

ARLINGTON COUNTY CIVIC FEDERATION
Report on the Retirement Plan Information Resolution
May 2, 2016

The Revenue and Expenditures Committee (R&E) is proposing a resolution that asks the County to add information on the retirement system to the yearly budget for informational purposes.

This addition will not add or delete any funding; however, it will add information to highlight the retirement system's finances. Presently, the budget includes the cost of the retirement system within total compensation for employees. This resolution seeks to break out the numbers comprising total compensation and add some retirement system information that will enable the County Board to review the overall retirement system's costs in the aggregate.

Detailed information is contained in the County's Consolidated Annual Financial Report (CAFR) and the retirement system's CAFR; however, it is felt that some information should be available in the budget to focus on the retirement system as a whole when budget deliberation are undertaken each year, as citizens are more likely to review the budget than the CAFRs.

For instance, the employees' retirement system assumes a rate of return of 6.75%, commonly called the discount rate.ⁱ This is a reduction from 7.25% used in fiscal year 2015.ⁱⁱ A reduction of the rate of return may lead to more funds being required to fully fund the retirement system. A sensitivity analysis contained in the County's CAFR indicates a 1% hypothetical reduction in the rate of return might lead to a need for up to \$246 million more in additional funding to keep the system fully funded.ⁱⁱⁱ

It is hoped that the added information on the retirement system in the budget will instill some concern for the long-term viability of the retirement system.

R&E Committee members: Roger Morton (author), Burt Bostwick (committee point of contact), Jerry Auten, Duke Banks, Frank Emerson, Paul Holland, Terry Showman, Suzanne Sundburg, John Tuohy, Tim Wise

End Notes

ⁱ FY2016, p. 2, Introductory Section of the Employees' Retirement System Comprehensive Annual Financial Report (CAFR), https://arlingtonva.s3.dualstack.us-east-1.amazonaws.com/wp-content/uploads/sites/7/2014/03/4-Introductory-Section_2016_DRAFT3.pdf

ⁱⁱ FY2016, p. 92, Arlington County CAFR, https://arlingtonva.s3.dualstack.us-east-1.amazonaws.com/wp-content/uploads/sites/18/2016/11/CAFR-FY2016_Online-1.pdf

ⁱⁱⁱ FY2016, p. 93, Arlington County CAFR, https://arlingtonva.s3.dualstack.us-east-1.amazonaws.com/wp-content/uploads/sites/18/2016/11/CAFR-FY2016_Online-1.pdf