

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

**MINUTES OF MAY 9, 2011**

<b>Members Present</b>	<b>Representing</b>
Russell Bailey	Public, Alternate
Janine Bosley	Public
Michael Cross	Firefighters
Brenda D'Sylva	General Schedule
Robert Gilmore	Deputy Sheriffs
Bruce Johnson	City Manager
James Ray	Public

Staff members attending:

Steven Bland, Retirement Administrator  
Theresa Nugent, Retirement Specialist  
Laura B. Triggs, Deputy CFO

Note: These appointments were signed by the Mayor while the meeting was taking place:

Russell Bailey to change from Public Alternate to Public Representative  
Patrick Evans added as Firefighters Alternate [not in attendance]  
Laura B. Triggs to change from Staff to Representative of City Manager

The meeting began at 6:34 PM.

Acceptance of the April 27 meeting minutes is deferred until the next meeting.

Ms. Bosley and Ms. Triggs arrived at 6:38 PM.

Mr. Ray provided an overview of his handout. There is no information on retiree medical and life insurance benefits (a.k.a. OPEB). Then, the document was reviewed:

Page 1: the City Council mandate was reviewed. Staff pointed out item 1 (b) (iv) specifically called for a review of defined benefit plans versus define contribution plans. Mr. Ray acknowledged that the report should have a discussion of DB vs. DC plans.

Section 4 prompted a discussion of “sustainability.” The term is critical to the Group’s report yet nowhere is it defined.

Page 2: Item 3 was updated for typos.

Page 3 - 6: VRS

City Council members do not participate in VRS. Ms. Bosley requested the contribution rates – which have been expressed in percentage terms, also be expressed in dollars. Additionally, pension contributions should be expressed as a percent of the total City budget. Staff indicated not all of this was available through the pension office and that going through another office would add to the time to complete the task.

VRS 2 retirement eligibility includes the Rule of 90. VRS had distributed a brochure with an error. That error was that the Rule of 90 also required the employee to be at least 60 years of age. That is not correct. For example, a member may retire with an unreduced benefit at age 58 with 32 years of service.

Reduced benefits are available at age 60 with 5 years of service.

Mr. Cross indicated job transfers between medics and firefighters and also between deputy sheriffs and police officer was a frequent occurrence. Portability is limited.

There was a discussion of participation and opting out of a plan. Ms. Bosley asked for a citation to state code that documents the inability to withdraw from VRS.

Handout 4 (3) from the April 4, 2011 meeting was referenced. VRS contributions are expected to increase. The actuarially assumed investment return rate had recently been decreased. The new, reduced rate is 7%.

#### Page 6: Firefighters & Police Officers Pension Plan

In discussing the “Old” fire & police plan the concept of “frozen” and “closed” plans was reviewed. Members electing to continue in the plan accrued additional benefits. The plan was closed, but not frozen.

Mr. Cross mentioned that 60% of recent budget increases to pension were to VRS which is out of the City’s control. The remaining 40% was due to plans that are within the City’s control.

The committee discussed the 140 participants in the Retirement Income Plan. They fall into three groups:

- Active and did not convert prior service to the new defined benefit plan,
- Active and did convert prior service to the new defined benefit plan but they made voluntary employee contributions, and
- Disabled prior to 2004

The Group discussed that disability benefits are offset by imputed value of benefits derived from the Retirement income account.

Page 6 -7: The demographics will be updated to reflect the most recent valuation data from Cheiron.

Staff is asked again to report contributions in terms of dollars and percent of salary. The lag between the actuarial valuation and the implementation of rates was discussed.

Mr. Cross indicated the Fire and Police Plan had earned 21% over the last three quarters. This will eventually work its way to lower rates for the plan.

Page 8: Cheiron's ability to model changes in contribution rates due to shocks was discussed. These shocks might include changes in investments, inflation, GASB, etc.

Page 9: In 5 (a) 2012 will be changed to 2013. The combined Fire & Police pension and disability components will have a contribution rate for 2012 of 27.22%.

Page 10: the COLA 4 (h) has a lifetime cap of 100%.

Page 11: Governance was discussed. In 5 (c) *Plan Administrator* is a defined term so the roles of City Council, the Fire & Police Pension Board, staff and Ms. Triggs were discussed. In 5 (d) SunTrust was removed.

Mr. Ray suggested a condensed history of administration and investment changes would be helpful. Staff said the savings would not be known until all the new investment managers were selected. Mr. Cross said the new managers would be selected by July. At that time the Group could get a report on the investment efficiencies attained.

Page 12: The Retirement Income Plan for Firefighters and Police Officers was discussed.

Page 13: City of Alexandria Supplemental Retirement Plan.

It was suggested the Virginia Department of Health is added to the background material.

Page 14: Mr. Ray asked about stress testing the Supplemental Plan. Staff indicated Cheiron could do this. However, they would do the retiree medical and life insurance program first (OPEB).

Ms. Bosley requested the contribution rates – which have been expressed in percentage terms, also be expressed in dollars.

Mr. Ray viewed the total contribution rates for Deputy Sheriffs, Medics, and Fire Marshals and asked staff to delineate the components.

Page 16: Mr. Gilmore made some comments on the Retirement Income and prior links to Fire and police contributions.

Page 17: Ms. Bosley asked if the 1,836 participants in ICMARC are all active employees. Staff indicated that 1,100 are currently participating, however, there were certainly more employees who will stop and start contributions in addition to the 1,100. The 1,836 definitely includes a lot of retirees.

Page 18: The Roth payroll deduct is available at ICMARC.

Page 19: Mr. Ray again asked about retiree medical benefits. Several Group members added a few facts and provided a general picture.

Mr. Ray asked about the current financial status of each plan and how the Group might get projections. Staff will provide the most current valuations if they have not already been distributed.

Mr. Ray said that the term *Sustainable* had not been defined. There were limited guidelines for interpreting or measuring sustainability.

Mr. Cross said the initiative to increase employee contributions 1% had died. So too did an “add on tax.”

Staff may address IV B (3) to show how the deferred gains and losses will impact future contribution rates.

Mr. Bailey asked how the City fared compared to its competitors. A discussion of total compensation ensued. It was suggested the Group ask Cheryl Orr for input. Mr. Gilmore said turnover was high. Ms. Bosley asked why people stay in service to the City. Mr. Cross said Medics stay if they do not want to fight fires. Ms. Bosley asked if there were efforts underway to make suppression and paramedics one in the same. Mr. Cross said it was a long term transition process. One impediment was the pension plans. Lack of portability is a drawback. Mr. Gilmore asked if new medics could go into the Fire & Police plan.

The Group is encouraged to send any comments to Mr. Ray.

The next meetings were set for:

Wednesday, May 25 at 6:30 p.m. Sister Cities Room 1101

Wednesday June 15 at 6:30 p.m. Sister Cities Room 1101

Mr. Cross made a motion to adjourn and Ms. Bosley seconded the motion. The motion passed unanimously (7 – 0). The meeting adjourned at 9:43 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.

May 9, 2011

Ms. Bosley asked for verification of the VRS actuarial investment assumption. **It is 7.0%.**

Ms. Bosley asked for verification of the VRS rule or law that prohibits municipalities from withdrawing from VRS. **Code of Virginia 51.1-139.**

Staff is directed to review the website for the proper use of the term Plan Administrator. **Reviewed Pension web pages and could not find any mention of Steven Bland as Plan Administrator. He is designated as Retirement Administrator on the Retirement Summaries for the three groups of retirement benefits. "Plan Administrator" is a defined term in Fire & Police plan document. "Retirement Administrator" is a working title approved by Human Resources.**

Staff is directed to review the website for the VRS 2 eligibility for unreduced retirement. **"Rule of 90" was clarified.**

It was suggested the Virginia Department of Health is added to the background material.

Mr. Ray asked about the current financial status of each plan and how the Group might get projections. Staff will provide the most current valuations if they have not already been distributed. (Page 19 of Mr. Ray's handout).

Staff is asked to report on City Council's decision to make administrative change to the Retirement Income Plan for Deputy Sheriffs, Medics, and Fire Marshals (RIP). **On May 9, City Council adopted the 2<sup>nd</sup> Amendment which is an administrative change. The City will make future contributions – if any - into the 457 Deferred Compensation Plan. Employee's RIP account balances will be transferred to the 457 Plan or another plan that each employee chooses.**

April 27, 2011

Mr. Rubenstein asked staff to make available a copy of the quarterly Dahab reports that illustrates the actual return vs. the assumed return. **Done. To be distributed May 25.**

Mr. Gilmore requested. 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. **On Agenda May 25.**

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

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.**