

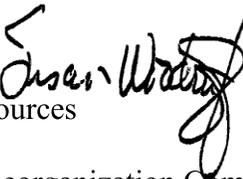


County of Fairfax, Virginia

MEMORANDUM

DATE: March 14, 2012

TO: DISTRIBUTION

FROM: Susan Woodruff, Director
Department of Human Resources 

SUBJECT: Synopsis - Personnel and Reorganization Committee Meeting –March 13, 2012

The Personnel and Reorganization Committee met on Tuesday, March 13, 2012. Board members present included Committee Chair Gross, Committee Vice-Chair Smyth, Chairman Bulova, Supervisors Hudgins, Hyland, McKay, Frey, Herrity, Foust and Cook.

The following is a summary of the Retirement Study discussion:

Chairman Gross recognized Bob Carlson, John Piper, and Frank Grace, the chairmen of the three retirement boards. She then asked each employee group representative to speak to the options for consideration as proposed by the county executive. Randy Creller, EAC, Karen Conchar, FGGEU-SEIU, John Niemiec, IAFF, Local 2068 and James Krause, Fraternal Order of Police, Lodge 77 each spoke. In general, the consensus of the employee group representatives was:

- Caution should be taken to ensure there are not unintended consequences; would the proposed changes have an adverse impact on the county's ability to recruit and retain future employees?
- It was noted that the average age for new hires is 35 and the average age upon retirement is currently 62.
- It was noted that the removal of the Pre-Social Security Supplement from the DROP account (for new hires) would result in an approximate average loss of \$1,341 per month for ERS members and \$949 for URS members.
- It was suggested that if the county were to cap sick leave usage for retirement calculation purposes at 2,080, consideration should be given to some other incentive to encourage employees to save sick leave. It was noted that this could save overtime costs due to minimum staffing and backfilling requirements. It was suggested that the county consider a VEBA or some other retiree medical trust for this purpose.
- It was noted that removal of the Pre-Social Security Supplement from the DROP account might deter DROP participation encouraging employees to leave county employment sooner.

DISTRIBUTION

Page 2

Chairman Gross asked that staff provide a response to the question on the use of a VEBA or retiree health trust as part of the budget Q and A process

There was discussion regarding the recent changes to assumptions prompted by the recent 5-year experience study and its impact on the employer contribution rate. It was noted that the current funding projections for the three retirement systems have been revised taking the new assumptions into account, but have not been revised based upon the options for consideration in the package. Questions were raised about the current 7.5% investment return assumption when considering the systems' historical average return rate of over 10%. Fiona Liston, Principal Consulting Actuary, Cheiron, spoke to industry standard supporting the 7.5% as appropriate in her opinion.

A comparison with other localities and the federal government as it relates to retirement age and the rule of 80 or 85 was requested to ensure that if those changes were made, that the county would not be out of alignment with its competitors in the labor market. It was noted that the county wanted to carefully consider the impact of creating two "classes" of employees from a retirement benefit standpoint.

Chairman Gross asked Robert Mears, Executive Director, Retirement Administration Agency, if the three Retirement System Boards supported the recommendation to consolidate the investment advisory role, in which specific investment managers are selected across all three plans. Mr. Mears responded that, due to meeting schedules, not all Boards have had an opportunity to discuss the recommendation. Staff was directed to advise the Board following the completion of those discussions.

Chairman Gross noted that the review of retiree health care options is an ongoing process; the budget Q and A requested earlier in the meeting will address that topic, in part.

It was agreed that the consensus of today's meeting would be included in the Budget Guidelines:

- The defined benefit plan model will be retained for current employees and for new hires.
- Any modifications to the retirement plans will be prospective, applying only to new hires after the date the ordinances are revised.
- The following modifications for new hires are supported, subject to review of additional information from staff:
 - Increase the minimum retirement age from 50 to 55- ERS
 - Increase the rule of 80 to 85 – ERS
 - Cap the use of sick leave for retirement eligibility/calculation at 2,080 hours-all three systems
 - Remove the pre-Social Security Supplement from the DROP Accounts – ERS and URS

DISTRIBUTION

Page 3

Please let me know if I can answer any questions or provide additional information.

DISTRIBUTION:

Personnel and Reorganization Committee of the Whole:

Penelope A. Gross, Chairman, Personnel and Reorganization Committee

Linda Q. Smyth, Vice Chairman, Personnel and Reorganization Committee

Sharon Bulova Chairman, Fairfax County Board of Supervisors

John C. Cook

John W. Foust

Michael R. Frey

Pat Herrity

Catherine M. Hudgins

Gerald W. Hyland

Jeffrey C. McKay

Anthony H. Griffin, County Executive

Patricia Harrison, Deputy County Executive

Susan W. Datta, Chief Financial Officer

David J. Molchany, Deputy County Executive

Robert A. Stalzer, Deputy County Executive

David P. Bobzien, County Attorney

Robert L. Mears, Executive Director, Retirement Administration Agency

Sara J. Simmons, Executive Director, Civil Service Commission

Kenneth L. Saunders, Director, Office of Human Rights and Equity Programs

Randy Creller, Chairman, EAC

John Niemiec, President, IAFF Local 2068

Karen Conchar, President, FCGEU/SEI

Michael Scanlon, President, Fraternal Order of Police, Lodge 77

Chris Cochran, President, Local5000 Police Union

Peter D. Andreoli, Jr., Office of the County Attorney

Edward E. Rose, Office of County Attorney

Cathy Chianese, Office of the County Executive