

Response to Questions on the FY 2008 Advertised Budget Plan

Request By: Supervisor DuBois

Question: The budget indicates that “it is anticipated that additional adjustments will be made in subsequent years to continue to reduce the employee contribution rate for the Police” retirement system. The contribution increase this year is \$1.4 million, including a \$0.4 million retiree cost of living benefit enhancement and a \$1.0 million benefit enhancement resulting from a reduction in the employee contribution rate from 12.00 to 11.00 percent of pay. What is the current Fire Department contribution to retirement? What percentage do general schedule County employees contribute? What is the anticipated total cost to the County of adjusting police benefits? Why was this year selected to make this adjustment?

Response:

The chart below summarizes the FY 2008 Advertised employer and employee contribution rates for the Uniformed, Employees’, and Police Officers retirement systems. Uniformed employees of the Fire and Rescue Department, as well as uniformed Office of the Sheriff employees, Animal Control Officers, helicopter pilots, and non-administrative staff in the Department of Public Safety Communications participate in the Uniformed Retirement System. General County employees, as well as certain Fairfax County Public Schools (FCPS) employees, participate in the Employees’ Retirement System. Employer contributions for employees in General Fund agencies are consolidated and paid from Agency 89, Employee Benefits. As such, employer contribution amounts are not available by specific department, including the Fire and Rescue Department.

| Retirement System Contribution Rates | | | |
|---|------------------|-----------------------------------|------------------------|
| FY 2008 Advertised | | | |
| | Uniformed | Employees’ | Police Officers |
| Employer Rate | 26.01% | 9.55% | 21.00% |
| Employee Rate | 7.08% | 4.00 % (Plan A) 5.33% (Plan B) | 11.00% |

An analysis was conducted of Police Officer benefits in surrounding jurisdictions. The analysis concluded that lowering the employee contribution rate would reduce Police Officers’ out-of-pocket costs and make the Police benefits package more competitive with surrounding jurisdictions. More specifically, the percentage of pay that Police Officers contribute to the retirement system is higher in Fairfax County than in several surrounding localities. In addition, because Police Officers do not participate in social security, nor receive social security benefits unless they qualify through other employment, Police Officers’ net income replacement ratio at retirement is lower than that of other County retirees who do participate in social security. Lowering the employee contribution rate will provide Police with a more equitable and competitive benefits package.

It should be noted that no commitment has been made as to how much the Police employee contribution rate will be reduced in future years. However, if the Police employee contribution rate is reduced to 7.00 percent of pay, a level similar to that of the Uniformed system, the estimated total cost would be \$5,329,413, which could be phased in over a five-year period from FY 2008 to FY 2012, including the \$1.0 million included as part of the FY 2008 Advertised Budget Plan. This assumes a 1.00 percentage

point reduction in the employee contribution rate each fiscal year, with a corresponding 1.00 percentage point increase in the employer contribution rate.

| Police Officers Retirement System Projected Phase-In of Contribution Rate Changes | | | | | |
|--|-------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | FY 2008 (Proposed) | FY 2009 (Projected) | FY 2010 (Projected) | FY 2011 (Projected) | FY 2012 (Projected) |
| Employer Rate | 21.00% | 22.00% | 23.00% | 24.00% | 25.00% |
| Employee Rate | 11.00% | 10.00% | 9.00% | 8.00% | 7.00% |