

Response to Questions on the FY 2011 Budget

Request By: Board of Supervisors

Question: Please provide an update on FY 2010 retirement cost requirements based on the state's budget proposal: How much total funding did FCPS budget for VRS in the FY 2011 Advertised Budget, and how does this total compare with FY 2010 Approved funding levels? What is the anticipated savings to FCPS using the lower VRS rates included in the state's budget conference report, and how do these compare with the VRS rate assumptions in FCPS' advertised budget? How much will the lower rate save FCPS?

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

Fiscal Year 2010

A Virginia Retirement System (VRS) premium holiday for local school divisions during the fourth quarter of FY 2010 is included in the Governor's amendments to the state budget. As a result of the VRS premium holiday, the amount of VRS revenue received from the state is reduced by \$3.5 million. In addition, an expenditure savings of \$29.0 million will be achieved for a net savings of \$25.5 million. During the FY 2010 Third Quarter Review, the net savings was set aside for the FY 2011 beginning balance.

Fiscal Year 2011

The FCPS FY 2011 Advertised Budget assumes a \$217.5 million cost for VRS, which represents a projected employer contribution of \$156.8 million and a 5.0 percent employee contribution of \$60.7 million, paid by FCPS. The \$217.5 million projected at the FY 2011 advertised reflects a \$53.3 million budgeted increase in VRS costs as based on the 12.91 percent VRS employer contribution rate certified by the VRS Board of Trustees in October 2009 compared to the FY 2010 Approved Budget.

The Virginia General Assembly recommended that the VRS employer contribution rate instead be limited to 3.93 percent in FY 2011, a significant decrease compared to the VRS actuarially determined rate of 12.91 percent and a decrease compared to the FY 2010 actual employer contribution rate of 8.81 percent. The employee contribution rate remained unchanged at 5.0 percent.

If the Governor approves 3.93 percent as the FY 2011 employer contribution rate, FCPS' total contribution will decrease by \$109.1 million compared to the FY 2011 Advertised Budget. The \$109.1 million savings is short-term because the state's current plan is to have employers "catch up" on contributions through supplemental payments above any increases to annual contributions over a ten year period beginning in FY 2013.