FAIRFAX COUNTY
VIRGINIA



Retirement Systems and Board Consolidation Overview

Board of Supervisors Budget Committee Meeting

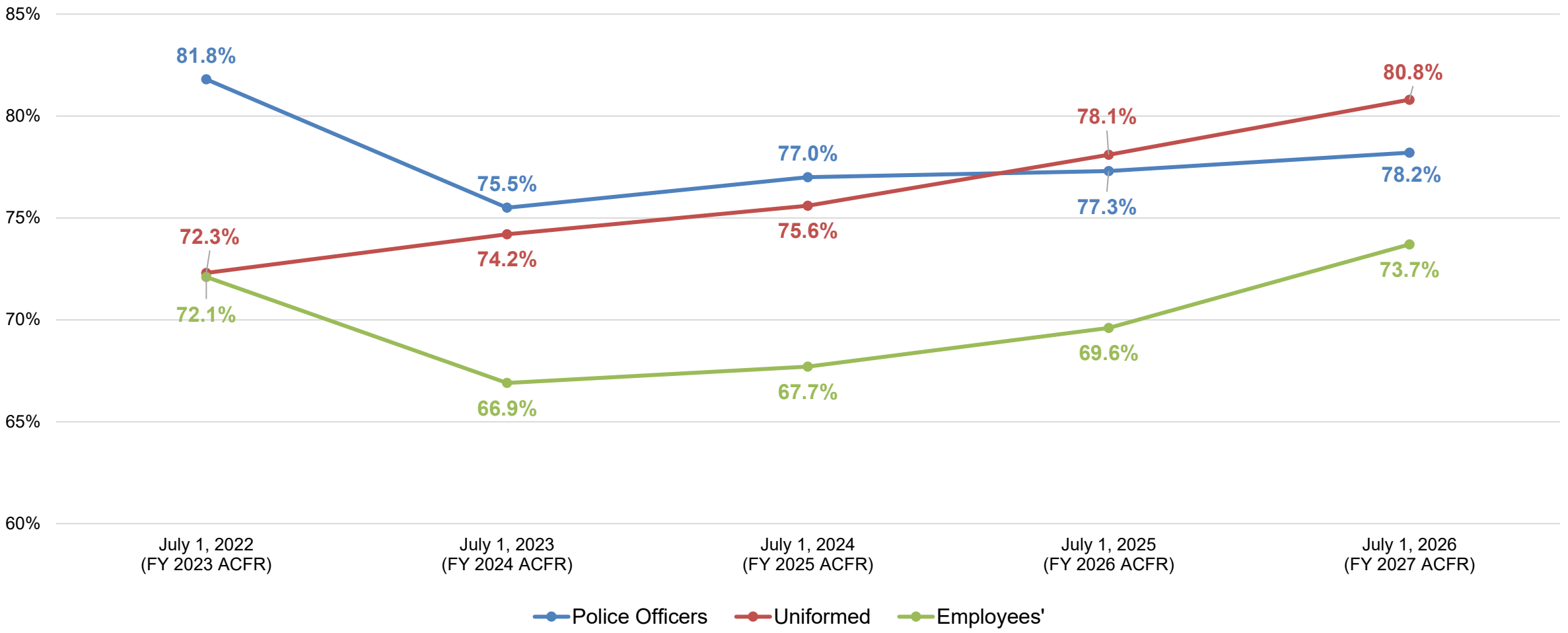
November 24, 2026

Retirement Systems Overview

- Fairfax County maintains three defined benefit pension systems
- Systems are funded through a combination of employer and employee contributions and investment earnings
- Each system uses a conservative, closed 15-year amortization period

System	Market Value of Assets ($ in millions)	Actuarial Accrued Liability ($ in millions)	Funded Ratio (MVA/AAL)
Employees'	$6,169.6	$8,376.2	73.7%
Uniformed	$2,698.6	$3,340.8	80.8%
Police Officers	$2,250.8	$2,877.9	78.2%

Retirement Systems Funding Ratios



County Retirement Guidelines

- In response to rating agency feedback, as part of the adoption of the FY 2016 Budget, the County's Board of Supervisors approved a multi-year strategy to improve the funding position of the County's retirement systems.

  1. The County will amortize 100% of the unfunded actuarial accrued liability for all systems, still using a conservative 15-year amortization period. *(Codified in Fairfax County Code)*

  2. Until each system reaches 100% funded status, the County will not reduce employer contributions for that system.

  3. Any additional liability created as a result of approved benefit enhancements will be fully funded. It is the intent that no adjustments to benefit levels will reduce the funded status of any of the systems. *(Codified in Fairfax County Code)*

Agilis Study

- The Retirement Systems engaged Agilis to perform an asset-liability stress test for each of the three retirement systems.
  - Agilis has performed similar analyses for the Virginia Retirement System (VRS) and several other public pension plans.
- The study confirmed that the 6.75% assumed rate of return used by all three systems is reasonable
  - The probability of the plans' returns exceeding 6.75% over 15 years ranged from 73% to 78%

	Base Case Scenario	Worst Case Scenario
Employees'		
Expected Investment Return	7.9%	3.6%
Funded Status in 2035	102.3%	74.7%
Police Officers		
Expected Investment Return	8.0%	3.7%
Funded Status in 2035	103.3%	75.9%
Uniformed		
Expected Investment Return	8.0%	2.1%
Funded Status in 2035	102.9%	66.8%

Governance Review

- Retirement Systems staff engaged an outside expert, Funston Advisory Services, to review the governing practices of the three retirement systems.
- Overall, the consultant noted that the three systems “are generally well run,” but that, “as with any organization, improvements can always be made.” They did not note any areas that could specifically result in investment underperformance or loss of assets.
- The consultant's recommendations were, in general, for staff and the Boards to:
  - Develop comprehensive Board Governance Policy Manuals (per Board/system).
  - Revise Board operations and reporting to better utilize trustee and staff time.
  - Engage an independent investment consultant and benchmarking service provider to gain diverse perspectives, validate strategies, supplement research capabilities, and maintain checks and balances.

5-Year Experience Study

- Every 5 years, each of the three systems performs an experience study to examine economic and demographic assumptions to determine if changes are necessary
- Assumptions Unchanged:
  - Discount Rate/Assumed Rate of Return
    - Each system uses 6.75% effective July 1, 2021 (reduced from 7.25%)
- Assumptions Recommended for Changes:
  - Inflation – increase from 2.25% to 2.50%
  - Administrative Cost assumption – increase from 0.50% to 0.55% of payroll
  - Adjusted assumptions regarding salaries, DROP participation, and terminations to better match experience
  - Updated mortality table
- The Experience Study resulted in significant projected increases to employer contribution rates

Potential Board Consolidation

- Consistent with the Board's goal to reduce the number of Boards, Authorities, and Commissions, staff engaged with the County's Financial Advisor, PFM, and Deep Blue Investment Advisors, to examine whether the three Retirement Boards of Trustees could be consolidated
- A number of options – up to full consolidation – are possible, although full consolidation would require General Assembly action
  - Today's meeting is intended to get Board feedback
  - Staff would return to the Board at a future date with specific steps and timelines
- Savings are possible, even without full consolidation

Status Quo

- 3 separate Boards of Trustees
- 3 independent investment strategies

Options:

- *Consolidation of Investment Strategies only – Boards agree to develop and implement one singular strategy*
- *Increased collaboration, including joint meetings when possible*
- *Full consolidation of ERS and URS only, PORS remains separate*

Full Consolidation

- 1 Board of Trustees
- 1 unified investment strategy
- Requires General Assembly action

In all scenarios, trust funds remain segregated by plan. There is no proposal to combine funds into a single plan.

What Potential Consolidation Is and Isn't

- Consolidation IS:
  - An opportunity to streamline retirement system operations, reducing duplicative efforts and creating efficiencies
  - An opportunity to develop a more unified investment strategy, potentially resulting in net savings for all systems
  - An opportunity to reduce the number of appointees required to serve on the 3 distinct boards
- Consolidation IS NOT:
  - A proposal to change benefit levels
    - Any changes to benefits impacting current employees must be negotiated through collective bargaining
  - A plan to consolidate funds into a single plan
    - All trust funds would remain segregated by plan (ERS, URS, PORS)
- Any proposed changes would impact only the governance of the plans