ARLINGTON COUNTY, VIRGINIA

County Board Agenda Item
Meeting of November 19, 2011

DATE: **October 28, 2011**

SUBJECT: Request to advertise amendments to Chapters 21, 35 and 46 of the Arlington County Code.

C. M. RECOMMENDATION:

Advertise for a public hearing on December 10, 2011 regarding the proposed amendments to Chapters 21, 35 and 46 (Retirement System) of the Arlington County Code.

ISSUES: This is a proposal to amend Chapters 21, 35 and 46 of the County Code (Retirement Systems). County Board approval is required for Code changes. One employee group has raised concerns about recommendation 8.

SUMMARY: The proposed amendments:

1. Authorize the County Manager, based on business necessity, to create an early retirement buy-out option for Chapters 21, 35 and 46.
2. Provide that Chapter 46 employees who work part of their career as a public safety employee and part of their career as a general employee will receive a retirement allowance recognizing their dual service to the County.
3. Amend Chapter 46 to provide an option to employees who were vested as of April 18, 2008, to choose the prior retirement allowance calculation using their final average salary as of January 3, 2009.
4. Permit elected officials to join the retirement system at any time and to buy back service with interest.
5. Authorize the County Manager to create an option for newly hired employees in the Management Accountability Program (MAP) to participate in a (new or enhanced) deferred compensation plan in lieu of the Chapter 46 Defined Benefit Retirement Plan.

County Manager: BMD/mjs

County Attorney:

Staff: Marcy Foster, Human Resources

27.

6. Provide more flexibility in electing the Chapter 46 Social Security Leveling option by allowing the leveling to continue through to a member's Social Security normal retirement age, rather than to age 62 or age 65 as currently codified.
7. Implement a technical change to Chapters 21 and 46 regarding how a former member communicates their desire to receive a deferred vested benefit in the future which will result in streamlined administrative processes.
8. Implement a technical clarification indicating that the actuarial report required for amendments may be produced by an actuary selected by the Retirement Board or the County Manager.

BACKGROUND: The County Board previously adopted recommendations 1 through 7. By action in November 2009, the Board adopted recommendations 1 through 4 after a public hearing and testimony. By action in December 2010, the Board adopted recommendations 5 through 7 after a public hearing. In both November 2009 and December 2010, actuarial statements from the County's contracted actuary (Nyhart) indicated that these changes will have either no impact or a nominal impact on the retirement fund. The statements are appended as Attachments 2 through 5.

Following adoption of these recommendations the County Attorney and County Manager determined that the previous Board action should have been supported by an analysis from the Retirement Board's actuary as required by County Code.

Although recommendations 1 through 7 have been implemented, and they have proven to be beneficial to County operations and have had no adverse impact on the integrity of the retirement plan, the County Board must readopt these recommendations with the appropriate actuarial analysis attached. These 7 recommendations are resubmitted for approval with no changes to the previously adopted Code language.

The final recommendation would permit an analysis by either the Retirement Board **or** County contracted actuary to satisfy the Code requirement for a financial analysis for Code amendments. This is the only amendment that was not previously approved by the Board. It was brought before the Board at the March 2011 meeting and was pulled from the consent agenda. The County Manager pulled the report at the recessed meeting to allow more time to discuss this amendment with employee groups. These meetings have subsequently occurred.

DISCUSSION: The seven recommendations previously adopted by the Board provided the Manager with essential tools to deal with the budget and staff reductions required in crafting the FY 2010 and FY 2011 adopted budgets. The first amendment allowed the County Manager to create an early retirement program based on business necessity to reduce the workforce. During certain economic conditions, it may be necessary for the County to reduce the workforce. Providing an enhanced benefit for a limited period of time may provide an incentive for employees to voluntarily retire thus reducing the need to involuntarily layoff employees. This is a common practice in organizations with pension plans and the option was designed to have a nominal financial impact to the Retirement System. This option was used in early 2010, as the

County extended an early retirement option to County employees. Employees applied for the program and fifty were selected for the program via a double-blind public lottery.

The second amendment applies to relatively few employees who may work in both a public safety position and as a general employee during their career. The amendment provides a retirement benefit that is calculated by applying the employee's years of service as a general employee to the general employee formula and an employee's years of service as a public safety employee to the public safety formula. This provides a benefit that is more reflective of the employee's true employment and allows employees to move back and forth between general and public safety status to better meet the needs of the County. No employees have retired under this provision since it was enacted.

The third amendment provides an option for Chapter 46 employees who were vested as of April 18, 2008, to receive a retirement allowance calculated using: their final average salary as of January 3, 2009, the former definition of creditable compensation, the prior retirement allowance formula and their total years of service. The changes made to the retirement system in January 2009, potentially had an adverse impact on approximately fifty employees. The longer these employees remain with the County, the impact lessens. This amendment ensures that no employees are adversely impacted by the changes made in 2009 to the retirement system. Five employees have retired using this option since its adoption.

The fourth amendment corrects an oversight that occurred in 2001. When the "window" to join the County's Retirement System was available ten years ago, County Board members were given a choice of not participating in the system but were not offered the option of buying back their prior service if they chose to join the system.. This amendment provides those who initially opted out of the system an opportunity to buy back participation with interest. Only one of the two Board members impacted has purchased prior service.

The fifth amendment provides flexibility for the County Manager to develop a deferred compensation plan, which could be in the form of a defined contribution plan or some other type of deferred compensation plan, as an option in lieu of the current defined benefit plan for eligible new hires in the Management Accountability Program. The new plan would have to meet State requirements and would need to be at no additional cost to the County. The purpose of such a plan is to attract employees for senior management positions who may find more value in a different structure rather than the one currently provided. A sizable portion of our newly recruited management level employees come from the private sector and are coming to the County as a second career. The current defined benefit plan rewards long careers and may not be the best option for these employees since they do not benefit from any contribution the County makes until the employee vests after five years and retires from the County. There are approximately 150 employees in the Management Accountability Program and their turnover rate is similar to that of the General employee population, approximately 11% per year. Since there is a small pool of new hires being provided this option, this amendment will not impact the sustainability of the pension plan.

This proposal applies only to those employees in the Management Accountability Program. The possibility of a broader deferred compensation plan is under review by an employee task force.

Options for expansion will come forward to the Board as part of the FY 2013 budget or sooner. Any proposal will not diminish the benefits promised to current employees and will ensure the integrity of the defined benefit plan. The County Manager has committed to bring the deferred compensation plan developed under this authority back to employee groups and the County Board prior to implementation.

The sixth amendment allows Chapter 46 members a more seamless financial transition from their retirement date until receipt of their Social Security benefits. Currently, Chapter 46 provides a Social Security leveling option that provides an enhanced pension benefit until the member reaches age 62 or age 65 (their choice), then a reduced benefit for the rest of their life. The option was intended to bridge the income gap between retirement and receipt of Social Security benefits. Since the age at which a person may now receive unreduced Social Security benefit varies based on their date of birth, our upcoming retirees will not receive Social Security benefits until after age 65. The current Code language leaves these retirees with an income gap from age 65 until the age at which they may collect unreduced Social Security benefits (a two year gap in the worst case scenario), if they select the Social Security leveling option. Since this amendment was enacted in December 2010, we have deferred changing this procedure until the amendment has been reapproved.

The seventh amendment allows the Human Resources Department to more efficiently process benefits for vested employees who leave employment prior to being eligible for retirement. Currently, in order to receive a deferred vested monthly retirement allowance upon attainment of normal retirement eligibility, the Code requires employees separating from service to provide in writing that they do not want a return of their contributions. There is no guidance provided for those former employees who do not return a written form at the time of separation. To simplify administrative processes, the County would like to make the conservative assumption that the former employee intends to collect a monthly benefit at normal retirement age so that our annual valuations can more accurately reflect potential liability. Since this was enacted in December 2010, we have deferred changing this procedure until the amendment has been reapproved.

The final amendment would allow an actuary selected by the County Manager and/or the Retirement Board to provide the actuarial report that must accompany any change to the Code. In 2004, the administration of the Retirement System was transferred from the Retirement Board to the County. At the time, many changes were made to the Code to reflect the change in responsibilities; however, this item was not updated. Normally the County initiates any benefit changes to the Code. In such a case, the County must obtain an actuarial report through a County contracted vendor. Until recently, the Retirement Board and the County used the same actuary; however, now that different actuaries are used, this amendment needs to be incorporated into Code. Additionally, having two actuaries provides a system of checks and balances for costing benefit changes. The County's actuary provides the initial cost estimate of the proposed change while the Retirement Board's actuary follows through at the end of the year, assessing any costs related to changes that occurred in the prior year. The Code change has been written such that either actuary could estimate the initial cost of a Code change, thus allowing flexibility for either party to initiate a change to the Code. For Code changes that have significant fiscal impact, this amendment also allows flexibility for both actuaries to provide an initial actuarial assessment.

The Manager has considered and rejected an alternative that would require review of Code amendments by both the County hired actuary and the actuary for the Retirement Board in all circumstances. Such a requirement would impose unnecessary costs in amendments that are technical in nature. However, the Manager commits to asking both actuaries (if they are different) to analyze the fiscal impact of **significant** benefit changes to the Code. This amendment has been discussed with the Retirement Board, Employee Council and the Retirement Sustainability Workgroup.

FISCAL IMPACT: The fiscal impact of each recommendation is summarized below. Actuarial statements are also attached.

Recommendation	**Estimated Cost to Retirement System**
1. Early retirement buy-out provision	The FY12 savings of $0.5M will continue for each fiscal year the positions remain vacant.
2. Dual service employees	None
3. Option to use pre-1/3/09 final average salary in benefit calculation.	No initial change
4. Elected officials to join system anytime and buy back prior service.	Nominal
5. Authorization for County Manager to create a new deferred compensation option for newly hired Management Accountability Program employees.	Up to a $0.4 million savings in FY12, if 100% of newly hired MAP employees opt out of the pension plan which could be redirected in whole or part to fund a new program
6. Social Security Leveling (Ch 46) to continue through member's Social Security normal retirement age, rather than age 62 or 65.	None
7. Technical change to streamline deferred vested member elections.	None
8. Actuary flexibility.	Slight increase to actuarial expenses.

AN ORDINANCE TO AMEND, REENACT AND RECODIFY CHAPTER 21 (RETIREMENT ORDINANCES) OF THE ARLINGTON COUNTY CODE.
BE IT ORDAINED that the Arlington County Code is amended, reenacted and recodified as follows:

§ 21-41. Service Retirement.

***

C. *Service Retirement – Special Conditions.* The County Manager may, once every fiscal year for period of time not to exceed sixty (60) days, offer to: 1) general employees whose age plus service equals or exceeds seventy-eight (78), and 2) public safety employees who are fifty (50) or more years old and have completed five (5) years of service or have completed twenty-three (23) years of service, regardless of age, service credit for an additional one (1) year of service and/or an additional one (1) year of age, provided the employee submits an application for retirement within the timeframe prescribed by the County Manager.

The County Manager may do so only after the Manager determines that there is a business necessity to reduce the workforce for budgetary reasons.

***

§ 21-48. Benefits upon Withdrawals from Employment or Death.

***

B. If a member has ceased to be an employee, other than by death or by retirement, after completion of five (5) or more years of service and has not elected in writing as prescribed by the County Manager to withdraw the total amount of his contribution account, he will ~~not~~ be eligible to receive a deferred vested retirement allowance commencing on his normal retirement date.

***

AN ORDINANCE TO AMEND, REENACT AND RECODIFY CHAPTER 35 (RETIREMENT ORDINANCES) OF THE ARLINGTON COUNTY CODE.
BE IT ORDAINED that the Arlington County Code is amended, reenacted and recodified as follows:

§ 35-36. Service Retirement.

***

D. *Service Retirement – Special Conditions.* The County Manager may, once every fiscal year for period of time not to exceed sixty (60) days, offer to: (i) general employees whose age plus service equals or exceeds seventy-eight (78), and (ii) public safety employees who are fifty (50) or more years old and have completed five (5) years of service or have completed twenty-three (23) years of service, regardless of age, service credit for an additional one (1) year of service and/or an additional one (1) year of age, provided the employee submits an application for retirement within the timeframe prescribed by the County Manager.

The County Manager may do so only after the Manager determines that there is a business necessity to reduce the workforce for budgetary reasons.

***

AN ORDINANCE TO AMEND, REENACT AND RECODIFY CHAPTER 46 (RETIREMENT ORDINANCES) OF THE ARLINGTON COUNTY CODE.
BE IT ORDAINED that the Arlington County Code is amended, reenacted and recodified as follows:

§ 46-1. Definitions.

***

"Fiscal year" means each twelve (12) month period ending June thirtieth.

<u>"General Member" means a member who is employed by the employer not as a Public Safety Member.</u>

***

"Party in interest" means:

(1) A fiduciary (including, but not limited to, any administrator, officer, trustee, or custodian), counsel, or employee of the System);

(2) A person, partnership, joint venture, corporation, mutual company, joint-stock company, trust, estate, unincorporated organization, association, or employee organization providing services to the System;

(3) An employer, any of whose employees are covered by the System;

(4) An employee organization, any of whose members are covered by the System;

(5) A spouse, ancestor, lineal descendant or spouse of a lineal descendant of any individual described in subparagraphs (1), (2), or (3).

<u>"Public Safety Member" means a member who is employed by the employer as a police officer, firefighter, deputy sheriff or sheriff.</u>

***

§ 46-9. Amendments.

The County Board may amend this chapter at any time. No amendment may be adopted by the County Board unless and until it is accompanied by an actuarial report prepared by an actuary selected by the Board of Trustees <u>and/or the County Manager</u> which report shall describe the effect of the amendment on the System. No amendment which requires an additional contribution to the System shall be adopted unless the additional contribution is provided. Any changes adopted on or after February 8, 1981, shall be accompanied by appropriate changes in the "Statement of Retirement Policies and Principles" adopted by the County Board.
(2-8-81; Ord. No. 00-34, 11-1-00)

***

§ 46-27. Eligibility Requirements.

A. Except for employees who are covered by § 46-44.H and persons appointed as County Manager who elect not to become members within sixty (60) days after appointment, employees of the County Board hired after February 8, 1981, who have not reached normal retirement age (age sixty-two (62)), or in the case of police officers, firefighters, and deputy sheriffs, age fifty-two (52) as of the first day of employment, and all employees of the School Board hired after February 8, 1981, and before July 1, 2001, who have not reached normal retirement age (age sixty-two (62)) are members of the System. <u>Notwithstanding the foregoing, retirement benefits under this chapter shall not be provided to employees in the Management Accountability Program, as defined in</u>

Administrative Regulation 2.7, who have entered into an agreement for inclusion in a deferred compensation plan when the agreement prohibits inclusion in any other retirement system established by the County, pursuant Virginia Code 51.1-800(D). Notwithstanding the foregoing, there shall be no age restrictions on membership for persons hired on or after January 1, 1991. Employees who did not meet the eligibility requirements related to age at the time of hire shall have the option to join the System and elect to purchase service credit for service back to January 1, 1991. Such election must be made by December, 1991.

B. Subsection A includes all officials elected by the people who are paid directly or indirectly by the County, provided they elect to become members within sixty (60) days after assuming office. Notwithstanding the foregoing, any such official otherwise eligible for membership may elect to become a member ~~between January 3, 2001 and January 31, 2001. No service credit shall be allowed for any service prior to such officials' election to become a member, whether purchased or not.~~ and may buy service credit for any part of the period under which they held office.

***

§ 46-31. Membership Service Credit.

***

B. An employee who becomes a member after re-employment and after having withdrawn the accumulated contributions contributed during his prior membership may re-establish his membership service credit for the period of his prior membership as follows:

1. If such employee were a former member of this System, by repayment to the System of the amount of his withdrawn accumulated contributions, with interest at the rate of six percent (6%) per annum from the date of withdrawal, which shall be a lump sum payment.

2. If such employee were a former member of the Arlington County Employees' Supplemental Retirement System (Chapter 21) or the Arlington County School Board Employees' Supplemental Retirement System (Chapter 35), by contributing to this System the applicable employee contribution based upon the employee's compensation during the credit period sought and the contribution rate in effect for this System, with interest at the rate of six percent (6%) per annum from the date of withdrawal, which shall be a lump sum payment.

3. An official purchasing service pursuant to § 46-27.B shall pay their contributions plus interest at the rate of six percent (6%) per annum for each full calendar year in which the contributions were not assets of the fund. The payment shall be made in a lump sum.

***

§ 46-37. Service Retirement.

A. *Normal retirement.* Any member who has attained the minimum age and completed the years of service for each member's job classification described in subsection 1 or 2 below may retire or elect to participate in the DROP upon written notification to the County Manager setting forth at what date the retirement or DROP election is to be effective provided that such effective date shall be after the member's last day of service but shall not be more than ninety (90) days subsequent to the filing of the notice.

1. A police officer, firefighter or deputy sheriff may retire or elect to participate in the DROP at the earlier of:

    a. Age fifty-two (52) with five (5) years of completed service;

    b. After twenty-five (25) years of completed service.

2. Any member who is not a police officer, firefighter or deputy sheriff may retire or elect to participate in the DROP at the earlier of either:

a. Age sixty-two (62) with five (5) years of completed service;

b. Any time where years of service, when added to age, equal at least eighty (80);

c. After thirty (30) years of completed creditable service.

B. *Early retirement.* Any member in service who has attained the minimum age and completed the years of service for such member's job classification as provided in subsection 1 or 2 below may retire upon written notification to the County Manager setting forth at what date the retirement is to be effective provided that such effective date shall be after the member's last day of service but shall not be more than ninety (90) days subsequent to the filing of the notice.

1. A police officer, firefighter or deputy sheriff may retire at age forty-two (42) if he has completed five (5) years of service.

2. A member who is not a police officer, firefighter or deputy sheriff may retire at the earlier of either:

a. Age fifty-five (55) with five (5) years of completed service:

b. Age fifty-four (54) with seventeen (17) years of completed service;

c. Age fifty-three (53) with nineteen (19) years of completed service;

d. Age fifty-two (52) with twenty-one (21) years of completed service;

e. Age fifty-one (51) with twenty-three (23) years of completed service;

f. Age fifty (50) with twenty-five (25) years of completed service.

C. *Service retirement – special conditions.* The County Manager may, once every fiscal year for a period of time not to exceed sixty (60) days, offer to: (i) general employees whose age plus service equals or exceeds seventy-eight (78), and (ii) public safety employees who are fifty (50) or more years old and have completed five (5) years of service or have completed twenty-three (23) years of service, regardless of age, service credit for an additional one (1) year of service and/or an additional one (1) year of age, provided the employee submits an application for retirement within the timeframe prescribed by the County Manager.

The County Manager may do so only after the Manager determines that there is a business necessity to reduce the workforce for budgetary reasons.
(2-8-81; Ord. No. 00-34, 11-1-00; Ord. No. 01-20, 11-17-01; Ord. No. 02-15, 6-22-02; Ord. No. 03-14, 6-14-03; Ord. No. 04-16, 6-26-04; Ord. No. 04-26, 11-16-04, effective 12-12-04; Ord. No. 09-27, 11-17-09)

§ 46-38. Service Retirement Allowance; Bridge Allowance.

A. Upon service retirement prior to January 4, 2009, a member who is ~~not a police officer, firefighter or deputy sheriff~~ a General Member shall receive an annual retirement allowance payable monthly to him for life which shall be equal to one and one-half percent (1.5%) of the member's average final compensation using creditable compensation as defined prior to January 4, 2009, multiplied by the number of years of his creditable service, not to exceed thirty (30) years.

Upon service retirement or upon entering the DROP on or after January 4, 2009, a member who is ~~not a police officer, firefighter or deputy sheriff~~ a General Member shall irrevocably elect to receive an annual retirement allowance payable monthly to him for life which shall be equal to either:

(1) one and seven-tenths percent (1.7%) of the member's average final compensation using creditable compensation as defined effective January 4, 2009 multiplied by the number of years of his creditable service; or

(2) their retirement allowance calculated as if they had ceased employment on January 3, 2009 for all years of creditable service up to January 3, 2009 plus a retirement allowance calculated by years of creditable service attained after January 4, 2009 multiplied by one and seven-tenths percent (1.7%) of average final compensation using creditable compensation as defined as of January 4, 2009.

Upon service retirement after January 3, 2009, General Members who are vested as of April 19, 2008 may irrevocably elect to receive an annual retirement allowance payable monthly to him for life which shall be calculated by one of the above two formulas or equal to one and one-half percent (1.5%) of the member's average final compensation calculated on January 3, 2009 multiplied by the total number of years of his creditable service.

Upon service retirement prior to January 4, 2009, a member who is a ~~police officer, firefighter or deputy sheriff~~ Public Safety Member shall receive an annual retirement allowance payable monthly to him for life which shall be equal to one and one-half percent (1.5%) of the member's average final compensation multiplied by the number of years of his creditable service from the first through the tenth year of service plus one and seven-tenths percent (1.7%) of the member's average final compensation multiplied by the number of years of his creditable service from the eleventh through the twentieth year of service plus two percent (2%) of the member's average final compensation multiplied by the number of years of his creditable service from the twenty-first through the thirtieth year of service. Average final compensation shall be calculated using compensation as defined prior to January 4, 2009.

Upon service retirement or upon entering the DROP on or after January 4, 2009, a member who is ~~police officer, firefighter or deputy sheriff~~ a Public Safety Member, shall irrevocably elect to receive an annual retirement allowance payable monthly to him for life which shall be equal to either:

(1) two and one-half percent (2.5%) of the member's average final compensation using creditable compensation as defined effective January 4, 2009 multiplied by the number of years of his creditable service up to the pay period ending January 3, 2009, plus two and seven-tenths percent (2.7%) of the member’s average final compensation and using creditable compensation as defined effective January 4, 2009 multiplied by the number of years of his creditable service commencing after January 3, 2009; or

(2) their retirement allowance calculated as if they had ceased employment on January 3, 2009 for all years of creditable service up to January 3, 2009 plus a retirement allowance as calculated for years of creditable service attained on or after January 4, 2009 using two and seven-tenths percent (2.7%) of final average compensation and using creditable compensation as defined as of January 4, 2009. The retirement allowance calculated as if they had ceased employment on January 3, 2009 shall include the annual bridge allowance defined in the paragraph below, while eligible to receive the bridge allowance.

Upon service retirement after January 3, 2009, Public Safety Members who are vested as of April 19, 2008 may irrevocably elect to receive an annual retirement allowance payable monthly to him for life which shall be calculated by one of the above two formulas or equal to one and one-half percent (1.5%) of the member’s average final compensation as calculated on January 3, 2009 multiplied by the number of years of his creditable service from the first through the tenth year of service plus one and seven-tenths percent (1.7%) of the member’s average final compensation as calculated on January 3, 2009 multiplied by the number of years of his creditable service from the eleventh through the twentieth year of service plus two percent (2%) of the member’s average final compensation as calculated on January 3, 2009 multiplied by the number of years of his creditable service from the twenty-first through the thirtieth year of service. If utilizing the latter monthly allowance calculation, the bridge benefit described below will be the difference in annual retirement allowance between that above formula and two percent (2%) of the member’s average final compensation as of January 3, 2009 multiplied by the total number of years of service, not to exceed thirty (30) years.

Upon service retirement, a member who is ~~police officer, firefighter or deputy sheriff~~ a Public Safety Member shall receive an annual bridge allowance, payable monthly to him until his Social Security normal retirement age as defined as of January 1, 2001 or at the early Social Security reduced benefit age if the member elects to receive Social Security at an early age. The bridge amount will be the difference between the allowance as calculated using the retirement allowance calculation in effect prior to January 4, 2009 and an allowance which shall be equal to two percent (2%) of the member's average final compensation using creditable compensation as defined prior to January 4, 2009 multiplied by the number of years of his creditable service prior to January 4, 2009, not to exceed thirty (30) years. On or before May 1 of any year which follows the year a retiree receiving a bridge benefit attains the age of sixty-two (62), the retiree shall report any Social Security benefits received in such detail, including any and all income tax returns as may be required by the County Manager**.**

Upon service retirement on or after January 1, 2010, a member who has been both a General Member and a Public Safety Member of the System during their creditable service, shall have a retirement allowance payable monthly to him for life which shall be equal to the sum of the retirement allowance as calculated for Public Safety Members using their years of creditable service as a Public Safety Member plus the retirement allowance as calculated for General Members using their years of creditable service as a General Member.

***

§ 46-44. Benefits upon Withdrawal from Employment or Death.

***

B. If a member has ceased to be an employee, other than by death or by retirement, after completion of five (5) or more years of service and has not elected in writing as prescribed by the County Manager to withdraw the total amount of his contribution account, he will ~~not~~ be eligible to receive a deferred vested retirement allowance commencing on his normal retirement date.

***

§ 46-55. Social Security Option.

A member who has retired from service pursuant to § 46-37 (service retirement) may elect to receive an increased retirement allowance until ~~age sixty-two (62) or until age sixty-five (65)~~ his Social Security full retirement age as defined as of January 1, 2001 or at the early Social Security reduced benefit age if the member elects to receive Social Security at an early age and a decreased retirement thereafter, so that a member will receive a uniform or nearly uniform retirement allowance when the member's retirement allowance is added to the member's anticipated federal Social Security primary benefits.
(2-8-81; Ord. No 10-23, 12-11-10)

***

nyhart

October 20, 2009

PERSONAL AND CONFIDENTIAL

Amy Rozier
Employee Services Division Chief
Arlington County Government
2100 Clarendon Blvd. Suite 511
Arlington, VA 22201

Dear Ms. Rozier:

Per your request, we have estimated the incremental contribution for an early retirement window described in your email dated October 9, 2009.

Our understanding of the major features of the early retirement window is:

1. Employees will be eligible for the early retirement window if they meet the following requirements:
   - Public Safety employees are allowed to retire at age 42 with 5 years of service
   - General employees are allowed to retire when their age plus years of service equal to 75 points

2. The early retirement window enhancement will grant an additional year of service for benefit purposes and an additional year of age to be used for the early retirement reduction factor calculation.

3. You have estimated the following number of employees who will be eligible for this benefit:
   - 127 Public Safety employees
   - 100 General employees
   - 100 DROP employees (either General or Public Safety) – this group is not eligible for an enhanced pension

4. You expect that 5 to 10% of the eligible employees will accept the early retirement window offer.

Our analysis was based on estimating the impact of the early retirement window for a sample General and Public Safety participant.

We estimate the incremental annual contribution for the coming period to be roughly $100,000 - $200,000 (0.1% of total covered payroll of $224 million).

8415 Allison Pointe Boulevard
Suite 300
Indianapolis, IN 46250
(p) 317-803-7723
(p) 800-428-7106
(f) 317-803-7895
www.nyhart.com

Our determinations were based on the following actuarial assumptions shown in the July 1, 2008 actuarial valuation report prepared by Cheiron:

Interest rate	8.00%
Mortality	RP-2000 Employee Mortality projected with scale AA to 2005
COLA	3.75%
Salary increases	4.50%
Retirement rates	
Pre-enhancement	As shown in Cheiron's report
Post-enhancement	Employees were assumed to retire immediately upon accepting the early retirement window

Please let us know if you have questions or need anything else.

Sincerely,

Nyhart

Randy Gomez

Randy Gomez, FSA, EA, MAAA

/el
072-90

nyhart

October 23, 2009

PERSONAL AND CONFIDENTIAL

Amy Rozier
Employee Services Division Chief
Arlington County Government
2100 Clarendon Blvd. Suite 511
Arlington, VA 22201

Dear Ms. Rozier:

Per your request, we have reviewed the proposed changes described below and developed estimated cost impacts to the Arlington Retirement System.

1. Allow County Board members to buyback prior service with interest. This amendment currently impacts two Board members as follows:

   Employee #1

   The estimated increase in pension actuarial liability is $38,000 of which $8,100 would be funded by the employee through a lump sum payment. The lump sum payment is based on the value of missed employee contributions (4.0% per year) accumulated with interest (6.0% per year) to December 31, 2009.

   Employee #2

   The estimated increase in pension actuarial liability is $18,500 of which $5,000 would be funded by the employee through a lump sum payment. The lump sum payment is based on the value of missed employee contributions (4.0% per year) accumulated with interest (6.0% per year) to December 31, 2009.

2. Change the Code to blend the pension accrual rates for individuals who were covered under different pension formulas as a result of a change in their employment category. The current Code bases the employee's final benefit on their types of employment at the time of retirement. This change would affect two current employees.

   Based on the information provided for one affected employee, the increase in pension actuarial liability to the Retirement System would be $41,000 for this individual.

3. Allowing employees to opt out of the pension plan if the County provides them with another benefit per State Code.

   You indicated these opt-out employees would be provided a replacement pension plan using a defined contribution approach. The annual employer contributions to the individual accounts would be the same dollar amount contribution that the County would have contributed to the Retirement System if the employees had not opted out. Any accrued pension benefits at the time of the opt-out decision would continue to be a liability to the Retirement System and would not increase as the affected employees earn more service or receive pay increases. This arrangement would be cost neutral to the County.

The first two changes result in a nominal cost increase to the County thru increased future pension contributions. The third change would not increase or decrease the County's future contributions for the affected employees.

Our determinations were based on the following actuarial assumptions

Interest rate	8.00%
Mortality	RP-2000 Healthy Annuitant Mortality Table projected with Scale AA to 2005
COLA	3.75%
Salary increases	4.50%; this assumption was used to estimate missing salary histories
Retirement	Employee was assumed to retire immediately upon reaching their unreduced retirement eligibility

Please let us know if you have questions about our calculations or need anything else.

Sincerely,

Nyhart

Randy Gomez

Randy Gomez, FSA, EA, MAAA

/el
072-90

nyhart

October 20, 2009

PERSONAL AND CONFIDENTIAL

Amy Rozier
Employee Services Division Chief
Arlington County Government
2100 Clarendon Blvd. Suite 511
Arlington, VA 22201

Dear Ms. Rozier:

Per your request, we have estimated the incremental contribution for allowing certain employees a one-time election to remain in the pre-2009 plan. This group of employees could potentially earn higher pension benefits under the pre-2009 plan because of the inclusion of overtime and premium pay in the final average salary calculation.

You provided us with the list of 64 affected employees and their projected incremental pension increase should they make this election.

Our calculations used the following election assumptions:

- 50% election if the pension increase is at least $500 and retires in the next five years.
- 25% election if the pension increase is at least $1,000 and retires after the next five years.
- 15% election if the pension increase is at least $500 - $1,000 and retires after the next years
- 10% election if the employee could expect a pension increase of $200 - $500
- 0% election for all other scenarios
- Based on the above assumptions, we are projecting 12 of the 64 employees to make this election.

We estimate the incremental annual contribution for the coming period to be roughly $30,000 (based on the above election assumptions) or $60,000 (worst case – if all affected employees elect the option).

Please let us know if you have questions or need anything else.

Sincerely,

Nyhart

Randy Gomez

Randy Gomez, FSA, EA, MAAA

072-90

8415 Allison Pointe Boulevard
Suite 300
Indianapolis, IN 46250
(p) 317-803-7723
(p) 800-428-7106
(f) 317-803-7895
www.nyhart.com

nyhart

October 28, 2010

PERSONAL AND CONFIDENTIAL

Amy Rozier
Employee Services Division Chief
Arlington County Government
2100 Clarendon Blvd. Suite 511
Arlington, VA 22201

Dear Ms. Rozier:

Per your request, we have analyzed the proposed pension changes described in the C.M. Recommendation dated October 20, 2010 and believe the cost impact for each change to be cost-neutral to the County.

1. Authorize the County Manager to create an option for newly hired employees in the Management Accountability Program (MAP) to participate in a new or enhanced deferred compensation plan in lieu of the Chapter 46 Defined Benefit Retirement Plan.

   This change will be cost neutral if the annual aggregate contribution for the newly hired MAP employees is the same aggregate contribution the County would have funded for those employees if they participated in the Defined Benefit Retirement Plan. Below is an example of how the cost neutrality can be achieved.

   Assume the County's 2015 employer contribution for the Defined Benefit Retirement Plan is $100,000 (10% x $1,000,000 in MAP payroll for newly hired employees). To remain cost-neutral, the County should contribute $100,000 to the newly created Defined Contribution Plan for MAP employees. As the employer's contribution rate in the Defined Benefit Retirement Plan is changed so should the MAP employer contribution.

2. Provide more flexibility in electing the Chapter 46 Social Security Leveling option by allowing the leveling to continue through to a member's Social Security normal retirement age, rather than to age 62 or age 65 as currently codified.

   The cost neutrality of this change is achieved by using updated actuarial equivalence factors that reflect the member's Social Security normal retirement age. The plan administrator responsible for the individual pension calculations will need to update their administration factors and processes for this change.

3. Implement a technical change to Chapters 21, 35, and 46 regarding how a former member communicates their wish to receive a deferred vested benefit in the future which will result in streamlined administrative processes.

   This change is an improvement to the internal procedures for administering the Defined Benefit Retirement Plan and does not affect the actuarial calculations needed to determine the funding requirements for the plan.

   Please let us know if you have questions or need anything else.

   Randy Gomez

   Randy Gomez, FSA, EA, MAAA

8415 Allison Pointe Boulevard
Suite 300
Indianapolis, IN 46250
(p) 317-803-7723
(p) 800-428-7106
(f) 317-803-7895
www.nyhart.com

November 2, 2011

VIA ELECTRONIC MAIL

Ms. Amy Rozier
Benefits Manager
Arlington County Employees' Retirement System
2100 Clarendon Boulevard, Suite 511
Arlington, Virginia 22201

Re: Estimated Fiscal Impact of Early Retirement Program Language

Dear Amy:

At your request, we have estimated the fiscal impact on the Arlington County Employees' Retirement System if the County were to amend the Code to allow the County Manager the authority to create an early retirement program in any given fiscal year. The County code requires that whenever there is a benefit change, the County contribution must be increased by the amount of the change in normal cost plus the amortization of any liability increase over a 20-year period. Such increase shall take place on the July 1 immediately following the change. The table below shows the impact on the County contribution rate if the program were offered for the current fiscal year at various election percentages.

		Early Retirement Window Study		
	7/1/2011	100%	50%	10%
($ in millions)	Valuation	Elect	Elect	Elect
Actuarial Liability	$1,623.4	$ 1,647.6	$ 1,635.5	$ 1,625.8
Actuarial Value of Assets	1,548.1	1,548.1	1,548.1	1,548.1
Unfunded Actuarial Liability	$ 75.3	$ 99.5	$ 87.4	$ 77.7
Impact due to Early Retirement Program*		$ 35.5	$ 17.7	$ 3.5
Annual Salaries of Active Members	$ 225.9	$ 196.1	$ 211.0	$ 222.9
Normal Cost Contribution	17.7%	17.4%	17.6%	17.6%
Unfunded Actuarial Liability Rate	0.0%	0.0%	0.0%	0.0%
Plan Amendment Amortization				
-- Due to 2009 Plan Changes	2.9%	2.9%	2.9%	2.9%
-- Early Retirement Program		1.3%	0.6%	0.1%
Total FY 2012-13 County Contrib. Rate	20.6%	21.6%	21.1%	20.6%
Projected FY 2012-13 County Contrib.	$ 47.1	$ 42.7	$ 45.0	$ 46.6

* *Includes both the change in the Unfunded Actuarial Liability and decrease in amount anticipated to be collected for 2009 Plan changes due to lower projected payroll.*

Based on the information received, employees that would be eligible for the early retirement window are those general employees whose age plus service equals or exceeds 78 and Public Safety employees who are fifty or more years or older and have at least five years of service or have completed at least 23 years of service, regardless of age. Participants who elect to retire under this program will be awarded an additional year of service and/or an additional year of age. Based on the census data provided for performing the July 1, 2011 actuarial valuation, there are 393 participants eligible for the program if it was offered as of such date.

In addition, it is important to note the following in reviewing the results in the table:

- The study was based off of awarding both an additional year of service and age to those who elect to retire under the program. If an additional year of age or service was awarded instead of both, then the impact would be less.
- If less than 100% elect to retire under the program, the actual impact on the System depends on the characteristics of those persons and is likely to differ from the estimates shown above.
- The table above only shows the impact if the County Manager were to offer the early retirement program to those eligible as of June 30, 2011. The actual cost in any subsequent fiscal year is dependent upon the number of people eligible in that year, the number of eligible persons who elect to retire under the program and the demographic characteristics of that group.
- Since the intent of the early retirement program is to reduce the workforce, we have assumed that the vacated positions left by those participants electing to retire under this program remain unfilled. Therefore, the payroll shown above varies accordingly. If any of these positions are filled, these amounts will differ.
- The normal cost rate shown above is a blended rate for general and Public Safety employees. The underlying normal cost rate for both of these groups remained the same. The decline in the blended normal cost rate shown is a result of a greater percentage of Public Safety participants being eligible for the window.

The assumptions used in producing these projections are those shown in our most recent actuarial valuation report as of June 30, 2011 with the exception that the participants who elect to retire under the early retirement program do so immediately. The data used in these projections is that provided for preparation of the June 30, 2011 actuarial valuation. To the extent that actual plan experience deviates from the underlying assumptions, the results would vary accordingly.

This report was prepared exclusively for Arlington County for the purpose of determining the fiscal impact of certain proposed changes that would affect the System. This report is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

In preparing this letter report, we relied, without audit, on information supplied by the Retirement System. This information includes, but is not limited to, plan provisions, employee data, and financial information.

We hereby certify that, to the best of our knowledge, this report and its contents, which are based on the information and data supplied by the Retirement System are work products of Cheiron, Inc. These work products are complete and accurate and have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

Sincerely,
Cheiron

Kevin J. Woodrich, FSA, EA, MAAA	Stephen T. McElhaney, FSA, EA, MAAA
Consulting Actuary	Principal Consulting Actuary

November 2, 2011

VIA ELECTRONIC MAIL

Ms. Amy Rozier
Benefits Manager
Arlington County Employees' Retirement System
2100 Clarendon Boulevard, Suite 511
Arlington, Virginia 22201

Re: Proposed Language for Dual Service

Dear Amy:

At your request, we have estimated the fiscal impact on the Arlington County Employees' Retirement System if the County were to permit Chapter 46 employees who work part of their career as a Public Safety employee and part of their career as a General employee to receive a retirement allowance that recognizes their dual service to the County. Prior to this proposed change, it is our understanding that the benefit for someone with dual service was calculated based on the type of employment at retirement. Thus, a long tenured Uniformed employee who finished his or her career as a General employee had their benefit calculated as if their entire career was worked as a General employee. The proposed change would credit this same employee with a benefit for any service earned as a Uniformed employee based on the multiplier for Uniformed employees. The liability for this employee would increase because the Uniformed multiplier is greater. Conversely, a long tenured General employee who finishes his or her career as a Uniformed employee would result in the liability decrease from what was previously administered. Over time, the true cost of this proposed change will depend upon the actual number of future dual service employees and whether they move from Uniformed to General or vice versa.

In performing our analysis, we relied on the information provided from your office for the one affected participant who went from a Uniformed to General employee. The affected participant worked 15.6 years as a Uniformed employee prior to becoming a General employee. The estimated increase in actuarial liability as of July 1, 2011 for the one affected participant identified is $70,000.

This report was prepared exclusively for Arlington County for the purpose of determining the fiscal impact of certain proposed changes that would affect the System. This report is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

In preparing this letter report, we relied, without audit, on information supplied by the Retirement System including specific information regarding the one affected participant impacted by the proposed change. This information also includes, but is not limited to, plan provisions, employee data, and financial information.

The assumptions and methods are the same as those shown in our most recent actuarial valuation report as of June 30, 2011. To the extent that actual plan experience deviates from the underlying assumptions, the results would vary accordingly.

We hereby certify that, to the best of our knowledge, this report and its contents, which are based on the information and data supplied by the Retirement System are work products of Cheiron, Inc. These work products are complete and accurate and have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

Sincerely,
Cheiron

Kevin J. Woodrich, FSA, EA, MAAA	Stephen T. McElhaney, FSA, EA, MAAA
Consulting Actuary	Principal Consulting Actuary

November 2, 2011

VIA ELECTRONIC MAIL

Ms. Amy Rozier
Benefits Manager
Arlington County Employees' Retirement System
2100 Clarendon Boulevard, Suite 511
Arlington, Virginia 22201

Re: Cost Study

Dear Amy:

The results of this study were originally communicated in a draft letter dated October 22, 2009 to Marcy Foster. The calculations performed were based on the assumptions and methods in effect at the time as described below.

As requested, we have estimated there to be an additional liability of approximately $0.7 million to the Arlington County Retirement System associated with the projected annual retirement differences for the 64 employees provided by the County. Because of the relatively small amount, this benefit change would not initially change the County contribution. However, as experience evolves, the contribution would be expected to increase so that the present value of additional County contributions ultimately will equal $0.7 million.

Our understanding is that these benefits are due to a one-time election to use the prior benefit formula with average final earnings as of January 4, 2009 in lieu of the new benefit formula and definition of compensation for service after January 4, 2009. In addition, the accrued benefits as of January 4, 2009 (the date the formula changed) will remain unchanged regardless. We further understand that this applies only to retirement benefits and not to benefits payable on disability or death.

In performing our calculations, we relied on census data provided by your office in June 2009 including estimated additional benefits provided by the County for 64 employees, 20 uniformed and 44 general employees. We calculated the additional liability by multiplying the projected annual retirement difference provided by a deferred annuity factor from July 1, 2009 to the projected retirement date listed in your data. We were able to obtain dates of birth for all but one individual by using the census data for the most recent valuation. Annuity factors were based on the mortality table recently adopted by the Board, RP-2000 Health Annuity projected to 2010. RP-2000 Employee Mortality projected with Scale AA to 2010 and RP-2000 Employee Mortality with Blue Collar Adjustment projected with Scale AA to 2010 were used for general and uniformed employees, respectively, for mortality rates for ages prior to 50.

Cheiron did not audit any of the data provided by the County. This includes any of the projection techniques the County used to develop the annual retirement difference. To the extent that future experience deviates from assumptions or the annual difference provided by the County differs, the results may vary significantly. However, given the magnitude of the change, we have not evaluated the emerging experience of this change.

This letter was prepared exclusively for Arlington County for the purpose of determining the fiscal impact of certain proposed changes that would affect the System. This report is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

We hereby certify that, to the best of our knowledge, this report and its contents, which are based on the information and data supplied by the Retirement System are work products of Cheiron, Inc. These work products are complete and accurate and have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

Sincerely,
Cheiron

Kevin J. Woodrich, FSA, EA, MAAA
Consulting Actuary

John L. Colberg, FSA, EA, MAAA
Principal Consulting Actuary

November 2, 2011

VIA ELECTRONIC MAIL

Ms. Amy Rozier
Benefits Manager
Arlington County Employees' Retirement System
2100 Clarendon Boulevard, Suite 511
Arlington, Virginia 22201

Re: Buy Back Service for Elected Officials

Dear Amy:

At your request, we have estimated the fiscal impact on the Arlington County Employees' Retirement System if the County were to permit elected officials to join the System at any time and to buy back service with interest. In performing our analysis, we relied on the information provided from your office for the two elected officials impacted. It is also our understanding that no future elected officials will be impacted since they are now required to opt-in at the time of the election.

The results for the two officials were as follows:

- <u>Employee #1</u>
  The estimated increase in actuarial liability as of July 1, 2011 is $36,400 for the purchase of three years of prior service (from 1/1/1998 to 1/1/2001.) This increase will be partly funded by a lump sum payment of approximately $6,700 equal to the missed employee contributions attributable to this period and accumulated with 6.0% interest for each full calendar year to July 1, 2011. We used an employee contribution rate of 5% per year since this was the rate in effect during such time. Please advise if this is incorrect.
- <u>Employee #2</u>
  The estimated increase in actuarial liability as of July 1, 2011 is $63,400 for the purchase of five years of prior service (from 2/1/1996 to 2/1/2001.) This increase will be partly funded by a lump sum payment of approximately $10,800 equal to the missed employee contributions attributable to this period and accumulated with 6.0% interest for each full calendar year to July 1, 2011. We used an employee contribution rate of 5% per year since this was the rate in effect during such time. Please advise if this is incorrect.

The County code requires that, whenever there is a benefit change, the County contribution must be increased by the amount of the change in normal cost plus the amortization of any liability increase over a 20-year period. Such increase shall take place on the July 1 immediately following the change. Should this change be adopted, the County would not need to increase its contribution because the change in both normal cost and actuarial liability is *de minimis,* less than 0.003% of pay.

This report was prepared exclusively for Arlington County for the purpose of determining the fiscal impact of certain proposed changes that would affect the System. This report is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

In preparing this letter report, we relied, without audit, on information supplied by the Retirement System including specific information regarding the two elected officials impacted by the proposed change. This information also includes, but is not limited to, plan provisions, employee data, and financial information.

The assumptions and methods are the same as those shown in our most recent actuarial valuation report as of June 30, 2011. To the extent that actual plan experience deviates from the underlying assumptions, the results would vary accordingly.

We hereby certify that, to the best of our knowledge, this report and its contents, which are based on the information and data supplied by the Retirement System are work products of Cheiron, Inc. These work products are complete and accurate and have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

Sincerely,
Cheiron

Kevin J. Woodrich, FSA, EA, MAAA
Consulting Actuary

Stephen T. McElhaney, FSA, EA, MAAA
Principal Consulting Actuary

August 2, 2011

VIA ELECTRONIC MAIL

Ms. Amy Rozier
Benefits Manager
Arlington County Employees' Retirement System
2100 Clarendon Boulevard, Suite 511
Arlington, Virginia 22201

Re: Estimated Fiscal Impact on Defined Benefit Retirement System

Dear Amy:

At your request, we have estimated the fiscal impact on the Arlington County Employees' Retirement System if the County were to adopt any of the following:

Authorize the County Manager to create an option for newly hired employees in the Management Accountability Program (MAP) to participate in a (new or enhanced) defined contribution plan in lieu of the Chapter 46 Defined Benefit Retirement Plan.

We have produced the table on the following page showing the projected County contributions to the Retirement System over the next ten years under two scenarios. The first scenario (status quo) assumes that all of the newly hired employees in the Management Accountability Program elect to participate in the current defined benefit retirement plan. Conversely, the second scenario assumes that all of these newly hired MAP employees elect to participate in the defined contribution plan. Under the second scenario, any County contributions made on behalf of the newly hired MAP employees to a defined contribution plan have not been included in the results shown on the following page.

The assumptions used in producing these projections are those shown in our most recent actuarial valuation report as of June 30, 2010. The data used in these projections is that provided for preparation of the June 30, 2010 actuarial valuation as well as the file containing 146 MAP employees. The projection assumes that each MAP employee is replaced and that the average demographic characteristics of the newly hired MAP employees will mirror those of existing MAP employees. To the extent that actual plan experience deviates from the underlying assumptions, the results would vary accordingly.

The projections shown on the following page assume that assets will return 23.7% for the plan year ended June 30, 2011 and 7.5% per year thereafter. The 23.7% return for the plan year ended June 30, 2011 is based on an estimated market value of assets of $1,535.7 million as communicated to us by the Retirement System. The projections further assume that no liability gains or losses will occur throughout the projection period.

Fiscal Year Ending June 30,	New Hires Elect DB (a) Projected Payroll ($mil)	(b) Expected County Contrib. ($mil)	New Hires Elect DC (c) Projected Payroll ($mil)	(d) Expected County Contrib. ($mil)	Difference (e) = [(c) – (a)] In Projected Payroll ($mil)	(f) = [(d) – (b)] In Expected County Contrib. ($mil)	(g) = [(f) ÷ (e)] Contrib. Difference as % of Payroll Difference
2011	$ 216.8	$ 44.4	$ 216.8	$ 44.4	$ 0.0	$ 0.0	N/A
2012	225.5	46.7	224.0	46.3	(1.5)	(0.4)	26.7%
2013	234.5	52.3	230.9	51.5	(3.6)	(0.8)	22.2%
2014	243.9	59.3	239.4	58.2	(4.5)	(1.1)	24.4%
2015	253.7	65.4	247.8	64.3	(5.9)	(1.1)	18.6%
2016	263.8	62.0	256.6	60.7	(7.2)	(1.3)	18.1%
2017	274.3	58.7	266.0	57.1	(8.3)	(1.6)	19.3%
2018	285.3	60.5	275.6	58.7	(9.7)	(1.8)	18.6%
2019	296.7	62.6	285.4	60.8	(11.3)	(1.8)	15.9%
2020	308.6	65.1	295.7	62.7	(12.9)	(2.4)	18.6%

In addition, it is important to note the following in reviewing the results in the table:

- If fewer than 100% of new MAP employees elect to join the defined contribution plan in lieu of the defined benefit plan, then the difference in projected contributions to the defined benefit plan will be less that what is shown above. However, the decrease in the difference is unlikely to be proportional to the percentage electing the defined benefit plan. For example, if only 50% of new MAP employees elect to join the defined contribution plan, then the difference in projected contributions will likely be less than 50% of the amount shown above in column F. This is due to anti-selection, which is to say that each participant will elect what is best for himself which in turn becomes more costly for the County. Accordingly, the projected amounts shown above can vary significantly based on actual experience.
- The effects of the contribution corridor method could cause the amount of the difference in projected contributions in a given year not to directly reflect the amount of true contribution difference related to persons electing to join the defined contribution plan.
- The total payroll of projected new uniformed MAP employees is higher in the earlier years than for new general MAP employees. Since the normal cost rate for uniformed employees is higher than for general employees, this causes the contribution difference as a percentage of pay to be higher in general in the earlier years than in the later years of the projection above.

Provide more flexibility in electing Chapter 46 Social Security Leveling option by allowing the leveling to continue through to a member's Social Security normal retirement age, rather than age 62 or age 65 as currently codified.

There is no additional liability to the Retirement System provided that updated actuarial equivalence factors are used in converting the member's benefit to this optional election at retirement.

Implement a technical change to Chapters 21 and 46 regarding how a former member communicates their desire to receive a deferred vested benefit in the future which will result in streamlined administrative procedures.

This administrative change has no impact on the funding calculations for the Retirement System.

This report was prepared exclusively for Arlington County for the purpose of determining the fiscal impact of certain proposed changes that would affect the System. This report is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

In preparing this letter report, we relied, without audit, on information supplied by the Retirement System. This information includes, but is not limited to, plan provisions, employee data, and financial information.

We hereby certify that, to the best of our knowledge, this report and its contents, which are based on the information and data supplied by the Retirement System are work products of Cheiron, Inc. These work products are complete and accurate and have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

Sincerely,
Cheiron

Kevin J. Woodrich, FSA, EA, MAAA	Stephen T. McElhaney, FSA, EA, MAAA
Consulting Actuary	Principal Consulting Actuary

cc: Gene Kalwarski, FSA, EA
Patrick Nelson, ASA

October 25, 2011

VIA ELECTRONIC MAIL

Ms. Amy Rozier, Benefits Manager
Arlington County Government
2100 Clarendon Boulevard, Suite 511
Arlington, Virginia 22201

Re: Proposed Amendment to County Code Section 46-9

Dear Ms. Rozier:

This is in response to the County's request for our opinion as to what would be the impact, if any, on the Retirement System if the County Code Section 46-9 were amended to indicate that the actuarial report required for Code amendments may be produced by an actuary selected by the Retirement Board or the County Manager.

To begin, we acknowledge that as actuaries to the Retirement Board this amendment would likely result in less work for our firm. However, this potential reduction in work would be quite small relative to the total efforts within our firm.

In our opinion and for reasons we explain in this letter, we believe that the requirement to have any amendment reviewed by the Retirement Board's actuary is in the best interests of both the County and the Retirement System. This is because the Retirement System's actuary will ultimately determine the on-going costs of the Plan and maintaining this requirement avoids the possibility of an amendment being enacted based on information that is subsequently and materially changed. However, this is not to say we believe that the County needs to utilize the services of the Retirement Board's actuary to cost out amendments. We are saying that as a safeguard, before an amendment that significantly affects the Plan is actually enacted, that the County ask the Retirement Board to obtain a second opinion of the assessment made by the County's actuary. This is because the more significant or complex a plan change is, the greater the chance that actuarial assumptions could vary between different firms.

Regardless, any plan change officially approved by the County will require the Retirement System's actuary to independently perform the same analysis when performing the first actuarial valuation following the change since actuarial standards prohibit an actuary from certifying to work performed by another actuary. This extra effort would likely result in an increase in actuarial fees charged to the Retirement System compared to what would otherwise happen. In most instances this additional expense to the Retirement System for performing the study is not expected to be substantial.

Please let us know if you have any questions.

Sincerely,
Cheiron

Gene Kalwarski, FSA, EA, MAAA
Principal Consulting Actuary

Kevin Woodrich, FSA, EA, MAAA
Consulting Actuary