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3/24/2011

Resolution 2432

Establishing an Ad Hoc Retirement Benefit Advisory Group

WHEREAS: The City of Alexandria now participates in seven public employee retirement systems;

WHEREAS: One of those systems is the Virginia Retirement System (VRS), an agent multi-employer public retirement system that acts as a common investment and administrative agent for political subdivisions of the Commonwealth of Virginia and is, therefore, not reflected as a City pension trust fund;

WHEREAS: Of the remaining six systems, four are single-employer defined benefit systems (City Supplemental, Pension for Fire and Police (closed), Firefighters and Police Officers Pension Plan- defined benefit component, and Firefighters and Police Officers Pension Plan – disability component) where a stated methodology for determining benefits is provided. Two are defined contribution plans (Firefighters and Police Officers Pension Plan – defined contribution component and Retirement Income for Sheriff and Emergency Rescue Technicians (ERT), where contribution requirements are not actuarially determined;

WHEREAS: The City also provides other post-employment benefits for health care and life insurance and has established a trust fund to pay for these current and future benefits, and state legislation will require the City to fund state provided public safety life and health benefits beginning in FY 2012;

WHEREAS: The City complies with all current Government Accounting Standard Board (GASB) rules for the presenting the financial status of trust fund for retirement, disability and other post-employment benefits;

WHEREAS: As of the end of FY 2010, the City held \$291,608,031 dollars in various trust funds for these retirement purposes;

WHEREAS: The City also offers a voluntary deferred compensation program under Internal Revenue Service tax code section 457 to its employees through the International City Management Association – Retirement Corporation (ICMA-RC) without any City match. As of the end of December 31, 2010, approximately \$102.4 million is held by ICMA-RC on behalf of employees of the City;

WHEREAS: More than 2000 City employees are covered by the VRS and City Supplemental plans, approximately 450 firefighters and police officers are covered by the defined retirement benefit and disability plan, approximately 250 deputy sheriffs and medics are covered by the defined contribution plan, and almost 2000 City employees participate in the ICMA-RC deferred compensation program;

WHEREAS: The City budgeted about \$32.9 million for retirement benefits (excluding other post employment benefits (OPEB)) in fiscal year 2011 and this number has increased from about \$20 million in FY 2005; .

WHEREAS: The Governmental Accounting Standards Board (GASB) is contemplating changes in the accounting standards for presenting retirement and OPEB benefits in state and local government financial statements and has issued “Preliminary Views” on those changes in June of 2010, and these “Preliminary Views” would create larger, reported unfunded liabilities and increased volatility in those unfunded liabilities;

WHEREAS: The Federal government is considering mandating changes in accounting standards for presenting retirement and OPEB benefits in state and local government financial statements that would also create larger, reported unfunded liabilities and increased volatility in those unfunded liabilities;

WHEREAS: The Governor of the Commonwealth of Virginia is proposing changes in the VRS system, and the General Assembly may enact such changes in 2011 that would give local governments such as Alexandria options in paying for the cost of its participation in the VRS;

WHEREAS: The Government Accountability Office has found that the significant downturn in investment markets in late 2008 has significantly diminished public pension asset values, and additional market declines in 2009 exacerbated those declines;

WHEREAS: The City of Alexandria also experienced declines in the value of its retirement trust portfolios during this time period, but the value of assets on hand in the City's retirement trust funds have fully recovered their value by June 30, 2010, (\$282.5 million as of June 30, 2008 vs. \$291.6 million as of June 30, 2010 as reported in audited financial statements), and have significantly increased in value since that time to \$341.0 million as of December 31, 2010;

WHEREAS: The long term economic and investment market outlook for the City's retirement investment is clouded by the lingering unemployment situation in the United States;

WHEREAS: Currently we are experiencing very large and historically unprecedented Federal government budget deficits, and as a consequence there is talk of significant Federal budget reductions to reduce those deficits that may affect the City, and if they are not reduced, there is a consequent long-term threat of inflation in the United States;

WHEREAS: There is also uncertainty facing the U.S. housing market due to a rise in foreclosures and tighter credit standards and lingering unemployment;

WHEREAS: Other uncertainty and risk is created by the recent unprecedented actions by the Federal Reserve to maintain a sufficient monetary supply to encourage economic recovery (so-called "quantitative easing"), the dangers of the debt crises in Europe, and significant economic uncertainty in emerging markets in nations with developing economies both large and small;

WHEREAS: Given all the uncertainty surrounding the accounting standards to be applied to state and local retirement programs, the uncertainty surrounding the options available to local jurisdictions participating in the VRS program, and the risks created by a volatile economic outlook;

WHEREAS: In a City Council Budget Work Session on October 19, 2010 leading up to passage of Resolution #2426 on November 23, 2010, City Council heard and discussed a staff presentation on "Public Pension Plans for Alexandria Employees in FY 2012 and Beyond." As a result of that presentation, City Council included Section 14 in Resolution #2426 that provides that the City Council shall, by subsequent resolution, form a Retirement Benefit Advisory Group.

NOW THEREFORE BE IT RESOLVED THAT CITY COUNCIL DOES THE FOLLOWING:

Section 1: Establish an Ad Hoc Retirement Benefit Advisory Group

- a) City Council hereby establishes an Ad Hoc Retirement Benefit Advisory Group (the Advisory Group).
- b) The Advisory Group shall be composed of:
 - i.6 Employee Representatives
 - 1. 2 members of Police/Fire Pension Plan,
 - 2. 2 members of Deputy Sheriff/EMT Plan,
 - 3. 2 members of VRS/City Supplemental Plans,
 - ii.6 Members of the public, and
 - iii.1 Representative of the City Manager.
- c) One member of the public shall be a representative from the Budget and Fiscal Affairs Advisory Committee.
- d) All public members shall have knowledge or experience through education or work experience of one or more of the following fields: financial/budget management, pension law and administration, actuarial science, and human resource management.
- e) The members of the Advisory Group are to be appointed by the Mayor after consultation with the members of Council.

Section 2: Role of the City Compensation Subcommittee

- a) The Advisory Group shall provide City Council Compensation Subcommittee members advance (7 days) notice of meeting time, place and agenda and be invited to attend on an ad hoc basis to observe the activities and discussions of the Advisory Group.
- b) The City Council Compensation Subcommittee may provide any commentary or recommendations as an addendum to the Advisory Group's written report.

Section 3: Tasks of the Advisory Group

- a) The Advisory Group shall look at the need for any future changes to defined benefit pension plans created under the authority of the City Council.
- b) The Advisory Group shall examine the current financial status of the City's retirement funds, to advise the City Manager and City Council Pension and Compensation Subcommittee on any options that should be considered to meet the following objectives:
 - i. To protect benefits already earned (accrued) by retirees and current employees,
 - ii. To ensure the City remains competitive with neighboring jurisdictions in recruiting for capable and effective public service employees,
 - iii. To provide an opportunity for City employees to save for and have a secure retirement,
 - iv. To consider the advantages and disadvantages of defined benefit vs. defined contribution pension plans and make recommendations on the structure of future plans, and
 - v. To create a fiscally sustainable plan for funding future benefits whether earned or to be earned in the future.

Section 4: The Report of the Advisory Group

- a) The Advisory Group shall evaluate need for changes based on:
 - i. financial status of City's pension plans based on the outlook for future sustainability of those plans given actuarial outlook and investment risks and expected returns, and
 - ii. the assessments of likely federal, state and GASB developments, to the extent known over the next 12 months, in accounting, disclosure and funding rules.
- b) The Advisory Group may offer a variety of options that should be considered by City Council to meet future challenges. Unanimity is not necessarily required for any option in the report.
- c) The Advisory Group Report shall contain an assessment of advantages and disadvantages vis-à-vis the objectives outlined above of each option presented.
- d) The Advisory Group Report shall include in the report an assessment of the ease or difficulty of administrative implementation of any recommended options for consideration.

Section 5: Reports, Process, Support and Schedule of the Advisory Group

- a) The Advisory Group shall select from among its members a Chair and a Vice Chair who shall schedule and convene the meetings of the Advisory Group.
- b) The Advisory Group shall provide a notice and opportunity for employee and public comment on options under consideration.
- c) The Advisory Group shall provide an oral report to the City Manager and the City Council Compensation Subcommittee in October of 2011.
- d) The Advisory Group shall present a final written report to the City Manager and the full Council also in November 2011 (in time for use in developing FY 2013 Budget Guidance as part of any budget work session or retreat scheduled at that time).
- e) The Advisory Group shall make a representative or representatives of the Advisory Group available to appear in person before City Council at such a time and such a place as Council directs to discuss the report of the Advisory Group.

- f) The Advisory Group may provide any advice it deems appropriate to the City Manager and the City Council at any time before its termination as Council considers any options available for financing the City's costs to participate in the VRS.
- g) The City Manager shall make available to the Advisory Group City staff including but not necessarily limited to:
 - i. Deputy City Manager, Michele Evans,
 - ii. Deputy CFO/Finance Director, Laura Triggs,
 - iii. Human Resources Director, Cheryl Orr, and
 - iv. Retirement Administration Director, Steven Bland
- h) The City Manager shall make available to the Group as necessary the actuarial and investment advisory and legal services otherwise available to its Pension Boards.

Section 6 – Sunset of Advisory Group

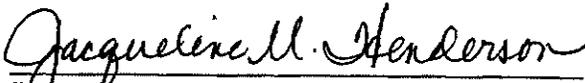
- a) The Advisory Group shall terminate after presentation of its written report to City Council, unless the Advisory Group petitions the City Council for an extension and that request is approved by City Council.

Adopted: January 25, 2011



WILLIAM D. EULLE MAYOR

ATTEST:



Jacqueline M. Henderson, MMC City Clerk