

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

MINUTES OF AUGUST 2, 2011

Members Present	Representing
Russell Bailey	Public
Janine Bosley	Public
Shane Cochran	General Schedule
Michael Cross	Firefighters
Brenda D'Sylva	General Schedule
Robert Gilmore	Deputy Sheriffs
James McNeil	Public
Ed Milner	Police Officers
Lonnie Phillips	Medics & Fire Marshals
James Ray	Public
Len Rubenstein	Public
Laura Triggs	City Manager

Alternates present:

Jennifer Harris, General Schedule Employee  
Nancy McFadden, Medic  
Marietta Robinson, General Schedule Employee

Staff present:

Steven Bland, Retirement Administrator, Finance Department  
Theresa Nugent, Retirement Specialist, Finance Department  
Cheryl Orr, Director of Human Resources

CALL TO ORDER:

The meeting was called to order at 6:32 PM.

AGENDA

A motion was made by Ms. Bosley to approve the meeting agenda. It was seconded by Ms. Triggs. The motion was accepted.

## MEETING MINUTES:

Ms. Bosley made a motion to accept the minutes and Ms. Triggs seconded the motion. Mr. Phillips had a comment on the discussion of the write up of the Watson Wyatt (now Towers Watson) study. The issue was not in the July 14<sup>th</sup> meeting but a prior meeting. He retracted the need to amend the July 14<sup>th</sup> meeting minutes but will follow up with staff if prior meeting minutes merit review, edit, comment, etc. The motion to accept the minutes was accepted.

## FOLLOW UP ON JULY 14, 2011 MEETING DISCUSSION

Ms. Orr distributed an updated version of the report, Eligibility for City of Alexandria Retiree Health Benefits, distributed at the July 14, 2011 meeting. Page three was added. This page had employee and employer contribution rates. There was discussion of the flat \$260 dollar contribution and past adjustments to that figure.

The Human Resources Department meets with their actuary, Buck Consultants, on a regular basis and reviews costs, trends, etc.

Mr. Rubenstein asked if anyone had compared the subsidy to Medicare supplements. One local comparator (Prince William County) goes to Medicare at 65 and a Medicare supplement policy.

Mr. Ray asked if the City incurred any other costs for retiree health insurance beyond the monthly reimbursement of up to \$260 for eligible retirees, and in particular whether the retirees' participation in the City's health plan with active employees caused the City to incur additional costs. Ms. Orr answered no.

Page seven was added to the report. This page includes projected costs for Fiscal Year 2012.

Mr. Rubenstein asked if there was a way to get an offset or coordinate coverage by two employees, such as husband and wife each with medical benefits from their respective employers. Ms. Orr said there was not.

Ms. Bosley asked if the City can drop Retiree medical and life insurance benefits, or if the benefits were guaranteed. Ms. Triggs responded that the benefits are not guaranteed and there is no plan document. Mr. McNeil asked about what type of contract a new employee signs for health benefits. Ms. Triggs said that there is no implied contract. Ms. Orr said unions in several parts of the country had initiated suits against employers for dropping benefit coverage. She emphasized the suits focused on coverage and not employee contributions.

Mr. Rubenstein asked Mr. Cross if the Firefighters and Police Officers were seeking any changes in their benefits, be it eligibility, benefit multiplier, or average final compensation period. Mr. Cross said no, and continued to explain that there is no intention to seek any of these changes through the Retirement Benefits Advisory Group. He further explained that

the Pension Board has been very active in making reasonable and effective decisions on behalf of the pension plan, and would be the preferred body to bring any change requests. He clarified that not making requests to the RBAG does not mean there are not concerns for changes. An example was offered related to COLA provisions that would reduce monthly pension benefits during times of deflation (if the annual consumer price index fell). This might be on a cost neutral basis or it might have a cost to the plan/City. In any case, he feels the changes should go through the Firefighters and Police Officers Pension Plan Board.

Staff asked for clarification. Was Mr. Cross' position for current active employees or did it also include new hires. Mr. Cross clarified the position by saying there was no interest in changing benefits for new hires.

Mr. Rubenstein then asked Mr. Cross if the Fire and Police had a position on changes in employee contribution rates. Mr. Cross and Mr. Milner said all of their labor organizations opposed any a change in contribution rates. He said all employee groups had provided input to this.

## PRESENTATIONS

Staff distributed a revised handout, *Pensions as a Percent of Total Budget*. This was originally distributed several months ago. The employee contribution for Deputy Sheriffs, Medics, and Fire Marshals should be 0% for fiscal years 2010 and forward. The 2010 employer contribution rate should be 8.70%. Some employee groups may have used this chart in their presentations so members are asked to check to see if this change impacts other presentations.

Mr. Gilmore provided a power point presentation. He said his presentation was based on feedback he received from the Deputy Sheriff. Slide 1 addresses VRS 1 and VRS 2. VRS 1 provides better benefits and a lower cost to employees than VRS 2.

The more tenured Deputies recognize the cost for the City to switch their VRS benefits to the enhanced benefits option that would allow them to receive full retirement benefits at age fifty with twenty five years of service. They want to retain the benefits they had when they were hired which included the City paying the 5% employee contribution. The newer employees who are in VRS Plan 2 and are contributing 4% want to be eligible for full retirement at age fifty with twenty five years of service, i.e. the VRS enhanced benefit option.

Mr. Gilmore reviewed the Advisory Group's Objectives. He referenced an earlier presentation and handout from staff that projected a decline in contribution rates based on investment return through the time of the presentation (May 2011).

Slide 6 provides highlights of the retirement package, VRS, the Supplemental Retirement Plan, and Retirement Income Plan. The VRS benefit is subject to cost of living increases, but the Supplemental Plan benefit is not.

Slide 7 compares contributions to the Fire and Police pension plan to the sum of employer retirement contributions to the Deputy Sheriffs, Medics, and Fire Marshals. For fiscal years beginning in 1991 and continuing for over a decade the rates were equal. For the last four years they had diverged. Ms. Triggs said there was a memo in 2008 by Mr. Hartmann explaining the City's position of determining contributions to the Retirement Income Plan.

Mr. Milner said City Council adopted a pay philosophy in the early 1990s to make the plans provide equal benefits. Ms. Triggs clarified to suggest there were an equal employer contribution rates. Staff said the Fire & Police benefit was a defined contribution plan and the Deputy Sheriffs had a mix of defined benefit and defined contribution plans. These were apples and oranges and equality of benefits was impossible, but equality of contributions was possible.

Staff said that Fire and Police Plan benefits had not increased during that period. The increase was not in benefits but in expense for the unfunded liabilities.

Mr. Gilmore noted that in the past a Deputy's early retirement benefit was helped by the money the City contributed to the Retirement Income Plan. However, the City has not contributed to the plan in the past two years.

Slide 8 addresses early retirement factors. Staff explained how the early retirement factors worked.

Slide 9 compares Alexandria's benefits to local comparators.

Slide 10 reviews changes to employee benefits since 2007.

Slide 11 asks the question, should new Deputy Sheriffs have VRS retirement eligibility after twenty five years? It had been priced twice previously. Staff said this would cost about 4-5% of pay. The results will vary with demographic changes, investments, and so on. However, staff believes the 4-5% range is still valid for estimation purposes.

A question was asked how much it would cost to receive an updated estimate. Staff said the first actuary charged \$1,000. A year later the costs were calculated by another actuary and the calculation expense was \$2,000. This was the cash cost. Another cost was the time the Pension Administration Division spent on preparing the data and reviewing the results.

Mr. Gilmore referred to the change in state law that permitted the Deputies to obtain retirement eligibility at age fifty from VRS with 25 years of service but not provide the Supplemental benefit for Hazardous Duty Occupations. The increased cost for this change was estimated to be about 4-5% of pensionable salary. Deputy Sheriffs want this plan. Staff said that current salaries combined with an estimated 4-5% contribution rate increase would result in a contribution rate increase just under \$1 million annually. Staff noted that VRS does not allow some employees within a jurisdiction to contribute more than other employees in that jurisdiction in order to receive the enhanced benefit. If the Deputy Sheriffs were to contribute in order to receive enhanced benefits, all general schedule employees would also

have to pay the same contribution percent. Mr. Phillips felt City Council would not have voted for the law change if this were so. Ms. Triggs clarified that the City could contribute a greater amount for some employees to receive a greater benefit, but employees could not contribute different percentage amounts. Mr. Ray asked staff to provide clarification of VRS rules on this matter by the next meeting.

Mr. Gilmore explained the Sheriffs had increased revenue by housing more federal prisoners in the City jails.

The group went into recess at 8:00 PM. The group reconvened at 8:05 PM.

Mr. Phillips distributed a handout of his presentation. He said he received significant feedback from other medics but it fell short of 100%. He also consulted with Mr. Gilmore.

Page 1 set the tone of the political environment. Mr. Phillips played a portion of the June 22, 2010, City Council discussion of establishing VRS employee contribution rates. A link to this session should be forwarded to all group members. Pages 2-4 include quotes from that meeting.

Page 5 provides an overview of the Medics' requests. These were then detailed on the pages that followed.

Page 6 & 7 request the cost of providing VRS retirement eligibility at twenty five years and age fifty. Mr. Phillips reiterated the request Mr. Gilmore and Mr. Ray made earlier in the meeting. Ms. Bosley asked if they are attracting and retaining good people. Mr. Phillips said they were attracting good people but not necessarily retaining them. He pointed out that the Medic's job was strenuous, especially as they aged. He discussed the Fire Chief's and Departments ideas to bridge the gap between the medics and firefighters. All future hires would be in one pension plan. This would enhance pension portability for those that moved between positions. Staff asked if Mr. Phillips endorsed portability Citywide, not just for these two positions. Mr. Phillips said he did support portability.

Page 8 asks the question can employees opt out of VRS. Staff said they cannot. A new class of employees may be created and not added to VRS. For example, the new medic/firefighter could be created and placed in the Fire and Police plan and excluded from VRS. Mr. Phillips recommends a committee to review this. Mr. Phillips indicated Medics might be willing to pay to be able to retire with 25 years if they knew the cost. Mr. Gilmore added that new Deputies already paying 4% would like better plan with no increased costs.

Mr. Rubenstein asked if Medics are staffed to national standards. Mr. Phillips indicated they were as of two years ago. He felt they were attracting people but not retaining them. Ms. Bosley asked if Medics are obliged to be part of the VRS plan. Ms. Triggs stated that once position is covered by VRS employee is part of VRS.

Page 9 brought up the question of pay scales in Alexandria vs. those in Fairfax County.

Pages 9 & 10 raise the question if VRS rates are sustainable. Medics want equity of employer retirement contribution rates with Police and Fire reinstated.

Page 11 suggests retirement costs for Deputy Sheriffs, Medics, and Fire Marshals have increased very little over the last nineteen years. The Medics seek retroactive increases for the fiscal years 2009 through 2012 when contributions to Fire and Police pension plans exceeded the contributions to the Medics retirement package.

Staff noted that the defined contribution plan for Medics and Deputies was a balancing plan against the contributions that the City paid to the Fire and Police plan. It is difficult to compare the two because they are not the same types of benefits. Ms. Triggs will provide Mr. Hartmann's letter that addresses this.

Pages 12 & 13 address the Medics' desire for reinstatement of the parity that existed beginning in fiscal year 1991.

Page 14 suggests that a change in pension benefits might impact the gender mix of uniformed City employees.

Pages 14 & 15 refer to a study. Mr. Phillips said a study was once done that called for an EMS Supervisor to be paid the same as a Fire Captain. Ms. Orr will get more information from Mr. Phillips and look into this. Mr. Phillips also said the City should more frequently monitor local comparator's benefits.

Page 16 raises questions on termination rates of medics. Ms. Orr believes her department should be able to come up with some statistics to validate Mr. Phillips' concerns about employment turnover rates. Staff says actuarial valuation rates are also available.

Page 17 displays tax rates. Mr. Phillips argues the City of Alexandria can afford to make benefit increases.

Page 18 makes the statement that training costs are too high to allow for significant turnover. This concludes the presentation.

#### PRESENTATION ON BEHALF OF GENERAL SCHEDULE EMPLOYEES

The presentation is deferred until August 23 to allow ample time for the presentation. Materials are distributed in advance to facilitate review.

#### COMMENTS FROM CITY STAFF

There were no comments other than those made by staff at the July 14<sup>th</sup> meeting.

## DISCUSSION REGARDING PUBLIC INPUT

Ms. Triggs indicated that the Acting City Manager expects the Group will provide recommendations that consider both sides of the equation (concerns of employees and residents). The Group will present to the Pension Compensation Committee in October as part one of their report process. Part two is to present a written report to City Council in November. The Group could do an oral presentation to City Council and immediately follow-up with a written report. City Council will use the Group's recommendation to provide guidance for preparing the FY 2013 budget to the City Manager on November 22.

Ms. Harris of the Communication Office addressed the group. She provided a brief outline of her role as alternate to the General Schedule employees as well as a communications professional and community activist. She outlined what tools are available in the City system to gather public feedback. She suggested various tools are readily available and the group consider:

- Posting on the City website,
- Creating a comment board on the City website,
- Deciding what feedback the group is looking for.

Ms. Triggs said both she and Bruce Johnson believe public input is inevitable so it best to be proactive and pursue it in advance.

Ms. Triggs made reference to recent projects that had not sought public comment in advance. She encouraged more input from the public.

Mr. Rubenstein took issue with Ms. Triggs position saying that he, and others at the table were all citizens of Alexandria and they represented the public. He felt that City Council could hold public hearings if they were needed. Ms. Bosley felt it was City Council's job to decide which, if any, of the Group's recommendations to adopt. Mr. Ray sought to clarify the extent to which communication with the public is required by the City Council resolution. Mr. Milner and then others agreed with Mr. Rubenstein.

Mr. Cochran believes General Schedule employees will benefit from more information being posted.

Ms. Harris suggests that there be a closing date for receiving comments. She suggested the following:

- The Discussion Guide is posted.
- A statement is made that there will be a report based on the guide. The guide includes both background (in detail) and recommendations (outlined).
- Comments are requested on what should be included in the report.

Ms. Harris then explained the several modes available to her to announce this comment process. These are all readily available and she proposes to use all of them. They include a

monthly notice, a weekly process, e mails, websites, the City's calendar, channel 70 on television, and so on.

Mr. Gilmore recommends that employee comments be directed to employee representatives.

Ms. Harris said that a very sensitive project recently garnered only forty three postings. Of those some were comments that did not merit reply. Ms. Harris indicated a moderator will be assigned to be notified when comments are posted. The moderator will coordinate any responses that are required to public comments. Everyone will be able to view all comments at all times.

#### DISCUSSION OF WORK PLAN FOR DEVELOPING REPORT

Mr. Ray suggested he draft a "chairman's mark" which he could send to all for comments.

#### OLD BUSINESS

Staff said there was a question on the number of employees in the Virginia Department of Health that participated in the Supplemental Plan. That number is 88. It had not changed much in the last few years. The number laid off following the 2008-2009 downturn was modest.

#### NEW BUSINESS

There was no new business.

#### NEXT MEETINGS:

The next meetings were set for:

**Tuesday**, August 23, beginning at 6:30 PM in Sister Cities Room 1101

**Thursday**, September 8, at 6:30 PM in Sister Cities Room 1101

**Monday**, September 19, at 6:30 PM in Sister Cities Room 1101

**Wednesday**, September 28, at 6:30 PM in Sister Cities Room 1101

#### ADJOURNMENT

A motion was made by Mr. Milner and seconded by Ms. D'Sylva to adjourn. The motion passed unanimously. The meeting adjourned at 9:45 PM.

## MEETING HANDOUTS:

- Agenda
- Draft Minutes July 14, 2011 Meeting [2]
- Eligibility for City of Alexandria Retiree Health Benefits
- Pensions as a Percent of Total Budget [9(1)]
- What the Deputy Sheriffs want now: (Mr. Gilmore's presentation)
- Deputies, Fire Marshals, & Medics (Mr. Phillip's presentation)

## MEETING 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.

### August 2, 2011

Ms. Orr will research the history of the City's reimbursement program (retiree health insurance premium contribution) and report back to the Group.

Mr. Gilmore, Mr. Phillips, and Mr. Ray requested a source to document the VRS restrictions on employee contributions by department (making employee funding of 50 & 25 very difficult) and contribution rate information on changing eligibility to age fifty with twenty five years of service.

Mr. Phillips played a portion of the June 2010 City Council discussion of establishing VRS employee contribution rates. A link to this session should be forwarded to all group members.

Ms. Triggs said there was a memo in 2008 by Mr. Hartmann explaining the City's position of determining contributions to the Retirement Income Plan. It is requested this memo be made available to the Group.

Mr. Phillips raised questions on termination rates of Medics. Ms. Orr believes her department should be able to come up with some statistics to validate Mr. Phillips' concerns about employment turnover rates. Staff says actuarial valuation rates are also available.

### July 14, 2011

Obtain GASB reviews; place the GASB exposure draft on a future meeting schedule.

A question was raised about the annual costs of medical and life insurance costs for actives and retirees. Ms. Orr will follow up on this.

A question was raised on the demographic distributions. It appeared the ratio of actives to retirees was 2:1. Several asked Pension Administration Division staff to verify the number of retirees.

June 15, 2011

Staff asked Mr. McElhaney to send the pdf version of his illustrations to staff so that they can be forwarded to the entire group. **This was requested June 20 and expected for the July 14 meeting.**

Mr. Ray asked Ms. Orr to find out how much it might cost to update the Watson Wyatt Study and how long it might take to complete. **This was requested June 21.**

May 25, 2011

Ms. Bosley asked for information on exit interviews and attrition rates. **Mr. Mitchell from the Human Resource Department said he would follow up on this. Information will be available at the August 2 meeting and posted on the web page.**

Ms. Bosley asked staff to extrapolate the values of the *Pensions as a Percent of Total Budget* handout for several years. Staff can provide something in terms of contribution rates, but budget information needs to come from Office of Management and Budget. **Referred to OMB and Laura Triggs.**

April 4, 2011

Provide information on 1982-83 and 1989 changes to pension contributions. Resolution 898 regarding the City paying the VRS 5% member contributions is posted on the Group's web page.