



Retirement System Review: Overview and Demographics

Board of Supervisors Personnel Committee Meeting

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June 13, 2017

Agenda

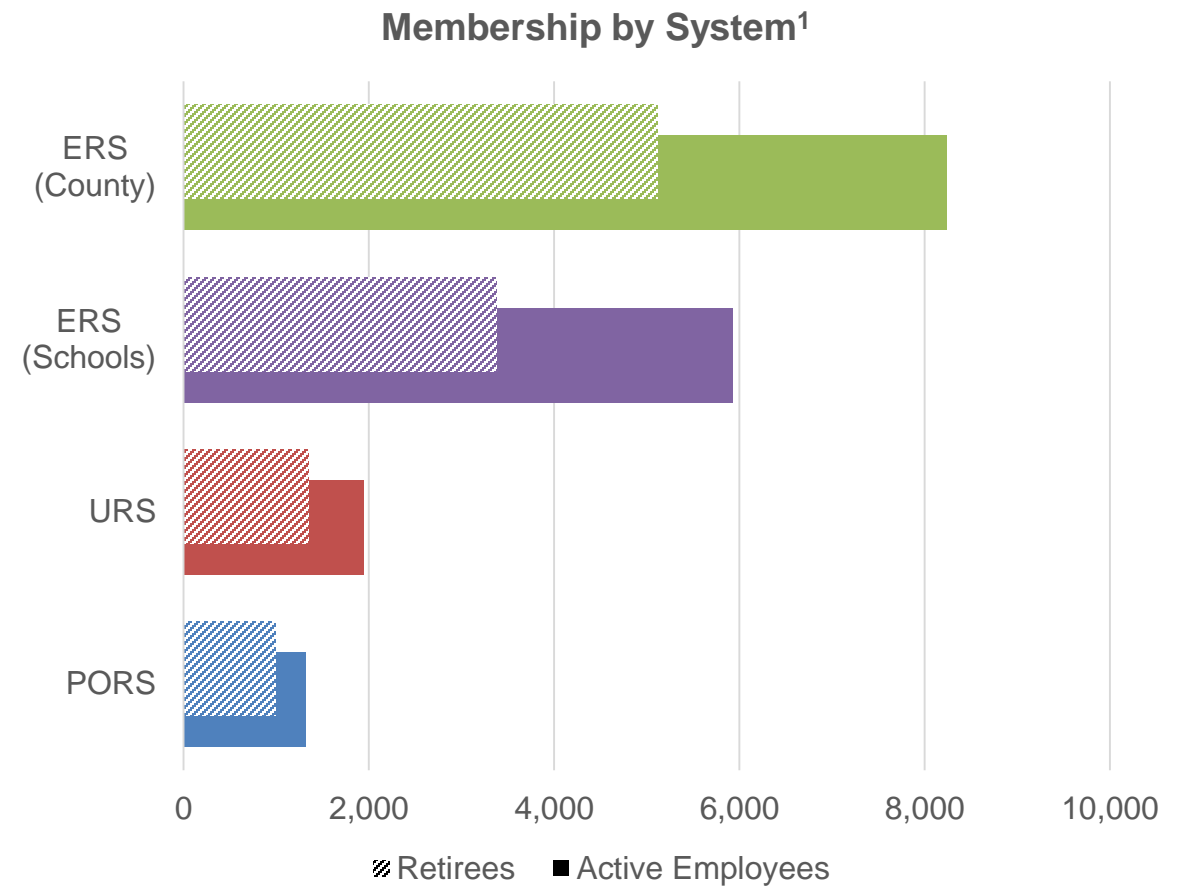
- County Retirement Systems
 - Plan Design
 - Funding Status
 - January 2013 Changes
- Employee/Retiree Demographics
 - ERS Plan Selection
 - Age Distribution
 - Turnover
 - Retirement Eligibility
 - Final Average Salary
 - Pre-Social Security Supplement
 - Deferred Retirement Option Program (DROP)
 - Mortality
- Discussion

Current Plans

Design and Funding Status

Retirement System Membership

- Employees' Retirement System (ERS)
 - County employees not covered under PORS or URS
 - Schools employees not covered under VRS
- Uniformed Retirement System (URS)
 - Uniformed Fire and Rescue personnel
 - Uniformed Sheriff's Office personnel
 - Non-administrative Public Safety Communications staff
 - Helicopter pilots
 - Animal control officers
- Police Officers Retirement System (PORS)
 - Uniformed police officers



¹ Membership as of 6/30/2016. Does not include surviving beneficiaries or deferred vested benefits. DROP enrollees are included in the retiree count.

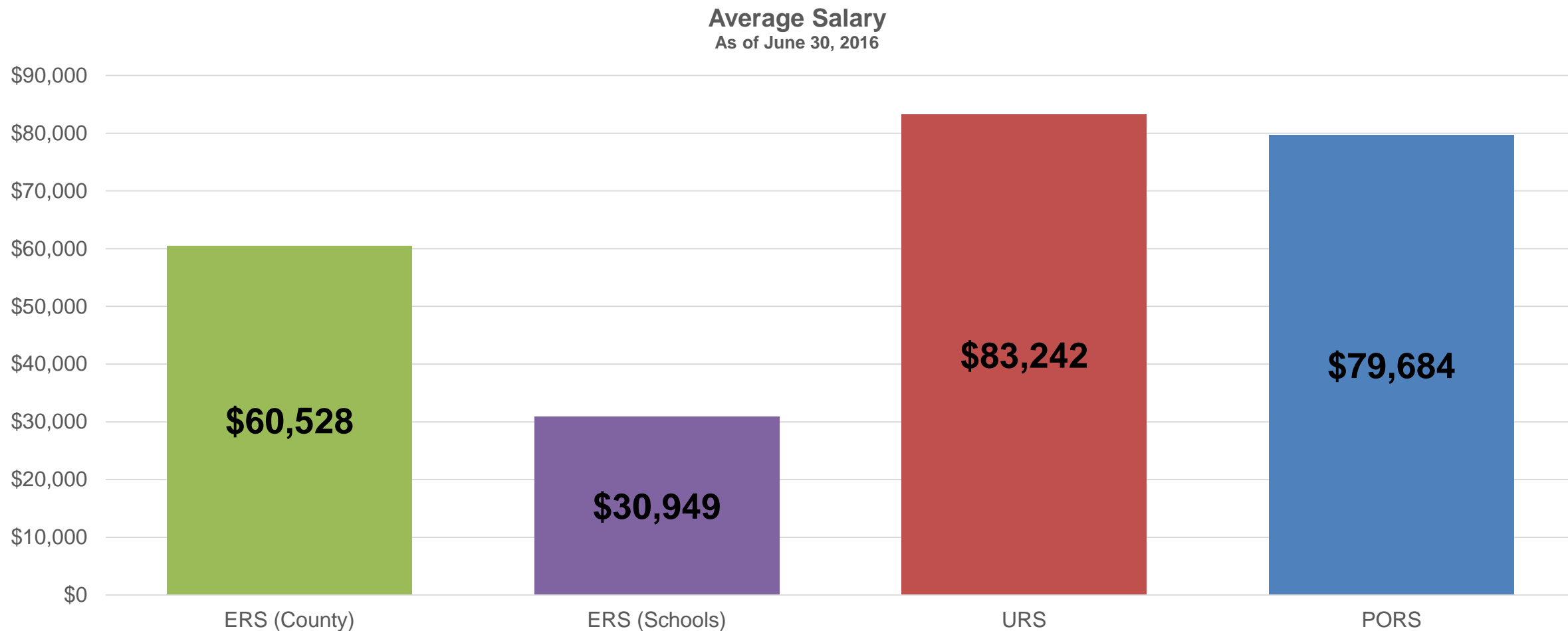
Benefit Features of Retirement Plans

Plans currently in effect for new hires

	Employees' Retirement System	Uniformed Retirement System	Police Officers Retirement System
Employee Contribution	4.00% (Plan C) ¹ 5.33% (Plan D)	7.08%	8.65%
Normal Retirement Eligibility	Rule of 85 (Age plus Service) or Age 65 with 5 Years of Service	25 Years of Service or Age 55 with 6 Years of Service	25 Years of Service or Age 55
Benefit Multiplier	1.8% (Plan C) ¹ 2.0% (Plan D)	2.5%	2.8%
Pre-Social Security Supplement Multiplier	1.0%	0.3%	NA
Minimum Retirement Age	55	NA	NA
Salary Averaging Period	3 Years	3 Years	3 Years

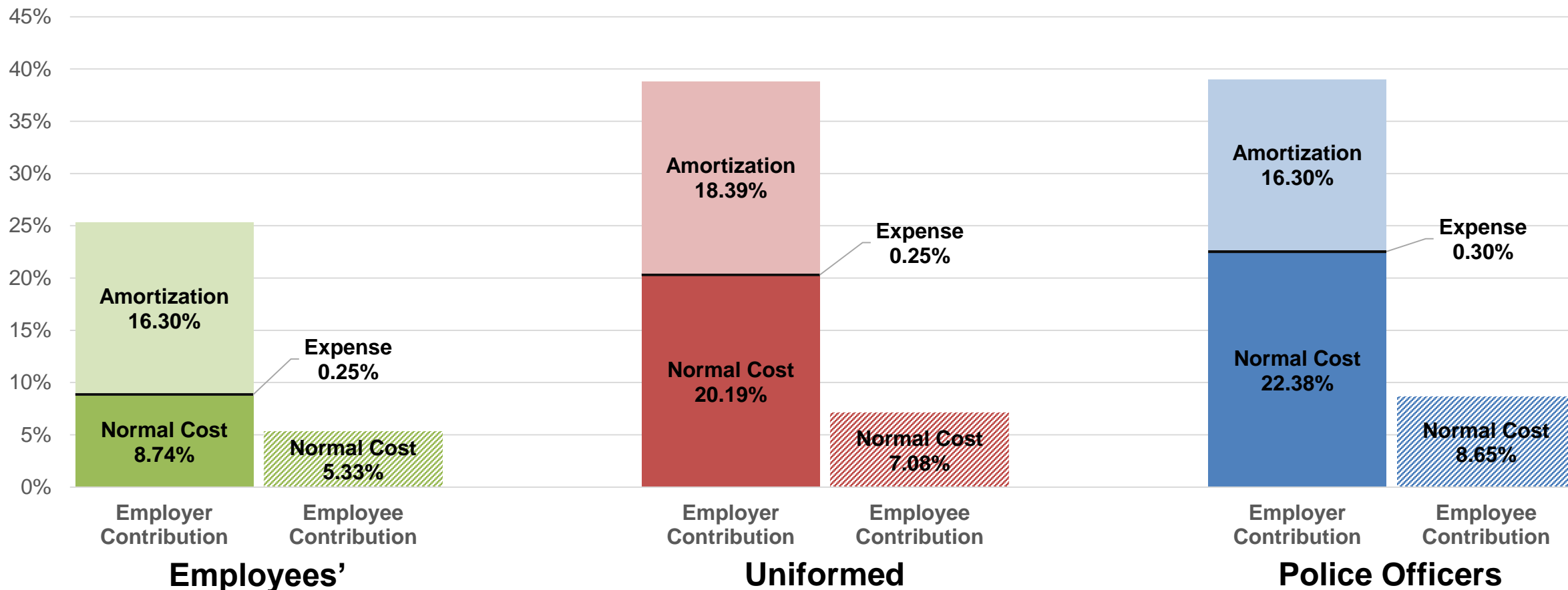
¹ For ERS Plan C, employees contribute 5.33% of any salary in excess of the Social Security Wage Base, and the benefit multiplier is 2% for the portion of Final Average Salary that exceeds the Social Security Breakpoint.

Average Salary by System



Contribution Rates

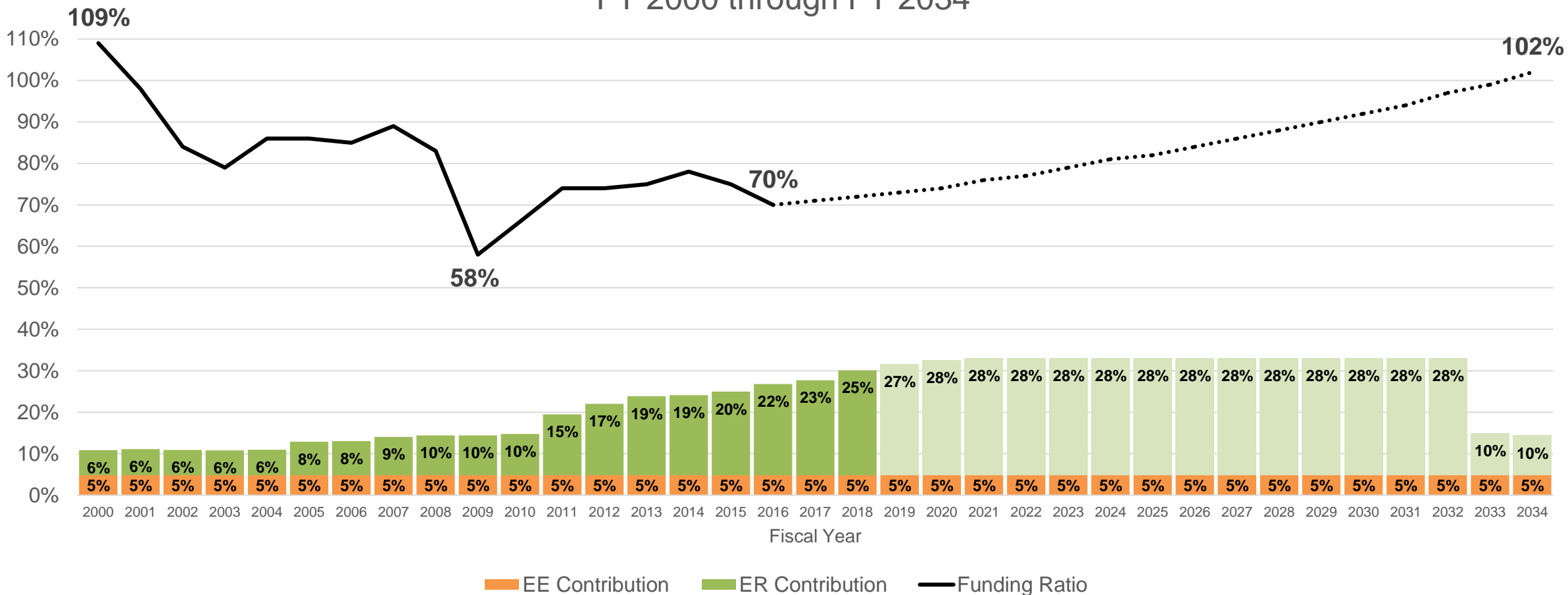
FY 2018 Employee and Employer Contribution Rates



Employees' System History and Projections

Funding Ratios and Contribution Rates

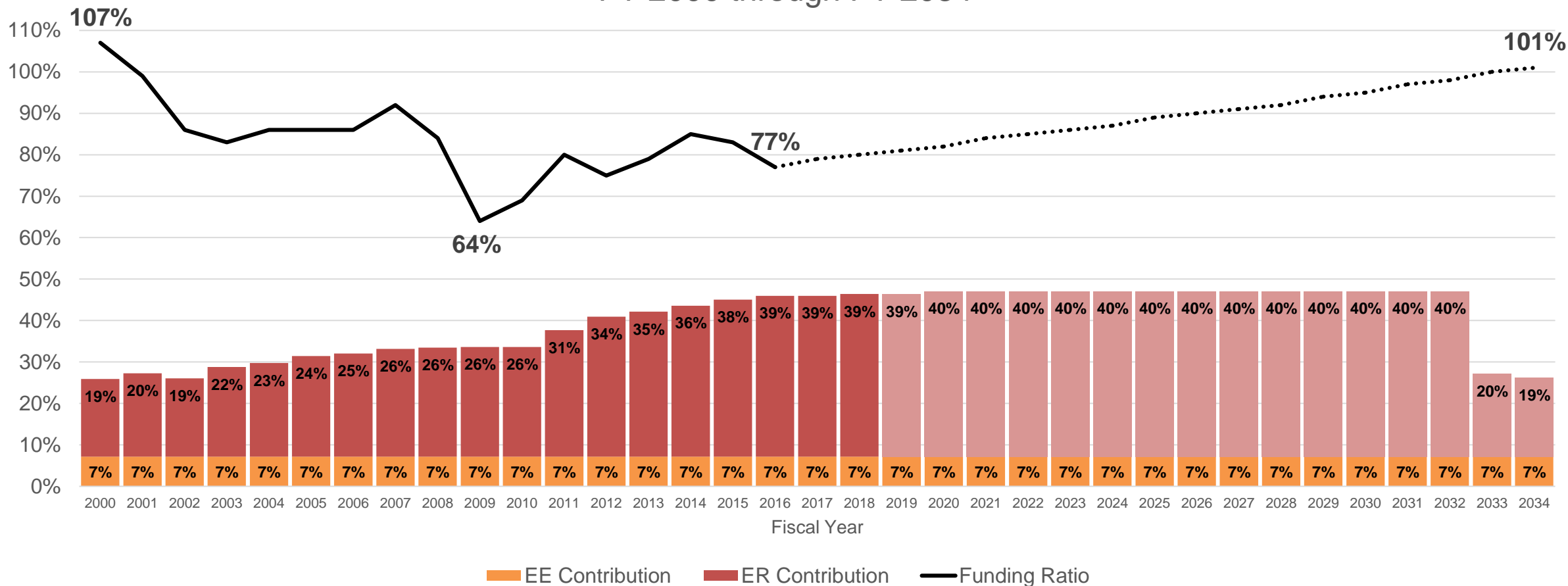
FY 2000 through FY 2034



Uniformed System History and Projections

Funding Ratios and Contribution Rates

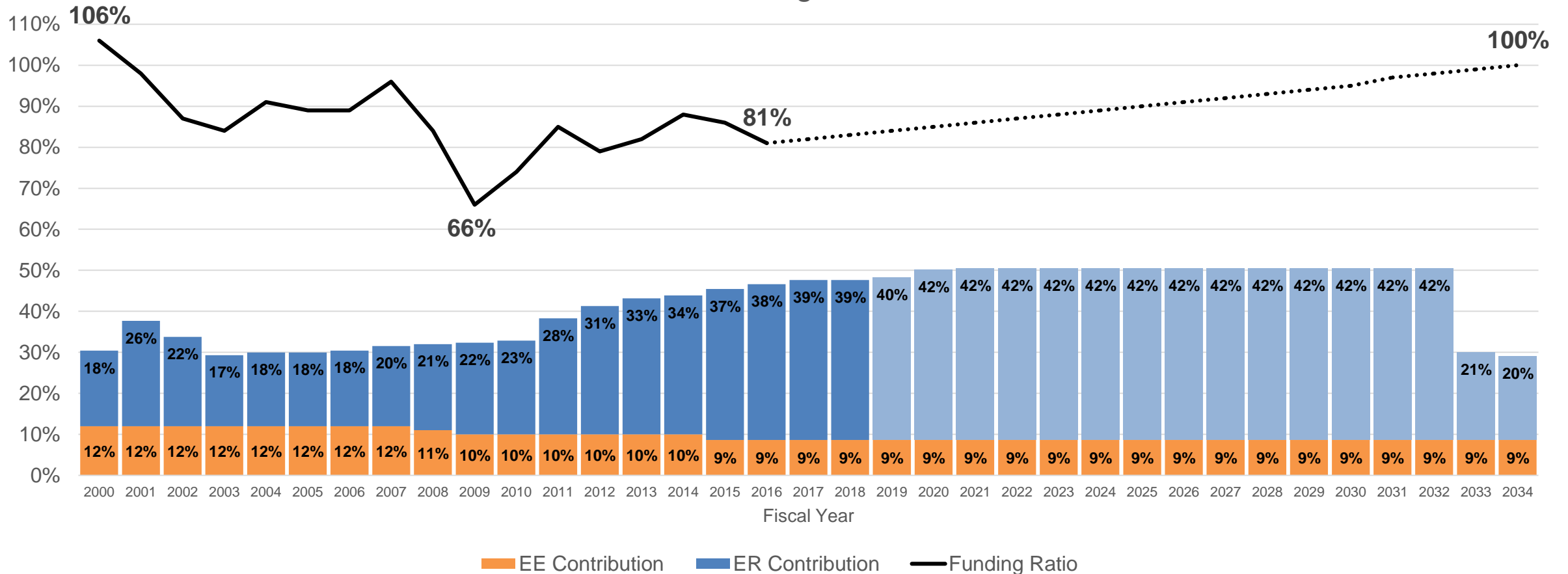
FY 2000 through FY 2034



Police Officers System History and Projections

Funding Ratios and Contribution Rates

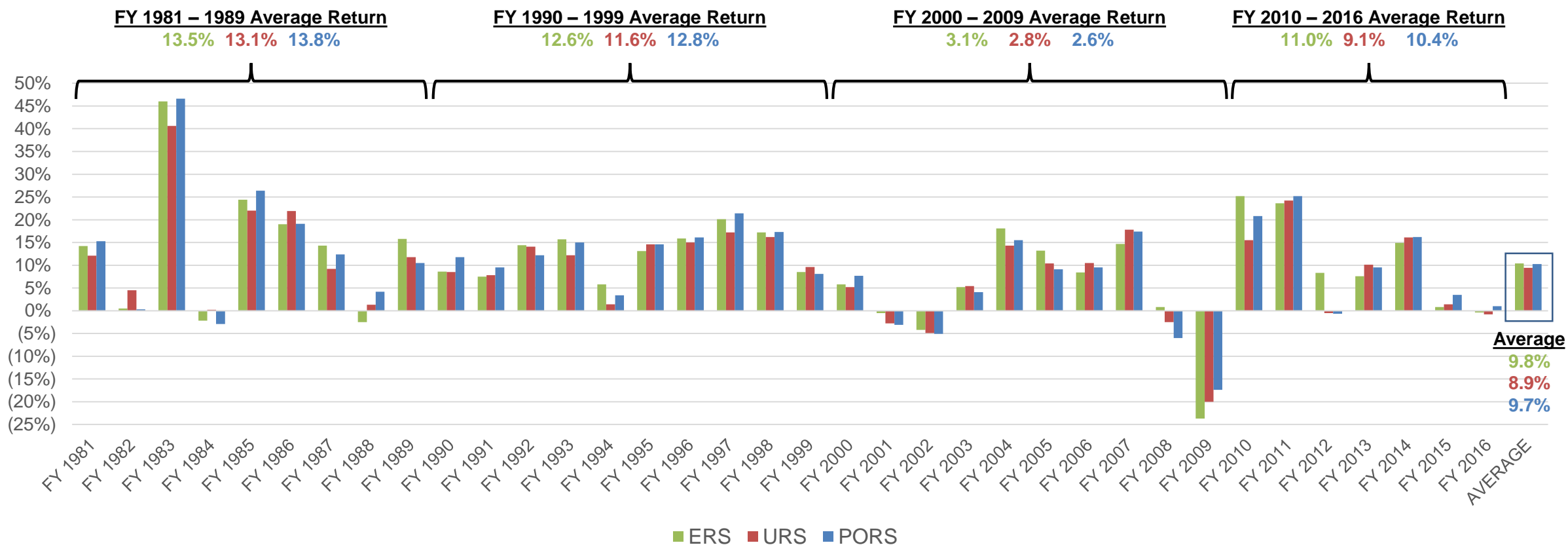
FY 2000 through FY 2034



History of Investment Returns

Since 1981

Return Net of Fees



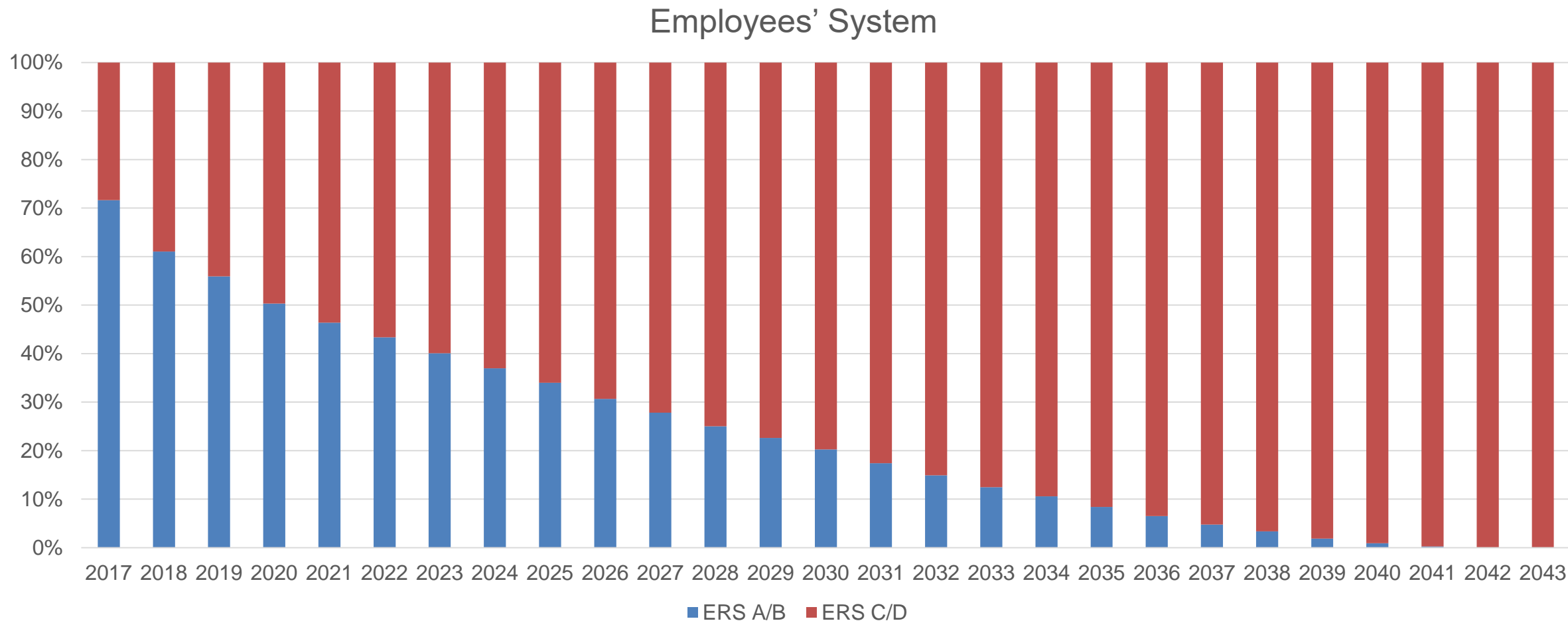
January 2013 Changes

Summary of January 2013 Changes

	Employees' Retirement System	Uniformed Retirement System	Police Officers Retirement System
Minimum Retirement Age for Normal Service Retirement	Increased from age 50 to age 55	No change	No change
Normal Service Retirement Eligibility	Increased from Rule of 80 (Years plus Service) to Rule of 85 (Years plus Service)	No change	No change
Pre-Social Security Supplement and DROP	Removed Pre-Social Security supplement from balances accumulated during the DROP Period		Not applicable
Use of Sick Leave	Placed a cap on the use of sick leave for purposes of determining retirement eligibility and benefits at 2,080 hours		

Current/Future Employees

Transition from Pre-2013 to Post-2013 Systems



Demographics

Employees' System: Plan Selection

Employees' System: Plan Selection

- When hired, members of the Employees' System must choose between Plan C and Plan D

	Plan C ¹	Plan D
Employee Contribution	4.00%	5.33%
Benefit Multiplier	1.8%	2.0%

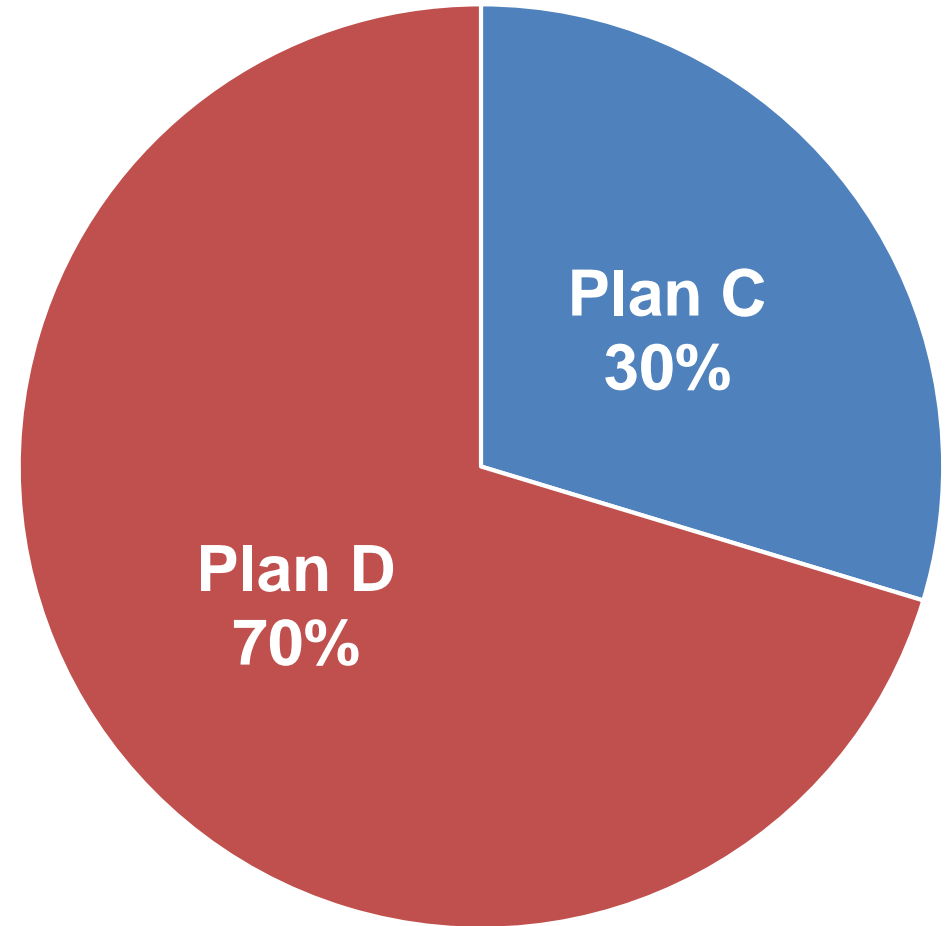
- Actuarial Analysis indicates that, while Plan D provides a greater benefit to retirees, it has a slightly lower employer normal cost

	Plan C ¹	Plan D
Total Normal Cost	12.34%	13.33%
Less Employee Contribution	(4.00%)	(5.33%)
Net Employer Normal Cost	8.34%	8.00%

¹ For ERS Plan C, employees contribute 5.33% of any salary in excess of the Social Security Wage Base, and the benefit multiplier is 2% for the portion of Final Average Salary that exceeds the Social Security Breakpoint.

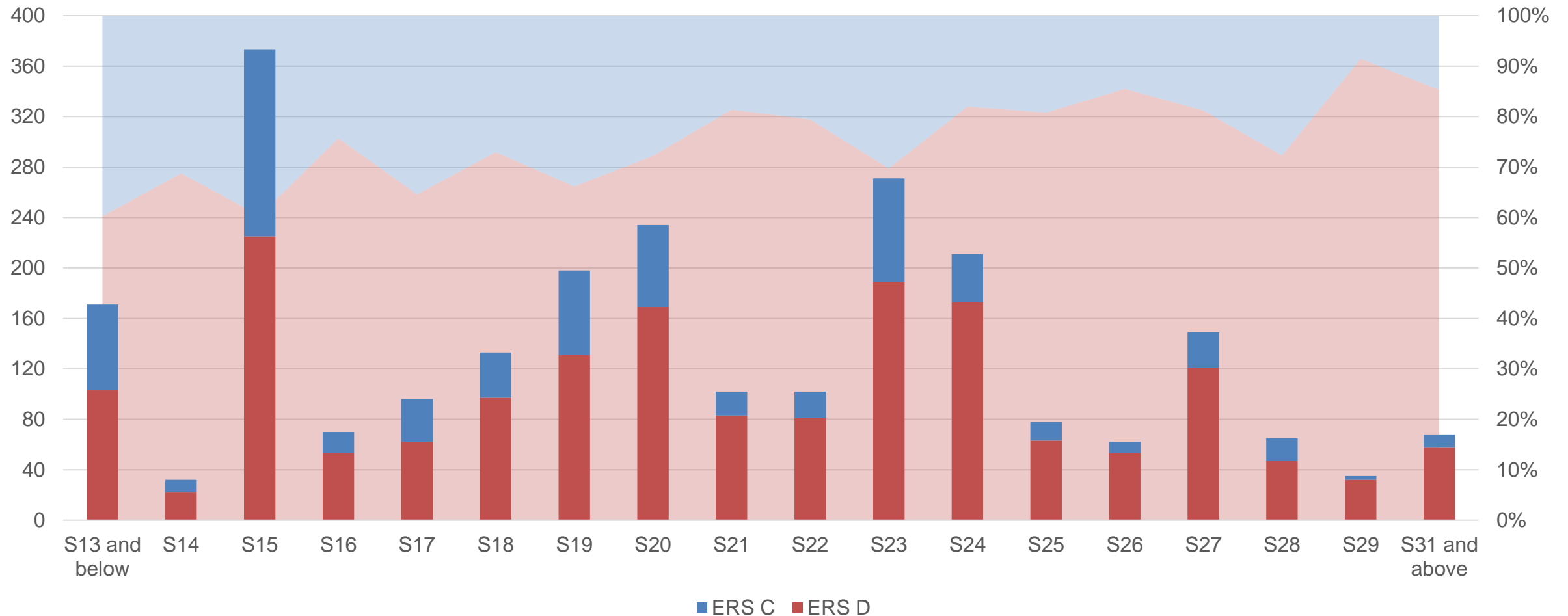
Employees' System: Plan Selection

- The majority of employees have consistently opted into the plan with a greater benefit



Employees' System: Plan Selection by Grade

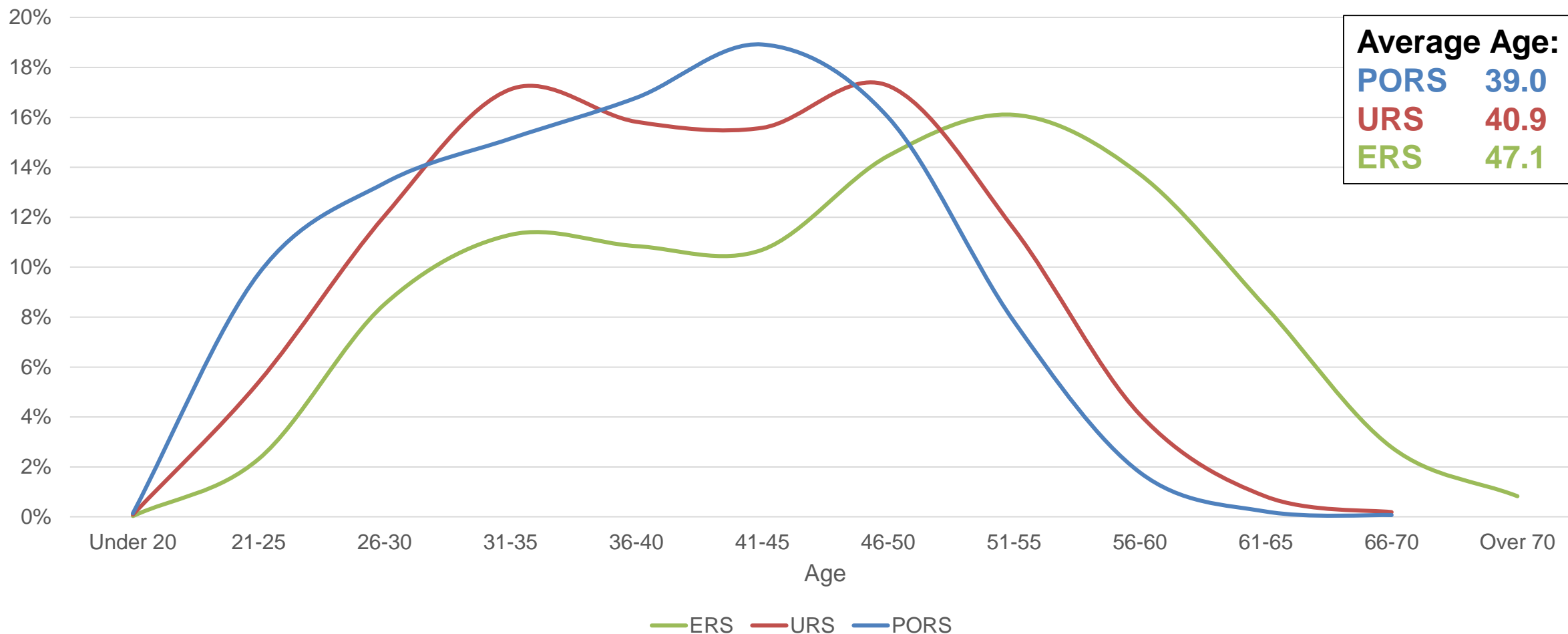
Recent Hires – Plans C/D



Age Distribution

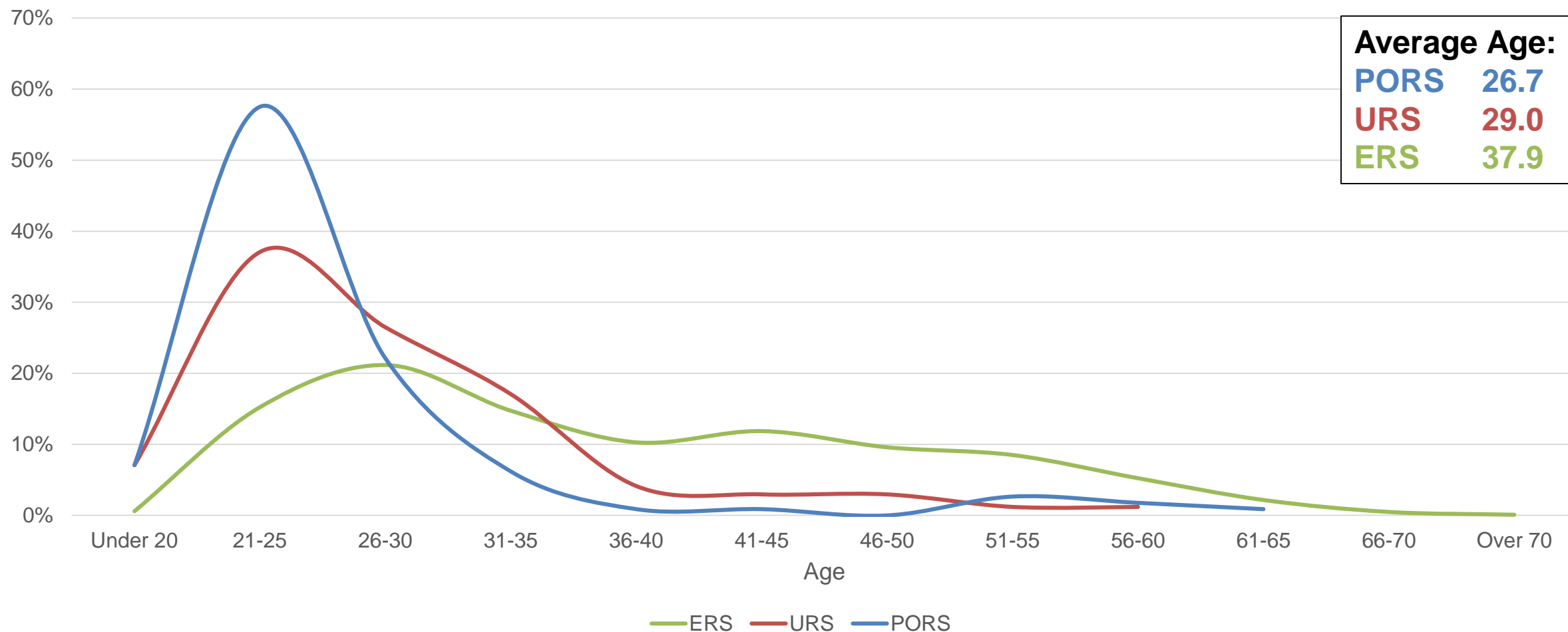
Current Employees

Age Distribution



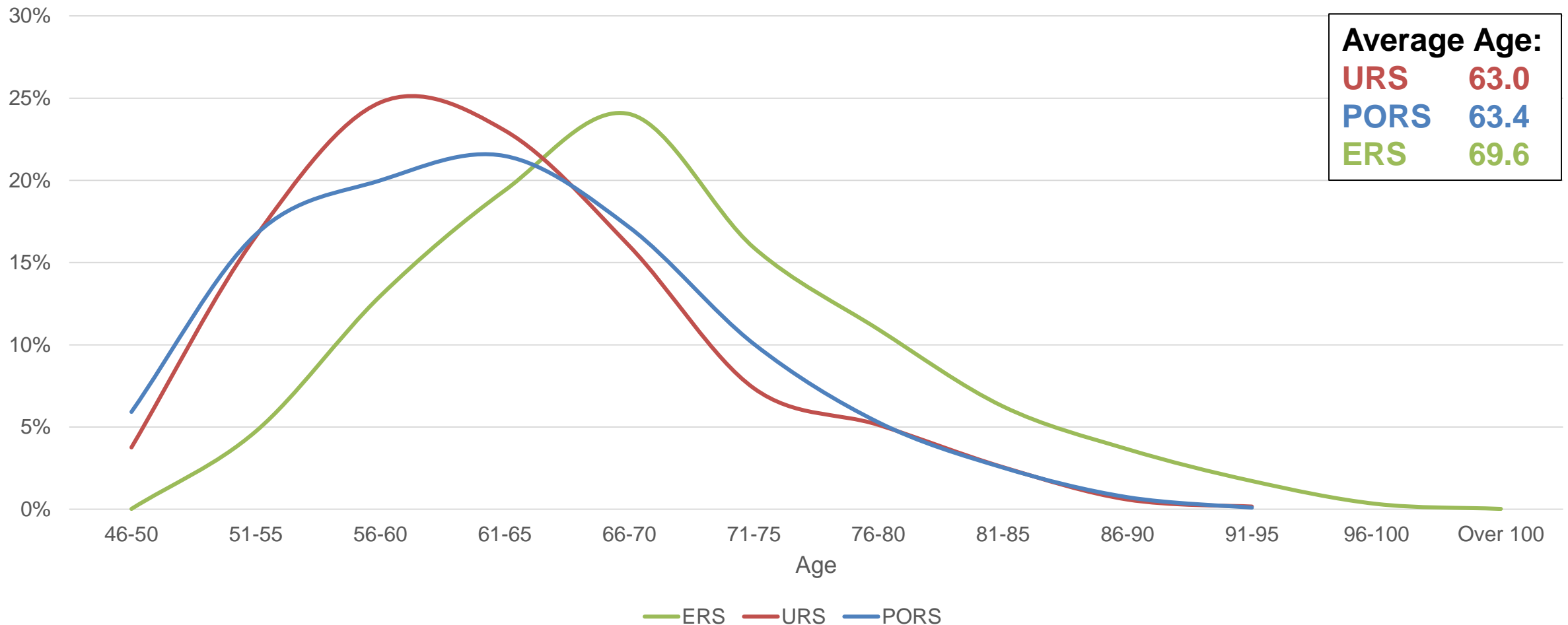
Recent Hires

Age Distribution



Current Retirees (Normal Retirement)¹

Age Distribution

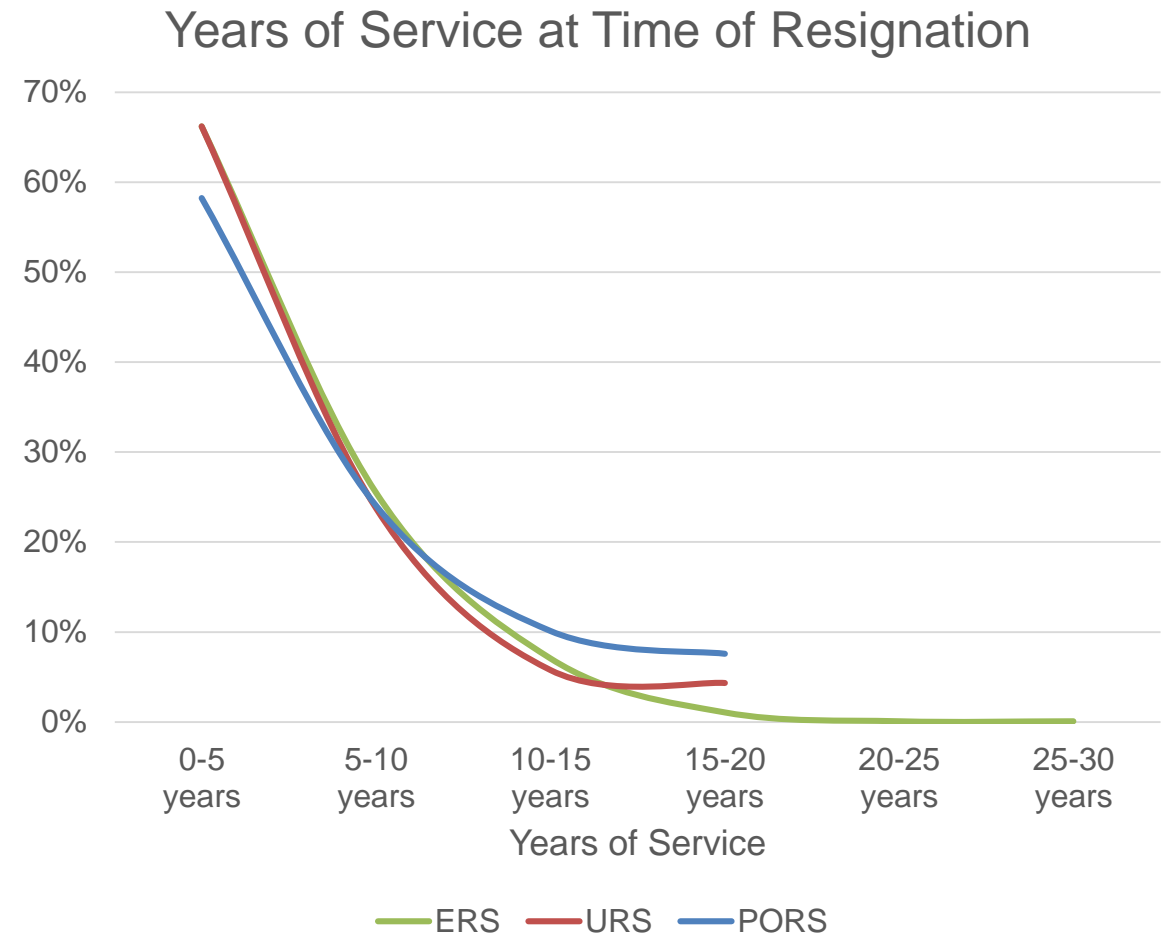


¹ Includes all retirees currently receiving an annuity based on a normal (unreduced) retirement. Does not include early retirements, disability retirements, deferred vested benefits, or survivor benefits.

Turnover

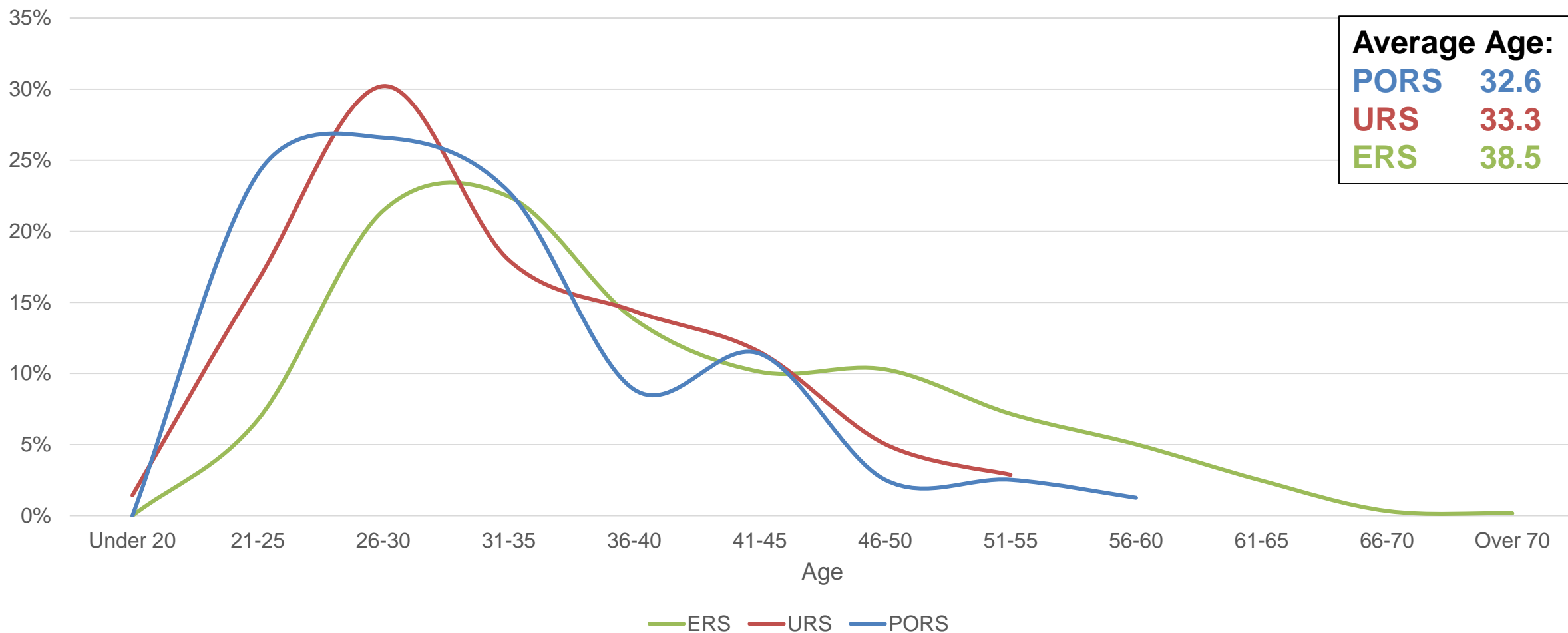
Turnover

- Average of approximately 500 merit employee resignations per year (not including retirement, disciplinary action, disability or death)
- Approximately 50% of resignations in each system were employees with less than 3 years of service
- Average years of service at resignation:
 - ERS – 4.2
 - URS – 3.9
 - PORS – 5.0



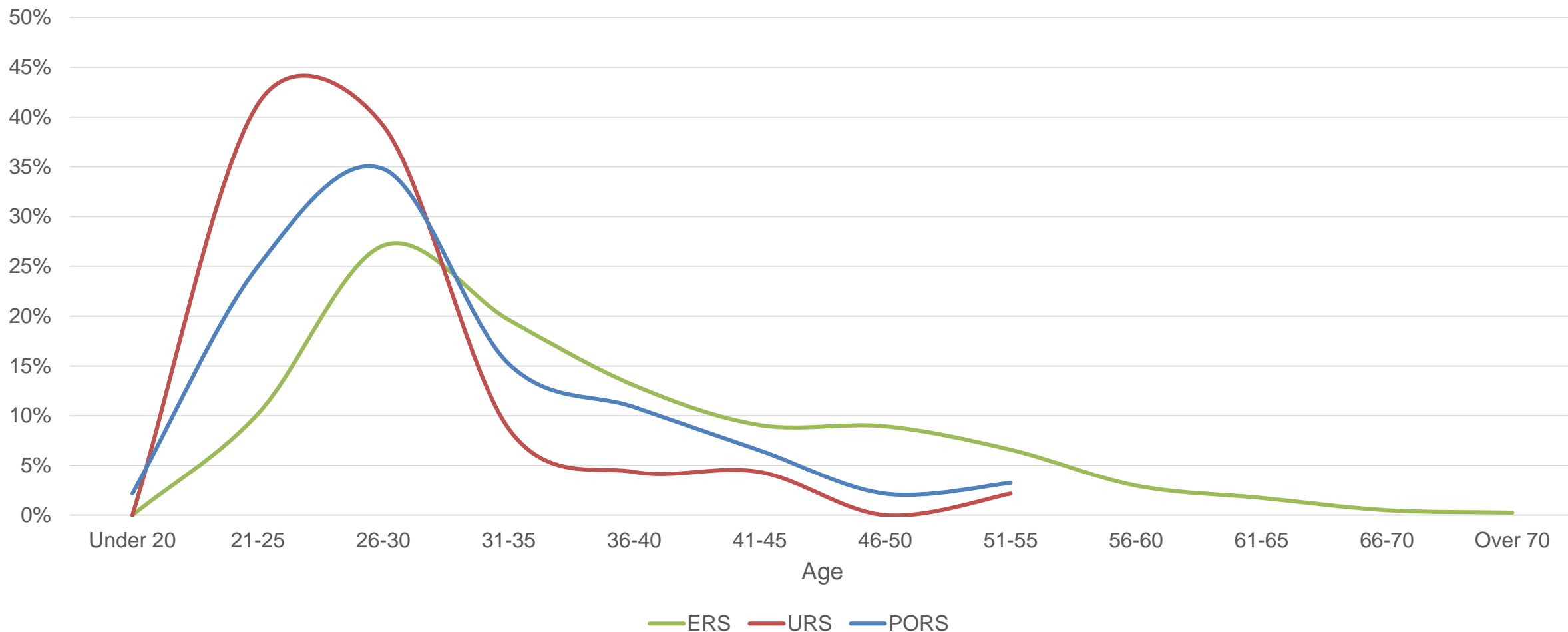
Turnover

Age at Time of Resignation



Turnover

Age at Time of Resignation for Employees with Less than 5 Years of Service



Retirement Eligibility

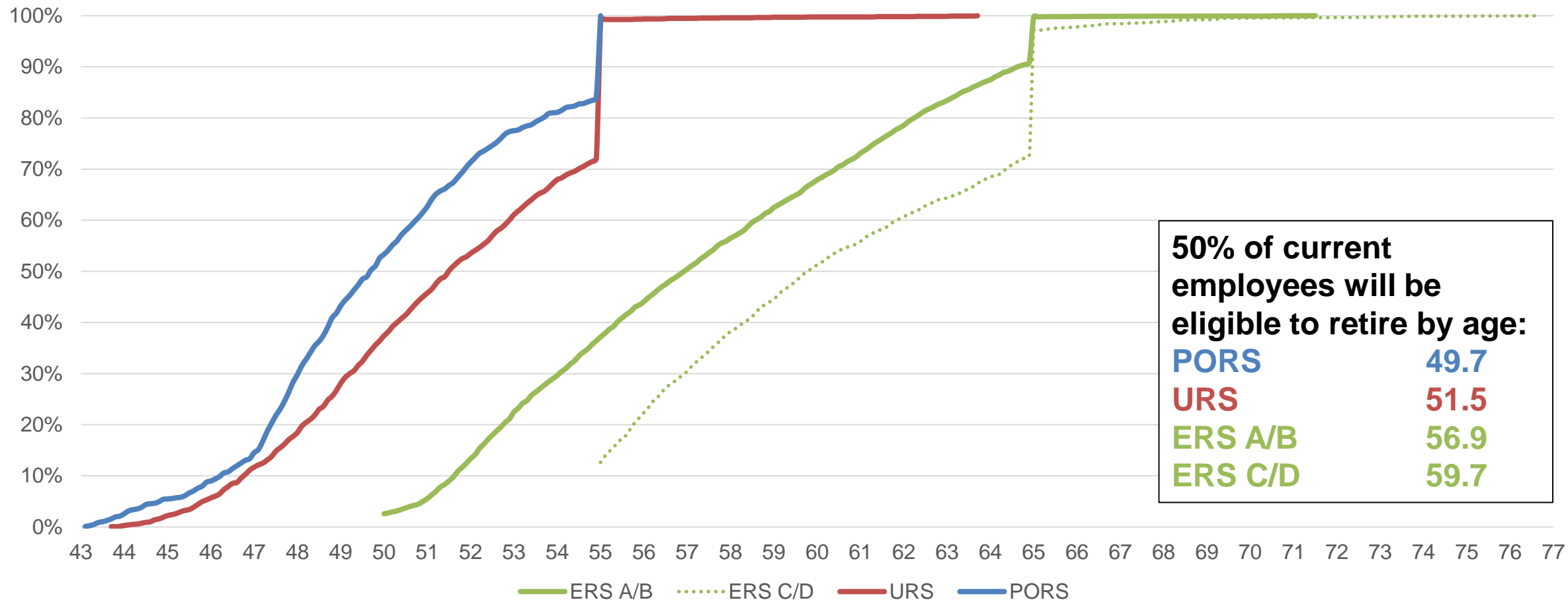
Retirement Eligibility

Overview

	Employees' Retirement System Plans A/B <i>(hired before 2013)</i>	Employees' Retirement System Plans C/D <i>(hired after 2013)</i>	Uniformed Retirement System	Police Officers Retirement System
Normal Retirement Eligibility	Rule of 80 or Age 65 with 5 Years of Service	Rule of 85 or Age 65 with 5 Years of Service	25 Years of Service or Age 55 with 6 Years of Service	25 Years of Service or Age 55
Minimum Retirement Age	50	55	NA	NA

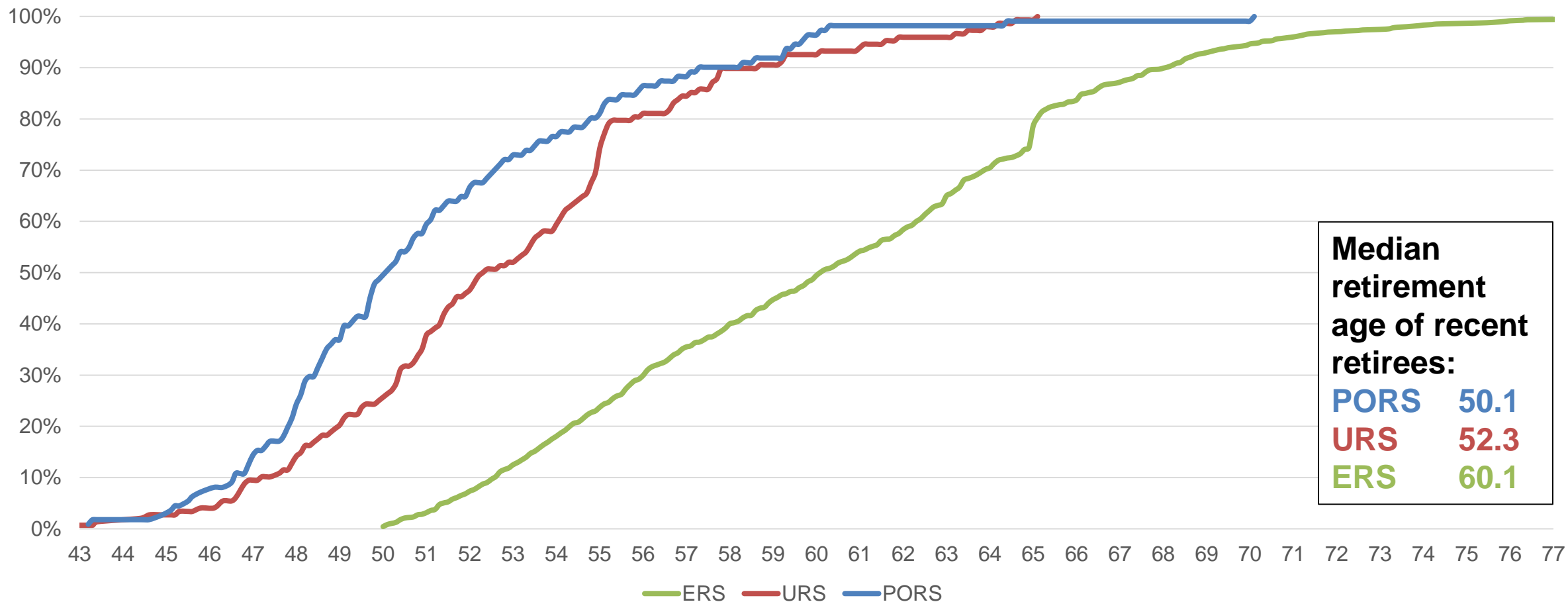
Current Employees

Age of Eligibility for Normal Retirement



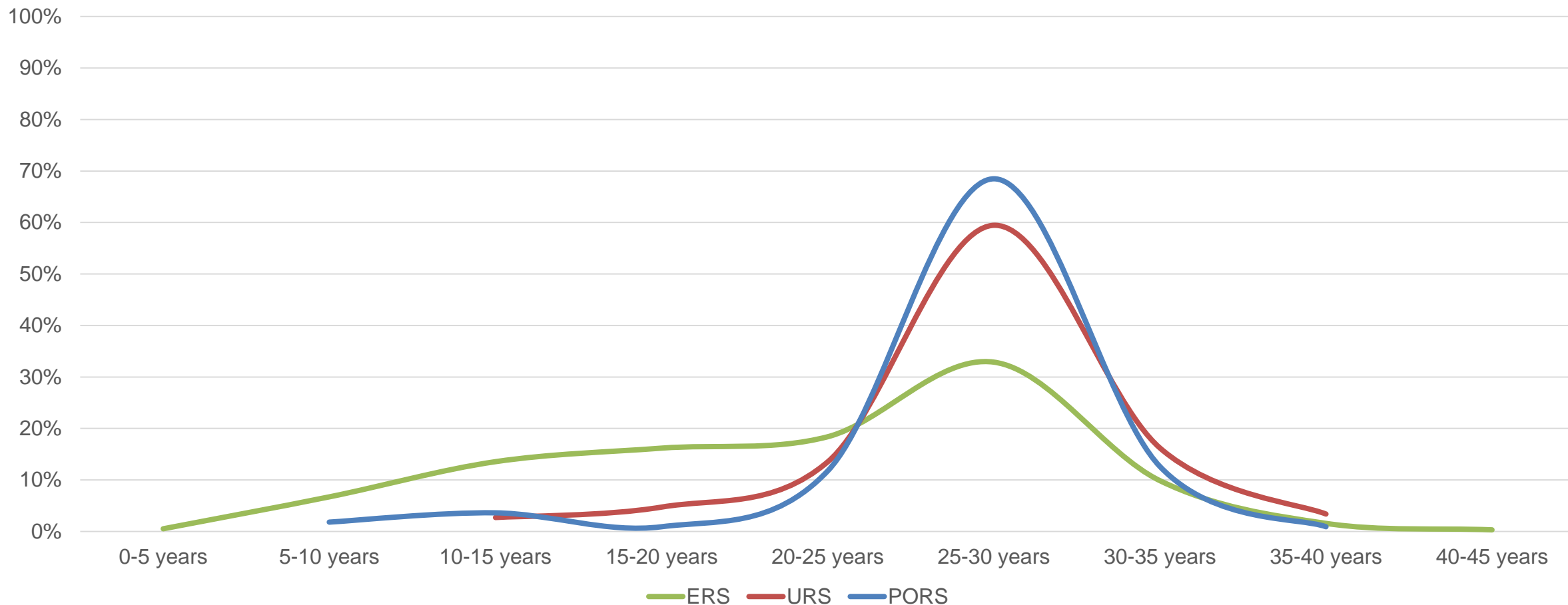
Recent Retirees

Age at Retirement



Recent Retirees

Years of Benefit Service at Retirement



Final Average Salary

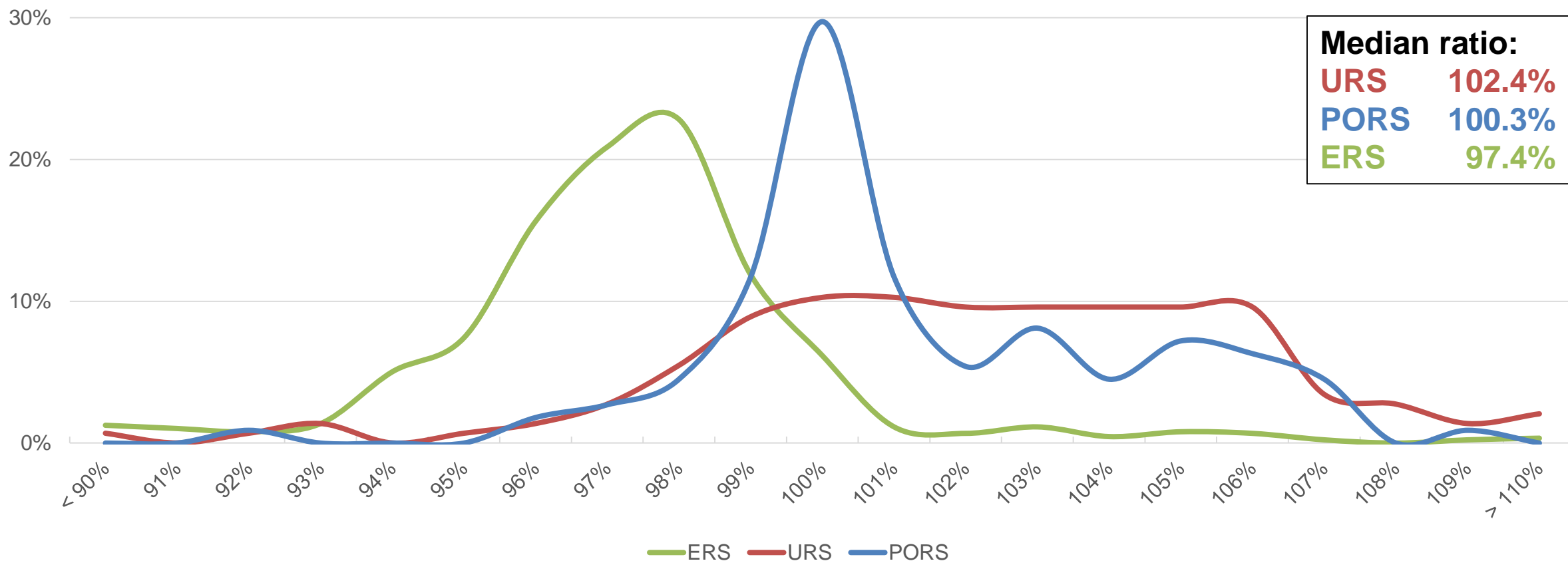
Final Average Salary

Overview

- Final Average Salary (FAS) is the average creditable compensation for the 36 consecutive months when the employee earned the highest average compensation
- FAS is generally lower than the employee's final salary due to compensation increases (such as promotions, MRAs, and performance, merit, and longevity increases) during the final 3 years of employment
- FAS can be equal to or higher than the employee's final salary due to:
 - Use of sick leave (limited to 2,080 hours for employees hired after 1/1/2013) in the FAS calculation
 - Shift pay, holidays worked and emergencies worked during the final 3 years
 - Demotions or other actions that reduce pay prior to retirement

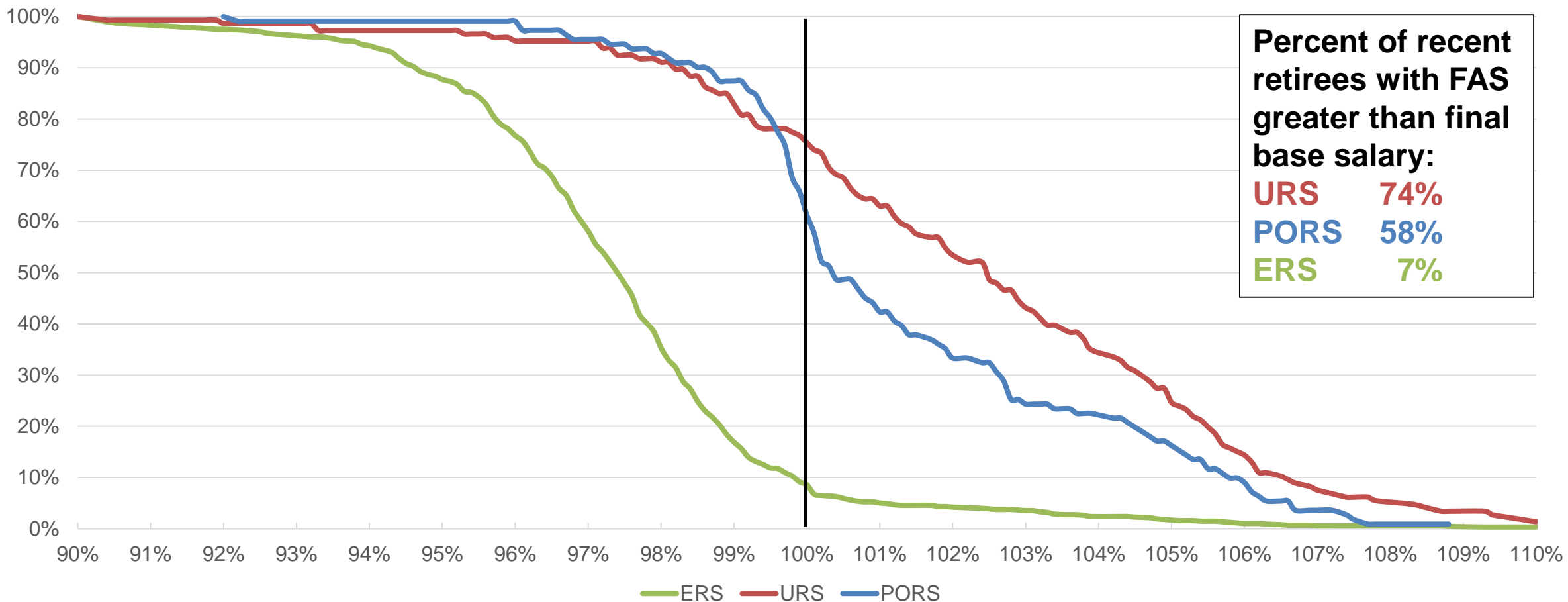
Recent Retirees

Final Average Salary as a Percentage of Final Salary



Recent Retirees

Final Average Salary as a Percentage of Final Base Salary



Pre-Social Security Supplement

Pre-Social Security Supplement

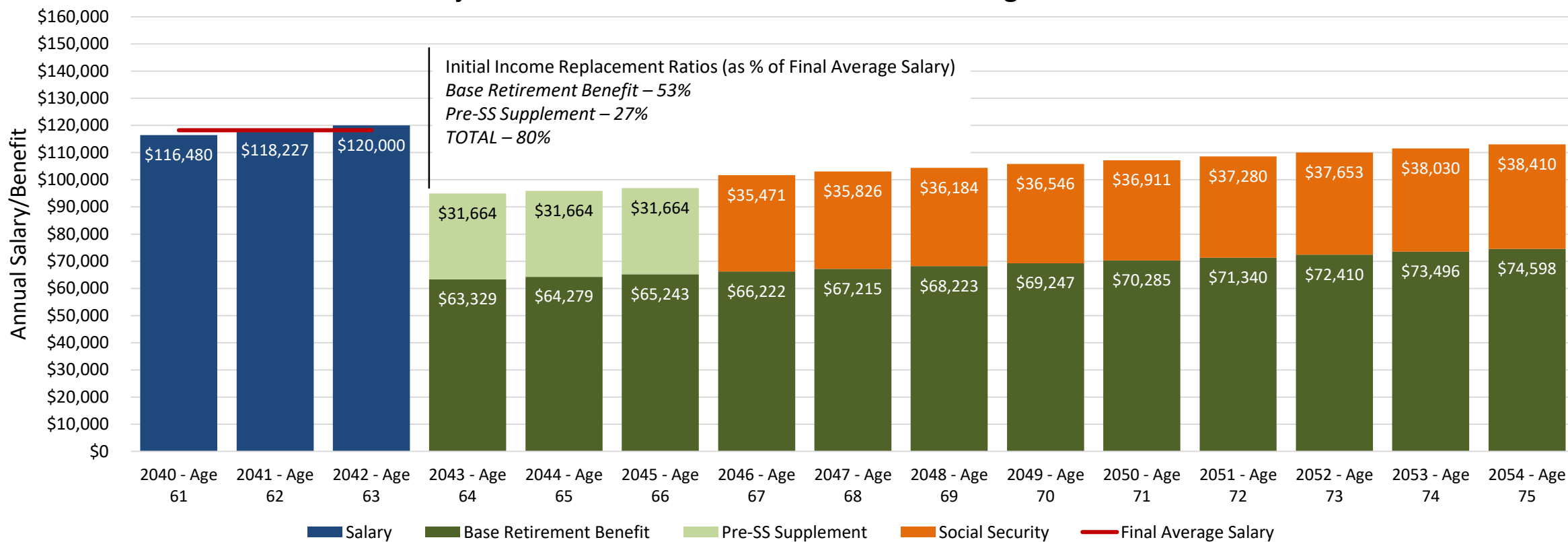
Overview

- Increases benefit multiplier between retirement and normal Social Security retirement age
 - Employees' System – Benefit multiplier increased by 1.0%
 - Uniformed System – Benefit multiplier increased by 0.3%
- Does not apply to:
 - Police Officers System (Fairfax police officers do not participate in SS)
 - Early (reduced) retirement
 - Disability retirement
 - Deferred vested benefit
 - DROP account balances (for employees hired after 1/1/2013)

Retirement Benefit Example

Employees' Retirement System

Projected Retirement Benefit Based on Average New Hire

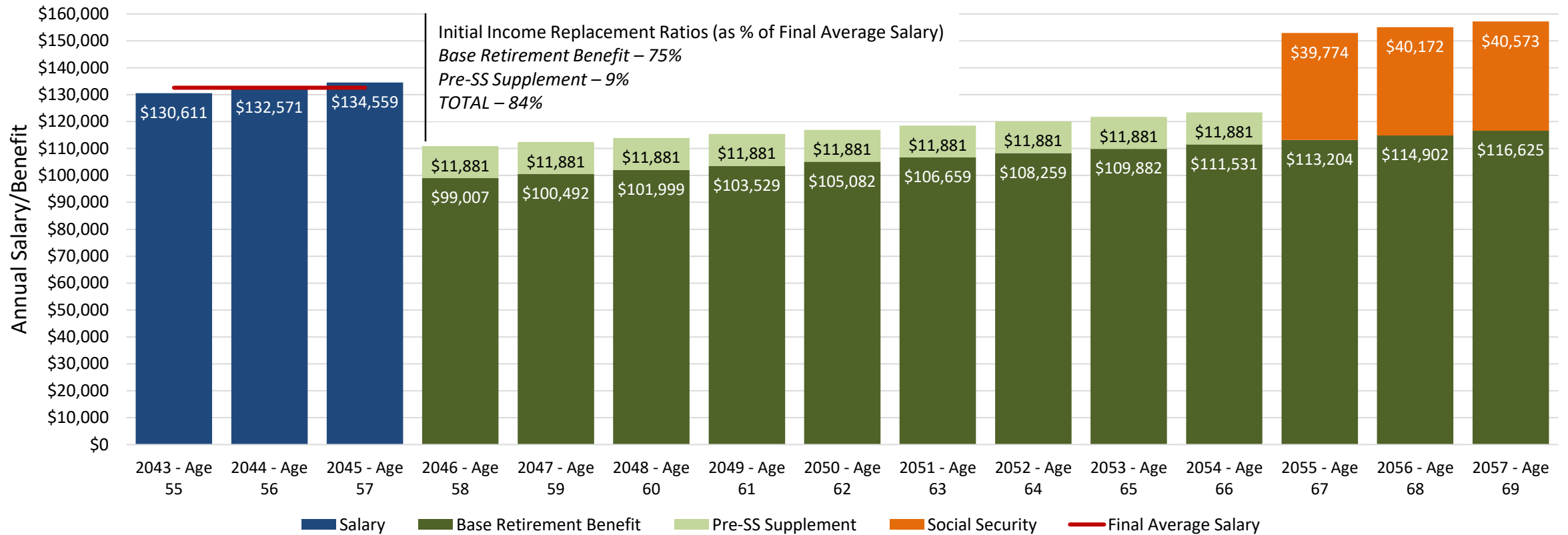


Based on average FY 2016 S-Scale new hire as of March 2016. Assumes new hire in 2016 at age 37, hired at 24% of grade S-21 with no promotions prior to retiring at age 64 in 2043 with 26 years of service. Does not include pension-eligible stipends or extra pay. Assumes 1.5% Market Rate Adjustments and full funding of pay plan each year. Assumes employee works two years after reaching eligibility for full retirement and retiree health benefits. Estimates Social Security benefit at 30% of Final Average Salary. Assumes 1.5% annual County COLA and 1.00% annual COLA for Social Security.

Retirement Benefit Example

Uniformed Retirement System

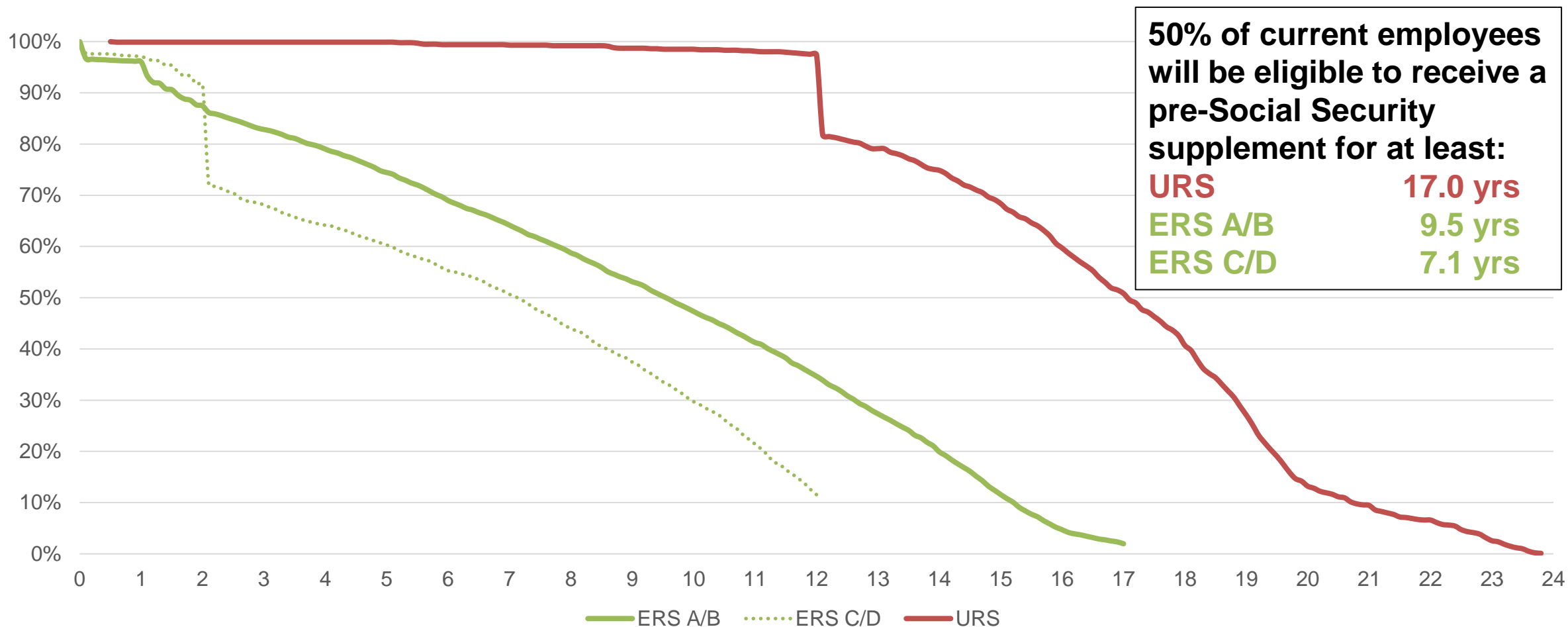
Projected Retirement Benefit Based on Average New Hire



Based on average FY 2016 F-Scale new hire as of March 2016. Assumes new hire at age 28, hired at step 1 of grade F-18 with no promotions prior to retiring at age 58 in 2046 with 29 years of service. Does not include pension-eligible stipends or extra pay. Assumes 1.5% Market Rate Adjustments and full funding of pay plan each year. Assumes employee works two years after reaching eligibility for full retirement and retiree health benefits. Estimates Social Security benefit at 30% of Final Average Salary. Assumes 1.5% annual County COLA and 1.00% annual COLA for Social Security.

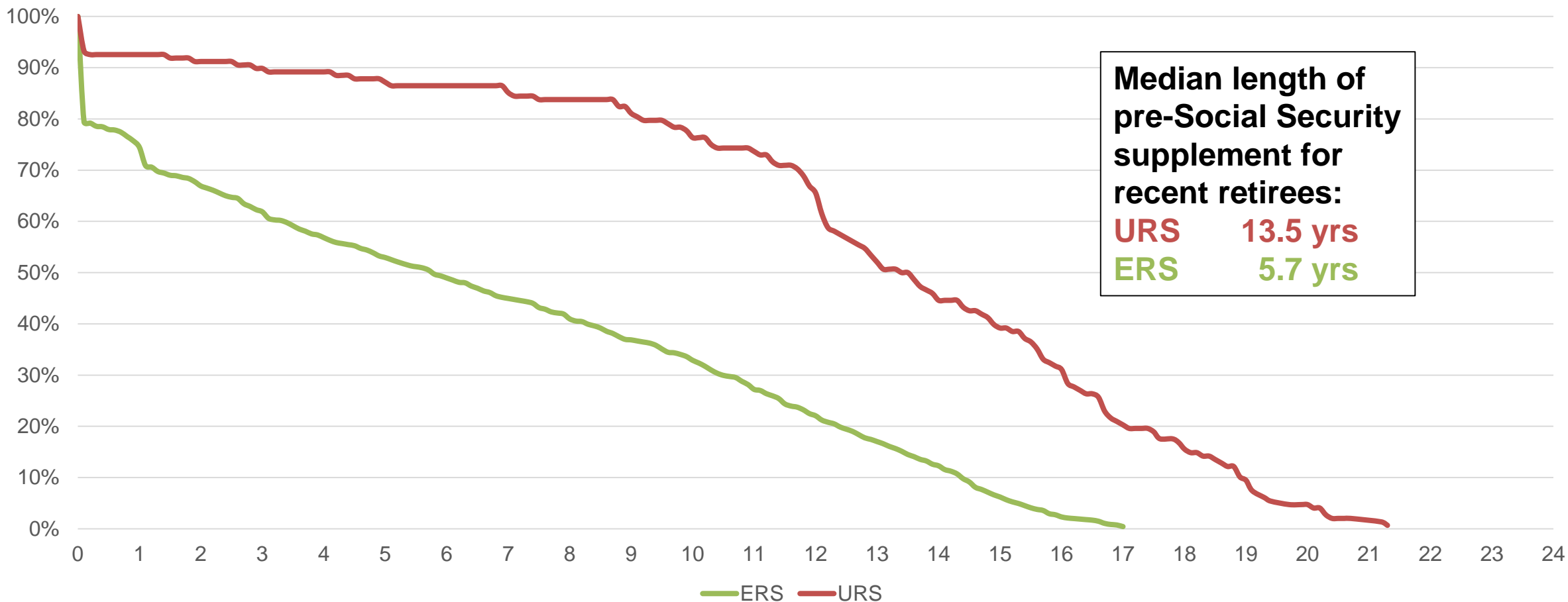
Current Employees

Potential Length of Pre-Social Security Supplement



Recent Retirees

Length of Pre-Social Security Supplement



Deferred Retirement Option Program (DROP)

Deferred Retirement Option Program (DROP)

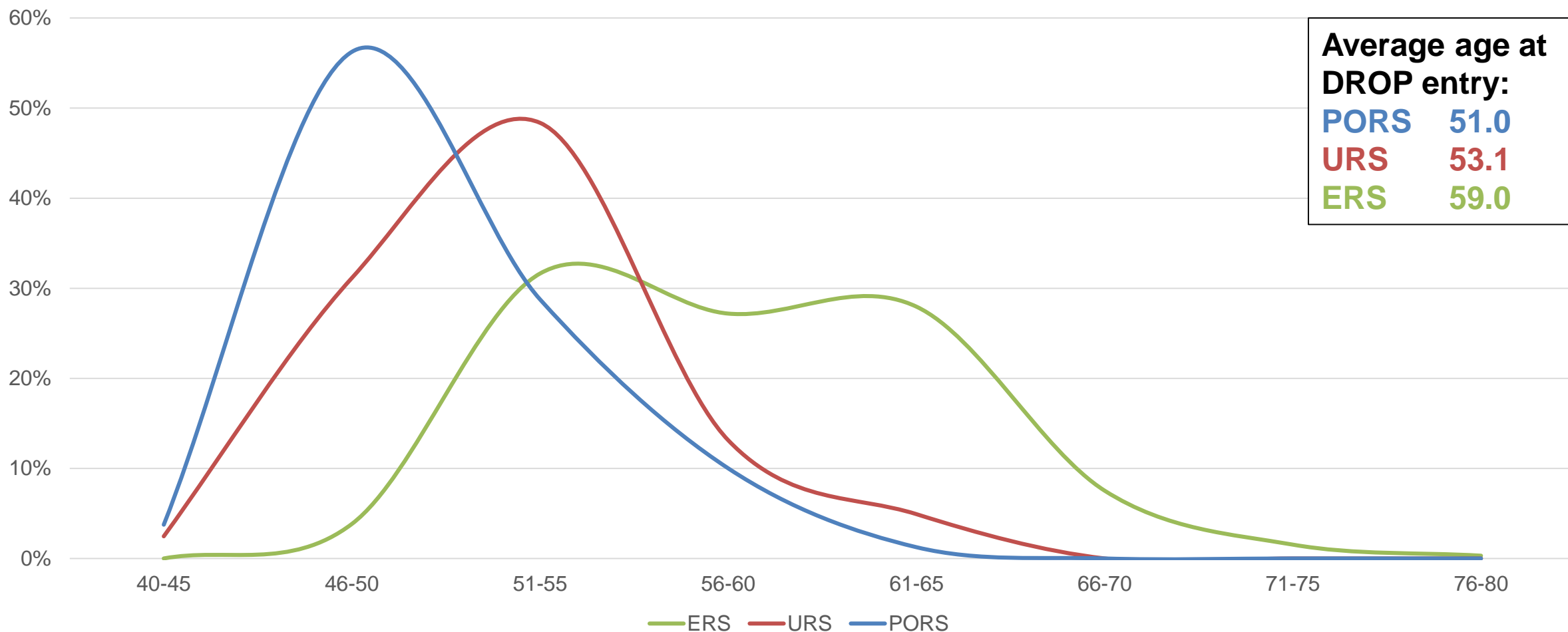
Overview

- Implemented for Police Officers and Uniformed Systems in October 2003. Added for Employees' Retirement System in July 2005.
 - Initially implemented with sunset provisions. Provisions were removed in October 2010, although the Board reserves the right to alter the program at any time.
- Employees are eligible to enter DROP when eligible for normal service retirement
- DROP period cannot exceed 3 years
- During DROP period:
 - Employees and the County do not make retirement contributions
 - Account balance is credited with 5% interest annually
 - Members continue to receive all other active employee benefits
 - Members do not earn additional service credits towards retirement
 - Members hired after 1/1/2013 do not receive pre-Social Security supplement during DROP period

	DROP Participants (June 30, 2016)
Employees' (County only)	534
Uniformed	123
Police Officers	75
Total	732

Recent Retirees

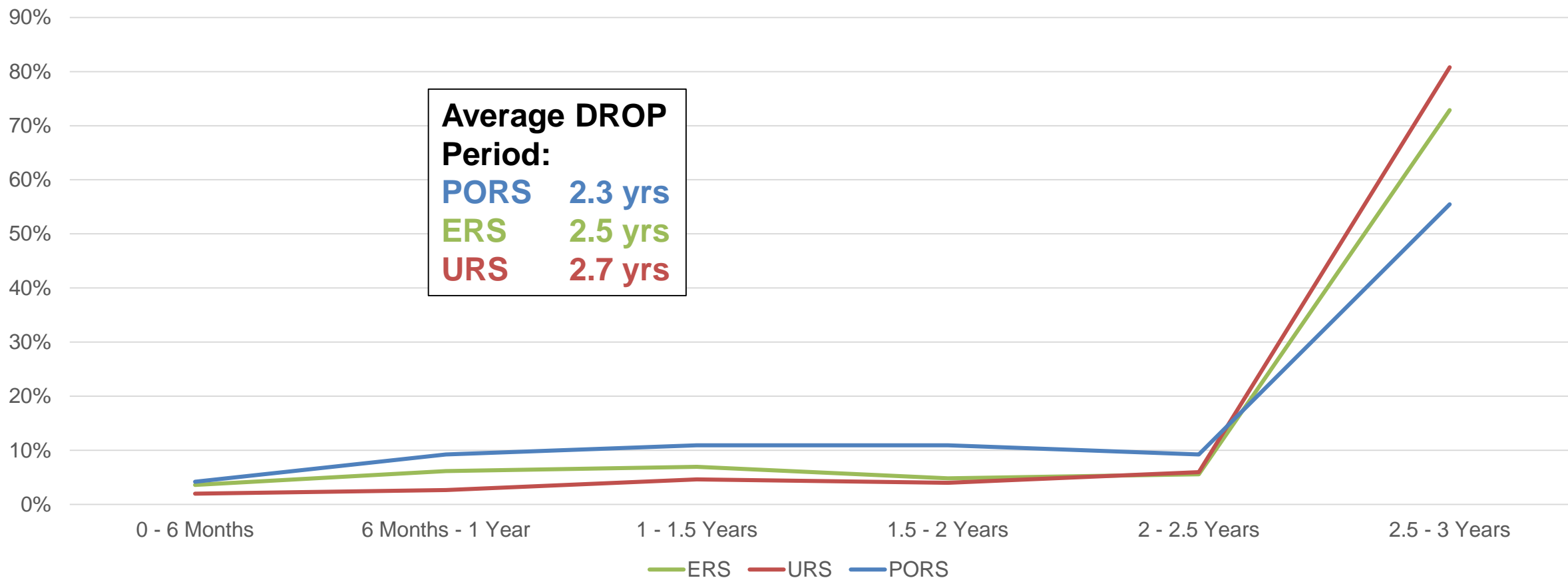
DROP Entry Age



Recent Retirees

DROP Period

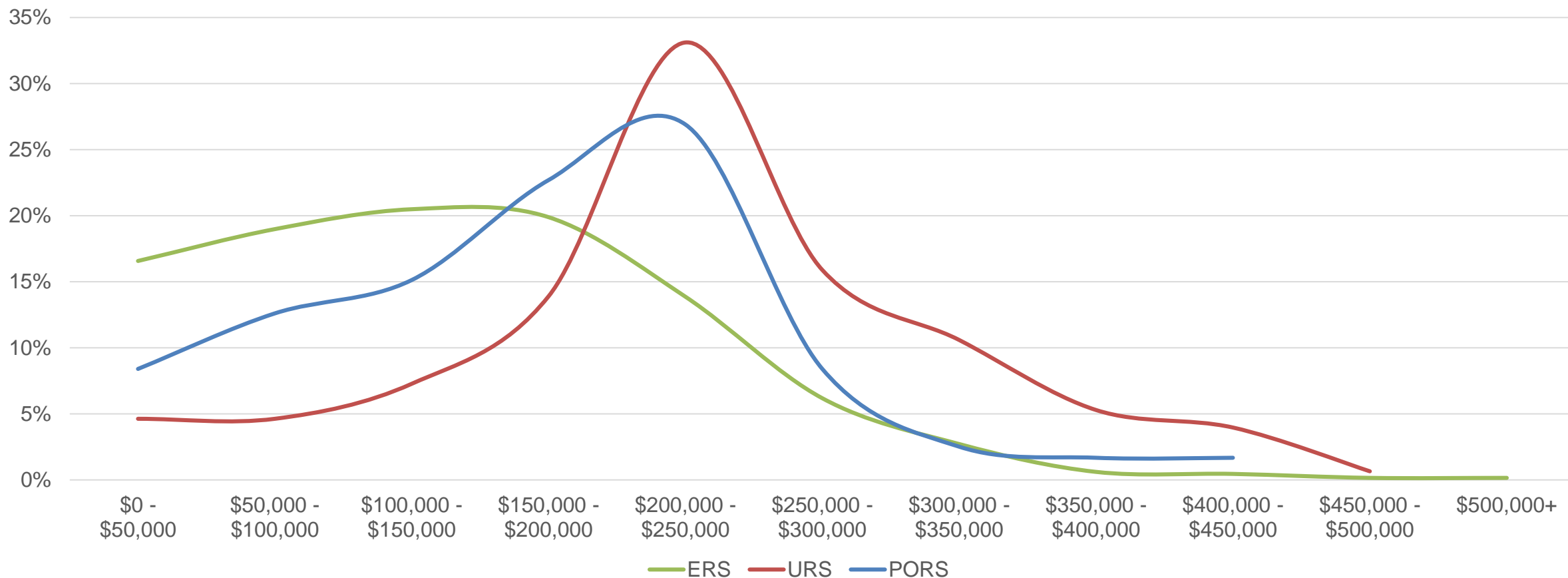
Length of DROP Period for Exits since January 2014



Recent Retirees

DROP Balances

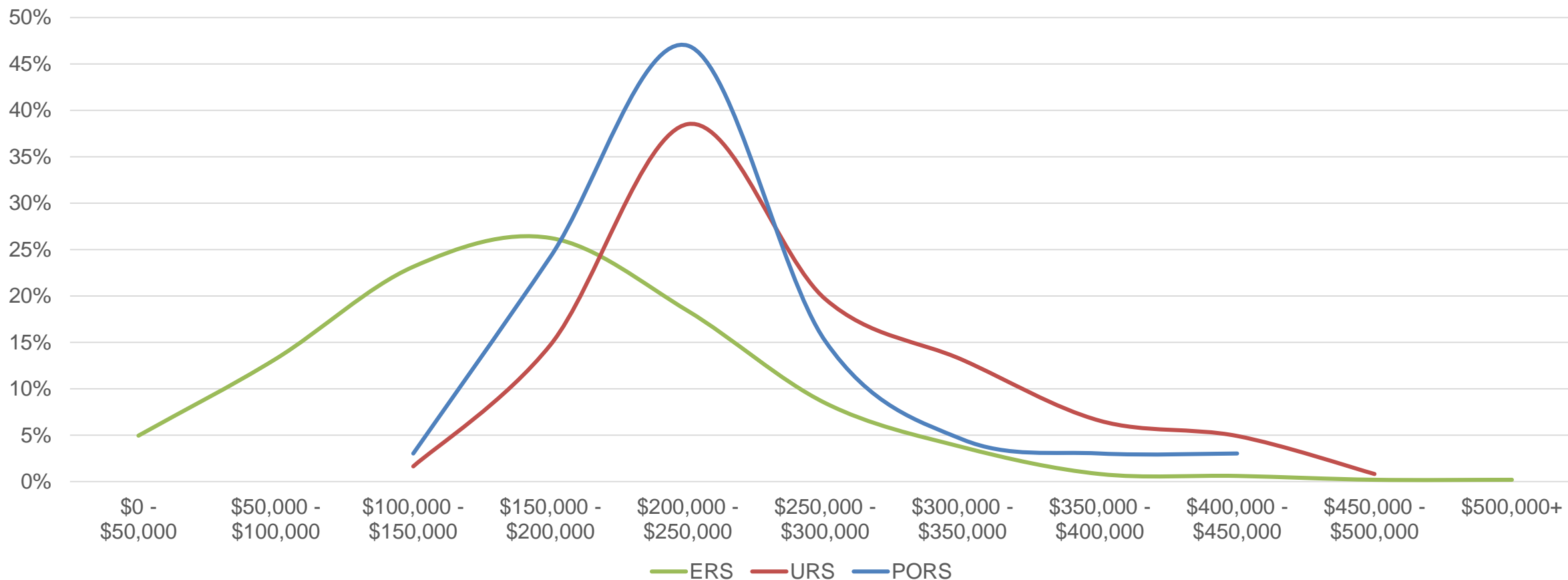
Distribution of Final DROP Balances for Recent Retirees



Recent Retirees

DROP Balances

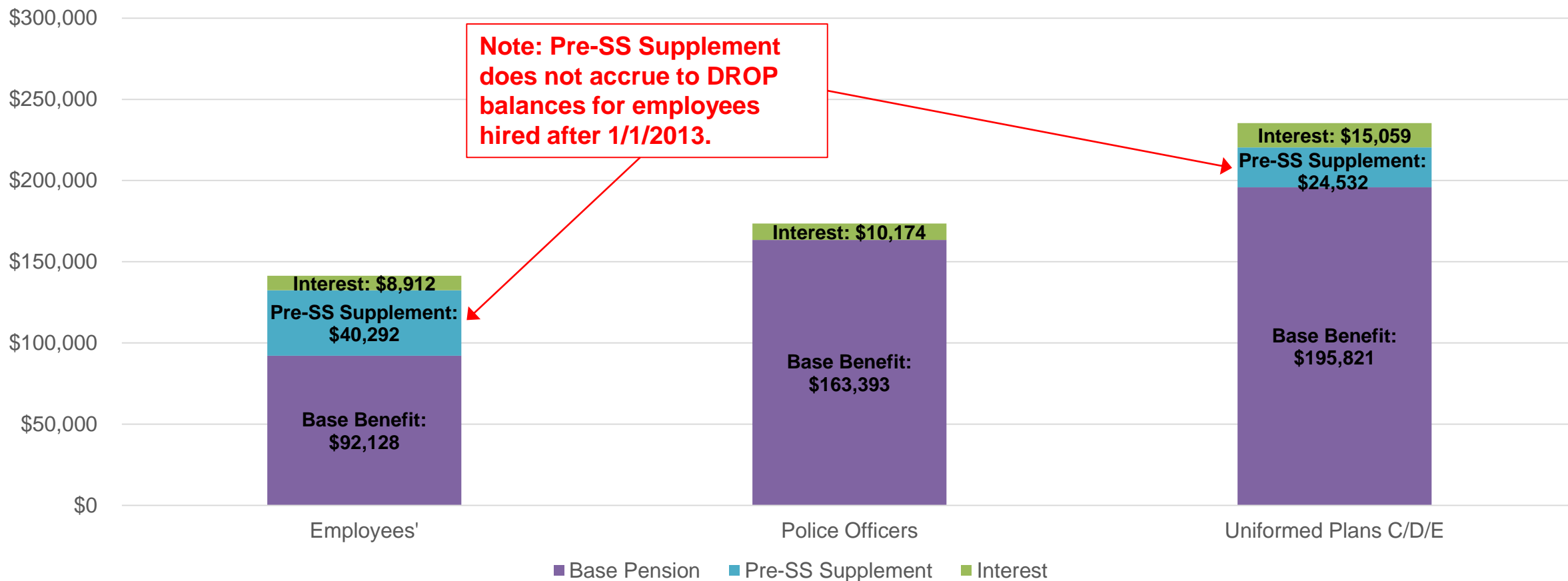
Distribution of Final DROP Balances for Recent Retirees with 2.5-3 Year DROP Term



Recent Retirees

DROP Balances

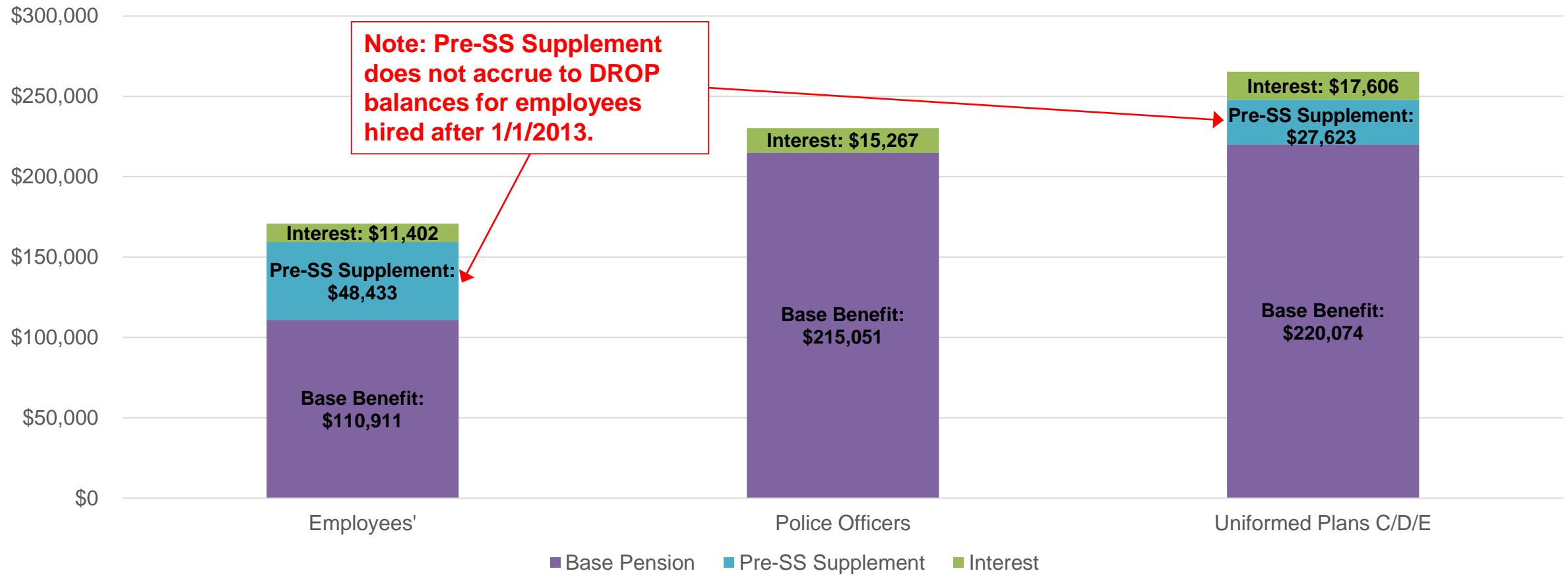
Average DROP Balances by Source for Recent Retirees



Recent Retirees

DROP Balances

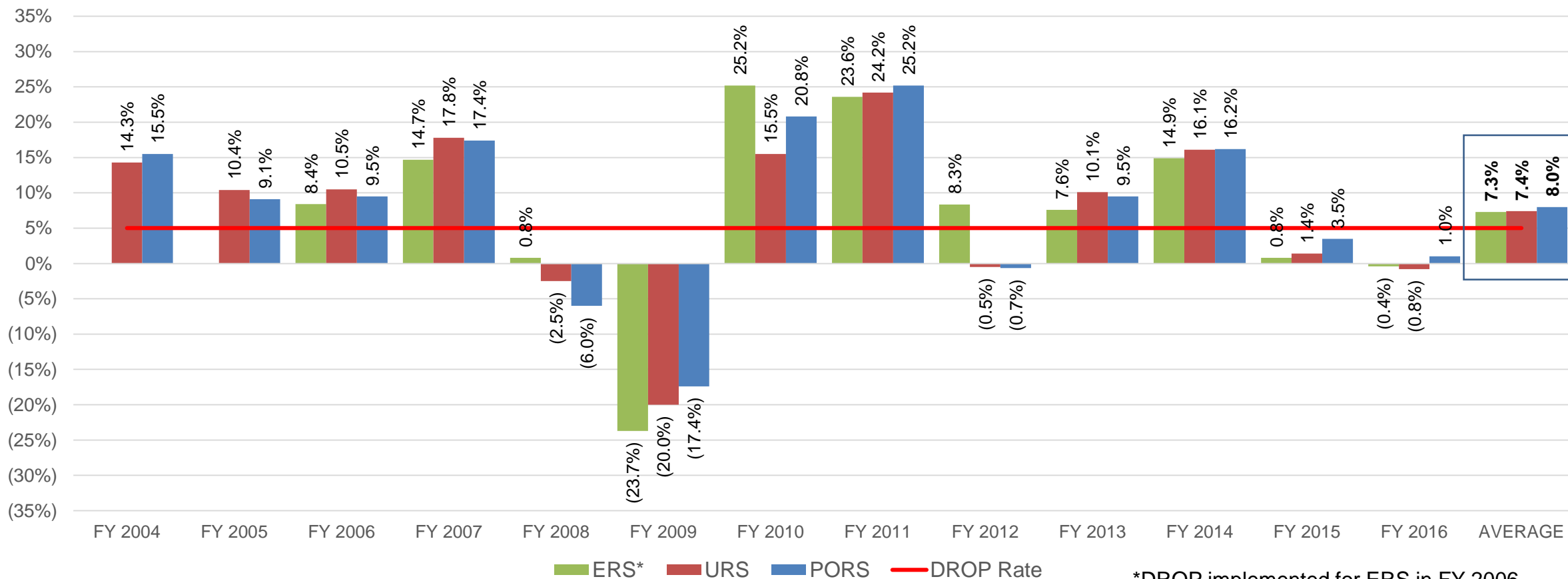
Average DROP Balances by Source for Recent Retirees with 2.5-3 Year DROP Term



History of Investment Returns

Since Inception of DROP

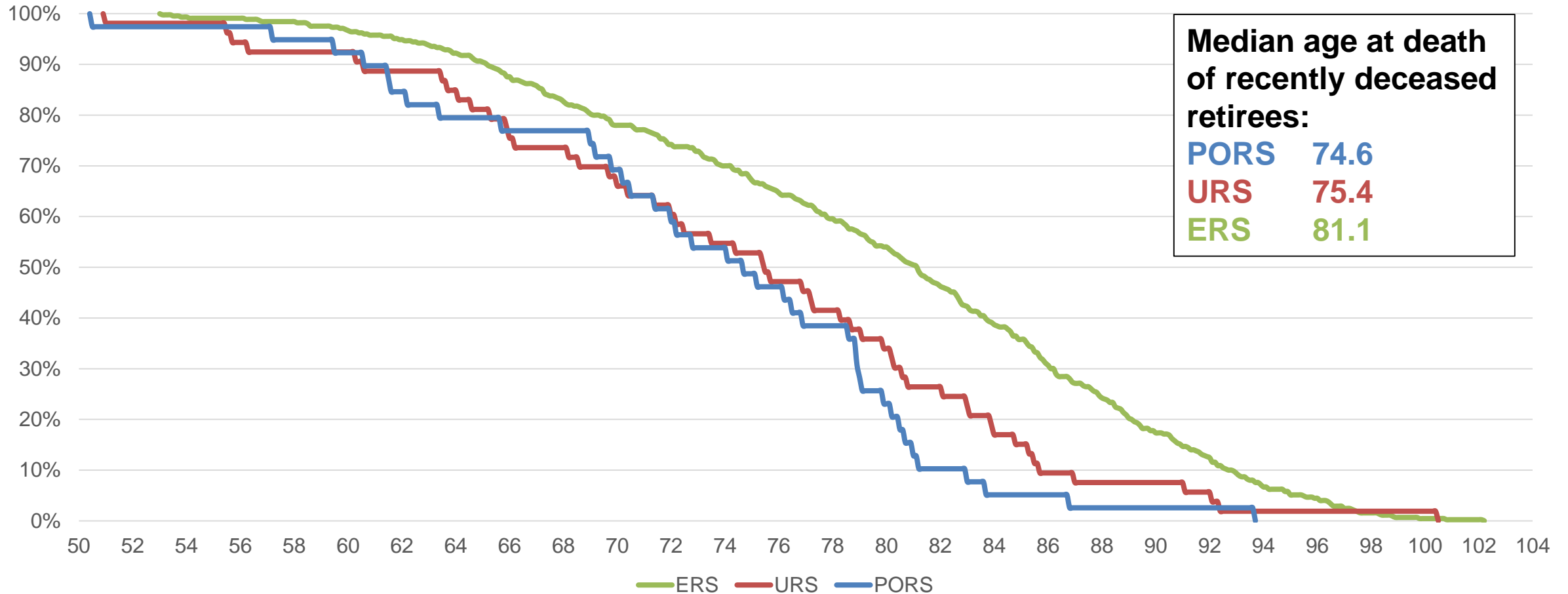
Net Return versus 5% DROP Rate



Mortality

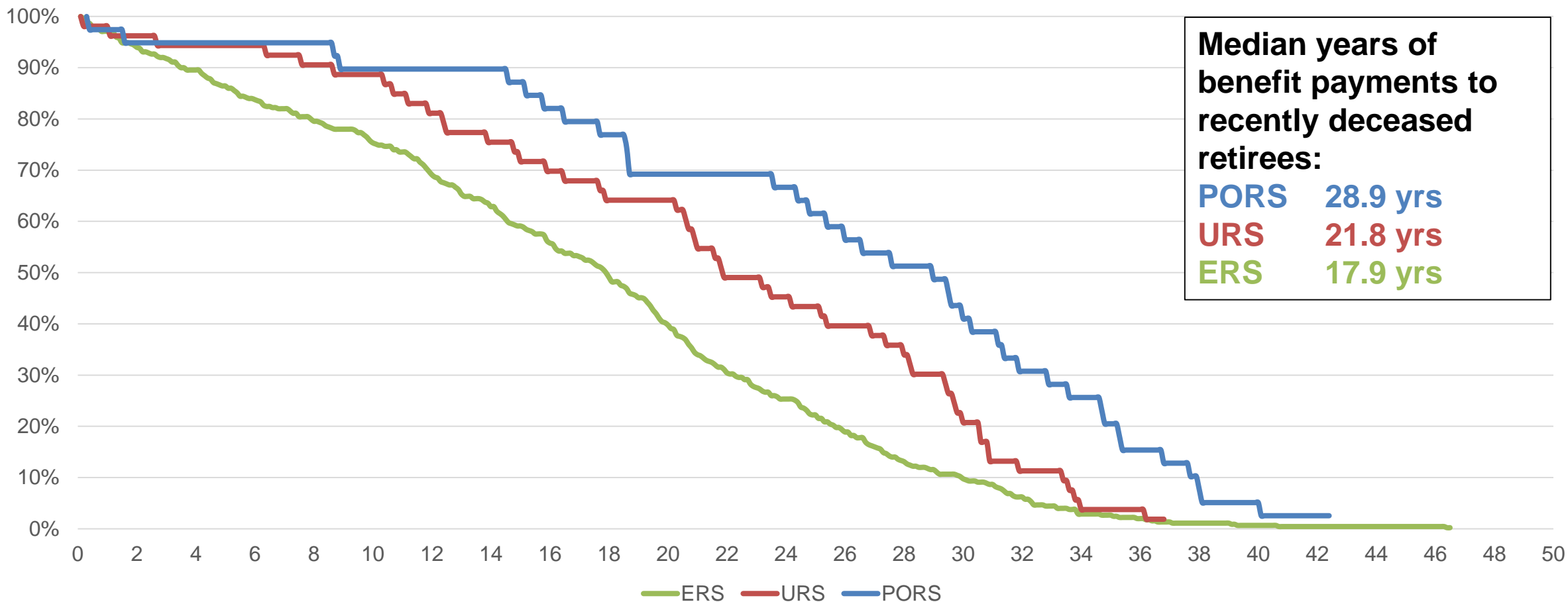
Recently Deceased Retirees

Age at Death



Recently Deceased Retirees

Years of Retirement Benefit Payments Prior to Death



Discussion

- Areas for further staff research for the October 3rd Board of Supervisors Personnel Committee meeting
 - Additional data
 - Comparisons to other jurisdictions
 - Analysis of impacts of any proposed changes