

**REPORT OF THE
BENEFITS AND ACTUARIAL COMMITTEE
Meeting of November 19, 2014**

The Benefits and Actuarial Committee met on Wednesday, November 19, 2014 and took up the following matters:

Cavanaugh Macdonald Actuarial Valuation Results

Jose Fernandez and Eric Gary of Cavanaugh Macdonald Consulting, LLC, the VRS plan actuary, presented the June 30, 2014 actuarial valuation results for the political subdivisions retirement plans. In addition, Cavanaugh Macdonald also presented results of the Health Insurance Credit (HIC) Program for local employers; the Virginia Local Disability Program (VLDP), including the self-funded Long-Term Care plan; and Line of Duty Act Fund (LODA). The Committee recommends that the Board accept the June 30, 2014 Actuarial Valuations conducted by the VRS plan actuary, Cavanaugh Macdonald Consulting, LLC.

Key points from the presentation include:

- The 2014 valuations are not for rate setting, but for informational purposes.
- The 2014 valuations are the first valuations to reflect new members in the Hybrid plan.
- Employer rates for the retirement plans reflect a new Hybrid DC component cost for applicable plans.
- The 2014 valuations reflect the assumption and method changes based on feedback from the 2014 quadrennial actuarial audit of the Virginia Retirement System conducted by Gabriel, Roeder, Smith & Company on behalf of JLARC. The changes in the assumptions were primarily to reflect the timing of the receipt of contributions throughout the year versus the entire contribution being paid at the beginning of the year. This change caused a slight increase in the projected employer rates.
- The 15.7% rate of return for the plan year ending June 30, 2014 is expected to help moderate the expected future contribution rates for retirement plans.
- Underfunded plans requiring the additional funding charge dropped from 46 to approximately 22 plans primarily due to strong asset returns.
- Aggregate employer contribution rates for Local HIC plans remained relatively unchanged from the prior valuation.
- First full valuation for new Virginia Local Disability Program. Rates remained relatively unchanged from initial estimate. No active claims at this time.
- LODA premium rates increased only 2% over current premium rates. However, the plan experienced large increases in healthcare rates which were offset by higher than expected asset returns. Future LODA premium rates are likely to increase annually.
- The GLI loans to LODA were repaid in full on September 30, 2014.

Mr. Fernandez and Mr. Gary will now make a similar presentation to the Board.

Request for Board Action: The Virginia Retirement System Board of Trustees accepts the June 30, 2014 Actuarial Valuations conducted by the VRS actuary, Cavanaugh Macdonald Consulting, LLC

for the Political Subdivisions Retirement Plans, the Local Health Insurance Credit Programs, and the Virginia Local Disability Program, including the self-funded Long-Term Care Plan and the Line of Duty Act Fund.

Cancellation of December Meeting

The next scheduled meeting on December 3, 2014 has been cancelled as staff has no items to bring before the Committee and no actions are required of the Committee. The next scheduled meeting will be February 11, 2015 at 1:30.

Submitted to the Board of Trustees on November 20, 2014.

Mitchell Nason, Chair
Benefits and Actuarial Committee