

Response to Questions on the FY 2012 Budget

Request By: Supervisor Foust

Question: Please provide a detailed analysis of the VRS reserve including when it was first established and at what funding level as well as the current status of the reserve as part of the FY 2011 Carryover Review. Please detail any additions to the reserve since it was first established as well as all uses of the reserve.

Response: The following response was prepared by Fairfax County Public Schools:

To mitigate state budget reductions to localities, the General Assembly in FY 2011 adopted a significantly lower Virginia Retirement System (VRS) employer contribution rate of 3.93 percent as compared to the actuarially recommended rate of 12.91 percent and as compared to the FY 2010 rate of 8.81 percent. As a result, FCPS was able to set aside savings resulting from the decrease in the VRS rate. The VRS Reserve was established on May 20, 2010, when the FY 2011 Approved Budget was adopted. At that time, a total of \$45.0 million in recurring savings was placed in the reserve. Although the lower rate set by the General Assembly reduced the contributions that FCPS was required to pay to VRS in 2011 and 2012, FCPS will be required to repay the underfunded difference in future years. The School Board and County Board of Supervisors authorized the creation of a reserve, from the VRS expenditure savings, to meet this obligation.

In FY 2012, the one-time savings of \$45.0 million from FY 2011 was available along with \$45.0 million that recurred in FY 2012. From this recurring funding a total of \$29.4 million was used from the reserve to fund VRS rate increases for FY 2012. Therefore, at the end of FY 2012, a total of \$60.6 million will be available in the VRS reserve. Based on the actuarially determined rates, this will be insufficient to meet the required rate increases.