



# Retirement Study Overview

## Retirement Work Group

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Department of Management and Budget

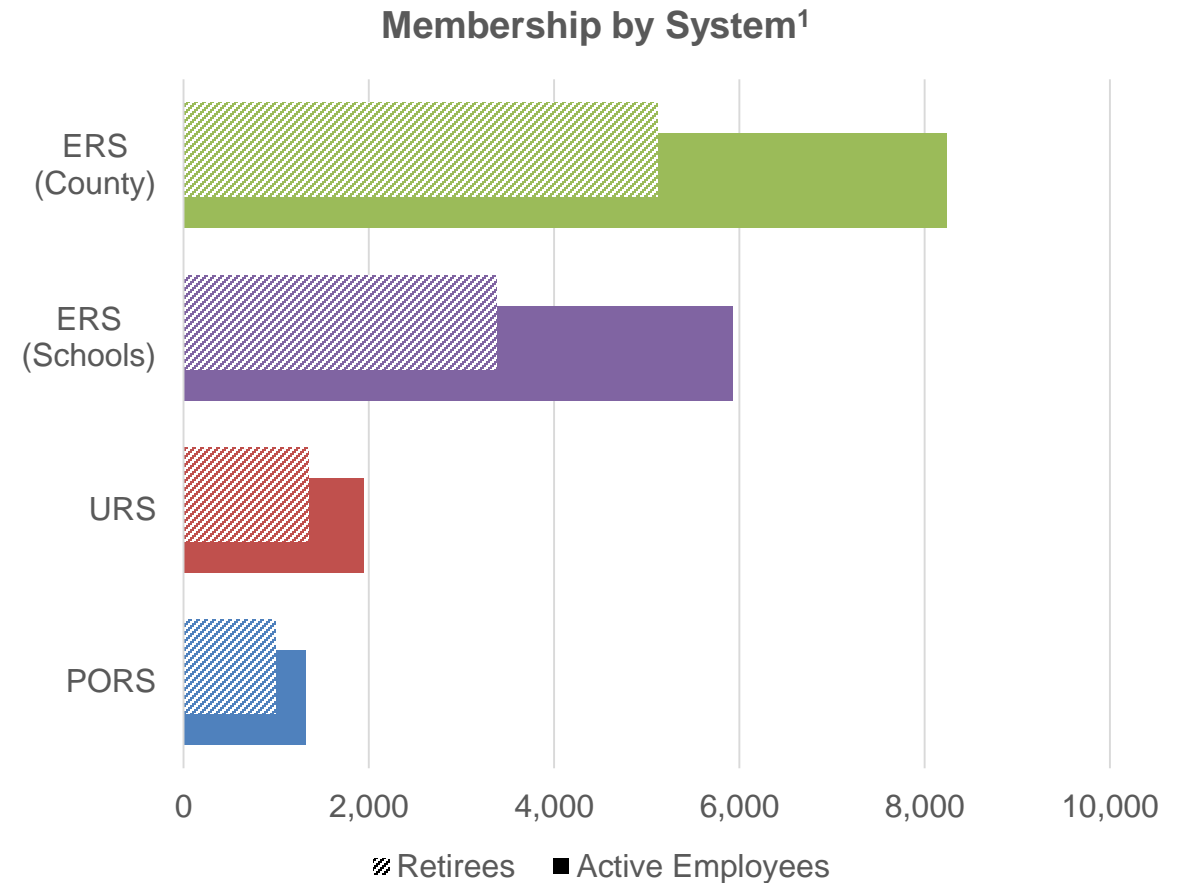
December 8, 2017

# Two-Thirds Requirement

- Virginia Code § 51.1-800(A)
  - *Every county and city, and every town having a population of 5,000 or more, shall provide a retirement system for those officers and employees listed in subsection B either*
    - i. by establishing and maintaining a local retirement system which provides a service retirement allowance to **each employee who retires at age sixty-five or older** which **equals or exceeds two-thirds of the service retirement allowance** to which the employee would have been entitled had the allowance been computed under the provisions of the Virginia Retirement System or*
    - ii. by participating directly in the Virginia Retirement System.*
- Virginia Code does not provide guidance on how to measure a County defined contribution or hybrid plan against the two-thirds requirement.
- Virginia Code would allow the County to establish an optional defined contribution plan.

# Three Separate Systems

- 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



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

# Benefits Features of Retirement Plans

June 2017 Demographics presentation

## Plans currently in effect for new hires

	Employees' Retirement System	Uniformed Retirement System	Police Officers Retirement System
Employee Contribution	4.00% (Plan C) <sup>1</sup> 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) <sup>1</sup> 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

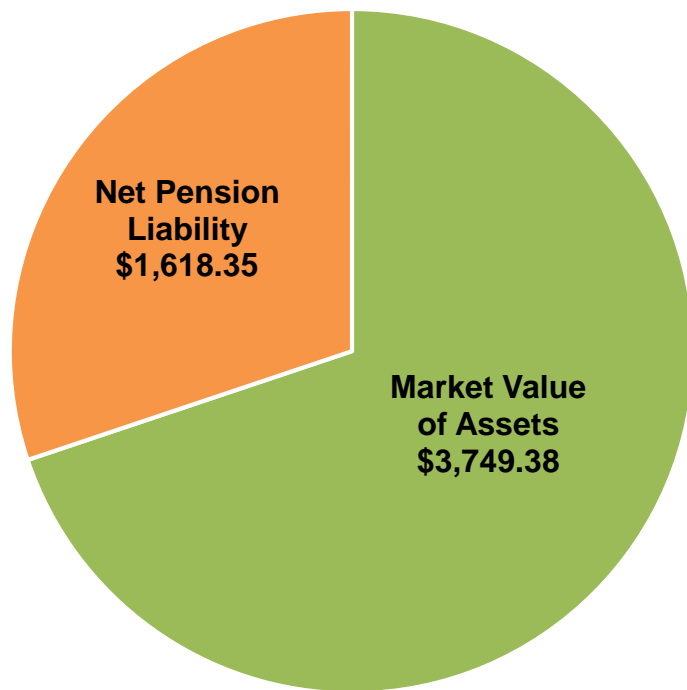
<sup>1</sup> For ERS Plan C, employees contribute 5.33% of any salary in excess of the Social Security Wage Base, and the benefit multiplier is 2% for the portion of Final Average Salary that exceeds the Social Security Breakpoint.

# Retirement System Funding

Funding Status as of June 30, 2017

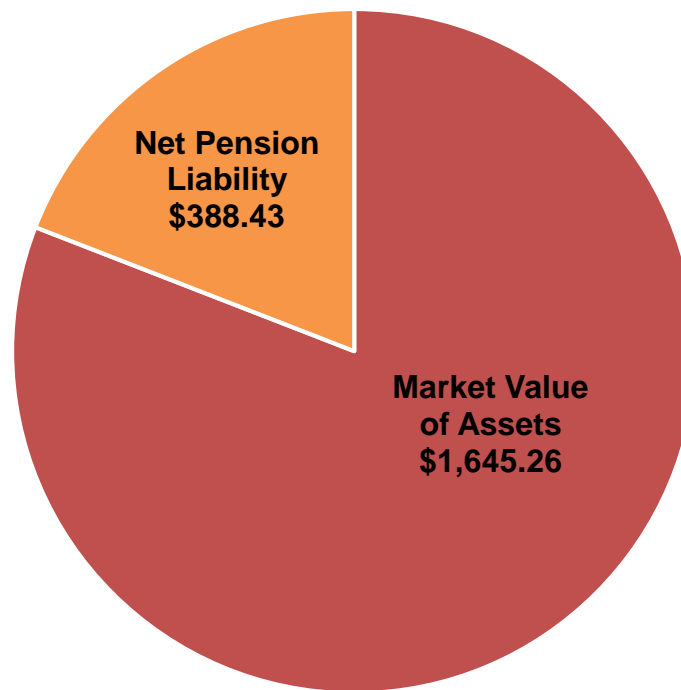
May 2016 LOBs  
presentation (updated)

**Employees' System**



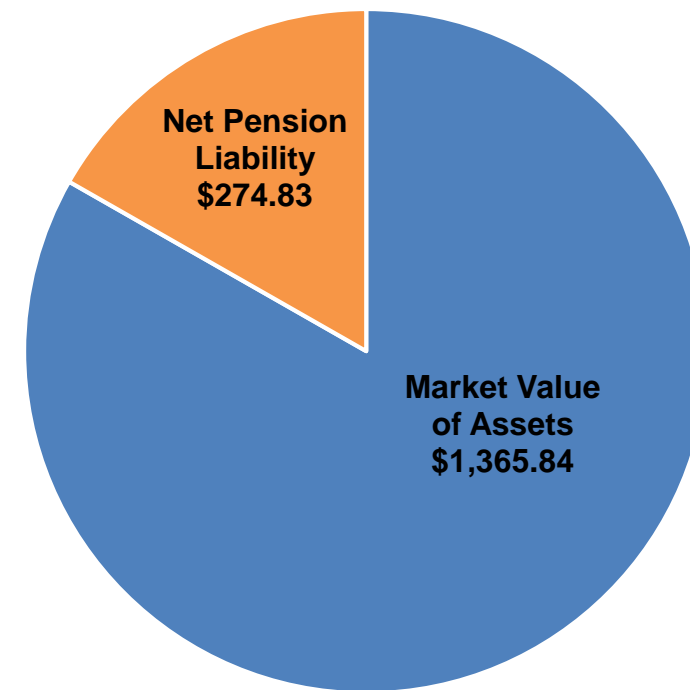
Total Pension Liability = \$5,367.73 million  
Funded Ratio = 69.9%

**Uniformed System**



Total Pension Liability = \$2,033.69 million  
Funded Ratio = 80.9%

**Police Officers System**



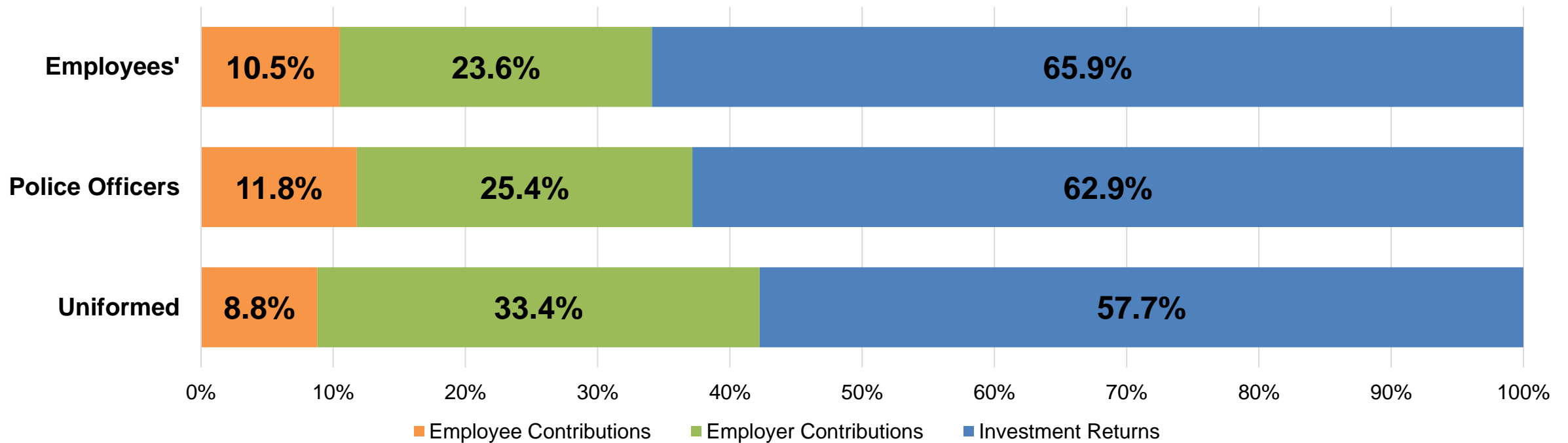
Total Pension Liability = \$1,640.67 million  
Funded Ratio = 83.2%

# Retirement System Funding

## Sources of Funding

- Systems are funded through a combination of Employee contributions, Employer contributions, and Investment Returns.

Sources of Funding (20-Year Average)

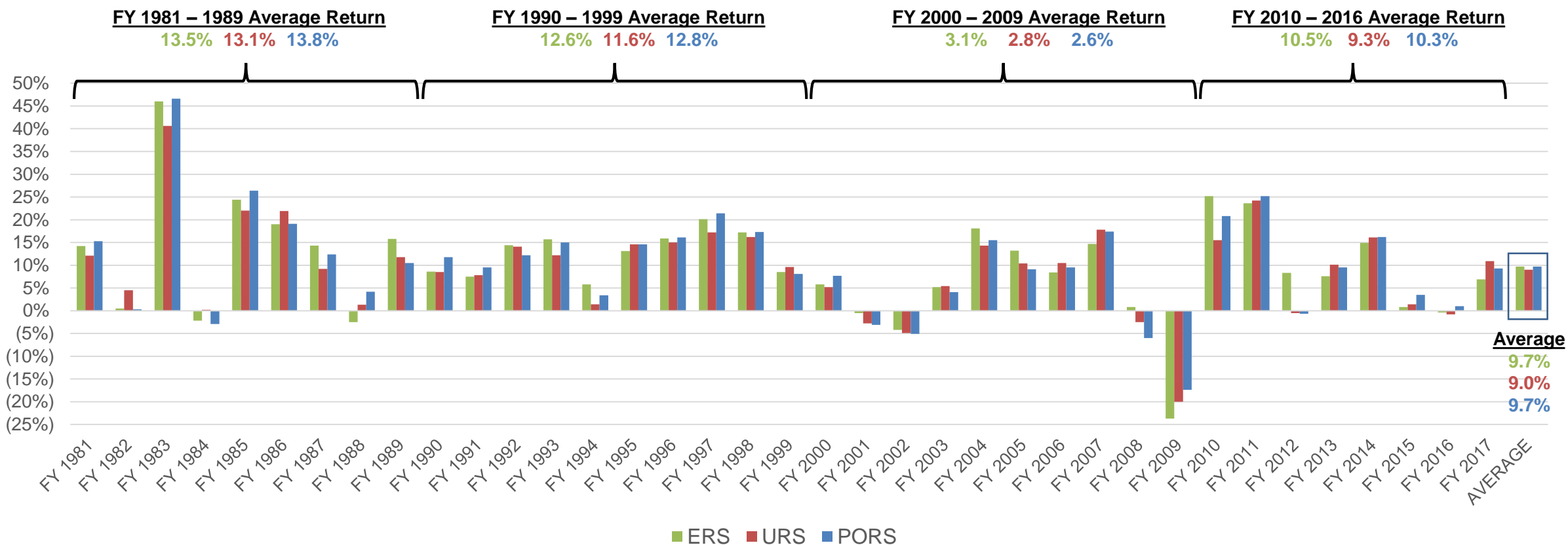


# Investment Returns

## History since 1981

June 2017 Demographics presentation (updated)

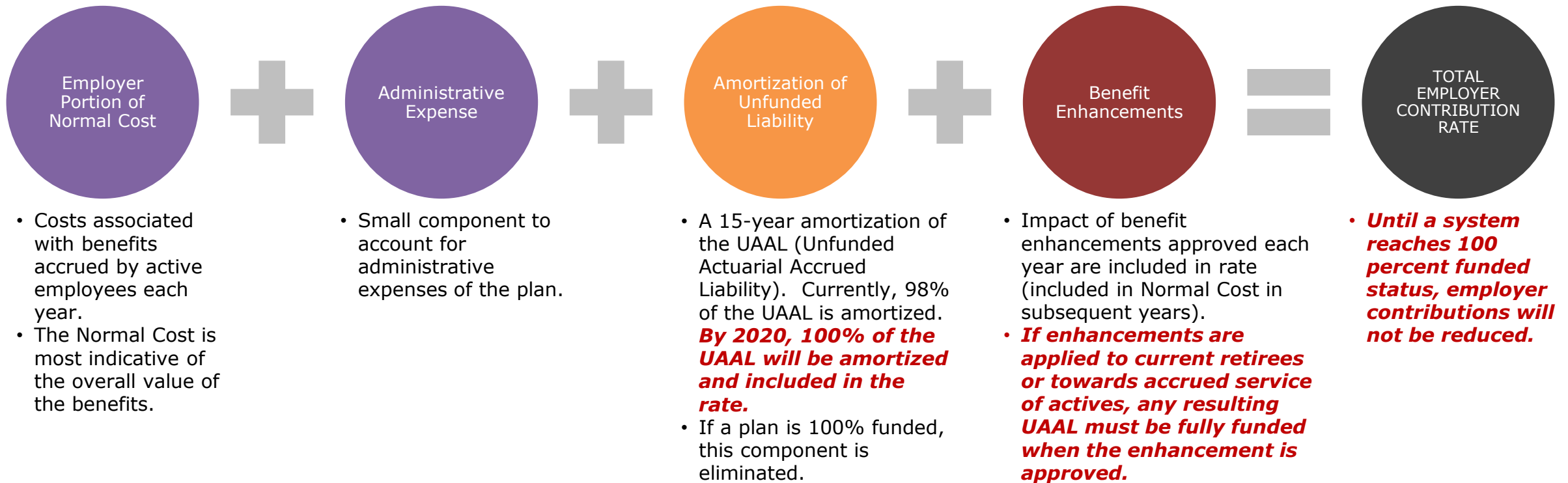
### Return Net of Fees



# Contribution Rates

## How are Employer Rates determined?

- Actuarial valuations are performed each year to determine rates
- Employer Contribution Rates are made up of 4 components:



*\*Included in multi-year funding strategy approved as part of the adoption of the FY 2016 Budget and presented to bond rating agencies.*



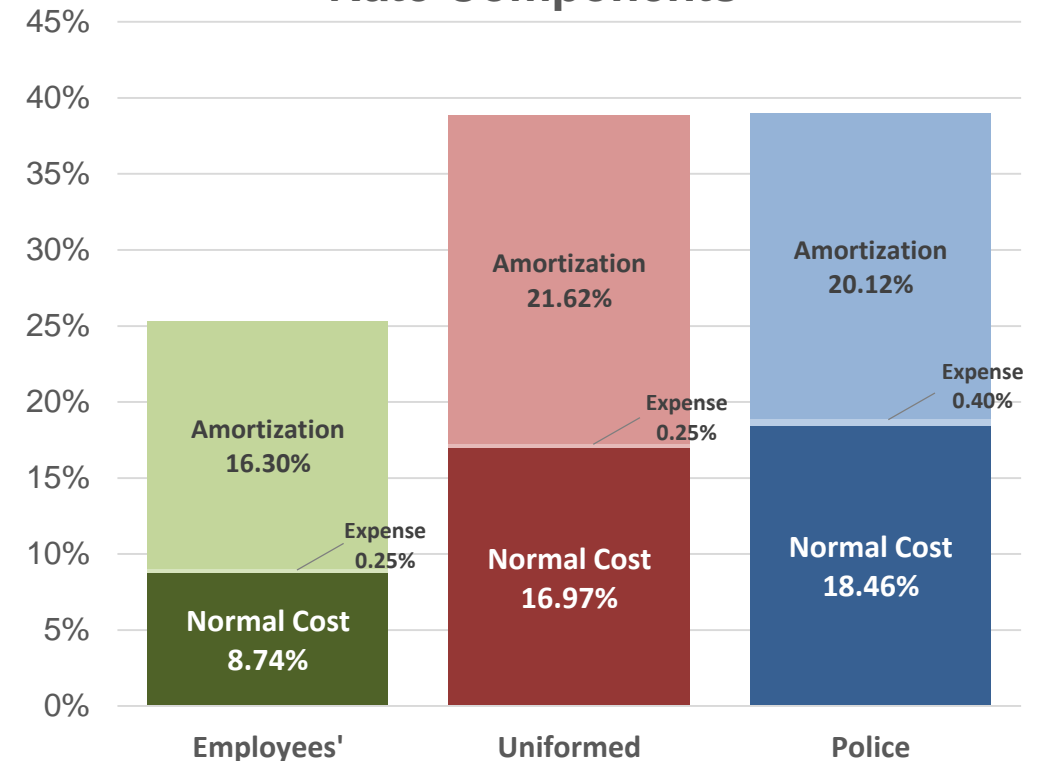
# Contribution Rates

June 2017 Demographics presentation

## Breakdown of Employer Contributions

- The chart on the right shows the estimated components of the FY 2018 Employer Contribution Rates
- The Normal Cost represents the benefits accrued by active employees each year
- Changes made to the retirement systems will only impact the Normal Cost components
- The Normal Cost components shown represent the blended values of the pre- and post-2013 plans

FY 2018 Employer Contribution Rate Components

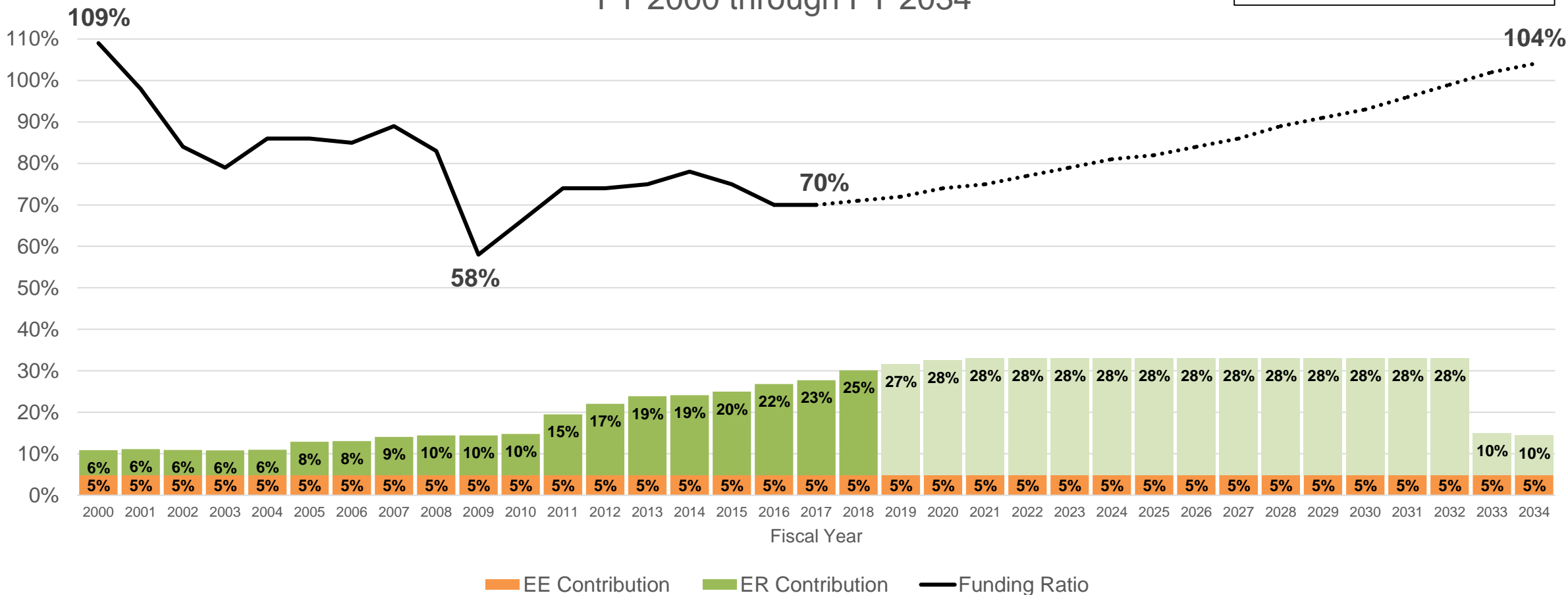


# Employees' System History and Projections

## Funding Ratios and Contribution Rates

June 2017 Demographics presentation  
(updated Funding Ratio)

FY 2000 through FY 2034

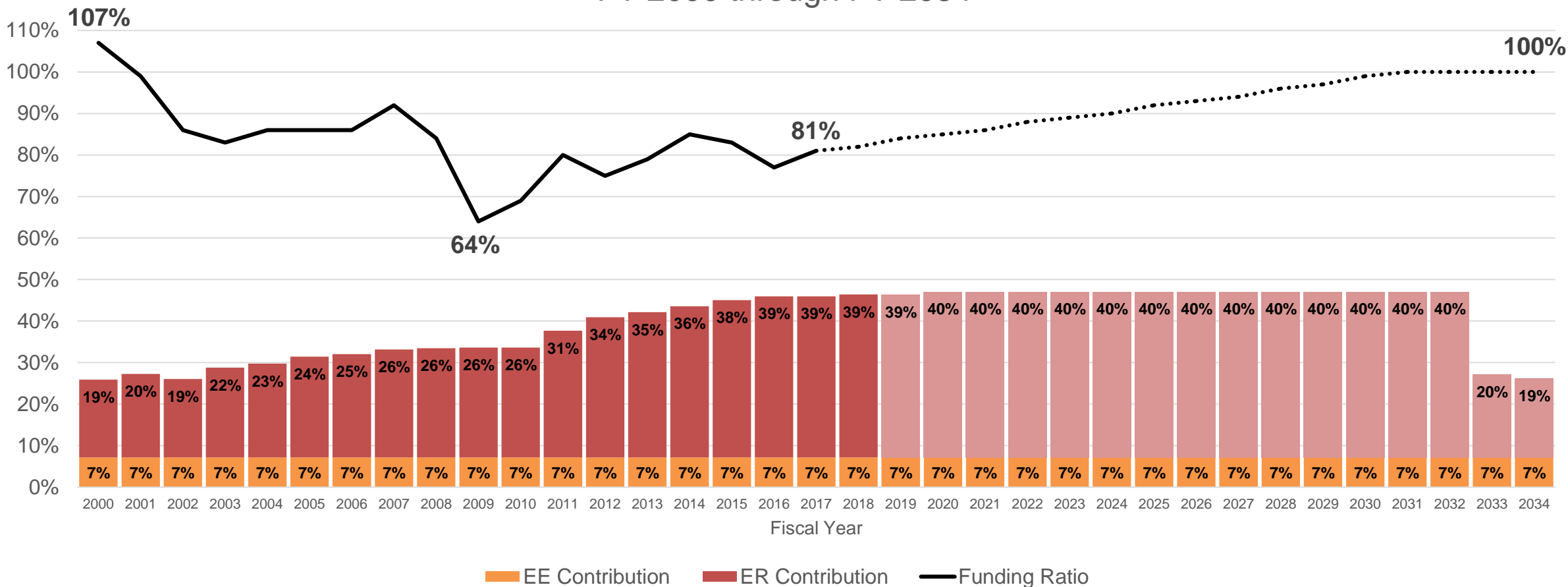


# Uniformed System History and Projections

## Funding Ratios and Contribution Rates

June 2017 Demographics presentation  
(updated Funding Ratio)

FY 2000 through FY 2034

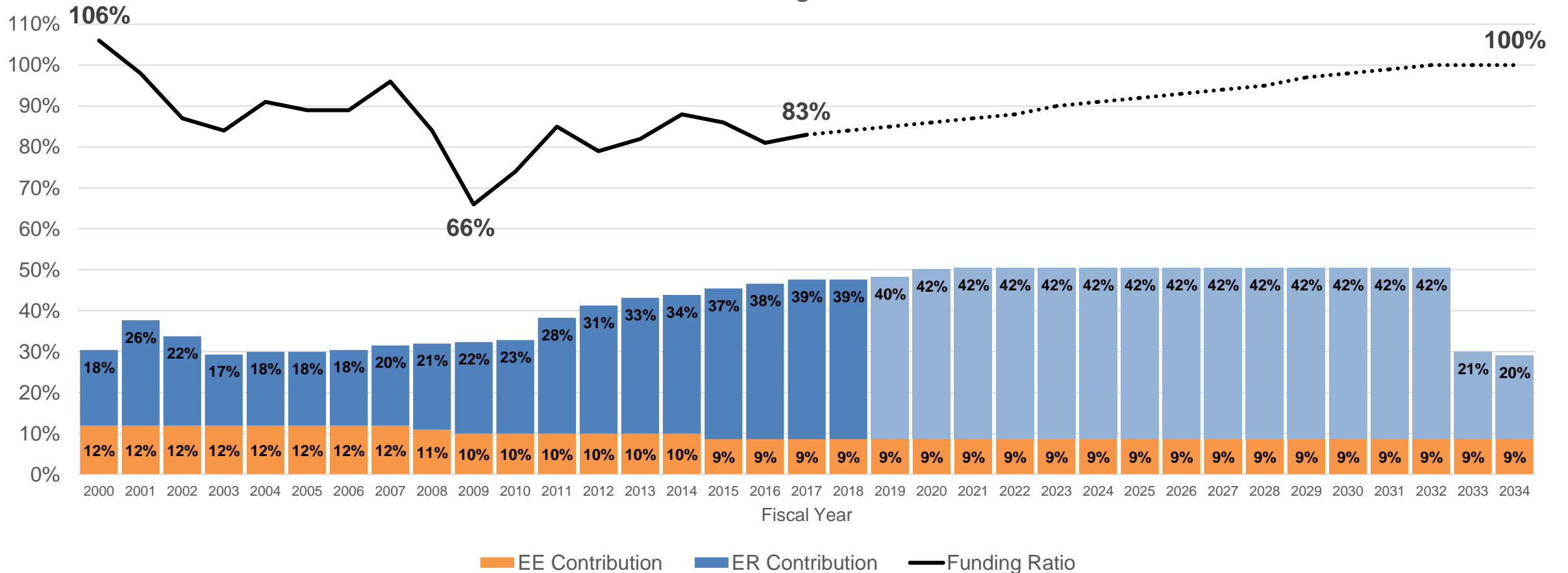


# Police Officers System History and Projections

## Funding Ratios and Contribution Rates

June 2017 Demographics presentation  
(updated Funding Ratio)

FY 2000 through FY 2034

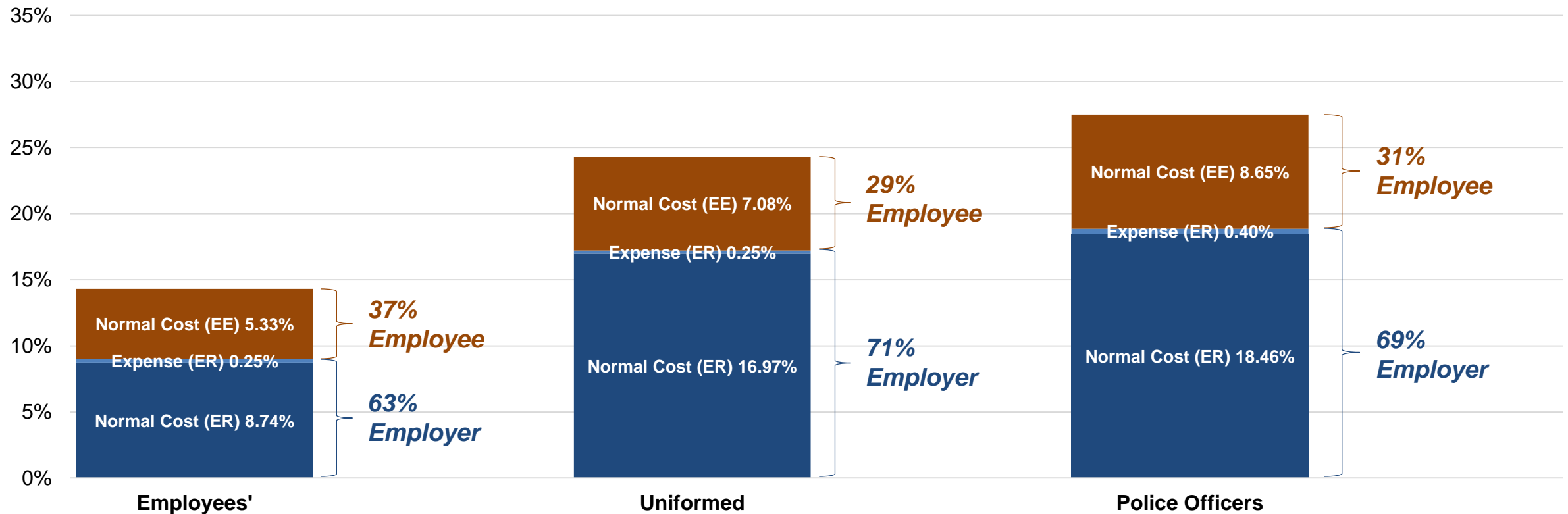


May 2016 LOBs  
presentation (updated)

# Retirement Contribution Rates

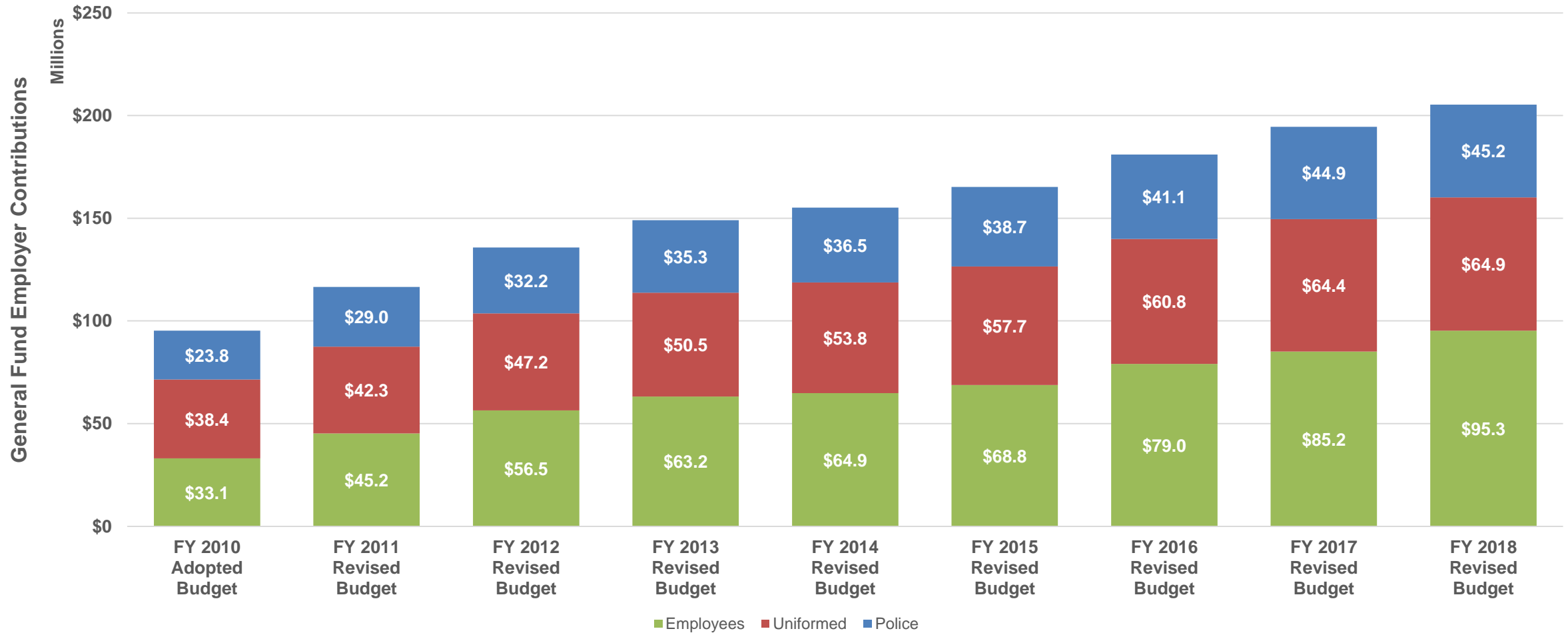
## Components of Rates when 100% Funded

Employee and Employer Portions of Normal Cost and Expenses (Estimated)



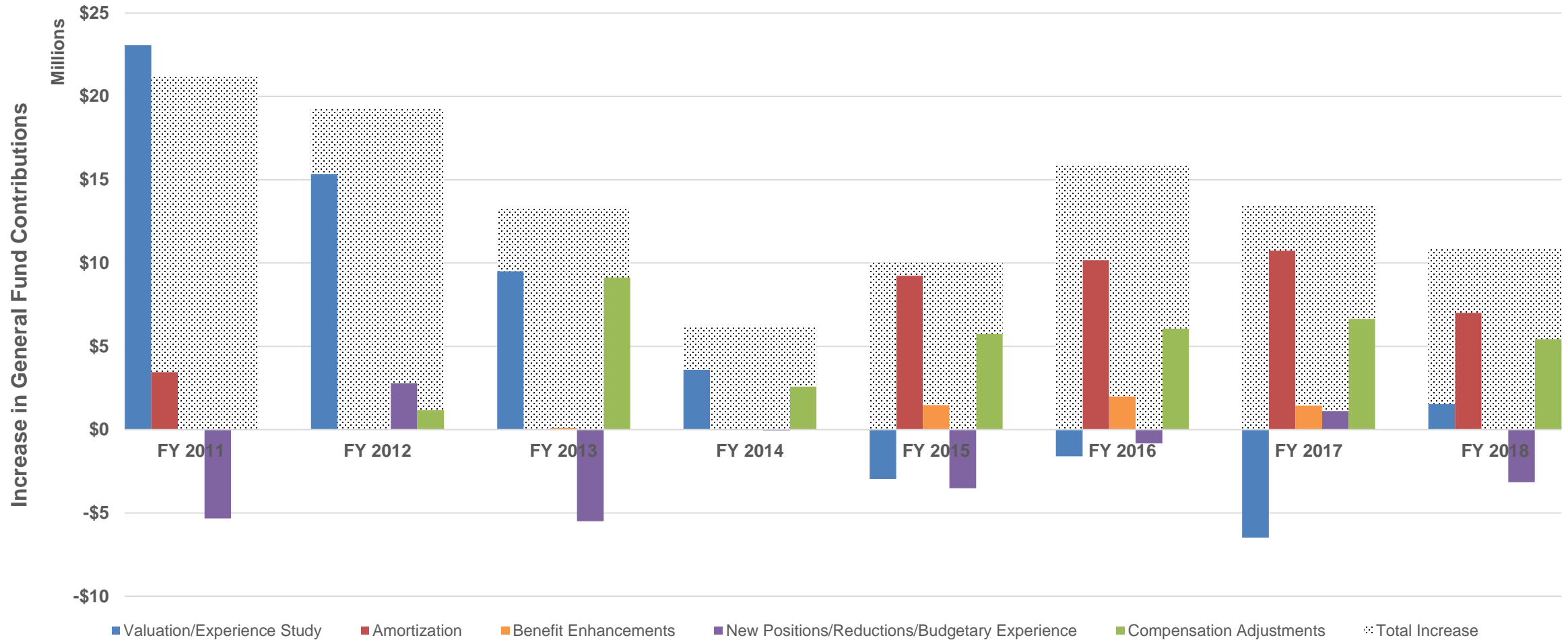
# General Fund Employer Contributions

## History by Retirement System



# General Fund Employer Contributions

## Components of Increases



# 2012 Retirement Study

June 2017 Demographics  
presentation

## Changes effective for new hires on or after January 1, 2013

	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		

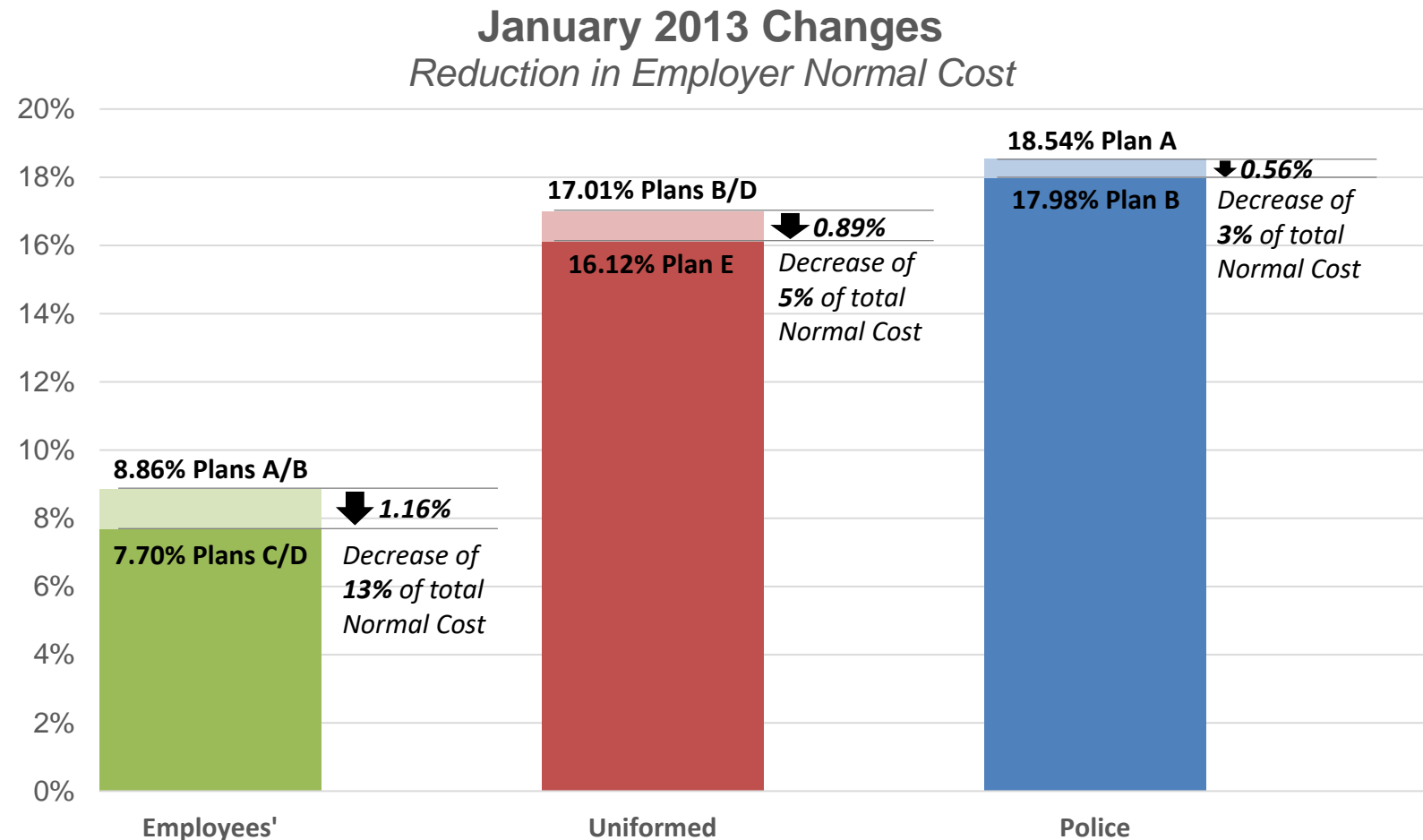
The 2012 retirement study is available at <https://www.fairfaxcounty.gov/hr/pdf/fairfaxcountyretirementbenefitsbenefitsstudy.pdf>



# 2012 Retirement Study

## Savings as a Percentage of Normal Cost

- The chart on the right shows the reduction in Normal Cost that will eventually occur as a result of the January 2013 changes to the systems
- Savings related to new plan design changes will impact these reduced Normal Costs



# Demographics

## Key Statistics for County Employees and Retirees

	Employees'	Uniformed	Police
<b>New Hires</b>			
Average Age	37.9	29.0	26.7
<b>Current Employees</b>			
Average Age	47.1	40.9	39.0
<b>Recent Retirees</b>			
Median Age at Retirement	60.1	52.3	50.1
Median Potential Length of Pre-Social Security Supplement	5.7 years	13.5 years	N/A
<b>Current Retirees (Normal Retirement)</b>			
Average Age	69.6	63.0	63.4