

City of Alexandria, Virginia
FY 2023 Proposed Operating Budget & CIP
Budget Questions & Answers

April 29, 2022

Question: Please prepare a summary and graph of the City's unfunded OPEB liability and history. What is the cost to the plan to increase the stipend by \$500 per month and to then add a monthly COLA to the stipend going forward?

Response:

The following chart appears in the City's Comprehensive Annual Financial Report and shows the funding progress for the Other Post-Employment Benefits Fund, which is comprised of both Other Post-Employment Benefits (OPEB) and Line of Duty Benefits (LOD).

The OPEB fund was established in calendar year 2008, and the City took on funding responsibility for the LOD Act from the State in July 2012. Both are relatively new funds. Beginning in 2013, each liability was reported separately. Based on the actuarial valuation date of December 31, 2020, the most recent date of available information, the funded ratio of OPEB is at 89.12% and the Line of Duty Act Fund has a funded ratio of 96.32%.

Each year, the budget is developed based on the actuarially determined, Annual Determined Contribution (ADC), which is calculated as a percent of the salaries of employees covered by the plan. In recent years the Operating Budget reflects 100 percent funding of the ADC for both pension plans.

Based on the cost study provided by the Plan's actuary, the cost to increase the OPEB monthly stipend to from \$260 per month \$500 per month would increase the unfunded liability by \$42 million and cost an additional \$2.97 million annually. The cost to add only a COLA (\$260/mo.) to the monthly stipend at the current baseline valuation is \$2.33 million annually. The cost to increase the OPEB monthly stipend to \$500 per month and add COLA (\$500/mo) from that new level is \$6.68 million annually. The projection details are included in the chart below:

	Baseline 12/31/2020 Valuation Current Level	Increase monthly premium to \$500 per mo. (New Baseline with a \$500 stipend)	Add a 2.5% annual COLA to the baseline (\$260 per mo.) (Current Level + 2.5% COLA)	Add a 2.5% annual COLA to study (\$500 per mo.) (New Baseline + 2.5% COLA)
Actuarial Liability	\$101.2	\$143.2	\$119.8	\$171.6
Asset Value	\$90.2	\$90.2	\$90.2	\$90.2
Unfunded AL (UAL)	\$11.0	\$53.0	\$29.5	\$81.4
Funded Ratio	89.12%	62.98%	75.33%	52.56%
Actuarially Determined Contribution (ADC)	\$2.82	\$5.79	\$5.15	\$9.50
\$ increase in ADC	—	\$2.97	\$2.33	\$6.68
% increase in ADC	—	105.3%	82.8%	236.9%

**Table V- 1
Schedule of Funding Progress
Line of Duty Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (b)	Unfunded Actuarial Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2020	\$ 22,250,107	\$23,100,166	\$850,059	96.32%	\$63,236,896	1.34%
12/31/2019	14,557,322	25,675,570	11,118,248	56.70%	61,511,527	18.08%
12/31/2018	7,676,983	24,271,457	16,594,474	31.63%	62,618,790	26.50%
12/31/2017	5,699,378	25,228,523	19,529,145	22.59%	58,857,321	33.18%
12/31/2016	3,320,669	29,237,562	25,916,893	11.36%	57,423,658	45.13%
12/31/2015	1,346,173	17,262,055	15,915,882	7.80%	56,263,415	28.29%
12/31/2014	99,417	28,564,357	28,464,940	0.35%	53,315,217	53.39%
12/31/2013	0	28,618,663	28,618,663	0.00%	52,648,238	54.36%
12/31/2012	0	16,630,789	16,630,789	0.00%	150,176,760	11.07%

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12/31/2020	\$90,213,208	\$101,230,641	\$11,017,433	89.12%	\$188,086,465	5.86%
12/31/2019	69,215,689	106,584,443	37,368,754	64.94%	182,581,811	20.47%
12/31/2018	56,330,059	103,381,386	47,051,327	54.49%	185,008,113	25.43%
12/31/2017	55,464,661	109,175,486	53,710,825	50.80%	173,031,858	31.04%
12/31/2016	39,583,602	97,235,699	57,652,097	40.71%	166,699,217	34.58%
12/31/2015	32,133,684	91,469,013	59,335,329	35.13%	164,413,239	36.09%
12/31/2014	29,961,114	93,440,538	63,479,424	32.06%	159,726,582	39.74%
12/31/2013	26,507,342	89,926,799	63,419,457	29.48%	163,191,871	38.86%
12/31/2012	19,796,803	88,766,245	68,969,442	22.30%	150,176,760	45.93%
12/31/2011	15,081,559	81,202,583	66,121,024	18.57%	148,202,583	44.59%
12/31/2010	11,668,519	80,569,082	68,900,563	14.48%	146,101,440	47.16%
12/31/2009*	8,201,742	90,681,046	82,479,304	9.04%	147,006,590	56.11%
12/31/2008*	4,316,727	89,900,789	85,584,062	4.80%	146,884,002	58.27%
12/31/2007*	0	84,545,602	85,545,602	0.00%	142,475,212	59.34%

* Calculated by prior actuary