

**CITY OF ALEXANDRIA  
AD HOC RETIREMENT BENEFIT ADVISORY GROUP**

**MINUTES OF APRIL 27, 2011**

<b>Members Present</b>	<b>Representing</b>
Janine Bosley	Public
Shane Cochran	General Schedule
Michael Cross	Firefighters
Brenda D'Sylva	General Schedule
Robert Gilmore	Deputy Sheriffs
Bruce Johnson	City Manager
James McNeil	Public
Lonnie Phillips	Medics & Fire Marshals
James Ray	Public
Len Rubenstein	Public
David Speck	Public
Al Tierney	Police Officers
Russell Bailey	Alternate

Designated by Mayor Euille April 26th:  
Nancy McFadden, Medics & Fire Marshals  
Jarrod Overstreet, Deputy Sheriffs  
Marietta Robinson, General Schedule employees  
Al Tierney, Police Officers

Others:  
Steven Bland, Retirement Administrator  
Michele Evans, Deputy City Manager  
Theresa Nugent, Retirement Specialist  
Cheryl Orr, Director Human Resources  
Laura B. Triggs, Deputy CFO  
Bill Mitchell  
Barry Bryant

The meeting began at 6:33 PM.

Lonnie Phillips made a motion to accept the minutes. The motion was seconded by David Speck. The motion passed unanimously.

Agenda items 6 (a) & (b) were taken out of order to facilitate Barry Bryant's participation. Handout 6 (b) is a discussion of the GASB preliminary views on pension reporting. The committee discussed how actuarial assumptions worked. Staff called attention to the bullet points on first and second page and asked members to focus on those. Handout 6 (a) (2) covered one congressman's approach to the issue, bypass GASB and make federal law regulate certain actuarial assumptions.

Staff suggested investment return might be considered by some as a way to address the pension plan's fiscal issues. However, increasing investment return is not possible without the plan assuming more risk. Staff introduced Barry Bryant from Dahab Associates to elaborate on this.

Ms. Bosley asked Mr. Bryant if he felt investors can beat the market. Mr. Bryant said it is very difficult. Ms. Bosley mentioned the virtues of diversification reducing risk. She also asked about the frequency of changing assumptions and of reviewing actuarial assumptions. Mr. Cross said the actuarial assumptions for the Fire & Police plan were set in 2005, discussed with the actuary, and not changed since then.

Mr. Ray asked Mr. Cross to explain the make-up of the board, and Mr. Cross accommodated. Mr. Cochrane asked when contributions are made. Staff said biweekly for the Fire & Police and the Supplemental plans. The retiree medical plan is funded quarterly. The oldest Fire & Police plan is funded annually.

Ms. Bosley asked Mr. Bryant if we can invest our way out of financial difficulties. Mr. Bryant said it was very difficult.

Mr. Rubenstein asked for charts to visually display investment performance vs. the actuarially assumed rate of 7 ½%. Mr. Johnson believes there is a graph in the regular quarterly report (that Dahab Associates makes for the Board) that would be useful.

Ms. Bosley asked if there was another retirement structure that can bring benefits to all concerned, the employees, the taxpayers, etc. Might the rate of return be one such approach? Might an alternative plan design be such an approach?

Ms. Bosley said the committee's primary purpose is to write a report for City Council and to make recommendations. The report would be too much for one person to write. She suggested the use of subcommittees would make drafting the report much easier.

Committee members thought the idea of subcommittees might work, but there was more background and preparation needed first. The direction of the report was unclear so establishing subcommittees at this point may be premature.

Ms. Bosley read the directions from City Council. She would like to cover:

- The Current Pension Structure
- The impact on the budget over the next 3 – 5 years of the current pension structure
- The real and perceived problems of the pension plan
- Alternatives such as defined contribution plans, modifying the defined benefit plans

Mr. Ray. would describe his preferred path as to include:

1. What is the current structure, what do we currently have?
2. What are the real and perceived challenges (GASB, Investments, Budget, etc?)
3. What are alternative solutions?
4. What does the committee recommend?

Mr. Tierney and Ms. Bosley discussed the notions of competitive total compensation & benefits packages and sustainability.

Mr. Johnson suggested the Co-Chairs and Vice-Chairs meet May 9<sup>th</sup> to discuss a general approach to future meetings, what needs to be covered prior to writing the report and these might become agenda items in the meetings to come.

Mr. Gilmore sees the goal of the committee for him and his group to not lose anything. Ms. Bosley suggests a focus on plan design and asks if changes might be mutually beneficial as opposed to a zero sum game.

Mr. Rubenstein suggests one meeting might focus on fiscal status. Another meeting might focus on defined benefits vs. defined contributions. Finally, there might be a meeting on equity.

Mr. Rubenstein and Ms. Bosley discussed the merits of a plan by plan analysis. Mr. Ray said the agendas could be specifically tailored towards the report.

Mr. Rubenstein asked if there was a history of contribution rates along with expected future contribution rates.

Staff referred to handout 4 (a), *Local Comparators*. Staff emphasized it is important to consider the total compensation and benefit package and not focus on any one provision or benefit. The presentation began with the first column, Plan Features, from the plan design perspective. Retirement Eligibility and Benefit multiplier are usually the biggest cost drivers.

Retirement eligibility might be thought of a composite of “age based” retirement and a “service based” component.

A benefit multiplier is typically level over time. However, it can be front loaded or back loaded. Back-loaded plans encourage longevity, seniority, and limit training costs.

The employee contribution is usually not considered a significant cost driver. Typically employee input is sought and once a range is determined for the employee contribution the plan is then designed. Thereafter the employee rate is typically not changed much. In the current context the employee contribution may be changed significantly and therefore it becomes a larger cost driver than usual. The average final salary calculation has two components key to the calculations: 1) the length of time, and 2) the compensation used. Typically the first component is immaterial and the second can be quite material.

VRS has had generous purchase of service credit rules.

Arlington County increased their benefit multiplier in 2009 but removed overtime from the benefit calculation.

Staff referred to handout 4 (b) *Social Security Offsets/Integration*. This handout is to explain and justify why some plans have discontinuities at the Social Security Wage Base (currently \$106,800). Staff then returned to handout 4 (a) and discussed Fairfax General Employees benefit multiplier. Their benefit multiplier is greater above the Social Security Wage Base.

Montgomery County uses sick leave in benefit calculations. Prince George's County uses a front-loaded benefit multiplier. This discourages longevity.

Several schools and the Federal government use hybrid plans. This is a combination of defined contribution and defined benefit.

Staff referred to handout 4(c), *Local Comparators*. This spread takes the provisions described in handout 4 (a) and creates numerical examples. One key caveat is that to the extent a system permits sick leave, annual leave, or some other method of inflating salaries this amount is unknowable and is not represented in the spreadsheet. Staff focused on Fairfax county's Plan A & Plan B as well as VRS 1 & VRS 2. The balance of the spreadsheet was meant as a reference. Mr. Gilmore asked that the report be updated for a missing value for Alexandria Deputy Sheriffs & Medics. Mr. Tierney asked figures be added for Uniformed Officers for both Prince George's and Prince William Counties.

Staff referred to handout 4 (d) *Recent Retirement Plan Changes, Virginia Public Plans*. The handout describes the changes that are contemplated, in process, or completed at our peer public retirement systems across the state. Almost every jurisdiction is at some stage of reviewing their plans with an eye toward reducing benefits or increasing employee contributions.

Staff referred to handout 4 (e), *Trends in Public Pensions*. The handout is excerpted from a recent meeting of the Association of Municipal Retirement Systems of Virginia. The data does provide a comparison of local public pension plans based on a 2004 VRS study. However, the committee prefers more current data. Several committee members suggested the report not be posted on line. Mr. Rubenstein asked if the data in handout 4 (c) can be graphed into a similar format as that of handout 4 (e). Mr. Johnson said there was some valuable information in the end of the report. He suggested staff excerpt and post pages 59 – 65.

Staff referred to handout 5 (a) *MEMBER NEWS, Spring 2010*. This bulletin from VRS juxtaposes the key features of VRS 1 & VRS 2. Those provisions with higher fiscal impact are discussed.

Staff referred to handout 5 (b) *Phase in of VRS 2 membership*. Eventually the City will save \$1 million annually (in today's dollars) for implementing VRS 2. This schematic demonstrates the salaries on which the City will save. They will start at zero and grow steadily for years. Any plan change that impacts new hires only will not initially have a major savings.

Staff referred to handout 5 (c ) *2011 Generally Assembly Summary*. Page 2 covers administrative bills requested by VRS but not impacting the rank and file. Page three also covers other bills not impacting the average employee. Pages four and five are on state contributions to VRS. Page 6 discusses the state's compromise with its employees in the 5% increase in salaries coupled with a 5% increase in employee contributions. Increased social security taxes assure this is not a zero sum game. Page 8 discusses efforts to introduce defined contribution plans. Staff explained the incremental costs of paying for a defined contribution plan and making continued payments for the unfunded liability of the defined benefit plan. Line of Duty is covered on page 9.

Staff referred to handout 6 (a) *2008 Comparative Study of Major Public Employee Retirement Systems*. This study is performed biennially by the Wisconsin state legislature. It provides a significant amount of credible data in a consistent format. The few drawbacks are: 1) the plans for local employees may include uniformed employees as well as general, and 2) it displays provisions for "new hires" who may not be receiving the same benefits as the "old hires."

The file was then sorted by various fields. The first sort was by Benefit Multiplier. The most modest multiplier is 1.50% for a Michigan system. The highest is 3.0% for New Mexico. The median is 2.00% and the mean 1.99%. The file was then iteratively sorted by other fields and then printed.

Mr. Johnson suggested the report by Sageview for the recent AMRS-VA conference be excerpted and put on line, possibly from page 59 forward.

The next meetings were set for:

Monday, May 9 at 6:30 p.m. Sister Cities Room 1101

Wednesday May 25 at 6:30 p.m. Room **XXXXXXXX**

A motion was made and seconded to adjourn. The motion passed unanimously (11 – 0). The meeting adjourned at 9:00 PM.

## **Follow Up Items as of the Most Recent Meeting Date Listed**

Tasks on the follow up list will be addressed at the next meeting or will remain on the list until addressed.

### April 27, 2011

Fire Department needs an alternate member. Lisa Chimento offered her resignation. Russell Bailey will be promoted from alternate member to member. Staff will work with the City Manager Office to formalize the changes.

Mr. Rubenstein asked staff to make available a copy of the quarterly Dahab reports that illustrates the actual return vs. the assumed return.

Mr. Gilmore Local Comparators excel spreadsheet is to be updated for Alexandria Deputy Sheriff, Medics, and Fire Marshals. Mr. Tierney requests it be updated for two missing counties' data on uniformed officers. Mr. Rubenstein requests the spreadsheet be accompanied by bar charts.

Resolution 868 will be posted on line

Mr. Cochran and Ms. Bosley asked for contributions, past and projected.

### April 4, 2011

Contact City Attorney on outstanding FOIA questions.

Provide benefit example for Deputy Sheriff, Medic, and Fire Marshall retiring with 25 YOS.

Provide information on 1982-83 and 1989 changes to pension contributions.