

Response to Questions on the FY 2016 Budget

Request By: Supervisor Herrity

Question: How much money would be saved if the Pre-Social Security Benefit were eliminated for future hires? Please include both the County and FCPS. Do any surrounding jurisdictions have such a benefit?

Response: The Pre-Social Security Benefit of the Employees' Retirement System and the Uniformed Retirement System integrate the County's pension benefits with Social Security benefits. The Pre-Social Security Benefit provides a supplement from retirement until the retiree becomes eligible for unreduced Social Security benefits, so that the retiree's income prior to Social Security full retirement age is similar to the total pension and Social Security income they will receive after reaching the age for unreduced Social Security benefits. The integration of pension benefits with Social Security benefits is common in other pension systems in the area, though the structure of the integration varies by system.

- The Federal Employees Retirement System (FERS), which provides pension benefits to Federal civilian employees, provides an Annuity Supplement for retirees under the age of 62. The FERS Annuity Supplement represents the amount of Social Security benefits that would be received for the retiree's FERS civilian service.
- The Virginia Retirement System (VRS) covers state employees and Fairfax County Public Schools employees, as well as the employees of other local jurisdictions such as the City of Alexandria, Loudoun County, and Prince William County.
 - VRS includes an Advance Pension Option, which allows retirees to elect to receive a temporary increase in their monthly benefit until an age of their choosing between age 62 and Social Security full retirement age. The monthly benefit is then permanently reduced after the chosen age.
 - For hazardous duty positions, VRS provides a supplement until the retiree reaches normal retirement age under Social Security.
- Arlington County allows retirees to elect a Social Security Option, which provides a temporary increase in the retirement benefit until the retiree reaches Social Security full retirement age, after which the retirement benefit is reduced.

An actuarial study would be required to determine the amount of savings that would result from eliminating the Pre-Social Security Benefit for future hires. However, it should be noted that changes affecting only new hires take time to generate significant savings. If this change were implemented for new hires during FY 2016, the first year that savings would be realized in the employer contribution rates to the retirement systems would be FY 2018. Savings are anticipated to be small initially, but would grow over time as more employees are hired under the new provisions.