

City of Alexandria, Virginia

10
3/24/2011

MEMORANDUM

DATE: MARCH 9, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER *J*

SUBJECT: BUDGET MEMO # 16 : EMPLOYER AND EMPLOYEE RETIREMENT CONTRIBUTION RATES FY 1988 – FY 2012 PROPOSED

This memorandum responds to a request from Councilman Smedberg for additional information on contribution rates made by the City and employees towards retirement. During the February 23, 2011 work session on human resources and compensation, staff presented several graphs showing retirement contribution rates paid by the City and employees from FY 1988 – FY 2012 Proposed. In addition to the graphs presented to City Council, Attachment 1 also provides tables listing the retirement rates paid by the City and employees since FY 1988. Because retirement contribution rates vary based on whether an employee is civilian or sworn personnel, Attachment 1 includes three categories of employees: 1) civilian General Schedule employees; 2) Deputy Sheriff, Medics and Fire Marshals; and 3) Firefighters and Police Officers.

Page 1: Total Retirement Contribution Rates (Employer and Employee - % of Salary)

The graph on Page 1 of Attachment 1 displays the combined retirement contributions made by the City and employees. The table on Page 1 shows the combined contribution rates paid for by both the City and employees since FY 1988.

Page 2: Retirement Contribution Rates for General Schedule Employees

The graph on Page 2 shows the employer and employee contributions made towards the City's retirement plan for full-time General Schedule employees. The table on Page 2 provides the contribution rates for the City and General Schedule employees based on the period of time an employee was hired (i.e., hired prior to FY 2010, during FY 2010, or during FY 2011). The City currently makes the full contribution to retirement for those employees hired before FY 2010. Employees hired during FY 2010 pay 2% of salary into the City Supplemental Retirement Plan, and employees hired during FY 2011 contribute 6% of salary towards their retirement (4% to the Virginia Retirement System and 2% to the City Supplemental Plan). The City Manager's FY 2012 Proposed Budget recommends that General Schedule employees hired prior to FY 2010 begin to contribute 1% of salary towards their retirement.

Page 3: Retirement Contribution Rates for Deputy Sheriff, Medics, & Fire Marshals

In addition to being enrolled in VRS and the City Supplemental Plan, Deputy Sheriff/Medics/Fire Marshal employees are also covered by a defined contribution plan. The total contribution displayed in the table on Page 3 represents the combined rate for all three of these plans. The table also shows the difference in retirement rates for employees hired before and after FY 2011.

For employees hired before FY 2011 the City continues to make the full contribution towards the cost of retirement. Employees hired in FY 2011 contribute 4% of their salary to the employee share of the VRS retirement plan. The City Manager's FY 2012 Proposed Budget recommends Deputy Sheriff/Medic/Fire Marshal employees hired before FY 2011 begin to contribute 1% of salary towards the City Supplemental Plan starting in FY 2012.

Page 4: Pension Contribution Rates for Firefighters and Police Officers

In FY 2004 the City transitioned from a defined contribution plan to a defined benefit plan for Police Officers and Firefighters. As part of this change members of the Police/Fire pension plan began contributing 8% of salary towards their retirement. In the FY 2012 Proposed Budget the City Manager has recommended that Police Officers and Firefighters pay 1% more towards their retirement (from 8% to 9%). This proposal impacts all of the members enrolled in the new Police/Fire pension plan regardless of their hire date. The City's contribution has increased from 22.35% in FY 2004 to 25.17% in FY 2011. In FY 2012, the City's contribution to the pension plan increases by 2.05% from 25.17% to 27.22%.

Attachment:

1. Employer and Employee Retirement Contribution Rates FY 1988 – FY 2012 Proposed

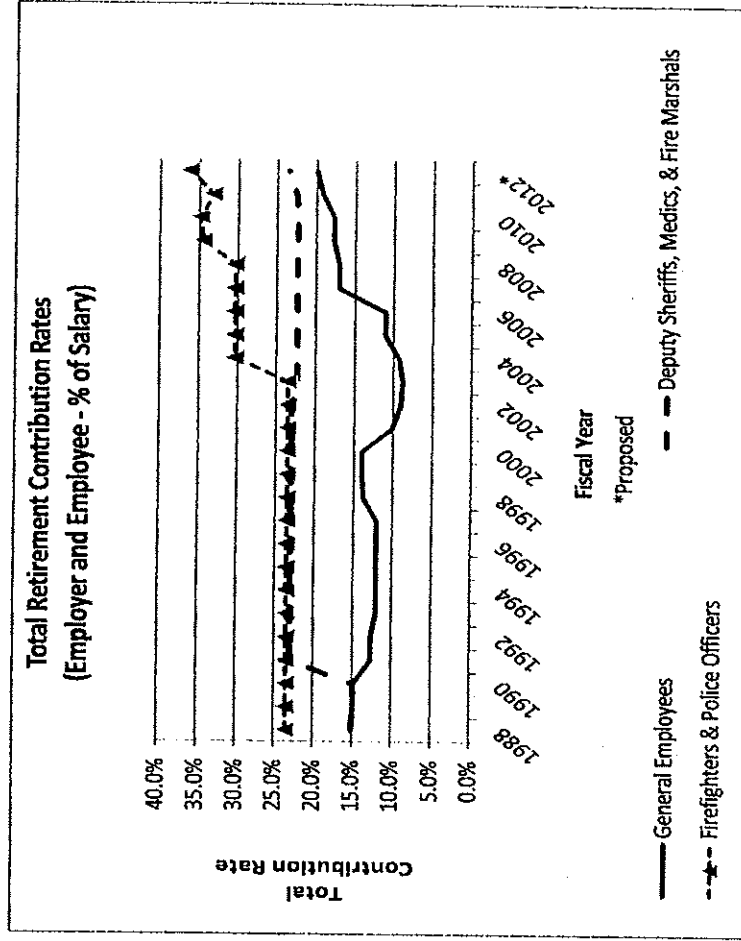
Attachment 1: Employer and Employee Retirement Contribution Rates
 FY 1988 - FY 2012 Proposed

Total Retirement Contributions 1988-2012 by Employee Groups
 Combined employer and employee share as % of salary

Fiscal Year	General Employees	Deputy Sheriffs, Medics, & Fire Marshals	Firefighters & Police Officers **
1988	15.11%	15.11%	23.50%
1989	14.87%	14.87%	23.50%
1990	14.87%	14.87%	23.50%
1991	12.65%	23.00%	23.50%
1992	12.65%	23.00%	23.50%
1993	11.98%	23.00%	23.50%
1994	11.98%	23.00%	23.50%
1995	11.98%	23.00%	23.50%
1996	11.98%	23.00%	23.50%
1997	11.98%	23.00%	23.50%
1998	13.75%	23.00%	23.50%
1999	13.90%	23.00%	23.50%
2000	13.90%	23.00%	23.50%
2001	10.06%	22.96%	23.50%
2002	9.00%	23.00%	23.50%
2003	8.75%	22.35%	23.50%
2004	9.25%	22.35%	30.35%
2005	11.00%	22.35%	30.35%
2006	11.00%	22.35%	30.35%
2007	16.98%	22.41%	30.35%
2008	16.98%	22.41%	30.35%
2009	17.71%	22.35%	34.41%
2010	17.67%	22.35%	34.79%
2011	19.17%	22.52%	33.17%
2012*	19.96%	23.69%	36.22%

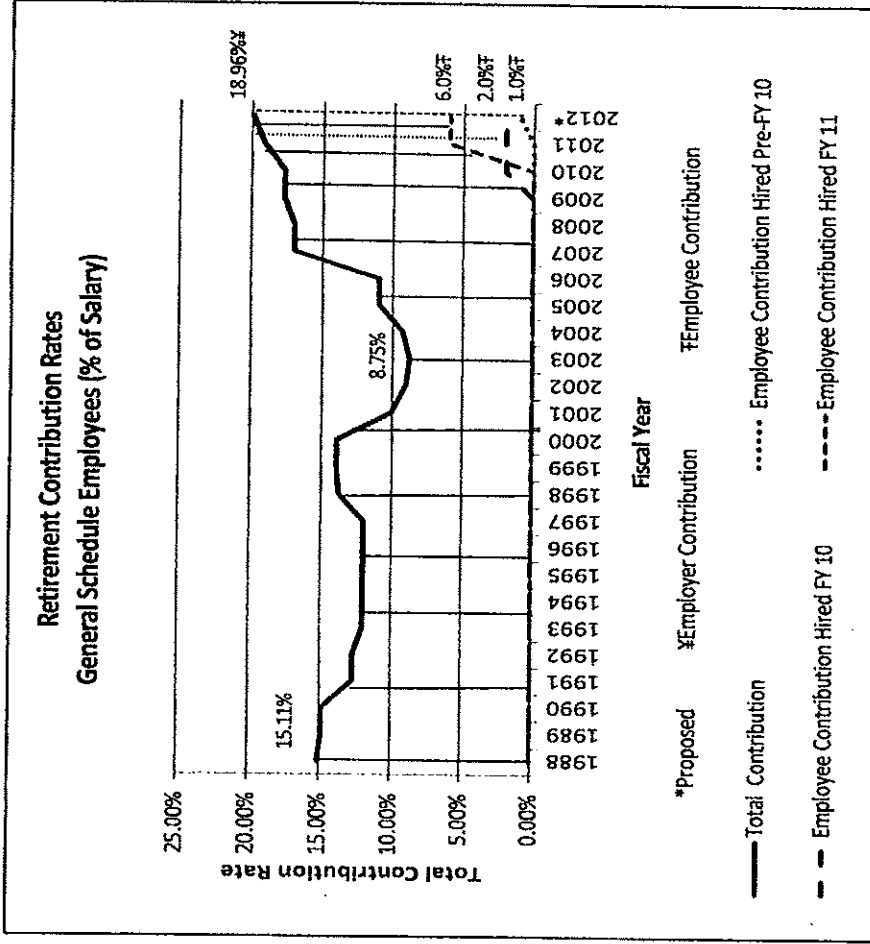
*Proposed

**From 1988-2003 Police Officers and Firefighters were enrolled in a defined contribution plan



Retirement Contribution Rates from 1988-2012 for General Schedule Employees
Grouped by the fiscal year in which an employee was hired

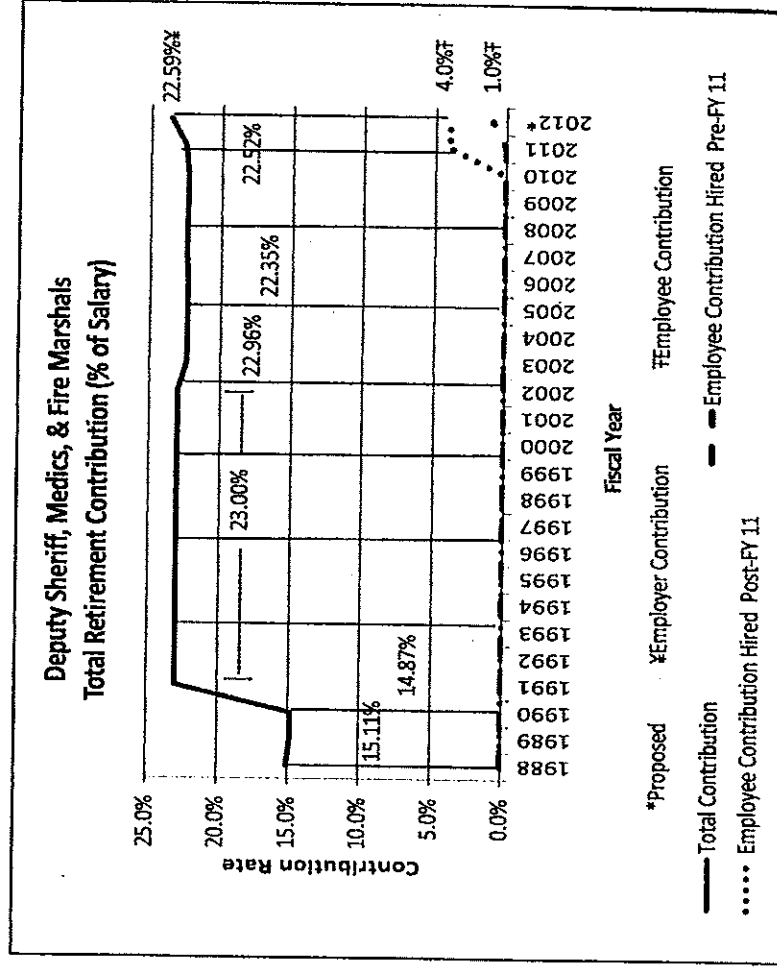
Fiscal Year	City Contribution Hired FY 10		City Contribution Hired FY 11		City Contribution Hired Pre-FY 10	
	Total Contribution	Employee Contribution Hired FY 10	Total Contribution	Employee Contribution Hired FY 11	Total Contribution	Employee Contribution Hired Pre-FY 10
1988	15.11%	0.00%	15.11%	0.00%	15.11%	0.00%
1989	14.87%	0.00%	14.87%	0.00%	14.87%	0.00%
1990	14.87%	0.00%	14.87%	0.00%	14.87%	0.00%
1991	12.65%	0.00%	12.65%	0.00%	12.65%	0.00%
1992	12.65%	0.00%	12.65%	0.00%	12.65%	0.00%
1993	11.98%	0.00%	11.98%	0.00%	11.98%	0.00%
1994	11.98%	0.00%	11.98%	0.00%	11.98%	0.00%
1995	11.98%	0.00%	11.98%	0.00%	11.98%	0.00%
1996	11.98%	0.00%	11.98%	0.00%	11.98%	0.00%
1997	11.98%	0.00%	11.98%	0.00%	11.98%	0.00%
1998	13.75%	0.00%	13.75%	0.00%	13.75%	0.00%
1999	13.90%	0.00%	13.90%	0.00%	13.90%	0.00%
2000	13.90%	0.00%	13.90%	0.00%	13.90%	0.00%
2001	10.06%	0.00%	10.06%	0.00%	10.06%	0.00%
2002	9.00%	0.00%	9.00%	0.00%	9.00%	0.00%
2003	8.75%	0.00%	8.75%	0.00%	8.75%	0.00%
2004	9.25%	0.00%	9.25%	0.00%	9.25%	0.00%
2005	11.00%	0.00%	11.00%	0.00%	11.00%	0.00%
2006	11.00%	0.00%	11.00%	0.00%	11.00%	0.00%
2007	16.98%	0.00%	16.98%	0.00%	16.98%	0.00%
2008	16.98%	0.00%	16.98%	0.00%	16.98%	0.00%
2009	17.71%	0.00%	17.71%	0.00%	17.71%	0.00%
2010	17.67%	2.00%	17.67%	0.00%	17.67%	0.00%
2011	19.17%	2.00%	19.17%	6.00%	19.17%	0.00%
2012*	19.96%	2.00%	19.96%	6.00%	19.96%	1.00%



*Proposed

Retirement Contribution Rates from 1988-2012 for Deputy Sheriff, Medics & Fire Marshals
Grouped by the fiscal year in which an employee was hired

Fiscal Year	Total Contribution	City Contribution		Employee Contribution	
		Hired Pre-FY 11	Hired Post-FY 11	Hired Pre-FY 11	Hired Post-FY 11
1988	15.11%	15.11%	15.11%	0.00%	0.00%
1989	14.87%	14.87%	14.87%	0.00%	0.00%
1990	14.87%	14.87%	14.87%	0.00%	0.00%
1991	23.00%	23.00%	23.00%	0.00%	0.00%
1992	23.00%	23.00%	23.00%	0.00%	0.00%
1993	23.00%	23.00%	23.00%	0.00%	0.00%
1994	23.00%	23.00%	23.00%	0.00%	0.00%
1995	23.00%	23.00%	23.00%	0.00%	0.00%
1996	23.00%	23.00%	23.00%	0.00%	0.00%
1997	23.00%	23.00%	23.00%	0.00%	0.00%
1998	23.00%	23.00%	23.00%	0.00%	0.00%
1999	23.00%	23.00%	23.00%	0.00%	0.00%
2000	23.00%	23.00%	23.00%	0.00%	0.00%
2001	22.96%	22.96%	22.96%	0.00%	0.00%
2002	23.00%	23.00%	23.00%	0.00%	0.00%
2003	22.35%	22.35%	22.35%	0.00%	0.00%
2004	22.35%	22.35%	22.35%	0.00%	0.00%
2005	22.35%	22.35%	22.35%	0.00%	0.00%
2006	22.35%	22.35%	22.35%	0.00%	0.00%
2007	22.41%	22.41%	22.41%	0.00%	0.00%
2008	22.41%	22.41%	22.41%	0.00%	0.00%
2009	22.35%	22.35%	22.35%	0.00%	0.00%
2010	22.35%	22.35%	22.35%	0.00%	0.00%
2011	22.52%	22.52%	18.52%	0.00%	4.00%
2012*	23.59%	22.59%	19.59%	1.00%	4.00%



*Proposed

Retirement Contribution Rates from 2004-2012 for the New Fire and Police Pension Plan**
 Rates apply only to Sworn Police Officers and Firefighters.

Fiscal Year	Total Contribution	City Contribution	Member Retirement	Member Disability	Member Total
2004	30.35%	22.35%	7.50%	0.50%	8.00%
2005	30.35%	22.35%	7.50%	0.50%	8.00%
2006	30.35%	22.35%	7.50%	0.50%	8.00%
2007	30.35%	22.35%	7.50%	0.50%	8.00%
2008	30.35%	22.35%	7.50%	0.50%	8.00%
2009	34.41%	26.41%	7.40%	0.60%	8.00%
2010†	34.79%	26.79%	7.40%	0.60%	8.00%
2011	33.17%	25.17%	7.20%	0.80%	8.00%
2012*	36.22%	27.22%	8.20%	0.80%	9.00%

*Proposed

**in FY 2004 Police Officers and Firefighters transitioned from a defined contribution to a defined benefit plan.

