

## Notice of Proposed Amendment

### City of Alexandria Firefighters and Police Officers Pension Plan

**DATE:** APRIL 12, 2012

**TO:** ACTIVE PARTICIPANTS IN THE CITY OF ALEXANDRIA FIREFIGHTERS  
AND POLICE OFFICERS PENSION PLAN

**FROM:** RASHAD M. YOUNG, CITY MANAGER

**RE:** PROPOSED PLAN AMENDMENT TO PENSION PLAN TO ALLOW  
PARTIAL LUMP SUM OPTION PAYMENT (PLOP)

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The City maintains the City of Alexandria Firefighters and Police Officers Pension Plan (the "Plan") for sworn employees of the Fire and Police Departments (the "Participants"). The City administers the Plan with policy advice from a Board of Trustees (the "Board") comprised of representatives of the Participants and City management. The primary role of the Board is to oversee the investments of the pension plan.

Recently, the Board proposed a Fourth Amendment to the Plan. This proposed amendment is the result of the work of the Board's PLOP/DROP Committee (the "Committee") which was created in response to concerns raised by Fire and Police employee representatives to the Board.

During 2011, employee Board representatives requested that the Board make a recommendation to City management to amend the Plan to offer a provision similar to the 25-year DROP offered by Fairfax and Arlington Counties. The Board formed the Committee to look into the issue and instructed the Committee to only consider cost neutral options.

Currently, the Plan offers a Deferred Retirement Option Program (DROP), which allows a Participant with at least 30 years of service in the Plan to elect to retire under the Plan (enter the DROP) and keep working for up to three years. The DROP Participant is allocated a monthly benefit equivalent to what he or she would have received at retirement. This benefit is accumulated in a DROP account until the employee retires from the City. At retirement, the Participant may choose to receive the DROP account as a lump sum payment, roll it into a qualified plan such as a traditional IRA or a 457 Plan, or use it to purchase an annuity. The DROP Participant is still an active employee for all other City benefits programs.

The Plan currently allows Participants to receive an unreduced monthly retirement benefit after: a) accumulating 25 years of service in the Plan; or b) attaining age 55 with five years of service. Participants who leave at 25 years often indicate that they would like to take advantage of the DROP but work fewer than the 30 years required before entering DROP (and working the additional one to three years).

After much discussion, the Committee recommended a Partial Lump-Sum Option Payment (PLOP) similar to that provided in VRS as preferable to a 25-year DROP. This proposed change is cost neutral to the Plan. The Virginia Retirement System (“VRS”) PLOP allows an eligible employee to make an election at the time of retirement to receive a portion of their monthly retirement benefit as a lump sum at retirement. The monthly retirement benefit, calculated as of the date of retirement, will be actuarially reduced for the amount that is paid as a lump sum. Eligibility varies depending on the type of VRS plan. The Committee proposed a PLOP provision to the Board, instead of a 25-year DROP, to maintain cost neutrality. A 25 year DROP would increase the cost of the Plan. The Board supports the PLOP provision in the proposed Fourth Amendment.

The proposed Fourth Amendment allows an eligible Participant to make an election at retirement to receive a partial lump sum payment. A Participant is eligible for the PLOP if he or she continues to work one to three full years after: a) accruing 25 years of service under the Plan; or b) attaining age 55 with at least five years of service under the Plan. The proposed amendment does not change eligibility, contributions, or benefits. However it does offer an additional payment option to retiring employees.

To enter the DROP, a Participant applies one to three years before retirement. Retirement benefits are calculated as of the date entering the DROP (retires from the Plan). After entering the DROP, the employee accrues no additional service under the Plan and all employee and City contributions to the Plan cease. The Participant is retired under the pension plan but still active for other City benefits.

A Participant who wants to take advantage of the proposed PLOP will make that election at the time of retirement. Retirement benefits are calculated as of the retirement date. The Participant and City make contributions to the Plan until the Participant’s retirement date. The Participant is an active employee under the pension plan as well as other City benefits until the date of retirement.

The following table summarizes the proposed PLOP options available to an eligible employee.

An Employee Who Satisfies Criteria in Either Column		
Years of Credited Service At Retirement	Age and Years of Plan Service At Retirement	May Receive a PLOP Equivalent to
26 or more	56 or greater and 6 or more years of service	1 Year of Benefits
27 or more	57 or greater and 7 or more years of service	2 Years of Benefits
28 or more	58 or greater and 8 or more years of service	3 Years of Benefits

The proposed PLOP is cost neutral for two reasons. First, the monthly retirement benefit for the employee electing a PLOP will be actuarially reduced for the amount that was paid as a lump sum. The employee is just receiving a portion of their retirement benefit. Secondly, an employee who is eligible for both the PLOP and the DROP may elect to receive either payment option, but not both. A sunset provision in the proposed plan amendment is recommended so that the PLOP can be eliminated for future retirees at any time prior to June 30, 2022, for any reason

The Plan requires a 60-day notice period that is in effect as of the date of this memo. During this period, participants have time to examine the text of the proposed amendments. You may visit the Pension Administration Division web page, [www.alexandriava/pension.gov/pension](http://www.alexandriava/pension.gov/pension) to find links to the proposed fourth amendment. A link to the Plan Document may also be found on the Pension web page. The Plan Document describes how the Plan works. We recommend that you periodically visit this site to view information about your plan. Announcements of meeting times and places and other information will be posted there.

During this 60-day notice period the Pension Administration Division has scheduled meetings to discuss the proposed amendment. There will be a short presentation at the beginning of each meeting followed by a Question and Answer session. You may drop in anytime during the meeting time for information.

Date	Time	Location
April 19, Thursday	3:00 – 4:30 p.m.	Police Department Community Room 1 <sup>st</sup> Floor
April 23, Monday	8:00 – 9:30 a.m.	Police Department Community Room 1 <sup>st</sup> Floor

If you have any questions or concerns please e-mail [steven.bland@Alexandriava.gov](mailto:steven.bland@Alexandriava.gov) with questions or call Steven Bland, the City’s Retirement Administrator, at (703) 746-3886. Feel free to also contact your Participant Representatives listed below to voice any concerns.

**Firefighters Representatives**

Michael Cross (Chairman)  
Michael Wimer  
Patrick Evans (Alternate)

**Police Officers Representatives**

Edward Milner  
Albert Tierney  
Shirl Mammarella (Alternate)

After the Participant meetings are held it is anticipated that the plan amendment will be scheduled for City Council consideration in June.

cc: Members of Firefighters and Police Officers Pension Plan Board