

POLITICAL SUBDIVISIONS GROUP B

MORTALITY RATES:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with Males set forward 4 years and Females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with Males set forward 1 year.

Post-Disablement:

RP-2000 Disabled Life Mortality Table with Males set back 3 years and no provision for future mortality improvement.

Mortality Rates						
Age	Male			Female		
	Pre Retirement	Post Retirement	Post Disablement	Pre Retirement	Post Retirement	Post Disablement
20	0.00029	0.00025	0.00000	0.00014	0.00014	0.00000
25	0.00037	0.00034	0.02257	0.00014	0.00016	0.00745
30	0.00064	0.00045	0.02257	0.00019	0.00022	0.00745
35	0.00089	0.00076	0.02257	0.00033	0.00038	0.00745
40	0.00110	0.00095	0.02257	0.00045	0.00052	0.00745
45	0.00142	0.00122	0.02257	0.00069	0.00081	0.00745
50	0.00188	0.00167	0.02512	0.00100	0.00119	0.01154
55	0.00320	0.00292	0.03156	0.00168	0.00231	0.01654
60	0.00530	0.00567	0.03803	0.00298	0.00457	0.02184
65	0.00717	0.01109	0.04498	0.00456	0.00878	0.02803
70	0.00000	0.01816	0.05445	0.00000	0.01515	0.03764
75		0.03181	0.06941		0.02394	0.05223
80		0.06013	0.09215		0.03987	0.07231
85		0.10670	0.12188		0.06866	0.10020
90		0.18438	0.15524		0.12400	0.14005

Mortality improvement is anticipated under the post-retirement assumption as projected with Scale AA.



Schedule C – Outline of Actuarial Assumptions and Methods (continued)

**POLITICAL SUBDIVISIONS
GROUP B**

RETIREMENT RATES:

Group B General Employees Rates of Retirement				
Age	Male		Female	
	Reduced Retirement	Unreduced Retirement	Reduced Retirement	Unreduced Retirement
<=49	0.000	0.000	0.000	0.000
50	0.000	0.090	0.000	0.080
51	0.000	0.090	0.000	0.080
52	0.000	0.070	0.000	0.080
53	0.000	0.070	0.000	0.080
54	0.000	0.100	0.000	0.100
55	0.000	0.140	0.000	0.115
56	0.000	0.140	0.000	0.115
57	0.000	0.100	0.000	0.125
58	0.000	0.110	0.000	0.130
59	0.000	0.110	0.000	0.115
60	0.060	0.110	0.075	0.130
61	0.100	0.250	0.075	0.175
62	0.170	0.350	0.170	0.250
63	0.150	0.250	0.130	0.250
64	0.150	0.250	0.130	0.250
65	0.300	0.250	0.300	0.250
66	0.300	0.270	0.300	0.175
67	0.300	0.330	0.300	0.400
68	0.300	0.330	0.300	0.400
69	0.300	0.200	0.300	0.250
>=70	1.000	1.000	1.000	1.000



Schedule C – Outline of Actuarial Assumptions and Methods (continued)

**POLITICAL SUBDIVISIONS
GROUP B**

DISABILITY RATES: As shown for selected ages.

Group B General Employees Rates of Disability		
Age	Male	Female
20	0.00018	0.00006
25	0.00012	0.00006
30	0.00060	0.00024
35	0.00114	0.00048
40	0.00144	0.00126
45	0.00186	0.00270
50	0.00312	0.00450
55	0.00510	0.00696
60	0.00816	0.00552
65	0.00558	0.00270
70	0.00000	0.00000



Schedule C – Outline of Actuarial Assumptions and Methods (continued)

**POLITICAL SUBDIVISIONS
GROUP B**

TERMINATION RATES: The following withdrawal rates are used based on age and years of service. (For causes other than death, disability, or retirement)

Male Rates of Termination			
Age	Years of Service		
	0 - 2	3 - 9	>=10
25	0.235	0.140	0.000
30	0.210	0.125	0.060
35	0.185	0.105	0.055
40	0.165	0.090	0.040
45	0.155	0.080	0.030
50	0.130	0.065	0.025
55	0.120	0.065	0.010
60	0.120	0.070	0.010
65	0.120	0.080	0.000

Female Rates of Termination			
Age	Years of Service		
	0 - 2	3 - 9	>=10
25	0.255	0.165	0.000
30	0.220	0.140	0.060
35	0.190	0.115	0.060
40	0.165	0.100	0.045
45	0.150	0.080	0.035
50	0.135	0.070	0.030
55	0.125	0.065	0.000
60	0.120	0.070	0.000
65	0.130	0.090	0.000



Schedule C – Outline of Actuarial Assumptions and Methods (continued)

**POLITICAL SUBDIVISIONS
GROUP B**

SALARY INCREASE RATES: The following salary increase rates are used. Inflation rate of 2.50% plus productivity component of 1.00% plus step-rate/promotional component as shown:

Pay Increase Assumption	
Years of Service	Total Increase (Next Year)
1 – 2	5.35%
3	4.75
4 – 6	4.45
7	4.35
8	4.25
9 - 10	4.00
10 - 19	3.65
20 or more	3.50



Schedule D – Actuarial Cost Method

1. The LTD benefit valuation is prepared on the projected benefit basis, which is used to determine the present value of each member's expected benefit payable at disability. The calculations are based on the member's age, years of service, gender, and an assumed future interest earnings rate (currently 7.00%). The calculations consider the probability of a member's death or termination of employment prior to becoming eligible for a benefit and the probability of the member terminating with a service retirement benefit. The present value of the expected benefits payable to active members is added to the present value of the expected future payments to current benefit recipients to obtain the present value of all expected benefits payable to the present group of members.
2. The employer contributions required to support the LTD benefits of the Virginia Local Disability Program are determined following a level funding approach, and consist of a normal contribution and an accrued liability contribution.
3. The normal contribution is determined using the "entry age normal" method. Under this method, a calculation is made for post-employment benefits to determine the uniform and constant percentage rate of employer contribution which, if applied to the compensation of the average new member during the entire period of his anticipated covered service, would be required to meet the cost of all benefits payable on the member's behalf. Third party administrator expenses are included in the normal contribution.
4. The unfunded accrued liability is determined by subtracting the current assets and the present value of prospective employer normal contributions from the present value of expected benefits to be paid for LTD benefits. The accrued liability contribution amortizes the balance of the unfunded accrued liability over a period of years from the valuation date.



Schedule E – Summary of Main Plan Provisions as Interpreted for Valuation Purposes

The VLDP provides disability benefits for those Hybrid Plan members of Teachers and Political Subdivisions (excluding members with enhanced hazardous duty coverage) that elect to participate in VLDP.

LTD benefits provide income replacement for members who become disabled and are unable to work for an extended period of time. LTD benefits begin at the expiration of the maximum period of short-term disability. While on long-term disability, members continue to accrue service as a VRS-covered member. LTD recipients are not considered employees of their associated employer group while they are on long-term disability.

In addition an income replacement benefit, disabled members participating in the Hybrid Plan may be eligible to receive a one percent employer contribution to their defined contribution account. To be eligible for the one percent mandatory employer contribution, a Hybrid Plan member must be permanently and totally disabled as defined in §22(e)(3) of the Internal Revenue Code (Social Security Definition of Disability).

Upon attaining the normal retirement age while on LTD, a member is required to retire. However, if the member becomes approved for supplemental disability benefits on or after age 60 they will be eligible to receive VLDP LTD benefits, provided the member remains medically eligible, based on the chart below:

Ages Approved for Supplemental Disability Benefits	Supplemental Disability Benefit Eligibility Period*
60 – 64	5 Years
65 – 68	To Age 70
69 and Older	1 Year

*Eligibility period includes short-term disability and long-term disability

Members are eligible to receive LTD benefits while working. Long-term disability-working status is in effect if members are able to work at least 20 hours a week, but are restricted from performing the full duties of their job or working a regular schedule. A member must have returned to work with modified duties while on short-term disability to be eligible for long-term disability-working status. The benefit will be adjusted by income or wages a member earns. During the first six months of long-term disability-working, the benefit amount will be adjusted by 60 percent of income or wages earned from employment. After the first six months of long-term disability-working, the benefit amount will be adjusted by 70 percent of income or wages earned from employment.

LTD benefits provide members with an income replacement of 60 percent of a member's pre-disability income, or 80 percent for a catastrophic condition. LTD recipients are also eligible for benefits under the Health Insurance Credit Program (HIC) and are eligible for benefits under the Group Life Insurance Program (GLI). The liability associated with HIC and GLI for LTD recipients is not included as a VLDP liability, and is valued under the actuarial valuation of the HIC and GLI programs.

The LTD benefit is adjusted by any payments received as a result of the same disability from wages and salary from employment. Wages and salary include income reported on W-2 forms and income from self-employment. During the first six months on long-term disability, the amount of the adjustment depends on the income replacement level under VLDP.

LTD benefits end if the member: is able to perform the full duties of their job without restrictions, leaves covered employment and takes a refund of their member contributions and interest in their member contribution account, applies for service retirement or reaches normal retirement age, or the member does not cooperate or comply with the requirements of VLDP.



Schedule F – Schedule of Active Member Data

TEACHERS

**SCHEDULE OF ACTIVE MEMBER DATA
AS OF JUNE 30, 2014**

Attained Age	Years of Service to Valuation Date									Total
	Less than 1 Year	1 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 or more	
Under 25	44	0	0	0	0	0	0	0	0	44
25 - 29	69	0	0	0	0	0	0	0	0	69
30 - 34	43	0	0	0	0	0	0	0	0	43
35 - 39	32	0	0	0	0	0	0	0	0	32
40 - 44	33	0	0	0	0	0	0	0	0	33
45 - 49	30	0	0	0	0	0	0	0	0	30
50 - 54	20	1	0	0	0	0	0	0	0	21
55 - 59	6	0	0	0	0	0	0	0	0	6
60 - 64	3	0	0	0	0	0	0	0	0	3
65 - 69	1	0	0	0	0	0	0	0	0	1
70 & Up	0	0	0	0	0	0	0	0	0	0
Totals	281	1	0	0	0	0	0	0	0	282



Schedule F – Schedule of Active Member Data (continued)

POLITICAL SUBDIVISIONS

**SCHEDULE OF ACTIVE MEMBER DATA
AS OF JUNE 30, 2014**

Attained Age	Years of Service to Valuation Date									Total
	Less than 1 Year	1 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 or more	
Under 25	113	1	0	0	0	0	0	0	0	114
25 - 29	152	0	0	0	0	0	0	0	0	152
30 - 34	98	0	0	0	0	0	0	0	0	98
35 - 39	93	0	0	0	0	0	0	0	0	93
40 - 44	98	0	0	0	0	0	0	0	0	98
45 - 49	81	0	0	0	0	0	0	0	0	81
50 - 54	101	0	0	0	0	0	0	0	0	101
55 - 59	56	0	0	0	0	0	0	0	0	56
60 - 64	33	0	0	0	0	0	0	0	0	33
65 - 69	14	0	0	0	0	0	0	0	0	14
70 & Up	5	0	0	0	0	0	0	0	0	5
Totals	844	1	0	0	0	0	0	0	0	845



Schedule G – Unfunded Actuarial Accrued Liability Amortization Schedule

TEACHERS

**UAAL AMORTIZATION SCHEDULE
(\$ IN THOUSANDS)**

Description	Original Balance	Outstanding Balance as of June 30, 2013	July 1, 2013 Amortization Payment	Outstanding Balance as of June 30, 2014	July 1, 2014 Amortization Payment	Amortization Period as of June 30, 2014
June 30, 2013 Legacy UAAL	\$0	\$0	\$0	\$0	\$0	29
June 30, 2014 Experience (Gain)/Loss	1	n/a	n/a	1	0	20
Total		\$0	\$0	\$1	\$0	

Date	Projected UAAL (\$ in Thousands)
July 1, 2014	\$1
July 1, 2015	1
July 1, 2016	1
July 1, 2034	1



Schedule G – Unfunded Actuarial Accrued Liability Amortization Schedule (continued)

POLITICAL SUBDIVISIONS

**UAAL AMORTIZATION SCHEDULE
(\$ IN THOUSANDS)**

Description	Original Balance	Outstanding Balance as of June 30, 2013	July 1, 2013 Amortization Payment	Outstanding Balance as of June 30, 2014	July 1, 2014 Amortization Payment	Amortization Period as of June 30, 2014
June 30, 2013 Legacy UAAL	\$0	\$0	\$0	\$0	\$0	29
June 30, 2014 Experience (Gain)/Loss	7	n/a	n/a	7	0	20
Total		\$0	\$0	\$7	\$0	

Date	Projected UAAL (\$ in Thousands)
July 1, 2014	\$7
July 1, 2015	7
July 1, 2016	7
July 1, 2034	7