

City of Alexandria, Virginia

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12-10-02

## MEMORANDUM

DATE: DECEMBER 6, 2002

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *ps*

SUBJECT: RESOLUTION TO AMEND THE CITY OF ALEXANDRIA FIREFIGHTERS AND POLICE OFFICERS DISABILITY INCOME PLAN

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**ISSUE:** Consideration of proposed revisions to the City of Alexandria Firefighters and Police Officers Disability Income Plan.

**RECOMMENDATION:** That City Council adopt the attached resolution (Attachment 1) which amends the City of Alexandria Firefighters and Police Officers Disability Income Plan to:

- (1) credit a participant with "earnings" solely for purposes of calculating disability benefits during periods a participant is on leave without pay due to the injury or illness that gives rise to the disability;
- (2) eliminate the offset for other earnings that is applicable to those on partial disability;
- (3) increase the "floor" on service connected disability benefit payable at age 60 from 50 percent to 66 2/3 percent;
- (4) recalculate a participant's earnings at age 60 (based on the current base salary applicable to other employees holding the same rank and grade) for purposes of computing the "floor" disability benefit at age 60;
- (5) provide a cost of living adjustment to participants receiving disability benefits; and
- (6) incorporate the technical changes required by the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), as required by the Internal Revenue Service.

**DISCUSSION:** The attached resolution provides for the amendment of the City of Alexandria Firefighters and Police Officers Disability Income Plan for the provisions of EGTRRA, required

by the Internal Revenue Service Code. The amendments are all technical in nature, many have no applicability to members of the Alexandria Firefighters and Police Officers Disability Income Plan, and those that do are of benefit to those members.

In addition, there are a number of other plan changes resulting from our pension discussions with police and fire employee representatives. These include adding an annual cost-of-living increase, restoring the benefit level "floor" at normal retirement for service-connected disability at 66 2/3 percent (this was previously reduced to 50 percent at retirement age) and clarifying the definition of earnings under the terms of the Plan.

The City is required to give participants 60 days advance notice before making any "material" change to the Plan. All of the Plan changes that are approved by the resolution are described in the attached Notice of Proposed Amendment which was sent to each Plan participant (Attachment 3). The sixty-day notice period was held from September 16, 2002 through November 16, 2002, as required by the Plan. Meetings were held with participants on September 25, September 30, October 1, October 8, October 9, and October 10 at both City Hall and the Lee Center. Approximately 50 participants attended these meetings and asked questions about the plan. During the course of the meetings held with Plan participants, there was no opposition to the proposed Plan amendments.

Staff has discussed the proposed changes with representatives of the affected employee and retiree groups. On August 29, City Council's Pension Committee (Mayor Donley and Councilman Euille) met with staff and employee representatives to discuss the proposed plan changes, and the employee representatives are in favor of the Plan changes.

**ATTACHMENTS:**

Attachment 1. Resolution

Attachment 2. Proposed Amendments to the City of Alexandria Firefighters and Police Officers Disability Income Plan

Attachment 3. Notice of Proposed Amendments to the Plan Agreement covering the Firefighters and Police Officers Disability Income Plan

**STAFF:**

Henry Howard Jr., Director, Personnel Services

Myla Riggs, Benefits Division Chief, Personnel Services

Dan Neckel, Director, Finance Department

**RESOLUTION NO.** \_\_\_\_\_

**WHEREAS**, the City of Alexandria maintains the **City of Alexandria Firefighters and Police Officers Disability Income Plan** (the "Plan"); and

**WHEREAS**, the City of Alexandria desires to adopt and incorporate certain amendments to the Plan as set forth in the "Amendment Number Four to the City of Alexandria, Virginia Plan Agreement Covering the Firefighters and Police Officers Disability Income Plan" (the "Plan Amendment") attached hereto; and

**WHEREAS**, the Plan, as amended, is intended to meet the requirements for qualification under Section 401(a) of the Internal Revenue Code of 1986, as amended, and of the Economic Growth and Tax Relief Reconciliation Act of 2001, as applicable;

**NOW, THEREFORE, BE IT RESOLVED THAT** the Alexandria City Council does hereby recognize, adopt, approve and restate the Plan to incorporate the Plan Amendment attached hereto and incorporated fully herein by reference; and

**BE IT FURTHER RESOLVED THAT** the City Manager be, and he hereby is, authorized and directed to make on behalf of the City of Alexandria any other changes to the Plan as may be requested by the Internal Revenue Service, or, based on the advice of counsel, as may be necessary or desirable for the Plan to meet or continue to meet the requirements for qualification under Section 401(a) of the Internal Revenue Code of 1986, as amended, and of the Economic Growth and Tax Relief Reconciliation Act of 2001, as applicable; and

**BE IT FURTHER RESOLVED THAT** this Resolution shall be effective immediately; provided, however, that the amendments hereby approved shall be effective as stated in the Plan Amendment.

**ADOPTED:** \_\_\_\_\_

\_\_\_\_\_  
Kerry J. Donley, Mayor

Attest:

\_\_\_\_\_  
Beverly I. Jett, CMC, City Clerk

AMENDMENT NUMBER FOUR  
to the  
CITY OF ALEXANDRIA, VIRGINIA  
PLAN AGREEMENT  
covering the  
FIREFIGHTERS AND POLICE OFFICERS  
DISABILITY INCOME PLAN

The Firefighters and Police Officers Disability Plan is amended effective as of January 1, 2003, or such earlier dates as may be specified herein, as follows:

The following sentence shall be added to the end of Section 1.04:

“In calculating Earnings on and after January 1, 2002, a Participant who is on leave without pay, due to the illness or injury giving rise to the disability, shall be credited with Earnings for the number of hours covered by leave based on the Participant’s hourly base salary at the time of such leave.”

Section 3.06(a), (b) and (c) are hereby deleted in their entirety effective with respect to Disability Benefits paid on or after July 1, 2002 and former Sections 3.06(d) and (e) shall be renumbered as Section 3.06(a) and (b).

Section 4.03 is hereby deleted and the following new Section 4.03 inserted in lieu thereof effective with respect to Disability Benefits paid on or after July 1, 2002:

“Section 4.03 - Disability Benefit on Account of Service-Connected Partial Disability -

Subject to Section 4.06, the annual amount of Disability Benefit payable to a Participant who is partially disabled on account of a service-connected disability shall be equal to sixty-six and two-thirds percent (66 2/3%) of the Participant's Final Average Earnings, reduced by the annual amount of periodic payments payable, if any, under the Workmen's Compensation Act of the Commonwealth of Virginia. Such reduction shall be applied on a monthly basis in an amount equal to one-twelfth (1/12) of the annual amount so determined.”

Section 4.04 is hereby deleted and the following new Section 4.04 inserted in lieu thereof effective with respect to Disability Benefits paid on or after July 1, 2002:

“Section 4.04 - Disability Benefit on Account of Non-Service-Connected Partial Disability

Subject to Section 4.06, the annual amount of Disability Benefit payable to a Participant who is partially disabled as a result of a non-service-connected partial disability shall be equal to fifty percent (50%) of the Participant's Final Average Earnings.”

Section 4.05(b)(3) is hereby deleted in its entirety and the following language is added at the end of Section 4.05 effective as of July 1, 2002:

“If a Participant ceases to be permanently and totally disabled, in accordance with Sections 3.01 or 3.02, but remains partially disabled and is otherwise eligible for partial disability benefits under Section 3.03 or 3.04, the Participant shall be entitled to receive a partial disability benefit under Section 3.03 or 3.04 as of the date he ceases to be permanently and totally disabled under Section 3.01 or 3.02.”

Section 4.07 is hereby deleted and the following new Section 4.07 inserted in lieu thereof:

“Section 4.07 - Disability Benefits After Normal Retirement Date -

When the Participant reaches his Normal Retirement Date (i.e., age sixty (60)), his benefits from this Plan shall be recomputed so that his benefits from this Plan and his benefits from the City of Alexandria Retirement Income Plan for Firefighters and Police Officers shall be actuarially equal in value to the amount of payments that the Participant would have received under Section 4.01, 4.02, 4.03 or 4.04 if the Participant (i) had not been disabled, (ii) had continued to be employed by the City at the same rank and grade he had attained immediately prior to his disability, (iii) for the prior thirty-six (36) months, had received the amount of pay applicable to such rank and grade (including any cost of living wage adjustment granted by the City but ignoring any step increases for such rank and grade), and (iv) had become disabled and begun receiving Disability Benefits immediately prior to his Normal Retirement Date. If the amount of pay applicable to the Participant’s rank and grade is modified by a change in the City’s compensation or classification system, then the Participant shall be assigned to an equivalent rank and grade within such revised compensation or classification system for purposes of applying the provisions of this Section.

Following such recalculation, the Disability Benefits pursuant to Section 4.01, 4.02, 4.03 or 4.04 shall continue to be paid to the Participant under this Plan following his Normal Retirement Date, but only to the extent necessary to provide that the benefits from this Plan and the benefits from the City of Alexandria Retirement Income Plan for Firefighters and Police Officers are equal to the recalculated Disability Benefits the Participant would have received under Section 4.01, 4.02, 4.03 or 4.04, as computed in accordance with the preceding paragraph. In the event that the actuarially determined benefits from the Retirement Income Plan are equal to or greater than such recalculated Disability Benefit, then all Disability Benefits payable under the Plan shall cease on the Participant’s Normal Retirement Date.

For purposes of this Section 4.07, the benefits to the Participant under the Retirement Income Plan shall be actuarially calculated by the actuaries for such Plan using actuarial assumptions in effect at such Normal Retirement Date.”

The following new Section 4.09 is hereby added as follows:

“Section 4.09 - Cost of Living Adjustment

- (a) Definitions - For the purposes of this Section 4.09, the terms “Base Disability Benefit,” “Base Index,” “Consumer Price Index,” “Current Index,” “Pre-Retirement Cost of Living Adjustment,” “Pre-Retirement Disability Benefit,” and “Post-Retirement Cost of Living Adjustment,” “Post-Retirement Disability Benefit” shall have the following meanings:

“Base Disability Benefit” means (in the case of both the Pre-Retirement and Post-Retirement Disability Benefit), the annual amount of the disability benefit initially payable the Participant’s under Section 4.01, 4.02, 4.03 or 4.04.

“Base Index” means:

In the case of a Cost of Living Benefit payable with respect to a Pre-Retirement Disability Benefit, the Consumer Price Index for the month of January in the calendar year in which such Base Disability Benefit became payable or January 1, 2002, whichever is later.

In the case of a Cost of Living Benefit payable with respect to a Post-Retirement Disability Benefit, the Consumer Price Index for the month of January in the calendar year in which the Participant reached his Normal Retirement Date or January 1, 2002, whichever is later.

If the Bureau of Labor Statistics adjusts the basis on which the Consumer Price Index is determined, the Base Index shall be adjusted as of the next following January by multiplying it by the ratio that the Consumer Price Index for said January on the new basis bears to the Consumer Price Index for said January on the prior basis.

“Consumer Price Index” means the Consumer Price Index - All Urban Consumers (“CPI-U”) published by the United States Department of Labor, Bureau of Labor Statistics.

“Current Index” means the Consumer Price Index for January of the current calendar year.

“Pre-Retirement Cost of Living Adjustment” means the excess of (i) over (ii) where:

is equal to the Participant’s Base Disability Benefit multiplied by the quotient obtained by dividing the Current Index by the Base Index applicable to such Base Disability Benefit; and

- (ii) is the Participant’s Pre-Retirement Disability Benefit.

“Pre-Retirement Disability Benefit” means the annual amount of disability benefit payable under Section 4.01, 4.02, 4.03 or 4.04 as of January 1 of any year prior to the Participant’s Normal Retirement Date.

“Post-Retirement Cost of Living Adjustment” means the excess of (i) over (ii), less (iii) where:

is equal to the Participant’s initial Post-Retirement Disability Benefit (as calculated pursuant to Section 4.07, but prior to the offset for the Retirement Income Plan Benefit) multiplied by the quotient obtained by dividing the Current Index by the Base Index applicable to such Post-Retirement Disability Benefit;

is the Participant’s current Post-Retirement Disability Benefit plus the Retirement Income Plan Benefit; and

is the Retirement Income Plan Benefit.

“Post-Retirement Disability Benefit” means the annual amount of disability benefit paid under Section 4.07 as of January 1 of any year following the Participant’s Normal Retirement Date.

“Retirement Income Plan Benefit” means the amount of the actuarially determined annual benefit from the Retirement Income Plan (as calculated on the Participant’s Normal Retirement Date pursuant to Section 4.07).

Cost of Living Benefit -

On May 1, 2003 and on each May 1 thereafter, the Pre-Retirement or Post-Retirement Disability Benefit payable to a Participant or Contingent Annuitant shall be increased or decreased by the Pre-Retirement or Post-Retirement Cost of Living Adjustment for such year; provided, however, that:

The Pre-Retirement Disability Benefit payable to a Participant or Contingent Annuitant shall not be increased or decreased by more than 3% for any year.

The Post-Retirement Disability Benefit payable to a Participant or Contingent Annuitant shall not be increased or decreased by more than 3% for any year; provided, however, that for purposes of this calculation the 3% limit shall be applied to the difference between Section 4.09(a)(7)(i) and (ii) (i.e., the Participant’s initial Post-Retirement Disability Benefit (as calculated pursuant to Section 4.07, but prior to the offset for the Retirement Income Plan Benefit) multiplied by the quotient obtained by dividing the Current Index by

the Base Index applicable to such Post-Retirement Disability Benefit, the Participant's current Post-Retirement Disability Benefit plus the Retirement Income Plan Benefit).

The Cost of Living Adjustment shall not cause the Pre-Retirement Disability Benefit to exceed 200% of the Participant's Base Disability Benefit.

The Cost of Living Adjustment shall not cause the Post-Retirement Disability Benefit to exceed 200% of the Participant's Base Disability Benefit, less the Retirement Income Plan Benefit.

In no event shall a reduction in the amount of a Pre-Retirement or Post-Retirement Disability Benefit resulting from a Cost of Living Adjustment cause the Benefit to be less than the Participant's Base Disability Benefit.

In no event shall a person receive a Pre-Retirement and Post-Retirement Cost of Living Adjustment with respect to the same year.

The calculation of the amount of any Cost of Living Adjustment required under this Section 4.08 shall be made prior to the application of any reduction under Section 3.06(a) or any offset for periodic payments under the Workmen's Compensation Act of the Commonwealth of Virginia.

Notwithstanding anything herein to the contrary, the Cost of Living Adjustment shall be applicable only to those Participants whose Disability Benefits are determined in accordance with Sections 4.01, 4.02, 4.03, 4.04 or 4.07."

Section 9.1 is hereby amended by deleting the last paragraph and substituting the following therefor:

"Provided further that any disability formula benefit changes reflected in any amendment to this Plan shall not adversely effect persons then retired on disability, except where required by law or for tax qualification or where attributable to a reduction in benefits permitted by Section 4.06 herein."

IN WITNESS WHEREOF, the City and Administrator have hereunto affixed their signatures.

Executed at Alexandria, Virginia on \_\_\_\_\_, 2002.

CITY OF ALEXANDRIA

By:

Witness

Philip G. Sunderland, City Manager

ADMINISTRATOR

Witness

*City of Alexandria, Virginia*MEMORANDUMNOTICE OF PROPOSED AMENDMENTS TO THE PLAN AGREEMENT  
covering the  
FIREFIGHTERS AND POLICE OFFICERS  
DISABILITY INCOME PLAN

TO: Participants in the Firefighters and Police Officers Disability Plan

FROM: Henry Howard, Jr. *H. HOWARD*  
Director, Personnel Services

DATE: September 16, 2002

RE: Opportunity to Review and Provide Comments Regarding Proposed Plan Amendments

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The City of Alexandria maintains the Firefighters and Police Officers Disability Plan for the benefit of sworn firefighters and police officers. The City intends to amend the Firefighters and Police Officers Disability Plan in order to:

- (1) Credit a Participant with "earnings" (solely for purposes of calculating disability benefits) during periods a participant is on leave without pay due to the injury or illness giving rise to the disability;
- (2) Eliminate the offset for other earnings that is applicable to participants on partial disability;
- (3) Increase the "floor" on service connected disability benefit payable at age 60 from 50% to 66 2/3%;
- (4) Recalculate a participant's "earnings" at age 60 (based on the current base salary applicable to other employees holding the same rank and grade) for purposes of calculating the "floor" disability benefit at age 60; and
- (5) Provide a cost of living adjustment to participants receiving disability benefits.

Under the terms of the Disability Plan, the City is required to give participants sixty days advance notice of any material change to the Plan.

The proposed amendment of the Plan will be considered by the City Council in December, 2002. The City has set aside the following dates and times for meetings at which staff will explain the proposed amendment and answer any questions:

September 25, 2002 at 2:00 p.m. at City Hall (301 King Street, Alexandria, Virginia) in Room 2000

September 30, 2002 at 8:00 a.m. at City Hall (301 King Street, Alexandria, Virginia) in Room 2000

October 1, 2002 at 2:00 p.m. at City Hall (301 King Street, Alexandria, Virginia) in Room 2000

October 8, 2002 at 10:30 a.m. at the Lee Center (1108 Jefferson Street, Alexandria, Virginia) in the Fire Training Facility

October 9, 2002 at 10:30 a.m. at the Lee Center (1108 Jefferson Street, Alexandria, Virginia) in the Fire Training Facility

October 10, 2002 at 10:30 a.m. at the Lee Center (1108 Jefferson Street, Alexandria, Virginia) in the Fire Training Facility

If you have any questions or comments that you would like to have addressed at the meeting, it would be helpful if they were submitted (in writing or via e-mail) to the Director of Personnel Services, Henry Howard, at least five days prior to the scheduled date of the first meeting, so that the City has time to consider and respond to these questions or comments. Your questions or comments should be sent to:

Henry Howard, Director Personnel Services  
City of Alexandria  
301 King Street, Alexandria, VA

Your questions or comments may also be e-mailed to Henry Howard at [henry.howard@ci.alexandria.va.us](mailto:henry.howard@ci.alexandria.va.us).

You are not *required* to submit your questions or comments in advance of the meeting. The City will respond to questions or comments that are not submitted in advance, but the City may need additional time to respond and may not be able to respond during the meeting.

If you are not able to attend one of the meetings, or have other questions or comments, you can contact Henry Howard or Myla Riggs at (703) 838-4425.

A copy of the proposed amendment is not included with this notice but can be obtained from the Office of Personnel Services by calling Henry Howard or Myla Riggs

at (703) 838-4425 or sending an e-mail to [henry.howard@ci.alexandria.va.us](mailto:henry.howard@ci.alexandria.va.us) or [myla.riggs@ci.alexandria.va.us](mailto:myla.riggs@ci.alexandria.va.us).

The proposed changes are summarized as follows:

1. Calculation of Earnings. Under the current Plan, a participant is not credited with any earnings during the period he or she is on leave without pay, even if the leave is due to the injury or illness giving rise to the disability. Under the proposed amendment, a participant who is on leave without pay (due to the injury or illness giving rise to the disability) would be credited with "earnings" for the number of hours covered by the leave. The earnings credit would be based on the participant's regular rate of base pay during the period of leave (computed on an hourly basis). This change will take effect as of January 1, 2002.
2. Elimination of Income Offset. Currently, partial service and non-service connected disability benefits are subject to reduction for income earned from other "gainful employment." If the proposed amendment is adopted by the City Council, this potential reduction in benefits would be eliminated effective with respect to disability payments made on or after July 1, 2002.
3. Increase in Benefit Floor for Service Connected Partially Disability Benefits. When a participant reaches age 60, his or her disability benefits are reduced by the value of the participant's account under the Retirement Income Plan. If the value of the participant's account under the Retirement Income Plan is significant, it could to offset the entire disability benefit (so that all disability benefits stop when the participant reaches age 60). In general, this provision is designed to coordinate a participant's disability and retirement benefits (so that the participant's combined disability and retirement benefits at age 60 are equal to the disability benefits the participant was receiving prior to age 60).

Under the current Plan there is one important exception to this provision. A participant who is partially disabled as a result of a service connected injury or illness receives a pre-retirement disability benefit equal to 66 2/3% of final average compensation. However, at age 60, the "combined" retirement and disability benefits drop to 50% of final average earnings. Under the proposed amendment, the "floor" at age 60 on partial service connected disability benefits would be increased from 50% to 66 2/3% (so that a participant receiving service connected partial disability benefits would have a combined retirement and disability benefit at age 60 that is equal to the disability benefits the participant was receiving prior to age 60).

This amendment will become effective January 1, 2003. Participant's who attained age 60 prior to January 1, and who are receiving service connected partial disability benefits will have their benefits recalculated using the higher 66 2/3% floor.

Participants whose service connected partial disability benefits stopped at age 60 (because of the offset for the value of their account under the Retirement Income Plan) will have their benefit recalculated to determine whether they are entitled to disability benefits in light of the increase in the floor from 50% to 66 2/3% of final average earnings.

All benefit recalculations will be made by determining the amount of the benefit the participant would have received at age 60 if the 66 2/3% floor had been in effect at that time, and then using the recalculated benefit amount to determine the payments made on or after January 1, 2003.

The increase in service connected partial disability benefits will apply only to payments made on or after January 1, 2003. No retroactive adjustments or payments will be made.

4. Change in Calculation of Disability Floor. Currently, the "floor" benefit under the Disability Income Plan at age 60 is calculated based on the Participant's final average earnings at the time of disability. If the proposed amendment is adopted, the floor will be based on the base salary that the participant would have earned during the 36 month period prior to age 60 (based on the base salary in effect during this 36 period for the rank and grade held by the participant immediately prior to his or her disability).
5. Pre-Retirement COLA. Currently, disability benefits are not adjusted for changes in the cost of living. Under the proposed amendment, pre-retirement disability benefits (i.e., benefits paid prior to age 60) would be adjusted (up or down) annually based on the Consumer Price Index – All Urban Consumers (the "CPI-U"). The amount of the COLA could not exceed 3% in any year and there would be an overall limit so that the COLA adjusted benefit could not exceed 200% of the participant's base (initial) disability benefit.

If the amendment is adopted, the first COLA adjustment would be based on the change in the CPI-U for 2002 and would apply to disability benefits paid on or after May 1, 2003.

6. Post-Retirement COLA. Currently, disability benefits are not adjusted for changes in the cost of living that occur after age 60. Under the proposed amendment, post-retirement disability benefits (i.e., benefits paid after age 60) would be adjusted (up or down) annually based on the CPI-U. The amount of the COLA could not exceed 3% in any year and there would be an overall limit so that the COLA adjusted benefit could not exceed 200% of the participant's base (initial) *pre-retirement* disability benefit.

If the amendment is adopted, the first COLA adjustment would be based on the change in the CPI-U for 2002 and would apply to disability benefits paid on or after May 1, 2003.

## RESOLUTION NO. 2051

WHEREAS, the City of Alexandria maintains the City of Alexandria Firefighters and Police Officers Disability Income Plan (the "Plan"); and

WHEREAS, the City of Alexandria desires to adopt and incorporate certain amendments to the Plan as set forth in the "Amendment Number Four to the City of Alexandria, Virginia Plan Agreement Covering the Firefighters and Police Officers Disability Income Plan" (the "Plan Amendment") attached hereto; and

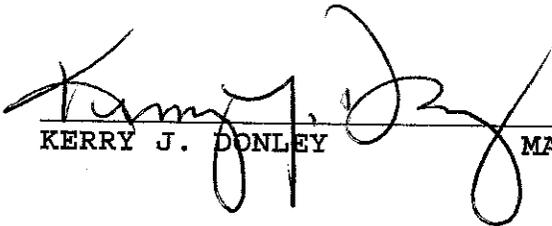
WHEREAS, the Plan, as amended, is intended to meet the requirements for qualification under Section 401(a) of the Internal Revenue Code of 1986, as amended, and of the Economic Growth and Tax Relief Reconciliation Act of 2001, as applicable;

NOW, THEREFORE, BE IT RESOLVED that the Alexandria City Council does hereby recognize, adopt, approve and restate the Plan to incorporate the Plan Amendment attached hereto and incorporated fully herein by reference; and

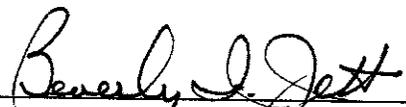
BE IT FURTHER RESOLVED that the City Manager be, and he hereby is, authorized and directed to make on behalf of the City of Alexandria any other changes to the Plan as may be requested by the Internal Revenue Service, or, based on the advice of counsel, as may be necessary or desirable for the Plan to meet or continue to meet the requirements for qualification under Section 401(a) of the Internal Revenue Code of 1986, as amended, and of the Economic Growth and Tax Relief Reconciliation Act of 2001, as applicable; and

BE IT FURTHER RESOLVED that this Resolution shall be effective immediately; provided, however, that the amendments hereby approved shall be effective as stated in the Plan Amendment.

ADOPTED: December 10, 2002

  
KERRY J. DONLEY MAYOR

ATTEST:

  
Beverly I. Jett, CMC City Clerk

AMENDMENT NUMBER FOUR  
to the  
CITY OF ALEXANDRIA, VIRGINIA  
PLAN AGREEMENT  
covering the  
FIREFIGHTERS AND POLICE OFFICERS  
DISABILITY INCOME PLAN

The Firefighters and Police Officers Disability Plan is amended effective as of January 1, 2003, or such earlier dates as may be specified herein, as follows:

The following sentence shall be added to the end of Section 1.04:

“In calculating Earnings on and after January 1, 2002, a Participant who is on leave without pay, due to the illness or injury giving rise to the disability, shall be credited with Earnings for the number of hours covered by leave based on the Participant’s hourly base salary at the time of such leave.”

Section 3.06(a), (b) and (c) are hereby deleted in their entirety effective with respect to Disability Benefits paid on or after July 1, 2002 and former Sections 3.06(d) and (e) shall be renumbered as Section 3.06(a) and (b).

Section 4.03 is hereby deleted and the following new Section 4.03 inserted in lieu thereof effective with respect to Disability Benefits paid on or after July 1, 2002:

“Section 4.03 - Disability Benefit on Account of Service-Connected Partial Disability -

Subject to Section 4.06, the annual amount of Disability Benefit payable to a Participant who is partially disabled on account of a service-connected disability shall be equal to sixty-six and two-thirds percent (66 2/3%) of the Participant's Final Average Earnings, reduced by the annual amount of periodic payments payable, if any, under the Workmen's Compensation Act of the Commonwealth of Virginia. Such reduction shall be applied on a monthly basis in an amount equal to one-twelfth (1/12) of the annual amount so determined.”

Section 4.04 is hereby deleted and the following new Section 4.04 inserted in lieu thereof effective with respect to Disability Benefits paid on or after July 1, 2002:

“Section 4.04 - Disability Benefit on Account of Non-Service-Connected Partial Disability

Subject to Section 4.06, the annual amount of Disability Benefit payable to a Participant who is partially disabled as a result of a non-service-connected partial disability shall be equal to fifty percent (50%) of the Participant's Final Average Earnings.”

Section 4.05(b)(3) is hereby deleted in its entirety and the following language is added at the end of Section 4.05 effective as of July 1, 2002:

“If a Participant ceases to be permanently and totally disabled, in accordance with Sections 3.01 or 3.02, but remains partially disabled and is otherwise eligible for partial disability benefits under Section 3.03 or 3.04, the Participant shall be entitled to receive a partial disability benefit under Section 3.03 or 3.04 as of the date he ceases to be permanently and totally disabled under Section 3.01 or 3.02.”

Section 4.07 is hereby deleted and the following new Section 4.07 inserted in lieu thereof:

“Section 4.07 - Disability Benefits After Normal Retirement Date -

When the Participant reaches his Normal Retirement Date (i.e., age sixty (60)), his benefits from this Plan shall be recomputed so that his benefits from this Plan and his benefits from the City of Alexandria Retirement Income Plan for Firefighters and Police Officers shall be actuarially equal in value to the amount of payments that the Participant would have received under Section 4.01, 4.02, 4.03 or 4.04 if the Participant (i) had not been disabled, (ii) had continued to be employed by the City at the same rank and grade he had attained immediately prior to his disability, (iii) for the prior thirty-six (36) months, had received the amount of pay applicable to such rank and grade (including any cost of living wage adjustment granted by the City but ignoring any step increases for such rank and grade), and (iv) had become disabled and begun receiving Disability Benefits immediately prior to his Normal Retirement Date. If the amount of pay applicable to the Participant’s rank and grade is modified by a change in the City’s compensation or classification system, then the Participant shall be assigned to an equivalent rank and grade within such revised compensation or classification system for purposes of applying the provisions of this Section.

Following such recalculation, the Disability Benefits pursuant to Section 4.01, 4.02, 4.03 or 4.04 shall continue to be paid to the Participant under this Plan following his Normal Retirement Date, but only to the extent necessary to provide that the benefits from this Plan and the benefits from the City of Alexandria Retirement Income Plan for Firefighters and Police Officers are equal to the recalculated Disability Benefits the Participant would have received under Section 4.01, 4.02, 4.03 or 4.04, as computed in accordance with the preceding paragraph. In the event that the actuarially determined benefits from the Retirement Income Plan are equal to or greater than such recalculated Disability Benefit, then all Disability Benefits payable under the Plan shall cease on the Participant’s Normal Retirement Date.

For purposes of this Section 4.07, the benefits to the Participant under the Retirement Income Plan shall be actuarially calculated by the actuaries for such Plan using actuarial assumptions in effect at such Normal Retirement Date.”

The following new Section 4.09 is hereby added as follows:

“Section 4.09 - Cost of Living Adjustment

- (a) Definitions - For the purposes of this Section 4.09, the terms “Base Disability Benefit,” “Base Index,” “Consumer Price Index,” “Current Index,” “Pre-Retirement Cost of Living Adjustment,” “Pre-Retirement Disability Benefit,” and “Post-Retirement Cost of Living Adjustment,” “Post-Retirement Disability Benefit” shall have the following meanings:

“Base Disability Benefit” means (in the case of both the Pre-Retirement and Post-Retirement Disability Benefit), the annual amount of the disability benefit initially payable the Participant’s under Section 4.01, 4.02, 4.03 or 4.04.

“Base Index” means:

In the case of a Cost of Living Benefit payable with respect to a Pre-Retirement Disability Benefit, the Consumer Price Index for the month of January in the calendar year in which such Base Disability Benefit became payable or January 1, 2002, whichever is later.

In the case of a Cost of Living Benefit payable with respect to a Post-Retirement Disability Benefit, the Consumer Price Index for the month of January in the calendar year in which the Participant reached his Normal Retirement Date or January 1, 2002, whichever is later.

If the Bureau of Labor Statistics adjusts the basis on which the Consumer Price Index is determined, the Base Index shall be adjusted as of the next following January by multiplying it by the ratio that the Consumer Price Index for said January on the new basis bears to the Consumer Price Index for said January on the prior basis.

“Consumer Price Index” means the Consumer Price Index - All Urban Consumers (“CPI-U”) published by the United States Department of Labor, Bureau of Labor Statistics.

“Current Index” means the Consumer Price Index for January of the current calendar year.

“Pre-Retirement Cost of Living Adjustment” means the excess of (i) over (ii) where:

is equal to the Participant’s Base Disability Benefit multiplied by the quotient obtained by dividing the Current Index by the Base Index applicable to such Base Disability Benefit; and

- (ii) is the Participant’s Pre-Retirement Disability Benefit.

“Pre-Retirement Disability Benefit” means the annual amount of disability benefit payable under Section 4.01, 4.02, 4.03 or 4.04 as of January 1 of any year prior to the Participant’s Normal Retirement Date.

“Post-Retirement Cost of Living Adjustment” means the excess of (i) over (ii), less (iii) where:

is equal to the Participant’s initial Post-Retirement Disability Benefit (as calculated pursuant to Section 4.07, but prior to the offset for the Retirement Income Plan Benefit) multiplied by the quotient obtained by dividing the Current Index by the Base Index applicable to such Post-Retirement Disability Benefit;

is the Participant’s current Post-Retirement Disability Benefit plus the Retirement Income Plan Benefit; and

is the Retirement Income Plan Benefit.

“Post-Retirement Disability Benefit” means the annual amount of disability benefit paid under Section 4.07 as of January 1 of any year following the Participant’s Normal Retirement Date.

“Retirement Income Plan Benefit” means the amount of the actuarially determined annual benefit from the Retirement Income Plan (as calculated on the Participant’s Normal Retirement Date pursuant to Section 4.07).

Cost of Living Benefit -

On May 1, 2003 and on each May 1 thereafter, the Pre-Retirement or Post-Retirement Disability Benefit payable to a Participant or Contingent Annuitant shall be increased or decreased by the Pre-Retirement or Post-Retirement Cost of Living Adjustment for such year; provided, however, that:

The Pre-Retirement Disability Benefit payable to a Participant or Contingent Annuitant shall not be increased or decreased by more than 3% for any year.

The Post-Retirement Disability Benefit payable to a Participant or Contingent Annuitant shall not be increased or decreased by more than 3% for any year; provided, however, that for purposes of this calculation the 3% limit shall be applied to the difference between Section 4.09(a)(7)(i) and (ii) (i.e., the Participant’s initial Post-Retirement Disability Benefit (as calculated pursuant to Section 4.07, but prior to the offset for the Retirement Income Plan Benefit) multiplied by the quotient obtained by dividing the Current Index by

the Base Index applicable to such Post-Retirement Disability Benefit, the Participant's current Post-Retirement Disability Benefit plus the Retirement Income Plan Benefit).

The Cost of Living Adjustment shall not cause the Pre-Retirement Disability Benefit to exceed 200% of the Participant's Base Disability Benefit.

The Cost of Living Adjustment shall not cause the Post-Retirement Disability Benefit to exceed 200% of the Participant's Base Disability Benefit, less the Retirement Income Plan Benefit.

In no event shall a reduction in the amount of a Pre-Retirement or Post-Retirement Disability Benefit resulting from a Cost of Living Adjustment cause the Benefit to be less than the Participant's Base Disability Benefit.

In no event shall a person receive a Pre-Retirement and Post-Retirement Cost of Living Adjustment with respect to the same year.

The calculation of the amount of any Cost of Living Adjustment required under this Section 4.08 shall be made prior to the application of any reduction under Section 3.06(a) or any offset for periodic payments under the Workmen's Compensation Act of the Commonwealth of Virginia.

Notwithstanding anything herein to the contrary, the Cost of Living Adjustment shall be applicable only to those Participants whose Disability Benefits are determined in accordance with Sections 4.01, 4.02, 4.03, 4.04 or 4.07."

Section 9.1 is hereby amended by deleting the last paragraph and substituting the following therefor:

"Provided further that any disability formula benefit changes reflected in any amendment to this Plan shall not adversely effect persons then retired on disability, except where required by law or for tax qualification or where attributable to a reduction in benefits permitted by Section 4.06 herein."

IN WITNESS WHEREOF, the City and Administrator have hereunto affixed their signatures.  
Executed at Alexandria, Virginia on \_\_\_\_\_, 2002.

CITY OF ALEXANDRIA

By:

Witness

Philip G. Sunderland, City Manager

ADMINISTRATOR

Witness