ARLINGTON COUNTY, VIRGINIA

County Board Agenda Item
Meeting of November 19, 2011

SUPPLEMENTAL REPORT

DATE: November 18, 2011

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

DISCUSSION: After further discussion with an employee group, the County Manager has agreed to the following changes to the proposed amendments:

Recommendation # 5: Authorize the County Manager to create an option for newly hired employees in the Management Accountability (MAP) to participate in a (new or enhanced) deferred compensation plan in lieu of the Chapter 46 Defined Benefit Retirement Plan.
In the Discussion paragraphs regarding the fifth recommendation, the County Manager has agreed to amend the Board report to identify the yet-to-be created plan as an "option" and has reaffirmed including any newly designed deferred compensation option into the County Code. Including the new option in Code will require an actuarial analysis which addresses another concern of the employee group. The language below modifies the paragraphs initially submitted:

> The fifth amendment provides flexibility for the County Manager to develop a deferred compensation ~~plan~~ option, 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~~ option would have to meet State requirements and would need to be at no additional cost to the County. The purpose of such an ~~plan~~ option 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

County Manager: BMD/mjs

County Attorney:

Staff:

27.

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~~ option 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~~ option developed under this authority back to employee groups and the County Board prior to implementation for inclusion in County Code.

The Manager is also narrowing the exclusion of those who choose to opt out of the current pension plan such that they are not opting out of the entire Chapter 46 (which currently contains a defined contribution plan as well), but rather just the pension benefits outlined in Article VIII of Chapter 46. Once a new option is designed, this language may need further amending to address ancillary benefits and/or the new option's design. Attached is the revised Code language to address this concern.

Recommendation #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.

The County Manager has considered the changes requested by the employee group and has already agreed that the Retirement Board's actuary will be used to validate the County's actuary's analysis prior to making significant changes to the Code. This change was incorporated in the original Board report.

The November 15th request from the employee group expands the current requirement to include not only the fiscal impact to the Retirement System, but the potential long-term impact to the newly hired workers' retirement benefits. There are too many variables to provide this analysis with any degree of certainty to make it a valuable assessment; for instance, plan design, employee's age, return on investment, length of service, employee's risk tolerance and personal financial situation are several of the factors that would impact this analysis. It is already part of our current practice to gauge the overall impact on the employees when the County changes benefit programs. The Human Resources Department staff currently counsels individual employees regarding their retirement benefits and the decisions employees must make in the current plan. Outside contracted financial consultants are also available to discuss retirement options with employees. The County Manager does not recommend including this requested change in Code.