

City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 26, 2010

TO: PARTICIPANTS IN THE CITY OF ALEXANDRIA FIREFIGHTERS AND POLICE OFFICERS PENSION PLAN

FROM: STEVEN BLAND, RETIREMENT ADMINISTRATOR

SUBJECT: PENSION PLAN CONTRIBUTION RATES EFFECTIVE JULY 1, 2010

City and participant contribution rates for the City of Alexandria Firefighters and Police Officers Pension Plan (the "Plan") have changed for Fiscal Year 2011, which begins July 1, 2010.

The Plan includes a pension component that pays a monthly pension benefit to vested participants and a disability component that pays a monthly disability benefit to eligible participants. The total amount that participants contribute to the Plan is eight percent each year. However, the percentages allocated to the pension and disability components of the Plan are subject to change each year based on an actuarial review of the Plan.

The Plan was designed to ensure that non-service connected partial disability benefits are paid out on a tax-free basis. If sufficient contributions are made on an after-tax basis the Internal Revenue Service allows these benefits to be non-taxable when paid. Pension contributions are made on a pre-tax basis and pension benefits are taxable when paid.

The Plan's actuary annually reviews information on active participants and participants receiving retirement and disability benefits. Based on this review, the actuary determines how much must be contributed to the Plan to fund future benefits, which establishes the total amount that must be paid into the Plan for the upcoming fiscal year. During this review, the actuary also determines the level of employee contributions needed to fund non-service connected partial disability benefits. If the disability contribution needs to change, the pension contribution will also change to keep your total contribution rate at eight percent.

Whenever the participant contribution percentages change, employee paychecks are affected. The impact of the change on your paycheck will depend on your specific income tax circumstances. Based on the new contribution rates, a participant who is earning \$65,000 per year will have an increase in taxable income of approximately \$5 per paycheck. If this participant's income is in one of the higher tax brackets, the participant might have an increase of \$2 per paycheck in federal income taxes. The tax increase will be lower for those in lower tax brackets. The amount of your change will also depend on the number of exemptions you have claimed for payroll withholding purposes.

The contribution rates for FY 2011 are listed below. These rates will take effect in the paycheck dated July 16, 2010. Your total contribution rate does not change but the portion

that is taxable will change. For 2011 the disability contribution increases from .6% to .8%; that means your pension contribution decreases from 7.4% to 7.2% for a total contribution of eight percent.

	Before Change		After Change	
	Participant	City	Participant	City
Pension Contribution	7.40%	22.13%	7.20%	21.93%
Disability Contribution	0.60%	5.07%	0.80%	3.65%
Total Contributions	8.00%	27.20%	8.00%	25.58%

For more information on the Firefighters and Police Officers Pension Plan, visit the [Pension Administration Division website](#). If you have any questions concerning the new contribution rates and how you may be affected, please contact Steven Bland, the City's Retirement Administrator, by e-mail at steven.bland@alexandriava.gov or by phone at 703.746.3886.