What the Deputy Sheriffs want now:

- **Keep the plan the same for those hired prior to July 1, 2010 (VRS 1)**
  - **Keep Benefits the same**
  - **No contribution by employees**

- **Change to a 25-year plan for those hired after July 1, 2010 (VRS 2)**
  - **Plan needs to be Competitive**
  - **Those contributing 4% should have a better plan, not a worse one**

Advisory Group Objectives

- “i. To protect benefits already earned (accrued) by retirees and current employees,
- ii. To ensure the City remains competitive with neighboring jurisdictions in recruiting for capable and effective public service employees,
- iii. To provide an opportunity for City employees to save for and have a secure retirement,
- iv. To consider the advantages and disadvantages of defined benefit vs. defined contribution pension plans and make recommendations on the structure of future plans, and
- v. To create a fiscally sustainable plan for funding future benefits whether earned or to be earned in the future.”

Pensions as a Percent of Total Budget

Fiscal Year	Fire & Police: Actual Contrib. Rate - ER	Fire & Police: Pensionable Salaries (in millions)***	Fire & Police: Pension Costs $ (in millions)	General Schedule: VRS ER	General Schedule: VRS EE*	General Schedule: Supplemental ER	General Schedule: Supplemental EE **	General Schedule: TOTAL	General Schedule: VRS Salaries (in millions)***	General Schedule: Supplemental Salaries (in millions)***	General Schedule: Pension Costs $ (in millions)
2012*	28.22%	*$34*	$9.5	7.78%	5.00%	5.18%	2.00%	19.96%	*$100*	*$113*	$22.6
2011	25.17%	*$33*	$8.3	7.78%	5.00%	4.39%	2.00%	19.17%	*$98*	*$111*	$21.3
2010	26.79%	$32	$8.6	7.07%	5.00%	3.60%	2.00%	17.67%	$96	$109	$19.3
2009	26.41%	$33	$8.8	7.07%	5.00%	3.64%	2.00%	17.71%	$100	$110	$19.5
2008	22.35%	$33	$7.5	6.66%	5.00%	3.32%	2.00%	16.98%	$98	$110	$18.7
2007	22.35%	$33	$7.3	6.66%	5.00%	3.32%	2.00%	16.98%	$93	$108	$18.3
2006	22.35%	$32	$7.1	1.50%	5.00%	2.50%	2.00%	11.00%	$86	$103	$11.3
2005	22.35%	$29	$6.5	1.50%	5.00%	2.50%	2.00%	11.00%	$80	$91	$10.0
2004	22.35%	$25	$5.6	0.75%	5.00%	1.50%	2.00%	9.25%	$78	$90	$8.4
2003	23.00%	$26	$6.0	0.75%	5.00%	1.00%	2.00%	8.75%	$74	$80	$7.0

* Beginning 2010 new participants in VRS pay 4% of salary.
** Beginning 2009 new participants in the Supplemental Plan contribute 2% of salary.
*** 2011 & 2012 salaries are assumed to increase 2%
The long term cost of VRS was 9.01% (Normal cost without amortizing the unfunded liability). After an assumption change the long term cost is 10.09%

Fiscal Year	Deputy Sheriff, Medics, and Fire Marshals: VRS ER	VRS EE*	Supplemental ER	Supplemental EE	RIP ER	TOTAL	(in millions)*	Pension Costs $ (in millions)	"Old" Fire & Police Contributions (in millions)	Grand Total F & P, Gen., Deputy S. Old F&P	Total City Budget	Pension as a % of Total Budget
2012*	7.78%	5.00%	10.81%	2.00%	0.00%	25.59%	*$16.6*	$4.2	$1.7	$38.0	$699	5.4%
2011	7.78%	5.00%	9.74%	2.00%	0.00%	24.52%	*$16.2*	$4.0	$1.7	$35.3	$660	5.3%
2010	7.07%	5.00%	6.70%	2.00%	1.58%	22.35%	$15.9	$3.6	$1.7	$33.1	$642	5.2%
2009	7.07%	5.00%	6.50%	2.00%	1.78%	22.35%	$16.0	$3.6	$1.7	$33.5	$658	5.1%
2008	6.66%	5.00%	8.75%	2.00%	0%	22.41%	$16.2	$3.6	$0.9	$30.7	$630	4.9%
2007	6.66%	5.00%	8.75%	2.00%	0%	22.41%	$15.5	$3.5	$1.5	$30.6	$616	5.0%
2006	1.50%	5.00%	8.75%	2.00%	5.10%	22.35%	*$14.2*	$3.2	$1.1	$22.7	$563	4.0%
2005	1.50%	5.00%	8.75%	2.00%	5.10%	22.35%	*$13.1*	$2.9	$0.9	$20.4	$520	3.9%
2004	0.75%	5.00%	1.50%	2.00%	13.10%	22.35%	*$12.0*	$2.7	$1.0	$17.7	$478	3.7%
2003	0.75%	5.00%	1.00%	2.00%	13.60%	22.35%	*$11.2*	$2.5	$0.9	$16.4	$437	3.8%

* For 2011 & 2012 Salaries are assumed to increase 2% annually. *For 2003 - 2006 rough estimates were used.*
Note: Investment volatility may have a greater short term impact on contribution rates than long term secular budget changes.

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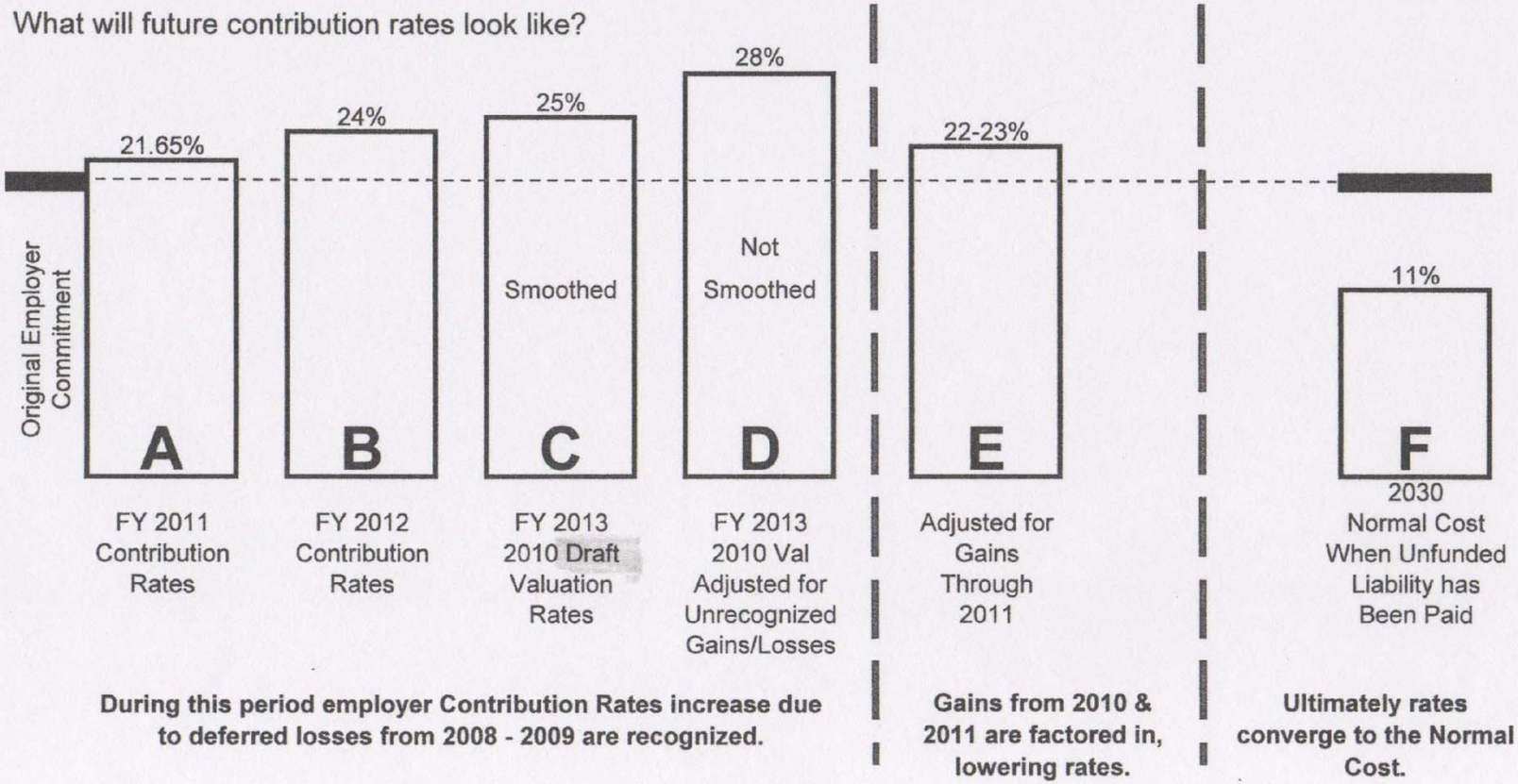
Projecting Contribution Rates

Employer Contribution Rate - Fire & Police

Pension Component

5(c)
5/25/201

What will future contribution rates look like?



A Current employer contribution rates exceed the original commitment in 2004.
B,C The 2009 & 2010 valuations will be used in FY 2012 & 2013 respectively.
D We know the 2010 valuation has $14 million of unrecognized market losses.
E We know how investments have performed from June 30, 2010 to date. Gains will be phased in over a multi-year period.
F Ultimately the unfunded liability will be paid off and the ongoing cost will be the "Normal Cost."

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PD/Fire Projected Increases in near future; however, decreases in long run.

Projecting Contribution Rates

Contribution Rate = Normal Cost + (P.V. Future Benefits - Valuation Assets) / P.V. Salaries

A) FY 2011 Rate 11.57% + ($181.5 - $133.6) / $515.6 21.65%
Source: 2008 Val

Segal addeded a factor of .79% for converting from annual payments to biweekly.

B) FY 2012 Rate 11.76% + ($194.3 - $138.1) / $494.6 24.00%
Source: 2009 Val

Segal addeded a factor of .87% for converting from annual payments to biweekly.

C) FY 2013 Rate 10.81% + ($208.3 - $144.1) / $450.5 25.06%
Source: 2010 Val

D) FY 2013 Rate 10.81% + ($208.3 - $129.5) / $450.5 28.30%
Using Market Value Assets

E) FY 2013 Rate 10.81% + ($208.3 - $129.5 - $ 23.69) / $450.5 23.04%
Using FY 2011 Gains

166.9 - (129.5 * 1.075 + 4) = $23.69
Investment gains July 1 2010 through April 30, 2011

F) Ultimate contribution rate 10.81%

Normal cost rate from 2011 valuation, applicable once the unfunded liability is paid.

City Supplemental investments are made similar to PD/Fire Plan.

Projections are based on old data. Plans are doing better, so actual contributions may be much lower.

Dep/EMT/FM Retirement Info

Current Plans: VRS gets COLA. City Supplemental does not.

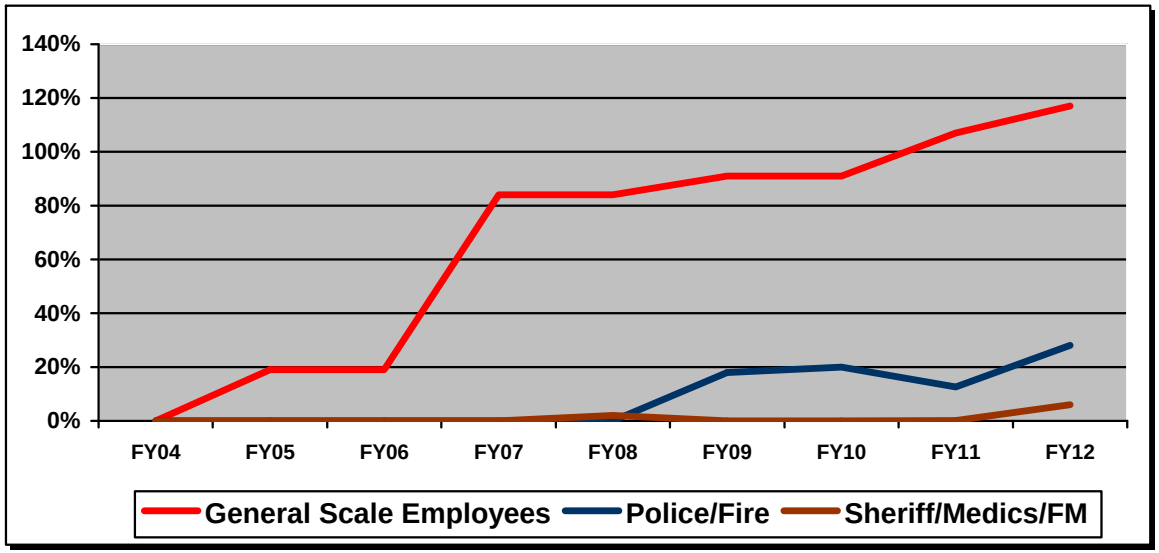
VRS 1 (50 / 30): 1.7% multiplyer. Age 50 w/30 yrs service, OR age 65 w/5 yrs for unreduced.
Comp based on average of 36 months.
*City pays 5% Employee Contribution. Currently, VA Law does not allow that to change.

VRS 2: still 1.7% multiplyer. Normal Retirement Age (67 if born after 1960) w/5 yrs service, OR Rule of 90 (Age + Yrs Service = 90) [someone hired at 21st birthday needs to work 34.5 yrs].
Comp based on average of 60 months.
****Since July 1, 2010, all new employees pay 4% Employee Contribution***.

City Supplemental: Multiplyers: 0.6% yrs 1-5, 0.9% yrs 6-15, 1% yrs 16+
*Since 2004/5, Unreduced at 25 years service (22%) or age 65.

Retirement Income Plan (R.I.P.): If cost of VRS and City Supplemental is less than the cost of the Police/Fire Plan (or what the City is now designating at 22.35%), then difference goes into Defined Contribution Account for Dep/EMT/FM. This account is closing from Prudential. Future payments would go to the ICMA-RC 457 Deferred Compensation Plan; however, due to increasing plan costs, there will not be anything deposited into these accounts in the near future.

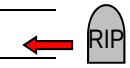
CITY OF ALEXANDRIA
CONTRIBUTION TO CITY RETIREMENT PLANS
(Fiscal Years 2004-2012)



State changed law to allow HazDuty Plan w/o HazDuty Pay. Cost analysis around 2009 at about 5%.

2012 APD – ASO Diff.= 4.7%

		2004	2005	2006	2007	2008	2009	2010	2011	2012
General Scale Employees	VRS	5.75%	6.50%	6.50%	11.66%	11.66%	12.07%	12.07%	12.78%	12.78%
	City Supplemental Plan	3.50%	4.50%	4.50%	5.32%	5.32%	5.64%	5.64%	6.39%	6.39%
	Total Percent of Base Pay	9.25%	11.00%	11.00%	16.98%	16.98%	17.71%	17.71%	19.17%	19.96%
	% Increase from 2004	0	19%	19%	84%	84%	91%	91%	107%	116%
Police/Fire	Police/Fire Retirement Plan	22.35%	22.35%	22.35%	22.35%	22.35%	26.41%	26.79%	25.17%	27.22%
	% Increase from 2004	0	0	0	0	0	18%	20%	12.60%	21.7%
Sheriffs/Medics/F.M.	VRS	5.75%	6.50%	6.50%	11.66%	11.66%	12.07%	12.07%	12.78%	12.78%
	City Supplemental Plan	3.50%	10.75%	10.75%	10.75%	10.75%	8.50%	8.70%	9.74%	9.74%
	Defined Contribution Account	13.10%	5.10%	5.10%	0	0	1.78%	1.58%	0	0
	Total Percent of Base Pay	22.35%	22.35%	22.35%	22.41%	22.41%	22.35%	22.35%	22.52%	22.52%
	% Increase from 2004	0	0	0	0.3%	0.3%	0%	0%	1.2%	1.2%



Benefit Multipliers

Years of Service	Benefit as % of Average Salary: General Schedule *	Deputy Sheriff, …	Fire & Police
5	12.5%	11.5%	12.5%
10	25.0%	24.5%	25.0%
15	37.5%	37.5%	37.5%
20	50.0%	51.0%	50.0%
25	62.5%	64.5%	66.0%
30	75.0%	78.0%	82.0%
35	87.5%	91.5%	82.0%

* General Schedule is the sum of:
1.7% (VRS) + .8% (Supplemental) = 2.5%
General Schedule assumes all service is 1988 and later

Keep in mind:

Early retirement penalties not listed

Dep/EMT/FMs must work 30 years or be age 65 under VRS 1. Penalties are 6% per yr below 65/30

*__20 yrs__ shows Dep at 51% (only if 65)
*At age, **60**: 35.13%
*At age 55: 24.14%
*At age **50**: 10%

*__25 yrs__ shows Dep at 64.5% (only if 65)
*At age, **55-60**: 51.75%
*At age **50**: 41%

City Supp penalties:

Number of Years from Annuity Starting Date to Normal Retirement Date:	Factors:
1	93.33%
2	86.67%
3	80.00%
4	73.33%
5	66.67%
6	63.33%
7	60.00%
8	56.67%
9	53.33%
10	50.00%

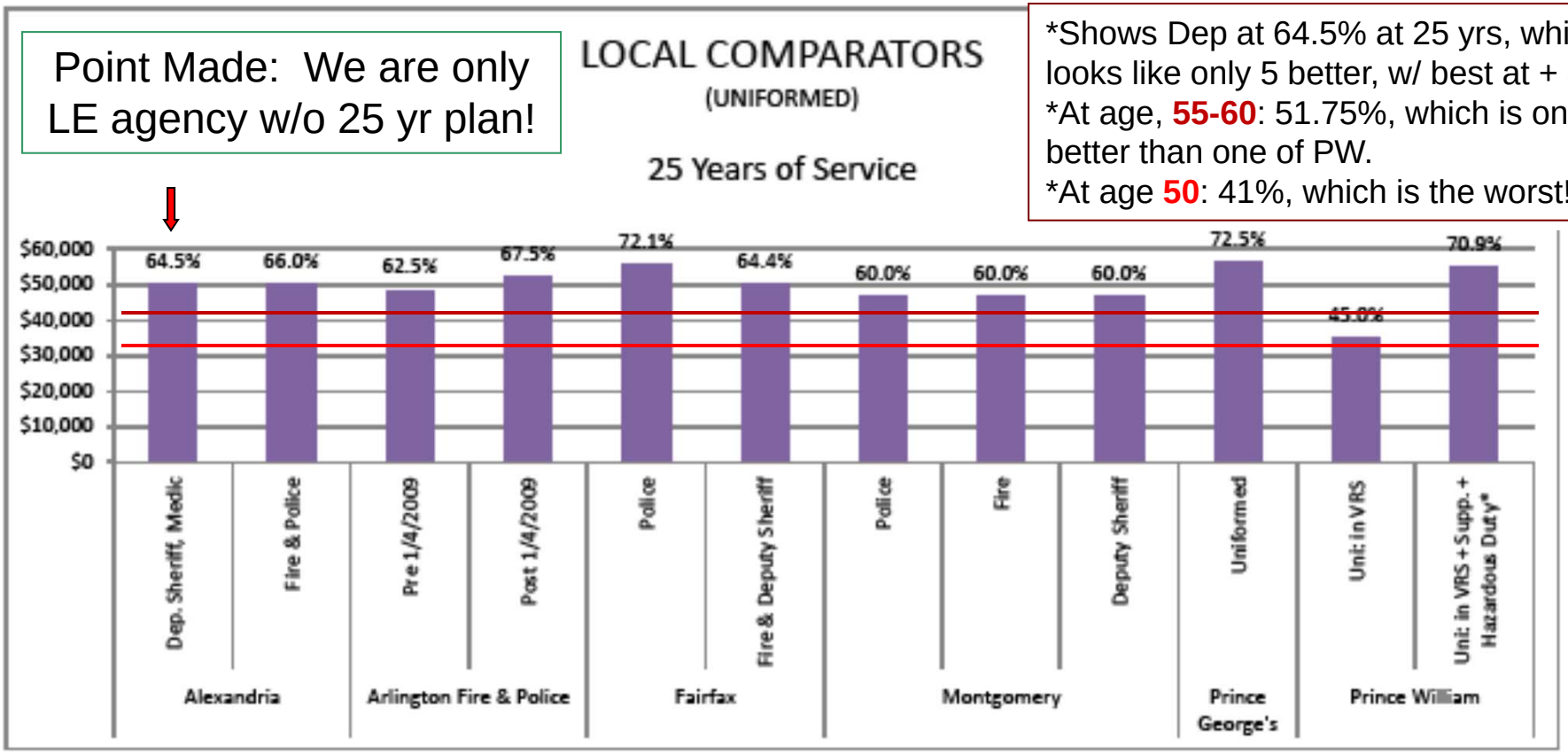
The chart below is to capture the payout of local public pension plans.

DRAFT

It is meant as a starting point and does not include all relevant considerations. See notes below.

Point Made: We are only LE agency w/o 25 yr plan!

*Shows Dep at 64.5% at 25 yrs, which looks like only 5 better, w/ best at + 8%.
*At age, **55-60**: 51.75%, which is only better than one of PW.
*At age **50**: 41%, which is the worst!



NOTES:

DRAFT

A Percentage is benefit divided by average earnings (not final earnings)
B Inclusion of overtime, annual leave & sick leave cashouts, shift differentials, etc. will vary by plan (Alexandria does not include these).
C The chart reflects the value of the benefit and not who pays for it. Employee contributions vary from 0% to 10% of salary.
D The above reflects defined benefits only. The Alexandria Deputy Sheriffs, (etc.) have received contributions of 0% - 14% in a defined contribution plan.
E The above is the accrued benefit payable at normal retirement date, if members retire prior that date an early retirement factor may be applicable.
F Salary schedlues vary by jurisdiction. People with the same final salary may not have the same salary pattern resulting in different final average salaries.
G Cost of living adjustments are not reflected. ***Initial value*** may not fully reflect ***total value*** over the retirement lifetime.
H Some retirement plans have subsidized benefits such as joint and survivor benefits or early retirement factors. That is not reflected above.
I For more details on the benefits of the above please see handout 4(a) Local Comparators from the April 27, 2011 meeting.
J The above reflects pension benefits and not total compensation and benefits.

Why should those hired prior to July 1, 2010 not have to contribute money to our Retirement?

- Keep the Benefits we have! When we were hired, we were told we did not have to contribute to our Retirement. Taking money from us now, is in effect, reducing the benefits promised.
- In the past few years, we have had at least one year with no step increases, and we have not had any COLAs.
- Public Safety Salaries are usually lower than private sector.
- Other Benfits are Decreasing
  - New employees hired after July 1, 2009 pay 20% to medical, and the City is moving those hired before then from 10% to 20% by increasing 2% each year (currently those hired prior are at 16%).
  - The City is eliminating some other benefits for new employees hired after 2007, after 2009, etc.
- Deputies are working harder to make money for the City.
- Taking money from our checks will Kill Morale.

Why should the new Deputies be on a 25-Year Retirement?

- Remain Competitive!
- Under VRS 2, new empolyees pay 4% into the VRS retirement. Yet, VRS 2 is a plan requiring more years of work and a lower average salary (60 months instead of 36)
- New Deputy training takes about 9 months and costs about $45,000. Once they are trained, they become very marketable to other Law Enforcement Agencies. That is why these Deputies sign a 2-year commitment. But once that is done, we will lose them to agencies with more competitive retirements. All other Virginia Sheriff's Offices have a 25-year Retirement. As we continue to have a turnover of new deputies, it will become very costly.
- The majority of the Deputies who stay will be the ones that other agencies do not want.