

McLean Citizens Association



One Hundred Years and Counting

McLean Citizens Association Resolution
Determination of Fairfax County's Pension Obligations
April 1, 2015

Whereas, the amounts which Fairfax County's (County) pension plans owe to their current and prospective retirees (Participants) are calculated by an actuarial firm for the purposes of management, funding, and reporting to internal and external stakeholders; and

Whereas, these calculations are based on multiple important assumptions and methodologies; and

Whereas, County actuarial reports refer to at least two assumptions/methodologies, among others, in effect in recent years which lower the amounts which the plans report as their obligations to their Participants and lower the reported under-funding of the plans:

1. Sick Leave – While the benefits of the Employee, Police and Uniformed pension plans include a retirement benefit from sick leave that the Participants did not take during their working years, the actuarial reports indicate that these amounts have been omitted in the plans' projected obligations;
2. Early Departures – While the amounts owed by the Employees' pension plan include an estimate of how many employees will qualify for full, unreduced retirement and pre-Social Security Supplements, the actuarial report indicates that the plan's projected obligation may understate this amount because of an over-estimate of how many employees leave their jobs in the years immediately before qualifying for full retirement benefits; and

Whereas, the actuarial reports proposed to update these assumptions over three years, which would increase the reported amounts of the pension plans' obligations over three years; and

Whereas, the first updating of these assumptions was recently included as part of the restatement of the 2013 valuation liabilities, and as a result, the amounts of the plans' obligations were increased by approximately \$219 million, with the amounts of these adjustments for the next two years not yet specified; and

Whereas, the County engages an actuarial firm to calculate each year the amount of the County's pension obligations; and

Whereas, this actuarial firm has performed these services for the County (under different names) for approximately 28 years; and

Whereas, a second actuarial firm periodically audits the amounts calculated by the first actuarial firm; and

Whereas, a public accounting firm performs a yearly audit of the financial statements of the plans to obtain reasonable assurance of compliance with government accounting, auditing and financial reporting standards; and

Whereas, as the County's actuarial firm, second actuarial firm, and public accounting firm reported no adverse findings in their public reports on the County's pension plans and made no public references to the assumptions or methodology issues cited above, presumably these issues were not material, were open to interpretation, or were otherwise acceptable,

Now, therefore, be it resolved that McLean Citizens Association urges the Board of Supervisors to engage another actuarial firm to review the calculation of the amount of the County's pension obligations with respect to all assumptions and methodologies, but with particular attention to the assumptions cited and others requiring updating cited here, and for this purpose the McLean Citizens Association recommends that the Board of Supervisors engages a prominent, independent actuarial firm, unaffiliated with the County, to review the calculations; and

Be it further resolved that McLean Citizens Association urges the Board of Supervisors to:

1. Continue to enhance the accuracy and transparency of the County's financial statements;
2. Establish a policy to change financial service providers periodically to gain the benefit of different skill sets and perspectives and, importantly, to retain arms-length independence; and
3. Replace as soon as feasible its current actuarial firm, following a 28-year tenure, through a competitive bidding process taking both quality and price into consideration.

*Approved by the MCA Board of Directors
April 1, 2015*

McLean Citizens Association, PO Box 273, McLean, Virginia 22101

cc: Fairfax County Board of Supervisors
John Foust, Dranesville District Supervisor
Fairfax County Executive Edward Long
Jane Edmondson, Chief of Staff to John Foust

