

CITY OF ALEXANDRIA
AD HOC RETIREMENT BENEFIT ADVISORY GROUP

MINUTES OF SEPTEMBER 8, 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
Lonnie Phillips	Medics & Fire Marshals
James Ray	Public
Len Rubenstein	Public
Laura Triggs	City Manager

Alternates present:

Nancy McFadden, Medic

Marietta Robinson, General Schedule Employee

Staff present:

Steven Bland, Retirement Administrator, Finance Department

Bill Mitchell, Assistant Director Human Resources

Theresa Nugent, Retirement Specialist, Finance Department

Cheryl Orr, Director of Human Resources

Others present:

Bruce Johnson, Acting City Manager

Debbie Ludington, Long term Care Coordinator DCHS

CALL TO ORDER:

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

AGENDA

A motion was made to approve the meeting agenda. It was seconded and the motion was accepted.

MEETING MINUTES:

Ms. Bosley made a motion to accept the minutes of August 2, 2011. The motion to accept the minutes was accepted.

PRESENTATION – GENERAL SCHEDULE EMPLOYEES

Shane Cochran made a PowerPoint presentation and distributed a paper copy. He began with survey results.

Slide #5 indicated over 90% of General Schedule Employees plan to retire from the City, and slide #6 said 73.6% expect to have an unreduced benefit.

Slide #7 indicated 78.8% prefer a defined benefit plan over a defined contribution plan.

Slides #14 – 24 addressed the point that General Schedule Employees were indirectly paying for their pension by receiving lower salaries and/or lesser salary increases that appropriate. Considerations included comparing salary increases to the CPI, deductions for healthcare, and increases to other employee groups.

Slide #21 said General Schedule Employees hired after June 30, 2010 contributed 6% of salary to their pension plans. The total pension cost for this group is 19.96%. Therefore the G.S. employee pays 30.06% ($6.00\% \div 19.96\% = 30.06\%$), which is larger than any other group.

Slides #23 & 24 sparked a discussion of salaries, COLAS, market rate adjustments, and benchmark studies. Mr. Johnson explained the term COLA has been dropped because increases were never pegged to the Bureau of Labor Statistics' Consumer Price Index.

At 7:04 PM Mr. Phillips was called to duty for the weather related emergencies and Nancy McFadden served as his alternate.

Slides # 27 – 32 highlights the physically demanding nature of G.S. employees' work and raises work/life issues. Ms. Bosley asked about VRS coverage of part time employees. Staff explained that VRS only covers full time employees. Each jurisdiction is free to define full time for their respective jurisdictions. Thus a school district may define full time for a nine month employee, but at City Hall the standard is twelve months.

Ms. Orr arrived at 7:08 PM.

Slides # 33 – 34 compared increases in VRS pension costs to the increases in the Fire & Police Plan.

Slides # 35 – 36 said G.S. employees receive their benefits for shorter periods of time than Fire & Police officers and thus receive less value.

Slide # 37 – 39 address the perception that public employees receive large pensions. G.S. employee benefits are not manipulated by pension spiking (overtime, shift differential, or leave cash outs are not included in the pension calculations).

Mr. Cochran's recommendations include:

- City Council delay any action until the state's JLARC study is completed, distributed, and reviewed
- Employee education and outreach be expanded
- City Council add a COLA to the Supplemental Plan
- City Council establish a match to the 457 (deferred compensation) program
- City Council create a single board for all retirement plans
- City Council review benefits for part time employees
- A study is performed of the cost-sharing trigger mechanisms.

At 7:25 PM Mr. Cross was called to duty for the weather related emergencies and there was no alternate.

Mr. Rubenstein asked if Mr. Cochran was happy with the existing pension structure or he was asking for more. Mr. Cochran said that the City cannot ask the G.S. employees to give even more after all they have given.

Referring to slide #35 Mr. Bailey asked where the 75% figure came from. Mr. Cochran assumed employees worked 30 years for those examples.

Mr. Rubenstein asked why the G.S. employees had not asked for parity with the other groups. Mr. Cochran said the group would be quite pleased to achieve parity, but they really do not want more cuts.

Mr. Bailey asked staff for a chart by employee group of average salaries, average salaries of retiring employees, average benefits of new retirees, and an illustration of Social Security benefits. Ms. Bosley asked for information on the combined replacement ratio. Staff said some of this was readily available, some was not. Staff will work with Mr. Bailey to produce a chart for the full Benefits Advisory Group.

Ms. D'Sylva made a PowerPoint presentation to the group on the G.S. employees. A handout was not available at the time but should be posted on line soon.

In 1983 employees exchanged a salary increase for the City's picking up the employee contribution to VRS. The City may have saved hundreds of thousands of dollars in salary related benefits. Since that time salaries have fallen by 12% in real terms.

Ms. D'Sylva would like to see a COLA added to the Supplemental Retirement Plan.

G.S. employees need to have their salaries restored before discussions of pension changes.

Mr. Ray said discussions had not included Social Security. They should.

Mr. Bailey asked if the Watson Wyatt study would help better understand salary issues. Can the City come up with an update? Ms. Orr said the Watson Wyatt study was for benefits, not salary. Pay scales were about 7% behind for General Schedule Employees and 1% behind for Fire & Police.

PRESENTATION BY CITY MANAGER

Mr. Johnson was called to the emergency operations center for the weather related emergency. Before leaving at 8:00 PM he indicated Ms. Triggs would speak for him later in the meeting. He will write a letter for the September 19th meeting.

The meeting went into recess at 8:08 PM.

The meeting resumed at 8:20 PM.

PRESENTATION – GENERAL SCHEDULE EMPLOYEES (continued)

The purpose of the benchmark studies is to establish salaries that are necessary to recruit and retain employees.

Ms. Bosley asked if in the opinion of the general schedule employees there was no problem with the pension plans but the issue was the salaries on which they are based. Ms. D'Sylva said yes, but they would also like a COLA in the Supplemental Retirement Plan. Mr. Cochran said yes, but he was also concerned with new hires contributing 6% of salary.

Ms. Orr mentioned the employee contribution rates for various jurisdictions:

Alexandria	6%
Arlington	4 ½%
Fairfax	3% - 4%
Loudin Co.	5%
Prince William Co.	0%

Mr. Gilmore asked if the 4% VRS 2 contribution rate for new employees can be changed. Staff said the 4% can be changed effective July 1 of any year to 0%, 1%, 2%, 3%, 4% or 5% as long as the rate applies to all VRS 2 members working for the City.

PRESENTATION BY CITY MANAGER (continued)

Ms. Triggs said the City Manager's position for a pension trigger is guided by the following points:

- To share the risk
- To specify a trigger in advance

- The 2013 contribution rates could become a key
- Any pension contribution rates greater than the 2013 contribution rates will be shared by the employee and employer
- When contribution rates later come down then the amount of the employee risk sharing will be reduced
- Each employee group will decide what risk sharing is appropriate. Mr. Johnson prefers an increased employee contribution rate, but a temporary reduction in future benefit accruals is also possible)

Ms. Triggs said Mr. Johnson will send a written & signed version of this outline to the Board at the September 19 meeting.

FOLLOW UP ON AUGUST 2, 2011 MEETING DISCUSSION & OLD BUSINESS

Staff pointed to page three of the August 2011 *Alexandria FYI* publication in members' handouts. This demonstrated one of the many ways the Communications Department made a multi-pronged approach to alerting the public to the request for comments on the Benefits Advisory Group process. The sole legal sized handout is a transcription of every comment posted by the public.

Staff reported on the GASB exposure draft. The initial preliminary views had caused quite a stir in the retirement community. The exposure draft had recently come out and it was toned down and less objectionable to most in the public pension arena. Staff assembled several summaries of the exposure draft. Staff's only concern was the requirement that investment gains and losses be amortized in five years. In staff's opinion this calls for a review of the pension plans' risk profile.

Staff reported VRS was contacted to address Mr. Gilmore's question on VRS prohibiting different employee contributions by department. Regrettably no answer was received to date. Staff will follow up with VRS.

Staff referenced a handout, an April 4, 2008 letter from Mr. Hartmann, City manager to Mr. Cozza, President Alexandria Sheriff's Association. This letter was requested at a prior meeting. It explained the policy behind establishing the contribution rates to the Retirement Income Plan for Deputy Sheriffs, Emergency Rescue Technicians, and Fire Marshals.

DISCUSSION OF THE DRAFT REPORT

The group considered minor changes to the report structure such as moving the conclusions and recommendations to the front of the report. Mr. Rubenstein said he was considering more significant changes to the report. He will email his comments to the entire group.

Both Co-Chairs encouraged the group to read the draft report carefully before the next meeting. The next meeting should focus on the policy level conclusions and

recommendations. Comments or edits on spelling, grammar, etc. should be sent to Mr. Ray and/or staff.

NEW BUSINESS

There was no new business.

Ms. Ludington was given the floor to speak briefly about benefits for part time employees.

NEXT MEETINGS:

The next meetings were set for:

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

Tuesday, September 27, at 6:30 PM in Sister Cities Room 1101

Tuesday, October 11, at 6:30 PM, room to be determined

Tuesday, October 18, time and room to be determined

ADJOURNMENT

A motion was made and seconded to adjourn. The motion passed unanimously. The meeting adjourned at 9:07 PM.

MEETING HANDOUTS:

- Agenda
- Draft Minutes August 2, 2011 Meeting
- General Schedule Employee Survey Results & Recommendations
- April 4, 2008 letter from Mr. Hartmann to Mr. Cozza
- *FYI Alexandria* August 2011.
- Comment Board Postings
- General Schedule Employees (Mr. Cochran's presentation)
- Draft #1A Report to City Council and City Manager
- Budget Work Session, October 19, 2010

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.

September 8, 2011

The requests for public comment on the City's website should be extended to September 26, 2011.

Post meeting handouts and Ms. D 'Sylva's presentation

Mr. Bailey asked staff for a chart by employee group of average salaries, average salaries of retiring employees, average benefits of new retirees, and an illustration of Social Security benefits. Ms. Bosley asked for information on the combined replacement ratio. Staff said some of this was readily available, some was not. Staff will work with Mr. Bailey to produce a chart for the full Benefits Advisory Group.

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.