



2020 Assumption Review

Educational Employees' Supplementary Retirement System of Fairfax County

December 11, 2020

Prepared by Aon



Contents

- Assumption Review Overview
- Financial Impact
- Appendix



2020 Assumption Review



Assumption Review Overview

Setting Demographic Assumptions

- 5-year assumption study including 2015–2020 experience
- Mortality rates have been slightly lower than expected
- Retirement patterns have been different than expected
- Turnover has been higher than expected

Review
the Past



Predict
the Future

- Past experience, economic indicators, professional judgment, and plan sponsor input can be used to determine if assumptions should be updated or modified to better predict future experience
- How much will future behavior be like the past?



Impact
on the
Present

- Review implications on plan funded status and contribution rate
- Evaluate current funding policy implications

Summary of Assumptions

Mortality	Active Retirement Rates Legacy	Active Retirement Rates Tier 1 and Tier 2	Active Termination Rates	Optional Payment Form Election
<p>Proposed assumption change to Pub-2010 Teachers table projected generationally with Scale MP-2020</p> <p>Standard table adjusted 99% Female and 102% Male to reflect plan specific experience</p> <p>Change from prior analysis – update to use MP-2020 instead of MP-2019</p>	<p>Rates based on age and service at retirement</p> <p>Proposed increase to rates at all ages for those with less than 25 years service</p> <p>Proposed increase to age 65+ rates and other minor changes to other rates for those with 25+ years of service</p> <p>No change from prior analysis</p>	<p>Rates based on age and service at retirement</p> <p>Proposed increase to age 68+ rates and minor changes to age 63 and 64 rates for those with less than 30 years of service</p> <p>No change to Tier 1 rates for those with 30+ years of service or Tier 2 rates since no experience</p> <p>No change from prior analysis</p>	<p>Rates based on service with separate assumptions for males and females</p> <p>Propose increase or no change to all rates</p> <p>No change from prior analysis</p>	<p>Proposed change to reflect joint and survivor elections</p> <p>No change from prior analysis</p>

Summary of Assumptions

Percent Married	Post-Retirement Cost of Living Increase	Salary Increase	Terminated Vested Retirement Age
<p>Propose change from 100% to 80%</p> <p>Used for pre-retirement death benefit eligibility</p> <p>No change from prior analysis. Additional information is not available.</p>	<p>Propose change from 2.59% to 2.25%</p> <p>Applies to members hired on or after July 1, 2017</p> <p>No change from prior analysis</p>	<p>Propose a decrease in the base salary increase (inflation plus wage growth) from 3.25% to 2.75%</p> <p>Propose changes to merit/ seniority</p> <p>Total salary increase lower at service 0-3, higher at service 4-21, and lower at service 22+</p> <p>No change from prior analysis</p>	<p>Propose changing Legacy participants to 50% at age 55, 25% at age 60 and 25% at age 65</p> <p>Propose no change (age 60) for Tier 1 participants</p> <p>No change (age 60) for Tier 2 participants since no experience</p> <p>Change from prior analysis – change Legacy from age 59 to phased</p>



Financial Impact

Financial Impact

Assumption	Financial Impact (compared to 12/31/2019 valuation)
Mortality Table	Increase in accrued liability of approximately \$5.5 million (~0.2%)
Termination and Retirement Rates	Increase in accrued liability of approximately \$17.5 million (~0.5%)
Other Demographic Assumptions • Optional Form & Percent Married	Decrease in accrued liability of approximately \$38.2 million (~-1.1%)
Cost of Living Adjustment	Decrease in accrued liability of approximately \$0.5 million
Salary Scale	Decrease in accrued liability of approximately \$8.1 million (~-0.2%)

Impact on Actuarially Determined Contribution Rate	Before	After
Employer Normal Cost Rate Net of Member Contributions	2.71%	2.68%
Contribution Rate for Unfunded Liability ¹	3.99%	3.99%
Actuarially Determined Employer Contribution	6.70%	6.67%

¹10-year amortization of increase in unfunded liability due to assumption change per funding policy.



Appendix

Actuarial Disclosure

This material includes a summary of analysis and consulting related to a review of the year-end 2020 actuarial assumptions for the Educational Employees' Supplementary Retirement System of Fairfax County ("ERFC"). This analysis is intended to assist with ERFC's review of the associated issues and options, and its use may not be appropriate for other purposes.

Unless otherwise noted, the information presented is based on:

- Participant data as of January 1, 2015 through December 31, 2019 provided by ERFC
- Assumptions, methods, and plan provisions used for the December 31, 2019 funding valuation and documented in the actuarial report issued in July 2020