



**General
Schedule
Employees'
Pension Plan**

September 8, 2011

Who is the General Schedule Employee?



Who is the General Schedule Employee?

- The GS Employee is part of a diverse, talented, specially trained, and vibrant work force in the City of Alexandria.
 - ❖ We are employees doing physically & emotionally challenging jobs, such as stepping on/off trash trucks 100s of times a day.
 - ❖ We move furniture, mow lawns, cutting trees & bushes and so forth.
 - ❖ We are the 24/7 operating center. The first responders to all criminal matters, fires, & medical emergencies.
 - ❖ We are essential personnel. We determine, monitor & protect all emergency personnel responding to all situations.

Who is the General Schedule Employee?

- We cannot take advantage of early retirement.
- We retire at an older age with a smaller portion of final compensation being replaced (75%)

History of Pay Decline

- In 1983, GS employees were not equally compensated with 5% pay increases as were the other labor groups.
- The City agreed to compensate GS employees via the 5% contribution toward our pension in lieu of the salary increase = Saving the City thousands in wage adjustments in gross salary & fringe benefit costs for future years.

History...

- The intended purpose for GS employees was to off-set a 5% loss in salary in exchange for 0 contributions for the established GS employee pension plan.
- The employees relied on faith and trust that this would be a permanent agreement.
- Throughout the years, the City has consistently left GS employees behind the market and has established a precedent that has led to the 2 decades of chronic salary stagnation.

History...

- In 2009, the City commissioned the Watson Wyatt Group to do a pay & compensation study. According to their findings, the GS employee is at least 7% behind in salaries compared to equivalent workers in our surrounding jurisdictions.
- That coupled with the rate of inflation over the past 12 years puts us at a 12% disadvantage.

City Manager's Proposed 2012 Budget

- The average salary is \$63,633 for 1,832 General Salary Employees.
- More than 50% of these employees earn less than the average salary, and approximately 10% of these employees earn less than \$40,000 annually.
- It is important to note that unlike any other group in the City; 10% of our employees make less than \$40,000 and retire at 75% of that salary (less than \$30,000).
- 24% of that \$30,000 allowance will not keep up with the cost of inflation. (City Supplemental plan has no COLA allowance)

Percentage of Average Final Compensation at Retirement

Employee Categories	Total Pension Cost To City	Employee Contribution Rate	Employee Contribution Rate as a % of Total Pension Cost	Percent of Average Final Compensation at Retirement
Police & Fire	28.22%	8.00%	28.35%	82.00%
Sheriff's Department, Medics, Fire Marshalls	25.59%	4.00%	15.63%	78.00%
General	19.96%	6.00%	30.06%	75.00%

Degradation of Benefits

- The City has failed to provide a COLA on the Supplemental Retirement Plan.
- 10% of GS employees retire making less than \$30,000.
- A proposal to increase employee contribution to the Supplemental while still paying us below the market is unconscionable.
- Existing policy has led to a net loss of take home pay for the last 4 consecutive years.
- City pay & compensation behavior that spends 100s on studies while employees continue to lose money.
- A current proposal that may force employees to face further pay loses (1%) while not paying us market value rates.

Meeting the objectives of the Advisory Group

- To protect the benefits already earned (accrued) by retirees and current employees:
 - The current plans are complete and thoughtfully designed with few, if any opportunities for exploitation. While other highly publicized pension plans base average final compensation on factors such as overtime and accrued leave, neither of the City's plans provide such opportunities for abuse.

Meeting the objectives of the Advisory Group

- To ensure the City remains competitive with neighboring jurisdictions in recruiting for capable and effective public service employees:
- The combination of the City's plans ranks among the highest of comparator jurisdictions and City employees recognize the value of this benefit. Given the uncertain future of Social Security benefit, it can reasonably be expected that the value of a defined benefit pension will only increase as a recruitment tool for the City.

Meeting the objectives of the Advisory Group

- To provide an opportunity for City employees to save for and have a secure retirement:
 - As outlined in the recommendations, increased education and outreach to employees will greatly contribute to accomplishing this objection. Recommendations regarding a small matching contribution to deferred compensation would serve to create an incentive for employees to save on a pretax basis.

Meeting the objectives of the Advisory Group

- To consider the advantages and disadvantages of defined benefit vs. defined contribution pension plans and make recommendations on the structure of future plans:
- Employees responding to the survey indicated a preference of a DB over a DC by a four to one margin. Employees are ill-prepared to assume the risk and personal management responsibility of a DC plan. The City is well positioned to manage investments through professional contracts in a way the average employee cannot.

Meeting the objectives of the Advisory Group

- To create a fiscally sustainable plan for funding future benefits whether earned or to be earned in the future:
- The City's plans are well-designed with few opportunities for abuse. By establishing a common unified employee pension advisory group, employees will be better positioned to understand the City's retirement plans and to actively contribute to the ongoing reevaluation of the plans.

In Closing....

- General Salary employees have been subjected to a salary that has been systematically held below the market rate.
- Therefore, GS employees would require a proper market rate adjustment (affecting all employees current salary), in order to consider a future base-line contribution into the pension plan. This is mandatory before any discussion on GS employee pension contribution.
- We have been inadequately compensated in our salaries. We object to any current contribution towards the pension plan that negates the 1983 compensation agreement. To do otherwise is a direct salary reduction for GS employees.
- **Bottom line is** ...We are not unreasonable. We are asking to be fairly and properly compensated just as our neighboring jurisdictions for the jobs that we do every day without further losses in pay.