



## Potential For More Progress on Pension Reform

November 15, 2018

**\*CORRECTED LINK TO STAFF REPORT\***

The Fairfax County Board of Supervisors finally appears poised to make additional changes to the County's unsustainable pension plan. After delaying action for the last three years, a number of options have been advertised for a public hearing at the Board of Supervisors meeting on November 20th at 4:30. There has been some Board support for adopting the entire package but the outcome is far from certain.

At its June 26th meeting, the Board removed the staff proposed change with the biggest (approximately 10%) cost saving. This change would have increased the employees' contributions to pensions by 1% to 6% for general county employees. If the remaining package is adopted, it will reduce pension costs for new employees by approximately 15% and will still leave County employees with a pension plan better than any of our surrounding jurisdictions. While I believe the Board missed the opportunity to develop an overall compensation plan that would provide a mix of salary, pensions, and benefits that would attract the best employees and teachers, these changes are meaningful and I plan to support the package.

Currently, employees that begin employment with the County right out of school can retire as early as age 55 with a full pension benefit that is higher than those of surrounding jurisdictions. On top of that pension benefit they get a benefit unheard of today - a pre social security supplement - as early as age 55. The pre social security supplement is an additional county paid supplement that equals the social security payment they would have received if they were 67. Unlike real social security payments that increase with cost of living (less than 1% last year), this county paid benefit increases at a guaranteed 3%. These retirement benefits are far in

excess of what is typical in today's work environment - even in the public sector. They are also expensive and compete with the County's ability to fund the high quality services our residents expect and pay competitive salaries to our employees and teachers. They have also been a key driver in the increase in homeowner taxes.

Pensions alone currently cost the County 30 cents on top of every payroll dollar (about 70 cents if you include all benefits). Funding our pension liabilities competes with employee and teacher salary increases and our ability to fund the high quality of services County residents have come to expect. Since joining the Board in 2008 I have been advocating to address our compensation and pension issues. At my urging the Board made some changes in 2013 including raising the retirement age from 50 to 55.

County staff did an outstanding job of simplifying this very difficult material; here is a link to that summary:

<https://www.fairfaxcounty.gov/budget/sites/budget/files/assets/documents/retirement-system-review/retirement-system-review-5-22-18.pdf>

The changes are anticipated to take effect for new employees hired after July 1, 2019 and because they appropriately impact new employees only, much of the savings will be in future years.

The proposed changes are summarized below:

- Increasing the Minimum Retirement Age from 55 to 60
- Increasing the Rule of 85 to the Rule of 90 - age plus years of service will need to be 90 for full retirement for general county employees
- Eliminating the Pre Social Security Supplement - basically county paid social security at retirement until social security age
- Increasing the Salary Averaging Period from 3 years to 5 years
- Eliminate the Provision that automatically increases the retirement annuity by 3% annually

It is important that Supervisors hear from residents at the Board meeting on November 20th with your opinions on the package. If you would like to submit a testimony or testify at the public hearing, you can sign up on the County website [here](#).

As always, please let me know if you have any thoughts or comments.

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