



ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item
Meeting of September 13, 2008**

DATE: August 14, 2008

SUBJECT: Adopt amendments to Chapters 6 and 46 of the Arlington County Code.

C. M. RECOMMENDATION:

Adopt proposed amendments to Chapter 6 (Civil Service) and Chapter 46 (Retirement Systems) of the Arlington County Code

ISSUES: Should the County enhance its retirement system to a benefit level that is consistent and competitive with other local governments in Northern Virginia? Should the County include the retiree health benefit in the County Code?

SUMMARY: The Chapter 6 amendment, to be effective upon adoption, proposes to codify the provision of a monetary subsidy for retiree medical and dental coverage. The Chapter 46 amendments, to be effective January 4, 2009, propose to redefine the term creditable compensation; increase the multiplier in the benefit calculation; and amend the County contribution to the 401(a) Defined Contribution plan.

BACKGROUND: In January 2001, the County implemented major enhancements to the Chapter 46 Retirement System. As part of that overhaul, Retirement Principles were developed that included for the system to be reviewed every seven to ten years. During the budget process for fiscal year 2009, the County faced a substantial liability on the retiree health benefit program. As a result, County contributions to the retiree health benefit program were capped, consistent with the practice of other local governments in Northern Virginia. The proposed amendments to the retirement system increase benefits, also in a manner that is consistent with other local governments in Northern Virginia. These enhancements are essential to maintaining Arlington's competitiveness, especially in our full-employment economy.

DISCUSSION: The recommended changes to the service allowance will increase our competitiveness in the job market, enabling applicants to more easily compare benefits offered by Arlington County with those offered by other local jurisdictions while addressing career employees' expressed preference for an enhanced defined benefit plan rather than a defined contribution plan. The changes in the proposed ordinance amendment are as follows:

County Manager: _____

County Attorney: _____

Staff: Marcy Foster, Human Resources

1. Increase the multiplier for general employees, retiring on or after January 4, 2009, from one and one-half (1.5) percent to a one and seven-tenths (1.7) percent on all years of creditable service. Increase the multipliers for public safety from a three-tiered benefit formula (1.5% for the first 10 years of service, 1.7% for the second 10 years of service, 2.0% for the final 10 years of service) to a two-tiered benefit formula of two and one-half (2.5) percent on all creditable service before January 3, 2009, and a two and seven-tenths (2.7) percent of average final compensation on all creditable service on or after January 4, 2009.
2. Increase the employee contribution of uniformed public safety employees from five (5.0) percent to seven and one-half (7.5) percent of creditable compensation on all creditable compensation received following January 4, 2009. This change funds the additional two-tenths (0.2) of the proposed two and seven-tenths (2.7) multiplier described in #1. Contributions will be withheld only from creditable compensation.
3. Increase the County's contribution to the 401(a) Defined Contribution Plan for general employee members from 2.0% to 4.2% of base pay. Contributions for public safety employees will cease. The ceasing of the contributions to the public safety employees helps fund the increased multiplier in #1 above.
4. Redefine the term creditable compensation to exclude overtime (except for overtime paid at the employee's base hourly pay rate for hours worked to complete their regular annual work schedule), premium pays (except holiday premium), and benefit subsidies/stipends, consistent with other northern Virginia localities.
5. Provide transition rules for employees who retired after April 19, 2008, for employees in DROP, and for Chapter 21 employees.
6. Define the provision of a monetary subsidy, subject to annual appropriation of funds by the County Board, to retirees for medical and dental coverage.

FISCAL IMPACT: These retirement amendments require an additional \$5.9 million in County contributions to the Retirement System for FY09, which have been appropriated as part of the FY2009 adopted budget. An additional \$3.045M has been put in reserve to help fund FY2010 costs, which were projected to increase approximately \$2.0M before the enhancements and are now projected to increase \$7.7 million including the enhancements. Annual actual projections will be made based on the new benefit levels and the demographics of our workforce. Actual future contributions by the County will depend largely on investment returns. Currently, the Arlington retirement system has assets of approximately \$1.5B and is fully funded. The amounts appropriated are at 100% of the "normal cost" as projected by the County's actuary.

The retiree health care benefits are fully funded. The FY 2009 budget appropriated \$25.4 million (\$15.4 million on-going, and \$10 million one-time) to create a trust fund for future expenses.