

## 8. Defined Benefit Pension Plan

**Plan Description**—The Authority contributes to the Fairfax County Water Authority Retirement Plan (the Plan), a single-employer, public-employee retirement system. The Plan document assigns all the responsibilities of maintaining the Plan to the Authority Board, including the approval of Plan changes, setting benefit and contribution levels under the Plan, and ensuring that the Plan is funded sufficiently to meet its benefit obligations. The Authority has established a Benefits Trust Committee to be responsible for the administration of the Plan.

Upon service retirement, a member of the Plan shall receive an annual basic retirement allowance, payable monthly for life, that shall be an amount determined by Plan elections made by the employee. In addition to the basic retirement allowance, members who retire prior to the earliest date of eligibility for social security benefits shall receive a supplemental benefit of 1% of the average final compensation to the social security breakpoint multiplied by the number of years of creditable service. Such allowance will cease upon attaining such eligibility, whether or not application for social security benefits has been made or awarded.

As part of the application for service retirement, a member may elect to receive a decreased basic retirement allowance during the member's lifetime and have such basic retirement allowance, or designated fraction thereof, continued after the member's death to the member's named beneficiary during the remainder of the designated payment period. Retirees or their surviving spouse are eligible for partial payment of certain health insurance premium costs.

**Funding Policy**—All regular full-time employees of the Authority and members of the Authority who so elect are participants in the Plan. Employee contributions vary between 4% and 5% of annual wages, determined by each participant's Plan elections.

The Authority's funding policy is to make an annual contribution to the Plan in an amount estimated to fully fund all employee benefits at the time of their retirement. The Authority's contribution rate for 2000 and 1999 was 12.37% and 12.66%, respectively, of covered employees' compensation. For 2001, the Authority will contribute 14.31% of covered payroll. The rate increase is due to considering overtime in addition to base pay in the actuarial determination.

The contributions made by the Authority to the Plan for 2000, 1999, and 1998, were in accordance with actuarially determined requirements and amounted to \$2,297,146, \$2,265,901, and \$2,413,711, respectively. Employee contributions amounted to \$921,551, \$849,747, and \$856,082 for the same periods, respectively.

**Annual Pension Cost**—The Authority’s annual pension cost and contributions made for the current year were \$2,297,146. There is no net pension obligation.

The annual required contribution for the current year was determined as part of the January 1, 1997 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8.5% (compounded annually) investment rate on return (net of administrative expenses) and (b) projected salary increases of 6.0% (compounded annually, effective each July 1) per year. Both (a) and (b) included an inflation component of 4%. The assumptions did include postretirement benefit increases of 4%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. As of January 1, 1995, unfunded actuarial accrued liabilities are amortized over 20 years, and any subsequent gains and losses, plan changes, or changes in methods are also amortized over 20 years.

### Three-Year Trend Information

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
12/31/1998	\$ 2,413,711	100%	\$ -
12/31/1999	\$ 2,265,901	100%	\$ -
12/31/2000	\$ 2,297,146	100%	\$ -

The unfunded actuarial liability is shown below:

	2001 <sup>(1)</sup>	January 1, 2000	1999
Actuarial accrued liability:			
a. Members currently receiving payments	\$ 60,604,982	\$ 58,841,177	\$ 49,798,529
b. Former vested members and disabled members	749,998	681,607	851,247
c. Active members	52,955,095	50,352,949	40,612,043
Total	114,310,075	109,875,733	91,261,819
Actuarial value of assets	105,312,853	97,123,180	85,688,273
Total unfunded actuarial accrued liability	\$ 8,997,222	\$ 12,752,553	\$ 5,573,546
Annual covered payroll <sup>(2)</sup>	\$ 18,939,354	\$ 18,218,217	\$ 15,565,252
Funded ratio	92.13 %	88.39 %	93.89 %
Unfunded actuarial accrued liability as % of payroll	47.51 %	70.00 %	35.81 %

(1) Based on December 31, 2000 assumptions.

(2) Annual covered payroll is equal to the Authority's total 2000 payroll increased by 6% for salary scale.

## 9. Postemployment Benefits Other Than Pensions

The Fairfax County Water Authority Retirement Plan (the Plan) makes contributions to the Fairfax County Water Authority Welfare Benefit Trust (the Trust) for postemployment benefits other than pensions. The Plan provides partial payment of certain health insurance premium costs of the Authority's retirees and surviving spouses. There were 134 active participants receiving postemployment benefits other than pensions in 2000. The benefit is equal to 3% times years of creditable service under the Plan, up to 25 years, times the designated premium. The Plan paid \$531,806 and \$426,053 to the Trust for postemployment benefits other than pensions in 2000 and 1999, respectively.