

City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 6, 2004

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*

SUBJECT: AN ORDINANCE TO AMEND TITLE 2, CHAPTER 5, ARTICLE D OF THE CITY CODE TO AUTHORIZE THE CONVERSION OF THE RETIREMENT INCOME PLAN FOR FIREFIGHTERS AND POLICE OFFICERS FROM A DEFINED CONTRIBUTION PLAN TO A DEFINED BENEFIT PLAN AND TO INCORPORATE THE DISABILITY INCOME PLAN INTO THE DEFINED BENEFIT PLAN

---

**ISSUE:** Consideration of an ordinance to authorize the conversion of the Retirement Income Plan for Firefighters and Police Officers from a defined contributions (DC) plan to a defined benefit (DB) plan and to incorporate the disability plan into the defined benefit plan.

**RECOMMENDATION:** That City Council pass on first reading and schedule for public hearing, second reading, and final passage on February 21, 2004, an ordinance (Attachment 1) authorizing the conversion of the Retirement Income Plan for Firefighters and Police Officers from a defined contribution plan to a defined benefit plan and to incorporate the existing disability plan for firefighters and police officers into the defined benefit plan.

The City Council Pension Committee, including Mayor Euille and Councilman Smedberg, has met and has recommended that City Council approve the conversion to a DB Plan.

**KEY PLAN PROVISIONS:** The following are the key provisions of the proposed defined benefit plan for firefighters and police officers:

**Benefit Formula:** Upon retirement a participant would receive a benefit equal to 2.5% of their Average Monthly Compensation multiplied by years of Credited Service up to and including 20 years; and 3.2% of the Average Monthly Compensation multiplied by years of Credited Service in excess of 20 years. The maximum benefit of 82% of Average Monthly Compensation is reached with 30 years of Credited Service.

**Average Monthly Compensation:** The Average Monthly Compensation is the highest average earnings received during any 60 consecutive months (5 years) while actively employed by the City and covered by the Plan. **(The number of the months counted for monthly average**

**compensation may be reduced before February 21 depending on our analysis of the final financial information related to the plan, which was just received.)**

**Credited Service:** Participants are credited for each month of active service, military leave, authorized leave and while disabled under the Plan. Credited Service will accrue from the date the new plan begins.

**Past Service Election:** Participants were given the opportunity to retain their old Defined Contribution account balance or to exchange their old Defined Contribution account balance for pre-2004 Credited Service under the proposed Defined Benefit plan.

**Contributions:** The City will pay the employer required contribution, which is expected to be 20% of payroll, the same contribution the City makes now for police officer and firefighter retirement. Employees will pay a contribution of up to 8% of pension earnings. **(The precise amount will be determined after we complete our analysis of the financial information on the plan, which was just received.)** All employee contributions will be in pre-tax dollars. Police officers and firefighters do not now make an employee contribution.

**Deferred Retirement Option Program (DROP):** A participant who has at least 30 years of Credited Service may voluntarily elect to retire for purposes of calculating his or her accrued pension benefit, continue working as a Covered Employee for a period of up to 3 years, and defer receipt of his or her accrued pension benefit until his or her DROP Retirement Date.

**Normal Retirement:** An employee in the plan will be first eligible for unreduced normal retirement when he/she reaches age 55 with five years of Credited Service, or with 25 or more years of Credited Service regardless of age.

**Early Retirement:** An employee in the plan will be first eligible for early retirement with reduced benefits when he/she reaches age 50 with at least 20 years of Credited Service

**Current Plan:** If Council approves these recommendations and thereby switches to the proposed Defined Benefit plan, the City will cease contributions to the current Defined Contribution plan. All then active sworn fire and police employees will be enrolled in the new plan. The employees will not be given the option to remain in the old defined contribution plan.

**BACKGROUND:** Since 1979, when it switched from a Defined Benefit program, the City offered sworn police officers and firefighters a Defined Contribution program. Under this DC pension plan, the City deposits a specific amount of money into an individual account (i.e., 20% of pay). The money in the account is then invested by the employee to provide income for retirement.

Approximately 18 months ago, police and fire employees asked the City to consider providing them with a DB plan. Unlike the DC plan, the City, not the employees, will assume, under the DB plan, the risk of positive or negative return on investments. We believe this is appropriate as it is the case with most other municipal employees' pensions plans.

Under a DB pension program (Attachment 2), an employee is entitled to a specific monthly income

starting at retirement. The amount is based on a formula, often a percentage of final average monthly salary multiplied by the employee's years of service.

We have worked with a committee of police and fire employee representatives to develop the provisions of the proposed plan. This committee has held many long open meetings in the last 18 months and all parties have worked cooperatively to find a better and fair pension system for police officers and firefighters. Last May, a non-binding survey of all firefighters and police officers was undertaken to determine actual employee interest in a proposed DB plan. The survey asked the sworn police and fire employees to indicate whether they would be willing to transfer their existing retirement account balance to the proposed DB plan in exchange for credit for their service under the DC plan. Of the responding firefighters and police officers, over 80% indicated they would transfer their DC account balance to the DB plan.

On June 24, 2003, Council adopted the proposed DB pension plan in concept, and authorized the City Manager:

1. To proceed with the development of a detailed plan and conversion process,
2. To obtain final binding decisions from the firefighters and police officers who wish to convert and who agree to transfer their DC account balance into the new DB plan,
3. To give employees, as mandated by the current DC plan, 60 days to comment on any changes to the existing plan including commenting on new plan documents, and
4. If appropriate, to present the plan to Council for final adoption.

Documents: Since June, the City has obtained outside pension legal counsel, who have developed *The City of Alexandria Firefighters and Police Officers Pension Plan (Plan)* (Attachment 3). Copies of the Plan along with a draft *Retirement Income Plan for Firefighters and Police Officers Handbook* (Attachment 4) were distributed to the firefighters and police officers. The handbook contains a series of questions and answers designed to be easier for the participant to understand than the formal pension Plan. As mandated by the current DC plan, participants in the current DC plan were given notice of the proposed new DB plan.

Past Service Election: Even though years of Credited Service under the proposed DB Plan are normally based on post-2003 service as a City firefighter or police officer, the provisions of the proposed DB Plan provide that the City is to give firefighters and police officers a one-time opportunity to "exchange" the City funded portion of their account under the current DC Plan for pre-2004 years of Credited Service under the proposed DB Plan. This opportunity to exchange the City funded portion of their retirement income account for pre-2004 years of Credited Service under the proposed DB Plan is referred to as the "Past Service Election."

On December 5, 2003, we distributed three documents to all firefighters and police officers: a Disclosure Statement, an election form and a confirmation form not to elect the past service offer. The 28 page Disclosure Statement gave participants an overview of the past service election, the terms and conditions of the past service election opportunity and factors to consider in deciding whether or not to make the past service election. The election form and the confirmation form not to elect the past service offer were the formal written acceptance or rejection of the City's offer. The forms were to be returned to the City's Pension Administrator in January.

The Pension Administrator received replies from 137 firefighters and 248 police officers. This represents 89% of the firefighters and 86% of the police for a total of 87% of the eligible participants. If a participant did not submit either form, it was assumed under the Plan provisions that the participant had decided not to exchange his/her City funded retirement income account for pre-2004 Credited Service. To ensure the documents were received by employees, staff attempted to contact all the firefighters and police officers who did not respond. Of those contacted, eight stated that they intentionally were not going to respond.

Of the firefighters who submitted a response, 123 or 90% indicated they would exchange their DC account balance for past service in the proposed DB plan; of the responding police officers, 226 or 91% indicated they would make this exchange. Only 10% of responding firefighters and 9% of responding police officers directly stated that they would not exchange their DC account balance. Of the total eligible participants (when the non-responding participants are taken into account), 79% took the opportunity to exchange their DC account balance for past service in the DB plan and 21% did not. It should be noted that while this 21% will retain their DC account balances and not be credited for past service, going forward they will be DB participants.

Based on the past service election, Segal Company, the City's pension actuarial consultants, determined that the proposed DB plan is financially feasible.

Employees: While most employees are in favor of the new plan, it should be noted that some employees have asked that the City maintain two plans: (a) a new DB plan for employees who wish to exchange their DC account balances for past service in the proposed DB Plan; and (b) a DC plan for employees who do not wish to make such an exchange and, instead, wish to remain in the current DC plan. Unfortunately, for a DB plan of the nature that has been proposed to be financially feasible, all employees must move to the new plan if it is established, including those who elect not to exchange their DC account balance for pre-2004 Credited Service. The finances of the DB plan leave no room for employees to remain, in the future, in the DC plan. The reasons for this all-or-nothing requirement are the following:

1. The proposed DB plan would not be fiscally feasible if the plan's normal cost and past service cost are not distributed as a percentage of the entire payroll. If individuals were able to opt out entirely from the DB plan and not make the employee contribution, the DB plan's annual cost would need to increase to a level that would render the plan unaffordable. The proposed DB plan works because everyone shares the cost.
2. There would be significantly higher administrative costs for maintaining two types of pension plans for the same employee group. The City would be required to maintain two types of investment monitoring systems, two types of employee pension files and reporting requirements, and two separate annual actuarial calculations and financial reports covering the same employee group.

**CONCLUSION:** As a long-term policy, we believe that, instead of having the public safety employees bear 100% of the investment risk for their entire pension, it is more appropriate for the City to assume the risk. The City is far better able to handle fluctuations in the equity and bond markets and in earnings over time than individual employees. An employee near retirement is especially less able

to handle such fluctuations. Moreover, the City now takes this same type of risk under the retirement programs that cover most other City employees (through VRS and other pension programs). It is reasonable for the City to take a similar risk for sworn police and fire employees.

The proposed DB program ensures that a definite retirement income not-affected-by-investment-returns will be available throughout the retirement years of a firefighter and police officer. For some, this might be less than they would have been able to receive under the DC plan. For others, this will be more than what the DC plan would have delivered. But for all there will be no investment risk. We believe it is desirable that public safety employees receive similar retirement benefits for similar service to the City, regardless of their investment acumen or the state of the economy, particularly in their later years of service.

**FISCAL IMPACT:** The City has been and is currently paying 20% of payroll into the firefighters and police officers DC plan. This percentage does not change over the years as the investment market changes. If the City adopts a DB pension plan, initially the cost to the City will be 20% of payroll. However, the City's 20% cost could increase if the market value of the pension plan assets and investment earnings decrease or if plan retirement cost experience is higher than projected. Conversely, the City's 20% cost could decrease if the market value of the pension plan assets and investment earnings increase beyond projected returns or if plan retirement costs are lower than projected.

**ATTACHMENTS:**

Attachment 1. Ordinance

Attachment 2. Proposed Defined Benefit Pension Plan Summary

Attachment 3. The City of Alexandria Firefighters and Police Officers Pension Plan

Attachment 4. City of Alexandria Retirement Income Plan for Firefighters and Police Officers Handbook

**STAFF:**

Daniel A. Neckel, Director of Finance

Michele Evans, Assistant City Manager

Mark Jinks, Assistant City Manager

Henry Howard, Personnel Services Director

Caterina Tarver, Pension Administrator

Myla Riggs, Division Chief, Personnel Services

Introduction and first reading:	2/10/04
Public hearing:	2/21/04
Second reading and enactment:	2/21/04

INFORMATION ON PROPOSED ORDINANCE

Title

AN ORDINANCE to amend and reordain Section 2-5-51 (RETIREMENT PLAN – ADOPTED FOR POLICE, FIRE DEPARTMENT AND SHERIFF PERSONNEL; EFFECTIVE DATE; SIGNING OF CONTRACTS, ETC.), and Section 2-2-65 (ALTERATION, AMENDMENT OR REPEAL OF PLANS), of Article D (RETIREMENT AND INSURANCE), Chapter 5 (OFFICERS AND EMPLOYEES), Title 2 (GENERAL GOVERNMENT) of The Code of the City of Alexandria, Virginia, 1981, as amended.

Summary

The proposed ordinance provides a “defined benefit” pension plan, in exchange for the existing “defined contribution” pension plan, for firefighters and police officers employed by the City of Alexandria.

Sponsor

Staff

Daniel A. Neckel, Director, Department of Finance  
Ignacio B. Pessoa, City Attorney

Authority

§ 8.06, Alexandria City Charter

Estimated Costs of Implementation

As described in City Manager’s Memorandum

Attachments in Addition to Proposed Ordinance and its Attachments (if any)

None

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE to amend and reordain Section 2-5-51 (RETIREMENT PLAN – ADOPTED FOR POLICE, FIRE DEPARTMENT AND SHERIFF PERSONNEL; EFFECTIVE DATE; SIGNING OF CONTRACTS, ETC.), and Section 2-2-65 (ALTERATION, AMENDMENT OR REPEAL OF PLANS), of Article D (RETIREMENT AND INSURANCE), Chapter 5 (OFFICERS AND EMPLOYEES), Title 2 (GENERAL GOVERNMENT) of The Code of the City of Alexandria, Virginia, 1981, as amended.

THE CITY COUNCIL OF ALEXANDRIA HEREBY ORDAINS:

Section 1. That Section 2-5-51 of The Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same is, amended and reordained to read as follows:

Sec. 2-5-51 Retirement plan--adopted for police, fire department and sheriff personnel; effective date; signing of contracts, etc.

- (a) The “defined benefit” retirement and disability income plan known as the “City of Alexandria Pension Plan for Firefighters and Police Officers,” as the same may be adopted and amended from time to time by resolution of the city council, is hereby adopted for the personnel of the police and fire departments of the city covered by such plan and first employed before February 13, 1979, unless prior to May 30, 1979, an employee covered under such plan has elected to convert to a "defined contribution" plan ~~set forth below~~ as provided for such employees prior to January 1, 2004.
- (b) The “defined contribution” retirement plan known as the “City of Alexandria Retirement Income Plan for Firefighters and Police Officers,” as the same may be adopted and amended from time to time by resolution of the city council, ~~is hereby adopted~~ for the personnel of the police and fire departments of the city first employed on and after February 13, 1979, and covered by such plan, is hereby converted from a defined contribution plan to a combined defined contribution plan and defined benefit plan effective January 1, 2004, subject to the provisions of Section 2-5-65 of this code, and shall be known as the “City of Alexandria Firefighters and Police Officers Pension Plan.” On and after February 21, 2004, all benefits shall accrue under the defined benefit portion of such plan.
- (c) The “defined contribution” retirement plan known as the “City of Alexandria Retirement Income Plan for Deputy Sheriffs and Emergency Rescue Technicians,” as the same may be adopted and amended from time to time by resolution of the city council, is hereby adopted for the personnel of the fire department and sheriff covered by such plan.

- (d) The “defined benefit” disability income plan known as the “City of Alexandria Firefighters and Police Officers Disability Income Plan,” as the same may ~~be~~ have been adopted and amended from time to time by resolution of the city council, ~~is hereby adopted~~ for personnel of the police and fire departments of the city first employed on and after February 13, 1979, and covered by such plan, ~~is hereby merged into and made part of the “City of Alexandria Firefighters and Police Officers Pension Plan,”~~ effective February 21, 2004, subject to the provisions of Section 2-5-65 of this code.
- (e) The plans designated in this section shall be administered by the city manager or his designee, or by a board comprised of representatives of the city and the plan participants and appointed by the city council, as provided in the plan documents adopted and from time to time amended by resolution of the city council.
- (f) The city manager, and such other person or persons as may be provided in the plan documents, ~~is~~ are authorized to sign all contracts and papers for and on behalf of the city in connection with the plans designated in this section.

Section 2. That Section 2-5-65 of The Code of the City of Alexandria, Virginia, 1981, as amended, ~~be,~~ and the same is, amended and reordained to read as follows:

Sec. 2-5-65 Alteration, amendment or repeal of plans.

The city council reserves the right to alter, amend or repeal any provision of the plans adopted and established by this article; provided, however, that the amount of benefits which at the time of such alteration, amendment or repeal shall have accrued for participants or beneficiaries shall not be affected thereby; and provided, further, that to the extent an altered, amended or replacement plan permits, a plan participant may elect to transfer, exchange or forego all or part of such participant’s previously accrued benefit for participation in, or benefits under, such altered, amended or replacement plan. If the city council repeals ~~the a~~ plan, it shall, except to the extent an election has been made pursuant to this section, continue to be administered as to the amount of benefits which shall have accrued prior to the repeal in accordance with its terms and provisions and those of the aforesaid sections of this code for the sole benefit of the then participants, any beneficiaries then receiving retirement allowances or benefits and any future persons entitled to receive benefits in accordance therewith who are so designated by any of the said participants.

Section 3. That upon the date and at the time of its final passage this ordinance shall become effective as of January 1, 2004, *nunc pro tunc*.

WILLIAM D. EUILLE  
Mayor

Introduction: 2/10/04  
First Reading: 2/10/04  
Publication:  
Public Hearing:  
Second Reading:  
Final Passage:

**PROPOSED DEFINED BENEFIT PENSION PLAN SUMMARY**  
as of January 1, 2004

<b>Plan Provision</b>	<b>City of Alexandria Firefighters and Police Officers Defined Benefit Pension Plan</b>
<b>Effective Date</b>	January 1, 2004.
<b>Plan Year</b>	January 1 through December 31
<b>Type of Plan</b>	Defined Benefit Plan
<b>Eligibility</b>	Full time employees who are classified as a firefighter or police officer and are currently participants in the Defined Contribution Retirement Income Plan. New firefighters and police officers will automatically become participants in the plan. Existing firefighters and police officers will automatically become participants in the plan with respect to future service and will have the opportunity to transfer their account balance under the Retirement Income Plan in exchange for prior service credit as a firefighter or police officer.
<b>Benefit Formula</b>	<p>2.5% of Average Monthly Compensation multiplied by years of Credited Service up to and including 20 years; and</p> <p>3.2% of Average Monthly Compensation multiplied by years of Credited Service in excess of 20 years, but not in excess of 30 years</p> <p>The maximum benefit of 82% of Average Monthly Compensation is reached with 30 years of Credited Service.</p>
<b>Average Monthly Compensation</b>	Highest average earnings received during any 60 consecutive months while actively employed by the City and covered by the plan. Overtime pay, holiday pay and other additional compensation are excluded (number of months subject to further discussion).
<b>Credited Service</b>	<p>Full time employees are credited for each month of active service, military leave, authorized leave. Credited Service is calculated by full month only.</p> <p>Participants who choose not to transfer Retirement Income Plan balances to the Defined Benefit plan will receive no credit for service under the defined contribution plan. Credited Service for those participants will accrue from the date of participation in the new plan.</p>
<b>Cost of Living Adjustments</b>	Annual adjustment to pension benefit is based on the increase in the CPI-U. The annual increase cannot exceed 3% or never be more than double the original monthly pension benefit.
<b>Contributions by Employer and Employee</b>	The City will pay the employer required contribution which is expected to be 20%. Employees will pay a contribution up to 8% of pay. All employee contributions are in pre-tax dollars. Payroll deductions for employee contributions are made with each pay period. City contributions are made monthly.
<b>Vesting</b>	<p>Upon 5 years of Credited Service.</p> <p>Upon separation from City service, all participants, whether or not vested, may withdraw their employee contributions and interest.</p>
<b>Normal Retirement</b>	Age 55 with 5 years of Credited Service, or 25 or more years of Credited Service regardless of age.
<b>Early Retirement with Reduced Benefits</b>	At age 50 with at least 20 years of Credited Service.

Plan Provision	<p style="text-align: center;"><b>City of Alexandria</b> <b>Firefighters and Police Officers Defined Benefit Pension Plan</b></p>	
<b>Disability Benefit</b>	The Firefighters and Police Officers Disability Income Plane (current plan) has been incorporated into the new plan. Disability benefits are provided for service and nonservice related partial and full disability. The disability benefit is paid until retirement.	
<b>Separation Prior to Retirement</b>	An employee who leaves the employment of the City of Alexandria and who is vested will be entitled to receive benefits beginning at normal retirement age. Upon separating, an employee may make a full withdrawal of employee contributions, including interest. Separated employees who withdraw their employee contributions and interest will not receive any future retirement benefit.	
<b>Death/Survivor Benefits Before Retirement</b>	<p>If an employee is married at the time of death, the surviving spouse receives 50% of the normal retirement benefit. The date of death is treated as if the participant reached his/her normal retirement age and is eligible for an unreduced benefit. The benefit is payable immediately and for the remainder of the spouse's life.</p> <p>If the participant is not married at the time of death, the beneficiary will receive a refund of the participant's contributions and interest.</p>	
<b>Death/Survivor Benefits After Retirement</b>	The employee can elect survivor benefits upon retirement. Benefits may be paid in the form of a 50%, 66 2/3% and 100% joint and survivor annuity or 5-year, 10-year, 15-year and 20-year certain and life annuity option.	
<b>Deferred Retirement Option Program (DROP)</b>	A participant who has at least 30 years of Credited Service may voluntarily elect to retire for purposes of calculating his or her Accrued Pension Benefit, continue working as a Covered Employee for a period of up to 3 years, and defer commencement of his or her Accrued Pension Benefit until his or her DROP Retirement Date. There will be no employee contribution while the Accrued Pension Benefit is deferred.	
<b>Current Plan</b>	Defined Contribution Plan. There will be no further benefits accrued to the current defined contribution plan after the proposed defined benefit plan becomes effective.	
<b>Investment of Plan Assets</b>	The City of Alexandria will be responsible for the direction of the investment of the plan assets and assume the investment performance risk. The Retirement Income Board will direct the investment management of the pension plan assets once it is established. There will be no individual participant accounts with the exception of those not purchasing service.	
<b>Options</b>	Purchased sick leave, and other options designed to encourage employees to delay retirement are under consideration. Service buy-back is to be considered in the future.	
<b>Plan Assumptions</b>	Investment Return	7.5%
	Amortization of Unfunded Liability	25 Years

*Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City*

**THE CITY OF ALEXANDRIA FIREFIGHTERS AND POLICE  
OFFICERS PENSION PLAN**

As In Effect on January 1, 2004

**THE CITY OF ALEXANDRIA FIREFIGHTERS AND POLICE OFFICERS  
PENSION PLAN**

**TABLE OF CONTENTS**

ARTICLE 1 .....	1
NATURE OF PLAN; NAME; DEFINITIONS; CONSTRUCTION .....	1
1.1 Background; Nature of Plan.....	1
1.2 Name; Type of Plan.....	2
1.3 Qualification Under Internal Revenue Code.....	2
1.4 Applicability .....	3
1.5 Incorporation of Trust Agreement and Annuity Contract(s) .....	3
1.6 Definitions.....	3
Accrued Pension Benefit .....	3
Actuarial Assumptions.....	4
Actuarial Equivalent.....	4
Actuary .....	4
Administrator.....	4
Annuity Contract.....	4
Authorized Leave of Absence .....	5
Average Monthly Compensation .....	5
Base Disability Benefit .....	5
Base Pension Benefit.....	5
Beneficiary .....	6
Benefit Commencement Date.....	6
Board .....	6
Cash-Out.....	6
City .....	6
City Funded Retirement Income Account .....	6
City Representatives .....	7
Compensation .....	7
Covered Employee .....	7
CPI .....	7
Date of Adoption .....	7
Disability or Disabled.....	8
Disability Benefit.....	8
Disability Income Plan.....	8
Disability Retirement Date.....	8
DROP .....	8
DROP Election .....	8
DROP Effective Date.....	8
DROP Retirement Date .....	8
Early Retirement Date.....	8
Effective Date .....	9
Employee .....	9
Employee Contribution Retirement Benefit.....	9
Employee Disability Contribution.....	9

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

Employee Retirement Contribution .....	10
Fund .....	10
Hour of Service.....	10
Internal Revenue Code .....	10
Investment Adjustment(s).....	10
Investment Funds .....	10
Minimum Retirement Benefit.....	11
Non-Service Connected Partial Disability .....	11
Non-Service Connected Total and Permanent Disability .....	11
Normal Retirement Date .....	11
Partial Disability or Partially Disabled .....	12
Participant .....	12
Participant Representative .....	12
Plan or Pension Plan.....	12
Plan Year .....	12
Pre-2004 Credited Service .....	12
Prior Plan or Retirement Income Plan .....	13
Reemployment Commencement Date .....	13
Remuneration.....	13
Retirement Income Account.....	13
Service Connected Partial Disability .....	14
Service Connected Total and Permanent Disability .....	14
Spouse .....	15
Total Disability or Totally Disabled .....	15
Termination Date .....	15
Trust Agreement .....	15
Trustee .....	15
Voting Participant.....	15
Year of Credited Service.....	16
Year of Service.....	16
 ARTICLE 2 .....	 17
 PARTICIPATION.....	 17
2.1 Commencement of Participation.....	17
2.2 Termination of Participation .....	17
2.3 Reemployment .....	18
2.4 Enrollment .....	19
2.5 Change Of Employment Category .....	20
2.6 Determination of Eligibility .....	20
 ARTICLE 3 .....	 21
 CREDIT FOR SERVICE.....	 21
3.1 Authorized Leave of Absence.....	21
3.2 Fractional Credit For Service .....	21
3.3 Transfers Between Covered And Non-Covered Employment .....	21
3.4 Exchange of Retirement Income Account for Pre-2004 Credited Service .....	22

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

ARTICLE 4 .....	25
FUNDING .....	25
4.1 Fund .....	25
4.2 Pension Contributions .....	25
4.3 Disability Contributions .....	27
4.4 Disposition Of Forfeitures .....	28
4.5 Actuarial Examination .....	28
4.6 Transfer of Assets from Disability Income Plan .....	28
4.7 Contributions to Retirement Income Accounts .....	29
ARTICLE 5 .....	30
Disability Benefits .....	30
5.1 Eligibility for a Service Connected Total and Permanent Disability Benefit .....	30
5.2. Eligibility for a Non-Service Connected Total and Permanent Disability Benefit .....	30
5.3 Eligibility for Service Connected Partial Disability Benefit .....	31
5.4 Eligibility for a Disability Benefit on Account of Non-Service-Connected Partial Disability .....	31
5.5 Certain Excluded Disabilities .....	31
5.6 Gainful Employment .....	32
5.7 Amount of Disability Benefit on Account of Service-Connected Total and Permanent Disability .....	33
5.8 Amount of Disability Benefit on Account of Non-Service-Connected Total and Permanent Disability .....	34
5.9 Amount of Disability Benefit on Account of Service-Connected Partial Disability .....	34
5.10 Amount of Disability Benefit on Account of Non-Service-Connected Partial Disability .....	34
5.11 Commencement and Cessation of Disability Benefits .....	34
5.12 Limitation on Benefits .....	35
5.13 Disability Benefits After Normal Retirement Date .....	36
5.14 Cash Settlement Option .....	37
5.15 Contingent Annuitant Option .....	37
5.16 Cost of Living Adjustment .....	38
5.17 Death of Disabled Participant .....	38
ARTICLE 6 .....	39
RETIREMENT AND OTHER TERMINATION OF EMPLOYMENT .....	39
6.1 Normal Retirement .....	39
6.2 Early Retirement .....	39
6.3 Employment After Normal Retirement Age .....	40
6.4 Deferred Retirement Option Program .....	40
6.5 Other Termination of Employment .....	44
6.6 Retirement Income Accounts .....	47
6.7 Form of Benefits .....	47
6.8 Maximum Limitation On Benefits .....	48
6.9 Death Benefits .....	51
6.10 Limitations On Death Benefits .....	55
6.11 Cost Of Living Adjustments .....	56

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

ARTICLE 7 .....	61
PAYMENT OF BENEFITS .....	61
7.1 Method Of Payment.....	61
7.2 Optional Forms Of Retirement Benefits .....	61
7.3 General Provisions Applicable To Options.....	63
7.4 Eligible Rollover Distributions .....	65
ARTICLE 8.....	67
BENEFICIARIES.....	67
8.1 Designation Of Beneficiaries .....	67
8.2 Location Of Participants And Beneficiaries .....	68
ARTICLE 9.....	70
ADMINISTRATION OF THE PLAN AND MANAGEMENT OF PLAN ASSETS...70	
9.1 Administration Of The Plan.....	70
9.2 Management Of Plan Assets .....	70
9.3 Pension Fund .....	70
9.4 Participant Directed Investment Of Retirement Income Accounts .....	70
ARTICLE 10.....	73
RETIREMENT PLAN BOARD AND ADMINISTRATOR.....	73
10.1 Retirement Plan Board .....	73
10.2 City Representatives .....	74
10.3 Participant Representatives.....	74
10.4 Conduct Of Board Business .....	77
10.5 Duties And Responsibility Of The Board.....	80
10.6 Administrator .....	83
10.7 Duties and Powers of Administrator.....	84
10.8 Participation by Members of Board or Administrator.....	85
10.9 Agents.....	86
10.10 Allocation of Duties.....	86
10.11 Delegation of Duties .....	86
10.12 Action Conclusive .....	86
10.13 Records and Reports.....	86
10.14 Expenses Of Administrator And Board. ....	87
10.15 Reservation of Rights by City. ....	87
10.16 Standard of Care. ....	87
10.17 Paperless Communications .....	88
ARTICLE 11.....	89
CLAIMS PROCEDURE .....	89
11.1 Claim for Benefits.....	89
11.2 Notice of Denial.....	89
11.3 Right to Reconsideration.....	90
11.4 Review of Documents and Submission of Comments.....	90

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

11.5 Decision by Administrator.....	90
ARTICLE 12.....	92
AMENDMENT OR TERMINATION OF THE PLAN.....	92
12.1 Amendment Of Plan.....	92
12.2 Conditions Of Amendment.....	92
12.3 Termination.....	93
12.4 Allocation of Assets of Fund on Termination of Plan.....	93
12.5 Distribution Of The Fund.....	94
ARTICLE 13.....	96
MISCELLANEOUS PROVISIONS.....	96
13.1 Limitations On Liability Of City.....	96
13.2 Construction.....	97
13.3 Miscellaneous.....	98
APPENDIX A.....	101
ACTUARIAL ASSUMPTIONS.....	101
APPENDIX B.....	102
CITY OF ALEXANDRIA FIREFIGHTERS AND POLICE OFFICERS PENSION RESTORATION PLAN.....	102

**THE CITY OF ALEXANDRIA FIREFIGHTERS AND POLICE OFFICERS  
PENSION PLAN**

**ARTICLE 1**

**NATURE OF PLAN; NAME; DEFINITIONS; CONSTRUCTION**

**1.1 Background; Nature of Plan**

Prior to January 1, 2004, the City of Alexandria (the "City") maintained the City of Alexandria Retirement Income Plan for Firefighters and Police Officers (the "Retirement Income Plan") and the City of Alexandria Firefighters and Police Officers Disability income Plan (the "Disability Income Plan"). The Retirement Income Plan was a "money purchase pension plan", under which individual accounts were maintained for each Participant in the Plan. Participants were allowed to direct the investment of their account and benefits under the Retirement Income Plan were based solely on amounts contributed to the Retirement Income Plan and any investment income, gains, losses or expenses credited, charged or allocated to the Participant's Retirement Income Account.

The Disability Income Plan was a separate plan which provided service and non-service connected disability benefits to firefighters and police officers who became disabled prior to their normal retirement date.

Pursuant to an ordinance duly adopted by the Alexandria City Council on February 21, 2004, the Retirement Income Plan and Disability Income Plan have been amended, effective as of January 1, 2004 (the "Effective Date"):

- (1) to change the name of the Retirement Income Plan to the City of Alexandria Firefighters and Police Officers Pension Plan (the "Pension Plan");
- (2) to authorize the use of a trust and/or one or more annuity contracts as the funding vehicle(s) under the Pension Plan;
- (3) to provide for the merger of the Disability Income Plan into the Pension Plan; and
- (4) to convert the Retirement Income Plan from a money purchase pension plan to a combined money purchase pension plan and a defined benefit plan, under which:
  - (i) All future benefits will accrue under the defined benefit portion of the Plan (i.e., under the Pension Plan).

***Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City***

- (ii) Participants with Retirement Income Accounts who became Participants in the Plan prior to July 1, 2003 and who are actively employed by the City as a firefighter or police officer on the Date of Adoption will be given the option of exchanging their "City Funded Retirement Income Account" for "Pre-2004 Credited Service" under the Pension Plan (the "Past Service Election").
- (iii) An individual account will continue to be maintained for Participants who do not make the Past Service Election (or who are not eligible for such Election). Participants who continue to have a Retirement Income Account will continue to direct the investment of their Retirement Income Accounts.
- (iv) No further City or Employee contributions will be permitted with respect to the Retirement Income Accounts.
- (v) All amounts credited to Retirement Income Accounts as of the Date of Adoption will be fully vested. (However, benefits that accrue on and after the Effective Date under the defined benefit portion of the Plan will be subject to the vesting schedule contained in Section 6.5 of the Plan.)

**1.2 Name; Type of Plan**

The Pension Plan may be referred to as the "City of Alexandria Firefighters and Police Officers Pension Plan." The Pension Plan is a continuation of the Retirement Income Plan and is a money purchase pension plan (with respect amounts contributed prior to the Date of Adoption and subsequent Investment Adjustments with respect thereto) and a defined benefit plan (with respect to benefits accruing on or after the Effective Date).

The Plan is a governmental plan, as described in Section 414(d) of the Internal Revenue Code.

**1.3 Qualification Under Internal Revenue Code**

The City of Alexandria Firefighters and Police Officers Pension Plan is intended to be a pension plan that continues to qualify under Section 401(a) of the Internal Revenue Code, so that the trust established under the Plan will be exempt from tax under Section 501 of the Internal Revenue Code. Notwithstanding anything herein to the contrary, the conversion of this Plan from a money purchase pension plan to a combined money purchase pension plan and a defined benefit plan and the merger of the Disability Income Plan into the Pension Plan shall be contingent upon the City's receipt of a favorable determination letter from

***Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City***

the Internal Revenue Service to the effect that the conversion and merger will not adversely affect the qualification of the Plan under Section 401 et. seq. of the Internal Revenue Code and the City reserves the right to amend the Plan retroactively to the extent necessary to obtain such a favorable determination letter.

**1.4 Applicability**

The provisions of the Plan shall apply only to an individual who meets the definition of Covered Employee and who is credited with an Hour of Service on or after the Date of Adoption. The rights, benefits and interests of any Covered Employee who died, retired, became Disabled or otherwise reached a Termination Date prior to the Date of Adoption shall be determined under the provisions of the Retirement Income Plan as in effect on the date such former Covered Employee died, retired or became Disabled, otherwise reached a Termination Date.

The provisions of Article 5, which provide for the payment of benefits to a Participant who becomes Disabled, shall apply to any Participant who reaches his or her Disability Retirement Date on or after the Date of Adoption (even if the injury or illness giving rise to the Disability occurred before the Date of Adoption). The right of any Covered Employee whose Disability Retirement Date occurred prior to the Date of Adoption, and the amount and conditions of such benefits, shall be determined under the provisions of the Disability Income Plan as in effect on the date such former Covered Employee reached his or her Disability Retirement Date.

**1.5 Incorporation of Trust Agreement and Annuity Contract(s)**

The Trust Agreement and any Annuity, as the same may be amended from time to time, are intended to be and hereby are incorporated by reference into this Plan and for all purposes shall be deemed a part of the Plan.

**1.6 Definitions.**

Unless a different meaning is plainly implied by the context, the following terms as used in this Plan shall have the following meanings:

**Accrued Pension Benefit**

“Accrued Pension Benefit” means the monthly benefit to which a Participant is entitled under the defined benefit portion of the Plan on or after the Effective Date pursuant to the provisions of Section 6.1, expressed as a single life annuity commencing at the Participant’s Normal Retirement Date or the Actuarial Equivalent thereof. The Accrued Pension Benefit as of any date preceding the Participant’s Normal Retirement Date shall be a monthly benefit

commencing on the Participant's Normal Retirement Date and continuing for his or her life, calculated in the same manner as a normal retirement benefit and based upon the benefit earned by such Participant as of the date of determination.

In no event, however, shall the Accrued Pension Benefit:

- (1) exceed the maximum limitation determined, as of the date of computation, pursuant to Section 6.8; or
- (2) be less than the Actuarial Equivalent of (i) the Minimum Retirement Benefit (in the case of a Participant who elects to exchange his/her City Funded Retirement Income Account for Pre-2004 Credited Service pursuant to Section 3.4) and (ii) the Employee Contribution Retirement Benefit.

### **Actuarial Assumptions**

"Actuarial Assumptions" means those assumptions employed in the determination of Actuarial Equivalents or for other pertinent benefit calculations, as set forth in Appendix A hereto, as the same may be modified from time to time.

### **Actuarial Equivalent**

"Actuarial Equivalent" means a benefit of equivalent dollar value on a specified date, computed on the basis of the Actuarial Assumptions (including projected cost of living adjustments).

### **Actuary**

"Actuary" means the independent enrolled actuary, selected by the Administrator.

### **Administrator**

"Administrator" means the City Manager or the person or committee designated by the City Manager to administer the Plan in accordance with Section 10.6.

### **Annuity Contract**

"Annuity Contract" means a group annuity contract issued by a licensed insurance company to the Trust or the City to fund all or part of the benefits provided under the Plan, as such contract may be amended from time to time in accordance with the terms thereof.

**Authorized Leave of Absence**

“Authorized Leave of Absence” shall mean an unpaid temporary absence from active service with the City for a specified period which is not treated as a termination of employment and which is granted or extended by the City pursuant to its regular personnel policies.

**Average Monthly Compensation**

“Average Monthly Compensation” means 1/60<sup>th</sup> of the total amount of a Participant’s Compensation for the sixty (60) consecutive full calendar months of the Participant’s employment as a Covered Employee in which his or her Compensation was the highest. In the event a Participant’s entire period of employment consists of less than sixty (60) consecutive full calendar months of employment as a Covered Employee, the Participant’s Average Monthly Compensation shall be determined by averaging (on a monthly basis) the Participant’s Compensation during the number of full calendar months that the Participant was employed as a Covered Employee. Notwithstanding anything herein, in determining a Participant’s Average Monthly Compensation under this Plan, (1) only Compensation earned during a calendar month that is included in calculating the Participant’s Years of Credited Service be taken into account, and (2) the determination of Average Monthly Compensation shall include Compensation earned prior to the Effective Date.

**Base Disability Benefit**

“Base Disability Benefit” means the annual amount of the Disability Benefit payable under Section 5.7, 5.8, 5.9 or 5.10 (as determined on the that Disability Benefits commence to the Participant). In the case of a Disability Benefit payable pursuant to the contingent annuitant option, the Base Disability Benefit shall be determined as if the Participant had died on the day following his or her Disability Retirement Date and benefits had immediately commenced to such contingent annuitant on such date.

**Base Pension Benefit**

“Base Pension Benefit” means, the annual amount of the annuity benefit payable as of the Participant’s Benefit Commencement Date with respect to the Participant’s Accrued Pension Benefit under Section 6.1, 6.2, 6.3, 6.4 or 6.5. In the case of a joint and survivor annuity payable to a surviving spouse or other beneficiary, the Base Pension Benefit shall be determined based on the amount

***Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City***

that would have been payable to the surviving spouse or beneficiary if the Participant had died on the day following his or her Benefit Commencement Date and benefits had immediately commenced to such surviving spouse or other beneficiary on such date.

**Beneficiary**

“Beneficiary” means the person or persons entitled to receive any benefit payable under the terms of the Plan following the death of a Participant.

**Benefit Commencement Date**

“Benefit Commencement Date” means the first day of the first period for which a Participant’s Accrued Pension Benefit is due to be paid or is due to commence. In the case of a Participant who has made a DROP Election in accordance with Section 6.4, the Benefit Commencement Date means the first day of the first period for which a Participant’s Accrued Pension Benefit is due to be paid or is due to commence following the Participant’s DROP Retirement Date.

**Board**

“Board” means the Retirement Plan Board that is established under Article 10 to manage the assets of the Plan.

**Cash-Out**

“Cash-Out” means a distribution made pursuant to Section 6.5 in settlement of any and all benefits otherwise payable under the defined benefit portion of the Plan.

**City**

“City” means the City of Alexandria, Virginia.

**City Funded Retirement Income Account**

“City Funded Retirement Income Account” means any portion of a Participant’s Retirement Income Account that is attributable to City contributions and Investment Adjustments thereon or to any amount transferred pursuant to Section 3.5 of the Prior Plan and Investment Adjustments thereon.

**City Representatives**

"City Representatives" means the members of the Board who are nominated by the City Manager pursuant to Section 10.2.

**Compensation**

"Compensation" means the retirement base compensation (i.e., regular or base salary or wages received from the City during a Plan Year for personal services rendered as a Covered Employee, based on the Covered Employee's grade and step). Such term excludes any and all overtime, differentials, allowances, premiums, bonuses, FLSA adjustments or form of extra compensation.

Notwithstanding the foregoing, Compensation shall include any amount which would otherwise be deemed Compensation under this definition but for the fact that it is deferred pursuant to a salary reduction agreement under a plan described in Section 457, 414(h), 132(f) or 125 of the Internal Revenue Code.

Compensation with respect to any Plan Year shall in no event exceed the dollar limit specified in Section 401(a)(17) of the Internal Revenue Code (as adjusted from time to time by the Secretary of the Treasury).

**Covered Employee**

"Covered Employee" means an Employee who is actively employed by the City as a sworn police officer or firefighter (but only during the period of time that such Employee is actively employed by the City as a sworn police officer or firefighter). The term "Covered Employee" does not include a parking enforcement officer, a tag enforcement officer, or an Employee who is covered under the City of Alexandria Pension Plan for Firefighters and Police Officers.

**CPI**

"CPI" means the Consumer Price Index - All Urban Consumers (CPI-U), U.S. City Average, All Items, (1982-84=100), published and revised by the Bureau of Labor Statistics, U.S. Department of Labor, or the successor to such index.

**Date of Adoption**

"Date of Adoption" means February 21, 2004, the date on which the City Council adopted the Pension Plan (i.e., approved the amendment converting the Prior Plan into the Pension Plan and merging the Disability Income Plan into the Pension Plan).

**Disability or Disabled**

“Disability” or “Disabled” means a Total or Partial Disability.

**Disability Benefit**

“Disability Benefit” means the monthly benefit, if any, that is payable under Article 5 with respect to a Covered Employee who becomes Disabled.

**Disability Income Plan**

“Disability Income Plan” means the City of Alexandria Disability Income Plan for Firefighters and Police Officers that was in effect prior to the Date of Adoption.

**Disability Retirement Date**

Disability Retirement Date” means the first day of the month after the Administrator has determined that a Participant is Disabled.

**DROP**

“DROP” means the Deferred Retirement Option Program described in Section 6.4.

**DROP Election**

“DROP Election” means an election under Section 6.4(c) to participate in the DROP.

**DROP Effective Date**

“DROP Effective Date” means the date on which the Participant’s DROP Election becomes effective. The DROP Effective Date must be the first day of a [calendar month][payroll period].

**DROP Retirement Date**

“DROP Retirement Date” means the first day of the month coincident with or next following the retirement date voluntarily elected by a eligible DROP Participant in his or her DROP Election.

**Early Retirement Date**

“Early Retirement Date” means the first day of the month coincident with or next following the earlier of the date on which a Participant:

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

- (1) completes 25 Years of Credited Service as a Covered Employee, or
- (2) completes 20 Years of Credited Service as a Covered Employee, provided that the Participant is at least 50 years old. A Participant who completes 20 Years of Credited Service prior to attaining age 50, will reach his or her Early Retirement Date on the first day of the month coincident with or next following the Participant's 50<sup>th</sup> birthday, provided the Participant is employed as a Covered Employee on that date.

**Effective Date**

"Effective Date" means January 1, 2004. The Plan was adopted on February 21, 2004, but was effective as of January 1, 2004.

**Employee**

"Employee" means any person who is classified by the City as an employee and who is employed in any capacity by the City (or any City Department); provided, however, that the term Employee shall not include (1) any individual who is classified by the City as working or providing services in a non-employee capacity (including, without limitation, a person classified by the City as an independent contractor), notwithstanding the later reclassification by a court or any regulatory agency of the person as a common law employee of the City, or (2) any individual deemed to be a leased employee of the City, pursuant to Section 414(n) of the Internal Revenue Code.

**Employee Contribution Retirement Benefit**

"Employee Contributions Retirement Benefit" means the sum of:

- (1) the Employee Retirement Contributions made by the Participant; plus
- (2) 4% interest on the Employee Retirement Contributions computed on December 31 of each year and compounded annually.

**Employee Disability Contribution**

"Employee Disability Contribution" means the after-tax contributions made by the Participant pursuant to Section 4.3(b) to fund Disability

21a

Benefits payable with respect to a Non-Service Connected Partial Disability.

**Employee Retirement Contribution**

“Employee Retirement Contribution” means the contributions made by the Participant through salary reduction and “picked up” by the City pursuant to Section 4.2(b).

**Fund**

“Fund” shall mean the assets accumulated under the Trust Agreement and any Annuity Contracts in order to provide for the payment of the benefits specified in the Plan (but not the City of Alexandria Firefighters and Police Officers Pension Benefit Restoration Plan attached hereto as Appendix B).

**Hour of Service**

“Hour of Service” means each hour for which an Employee is directly or indirectly paid or entitled to payment by the City for the performance of duties as a Covered Employee.

**Internal Revenue Code**

“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended, or any successor statute.

**Investment Adjustment(s)**

“Investment Adjustment(s)” means any increase and/or decrease in the value of a Participant’s Retirement Income Account attributable to investment income, gains, losses or expenses that are or have been credited, charged or allocated to the Retirement Income Account.

**Investment Funds**

“Investment Funds” means the investment media from among which each Participant may direct the investment of his or her Retirement Income Account. Such term is limited to one or more:

- (1) variable Annuity Contracts;
- (2) pooled separate accounts maintained by an insurance company under an Annuity Contract;

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

- (3) shares of redeemable capital stock of one or more regulated investment companies, as defined in Section 851(a) of the Internal Revenue Code; and
- (4) combined, common or commingled trust funds established by any person or entity acting as trustee or investment manager for the collective investment of trust funds of pension, profit sharing or other employee benefit plans, whether or not such collective funds are limited to qualified retirement plans.

**Minimum Retirement Benefit**

“Minimum Retirement Benefit” means, in the case of a Participant who elected to exchange his or her City Funded Retirement Income Account for Pre-2004 Credited Service pursuant to Section 3.4, the value of the Participant’s City Funded Retirement Income Account as of December 31, 2003 (without any adjustment for any contributions or Investment Adjustments subsequent to December 31, 2003) or a straight life annuity that is the Actuarial Equivalent thereof (as the context requires).

**Non-Service Connected Partial Disability**

“Non-Service Connected Partial Disability” means a Partial Disability which meets the requirements of Section 5.4

**Non-Service Connected Total and Permanent Disability**

“Non-Service Connected Total and Permanent Disability” means a Total Disability which meets the requirements of Section 5.2.

**Normal Retirement Date**

“Normal Retirement Date” means:

- (1) In the case of a Participant who commenced employment as a Covered Employee on or after the Effective Date, the first day of the month coincident with or next following the attainment of age 55 with at least 5 Years of Credited Service.
- (2) In the case of a Participant who commenced employment as a Covered Employee prior to the Effective Date, the first day of the month coincident with or next following the attainment of age 55.

**Partial Disability or Partially Disabled**

“Partial Disability” or “Partially Disabled” means an illness or injury which prevents a Covered Employee from performing the duties of the job that the Covered Employee was assigned by the City at the time of suffering such illness or injury, as determined by the Administrator on the basis of a medical examination performed by an independent diagnostic clinic or physician(s) selected by the Administrator.

**Participant**

“Participant” means a Covered Employee who is currently included in the Plan as provided in Article 2 hereof. In addition, where appropriate according to the context of the Plan, the term Participant shall also include a Beneficiary or a former Covered Employee who is entitled to benefits under the Plan.

**Participant Representative**

“Participant Representative” means the members of the Board nominated by the Voting Participants pursuant to Section 10.3.

**Plan or Pension Plan**

“Plan” or “Pension Plan” means the City of Alexandria Firefighters and Police Officers Pension Plan, as described herein or as hereafter amended from time to time.

**Plan Year**

“Plan Year” means the calendar year.

**Pre-2004 Credited Service**

“Pre-2004 Credited Service” means Years of Credited Service completed prior to January 1, 2004, provided that the contributions the City made to the Retirement Income Plan with respect to such prior service (and the related Investment Adjustments) have not been distributed to the Participant prior to the Date of Adoption.

If, for any reason, the contributions the City made to the Retirement Income Plan with respect to such prior service were previously distributed to the Participant, then the Participant’s Pre-2004 Credited Service shall be determined without regard to any period of prior service for which the Participant previously received a distribution.

**Prior Plan or Retirement Income Plan**

“Prior Plan” or “Retirement Income Plan” means the City of Alexandria Retirement Income Plan for Firefighters and Police Officers that was in effect prior to the Date of Adoption.

**Reemployment Commencement Date**

“Reemployment Commencement Date” means the date on which a individual first performs an Hour of Service as a Covered Employee after a period during which no Hours of Service were performed by reason of the occurrence of a Termination Date or the cessation of an individual’s status as a Covered Employee.

**Remuneration**

- (1) “Remuneration” means a participant’s wages as defined in Section 3401(a) of the Internal Revenue Code and all other payments of compensation to the Participant from the City for which the City is required to furnish the Participant a written statement under Sections 6041(d) and 6051(a)(3) of the Internal Revenue Code.
- (2) Remuneration shall be determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed.
- (3) Remuneration does not include Employee Retirement Contributions picked up by the City pursuant to Section 4.2(b)(2).
- (4) Remuneration shall include any amount which would otherwise be deemed Remuneration under this definition but for the fact that it is deferred pursuant to a salary reduction agreement under any plan described in Section 457, 414(h), 132(f) or 125 of the Internal Revenue Code.

**Retirement Income Account**

“Retirement Income Account” means the individual account maintained for each Participant reflecting all amounts credited to such Participant under the Retirement Income Plan, as adjusted for Investment Adjustments thereon and any distributions.

On and after the Date of Adoption, each Retirement Income Account shall reflect:

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

- (1) In the case of a Participant who validly elected to exchange his or her City Funded Retirement Income Account for Pre-2004 Credited Service pursuant to Section 3.4, then the Participant's Retirement Income Account shall only reflect amounts, if any, attributable to (i) assets transferred or rolled over to the Plan pursuant to Section 4.3 of the Prior Plan; (ii) voluntary contributions made pursuant to Section 4.4 of the Prior Plan; and (iii) Investment Adjustments on the forgoing. Such account shall not reflect (i) any City contributions under the Prior Plan; (ii) any amount transferred pursuant to Section 3.5 of the Prior Plan; or (iii) any Investment Adjustments attributable to the forgoing. If the Participant's Retirement Income Account as of the Date of Adoption does not include any prior rollover or voluntary contributions, then the Participant shall cease to have a Retirement Income Account on and after the Date of Adoption.
  
- (2) In the case of a Participant who does not elect to exchange his or her City Funded Retirement Income Account for Pre-2004 Credited Service pursuant to Section 3.4, the Participant's Retirement Income Account shall continue to reflect the amount attributable to (i) City contributions under the Prior Plan; (ii) any amount transferred pursuant to Section 3.5 of the Prior Plan; (iii) any assets transferred or rolled over to the Plan pursuant to Section 4.3 of the Prior Plan; (iv) any voluntary contributions made pursuant to Section 4.4 of the Prior Plan; and (v) Investment Adjustments attributable to the forgoing.

The Retirement Income Account shall include any other functional subaccounts as may be established by the Administrator from time to time. Each Participant's Retirement Income Account shall be equal to the sum of the Investment Funds in which such account is invested.

**Service Connected Partial Disability**

"Service Connected Partial Disability" means a Partial Disability which meets the requirements of Section 5.3.

**Service Connected Total and Permanent Disability**

"Service Connected Total and Permanent Disability" means a Total Disability which meets the requirements of Section 5.1.

**Spouse**

"Spouse" refers to the legally married spouse of the Participant. For purposes of the Pension Plan, the term is limited to a spouse to whom the Participant is married in a legally recognized ceremony and does not include a common law spouse (even if a common law marriage is legally recognized).

**Total Disability or Totally Disabled**

"Total Disability" or "Totally Disabled" means an illness or injury which prevents a Covered Employee from performing the duties of all jobs for which the Covered Employee is otherwise qualified or any job for which the Covered Employee could become qualified by rehabilitation or retraining, as determined by the Administrator on the basis of a medical examination performed by an independent diagnostic clinic or physician(s) selected by the Administrator.

**Termination Date**

"Termination Date" means the first to occur of:

- (1) a termination of employment from the City by reason of resignation, discharge, mutual agreement, retirement or death;
- (2) the date on which an Authorize Leave of Absence expires without a return to active employment; or
- (3) a Participant's Disability Retirement Date.

**Trust Agreement**

"Trust Agreement" means the agreement by and between the City and the Trustee, together with any and all amendments or supplements thereto.

**Trustee**

"Trustee" means the bank or trust company selected by the Board to serve as Trustee under the Trust.

**Voting Participant.**

"Voting Participant" means a Participant with an Accrued Pension Benefit or Retirement Income Account attributable to such Participant's employment as a Covered Employee. The term includes a former Covered Employee who continues to have an

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

Accrued Pension Benefit or Retirement Income Account attributable to his or her employment as a Covered Employee or who is currently receiving retirement benefits based upon his or her employment as a Covered Employee. The term does not include a Participant who may be a current or former Covered Employee, but whose rights to benefits under the Plan are not attributable to such Participant's employment as a Covered Employee (e.g. a Participant whose rights to benefits under the Plan are attributable solely to his or her status as a Beneficiary, contingent annuitant or an alternate payee under a domestic relations order).

**Year of Credited Service**

A Participant shall be credited with 1/12<sup>th</sup> of a Year of Credited Service for each full calendar month of service as a Covered Employee commencing on or after the Effective Date and ending with the Participant's Termination Date. A Covered Employee shall not be credited with Years of Credited Service (or 1/12<sup>th</sup> increments thereof) for any calendar month during which he or she is not a Covered Employee for the entire month or for any calendar month commencing after the Covered Employee's Termination Date. In addition, except as otherwise provided in Section 3.4, a Participant shall not be credited with Years of Credited Service (or 1/12<sup>th</sup> increments thereof) for any calendar month prior to the Effective Date.

**Year of Service**

A Covered Employee shall be credited with 1/12<sup>th</sup> of a Year of Service for each calendar month (including calendar months prior to the Effective Date) during which he or she is a Covered Employee for the entire month. A Participant shall not be credited with Years of Service (or 1/12<sup>th</sup> increments thereof) for any calendar month during any portion of which he or she is not a Covered Employee.

**ARTICLE 2  
PARTICIPATION**

**2.1 Commencement of Participation.**

A Covered Employee's participation in this Plan, and the agreement to make contributions hereunder, as described in Sections 4.2(b) and 4.3(b), is mandatory and a condition of employment. Subject to the forgoing, the commencement of a Covered Employee's participation in the Plan shall be governed by the following:

- (a) Each Covered Employee participating in the Retirement Income Plan on the Date of Adoption, shall continue participation hereunder, according to the terms of this amended and restated Plan (including, without limitation, the contributions required by the Covered Employee under Sections 4.2(b) and 4.3(b)).
- (b) Every other Employee who is or becomes a Covered Employee on or after the Date of Adoption shall become a Participant on the date he or she first performs an Hour of Service as a Covered Employee.
- (c) No Employee shall become a Participant, however, if he or she is not a Covered Employee on the date the individual's participation is to begin.

**2.2 Termination of Participation.**

A Participant shall cease to accrue benefits under the Plan on the earlier of (i) his or her Termination Date or (ii) the date on which the Participant ceases to be a Covered Employee. In addition, a Participant who reaches his or Termination Date or who ceases to be a Covered Employee shall cease to be eligible for Disability Benefits attributable to a Disability that occurs or arises on or after such date. Notwithstanding the cessation of benefit accruals or eligibility for Disability Benefits, a Participant who has ceased participation hereunder shall remain a Participant, as the context of the Plan requires, to the extent such Participant is still entitled to any benefits under the Plan.

Termination of participation does not necessarily entitle a Participant to commence benefits under the Plan. The payment or commencement of benefits under the Plan shall be governed by, and subject to, the provisions of Article 6.

**2.3 Reemployment**

If a Participant reaches a Termination Date or ceases to be a Covered Employee and is subsequently reemployed as a Covered Employee, then such individual's status with respect to the Plan shall be governed by the following:

**(a) Participation**

The Covered Employee shall become Participant on his or her Reemployment Commencement Date.

**(b) Vesting and Benefit Accrual**

Subject to subsection (d) below, the Covered Employee's prior Years of Service and Years of Credited Service shall be aggregated with Years of Service and Years of Credited Service after his or her Reemployment Commencement Date for all purposes of the Plan (i.e., Years of Service and Years of Credited Service completed subsequent to the Employee's Reemployment Commencement Date and the prior Years of Service and Years of Credited Service will be added together in determining the Covered Employee's eligibility to receive, the vested percentage of, and amount of, his or her Accrued Pension Benefit). If the Covered Employee was subject to the 5 year graded vesting schedule contained in Section 6.5(c)(1)(iii) prior to his or her Reemployment Commencement Date, then the Covered Employee's vested percentage of his or her Accrued Pension Benefit as of his or her Reemployment Commencement Date shall not be less than the vesting percentage determined in accordance with the 5 year graded vesting schedule set forth in Section 6.5(c)(1)(iii). However, all future accruals shall be subject to the 5 year cliff vesting schedule contained in Section 6.5(c)(1)(ii) (based upon the Covered Employee's combined pre-break and post break Years of Service).

**(c) Benefit Payments**

If, at the time of his Reemployment Commencement Date, the Participant is receiving retirement benefits pursuant to Article 6 of the Plan, such retirement benefits shall cease until such time as they may be paid in conjunction with the retirement benefits accrued with respect to the Participant's subsequent employment. In any event, any retirement benefits payable with respect to subsequent employment shall be reduced or offset if and as necessary to avoid duplication of any retirement benefits payable or paid with respect to the Participant's prior employment.

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

If a Participant reaches a Termination Date, begins receiving retirement benefits pursuant to Article 6 of the Plan and is subsequently re-employed by the City in a capacity other than as a Covered Employee, the Participant's retirement benefits shall continue unabated.

**(d) Cash-out**

- (1) If, after the Participant's Termination Date:
  - (i) the Participant receives a Cash-Out of his or her Employee Contribution Retirement Benefit, and
  - (ii) the Participant resumes his or her employment as a Covered Employee,

then, notwithstanding any provision providing for the crediting of additional Years of Service and Years of Credited Service, the Years of Service and Years of Credited Service with respect to which the distribution was received shall be disregarded in subsequent determinations of the amount of the Participant's eligibility to receive, the vested percentage of, and the amount of his or her Accrued Pension Benefit.

- (2) However, if the Participant:
  - (i) resumes his or her employment as a Covered Employee, and
  - (ii) within 90 days of his or her Reemployment-Commencement Date, repays to the Trust the full amount of the Cash-Out, plus interest from date of distribution to date of repayment at the rate of 7.5% per annum, compounded annually,

then his or her Accrued Pension Benefit will be determined taking into account the Participant's Years of Service and Years of Credited Service before as well as after the Termination Date (subject to the provisions of this Section 2.3).

**2.4 Enrollment**

Participation hereunder shall be automatic upon commencement or re-commencement of employment as a Covered Employee; provided, however, that the City may, in its discretion, require each Covered Employee to execute a written application containing such items as may be desired by the City including, but not limited to, the Covered

***Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City***

Employee's consent to be bound by all the terms and conditions of the Plan and all amendments thereto, and authorization to have the Employee Retirement Contribution and Employee Disability Contribution deducted from his or her pay.

**2.5 Change Of Employment Category**

If a Participant ceases to be a Covered Employee, but continues in the employ of the City as an Employee, he or she shall cease participation in this Plan (and shall cease to accrue benefits hereunder) at the time he or she ceases to be a Covered Employee.

**2.6 Determination of Eligibility.**

The Administrator shall, in its discretion, determine the eligibility of Covered Employees in accordance with the provisions of this Article 2. The City shall make available to the Administrator a list of all Covered Employees, indicating the original dates of their employment with the City, their benefit eligibility dates and any breaks they may have incurred.

**ARTICLE 3**

**CREDIT FOR SERVICE**

**3.1 Authorized Leave of Absence**

- (a) A Participant shall not be deemed to have reached his or her Termination Date on account of a Authorized Leave of Absence. However, except as otherwise provided in Section 3.1(b) or as required by law, 1/12<sup>th</sup> increments of Years of Service and Years of Credited Service shall not be credited during an Authorized Leave of Absence.
- (b) Notwithstanding Section 3.1(a), if a Participant incurs an Authorized Leave of Absence on account of military service, the Participant shall receive credit for Years of Service and Years of Credited Service for the period of such Authorized Leave of Absence to the extent required by the Uniformed Services Employment and Reemployment Rights Act of 1994 or any other law (but without any requirement for such a Participant to make contributions upon his or her reemployment for the period of his or her military service).

**3.2 Fractional Credit For Service**

To the extent not precluded by the operation of Section 3.1, a Covered Employee shall receive partial or full credit for service, as follows:

**(a) Year of Service**

For purposes of determining the extent to which a Participant is vested in his or her Accrued Pension Benefit, the Participant shall receive credit on the basis of his or her whole Years of Service.

**(b) Year of Credited Service**

For purposes of determining the extent to which a Participant shall accrue benefits and for purposes of determining whether he or she is eligible for retirement, the Participant's Years of Credited Service shall be expressed in whole years and months.

**3.3 Transfers Between Covered And Non-Covered Employment**

**(a) Transfer to a Position as a Covered Employee**

- (1) If an Employee becomes a Covered Employee on or after the Date of Adoption, such Employee's benefits under this

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

Plan with respect to his or her service as a Covered Employee shall be based only on Years of Service and Years of Credited Service earned while such individual is a Covered Employee.

- (2) In determining such a Participant's Average Monthly Compensation under this Plan, only Compensation with respect to employment as a Covered Employee shall be taken into account.
- (3) If the Employee was previously a Participant in the Plan, the provisions of Section 2.3 shall apply.

**(b) Transfer to a Non-Covered Position**

- (1) If an individual ceases to be a Covered Employee, but remains an Employee, the individual's participation in this Plan shall cease as of the date he or she ceases to be a Covered Employee. Further, such individual's benefits under this Plan shall be determined based only on Years of Service and Years of Credited Service earned while such individual is a Covered Employee and shall be determined under the provisions of this Plan in effect as of the date such individual ceased to be a Covered Employee.
- (2) In determining Average Monthly Compensation under this Plan, only Compensation with respect to employment as a Covered Employee shall be taken into account.
- (3) The payment or commencement of benefits under the Plan shall be governed by, and subject to, the provisions of Article 6. Notwithstanding anything to the contrary, no benefits shall be paid or commence to such individual prior the earlier of the individual's (1) Termination Date, or (2) Normal Retirement Date.

**3.4 Exchange of Retirement Income Account for Pre-2004 Credited Service**

- (a) Each Covered Employee who on the Date of Adoption:
  - (1) is a Participant in the Plan;
  - (2) has a Retirement Income Account attributable to his or her employment as a Covered Employee;

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

- (3) is actively employed by the City as a Covered Employee (and has not reached his or her Disability Retirement Date); and
- (4) commenced participation in the Prior Plan prior to July 1, 2003,

was offered the opportunity to exchange his or her City Funded Retirement Income Account for Pre-2004 Credited Service.

- (b) In order to be effective, an election under this Section 3.4 must:
  - (1) have been made on a form supplied by the City for this purpose;
  - (2) have been returned to (and the receipt acknowledged by) the Department of Finance on or before 5:00 P.M. (Eastern Time) on January 16, 2004; and
  - (3) have included a valid and enforceable release of the City, and its elected officials, employees, agents and representatives (as well as any other person or entity who may have a fiduciary relationship with respect to the administration or management of the Retirement Income Plan) from any and all claims relating to or arising out of the Retirement Income Account or the administration or management of the Retirement Income Plan prior to the date of the election.
- (c) To the extent a Covered Employee described in Section 3.4(a) made an election satisfying the requirements of Section 3.4(b), then:
  - (1) The Participant's Pre-2004 Credited Service shall be taken into account in determining the Participant's Years of Credited Service.
  - (2) No amount or benefit shall be payable to anyone with respect to the Participant's City Funded Retirement Income Account (the balance of which shall be reduced to zero). However, the Participant's Retirement Income Account shall continue to reflect the amount, if any, attributable to (i) assets transferred or rolled over to the Plan pursuant to Section 4.3 of the Prior Plan; (ii) the amount, if any, attributable to voluntary contributions made pursuant to Section 4.4 of the Prior Plan; and (iii) Investment Adjustments attributable to the forgoing.

***Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City***

- (3) The Participant's City Funded Retirement Income Account shall become part of the Fund and shall be available to provide benefits to all Participants under the defined benefit portion of the Plan.

## **ARTICLE 4**

### **FUNDING**

#### **4.1 Fund**

Contributions made under the terms of the Plan shall be deposited in the Trust or one or more Annuity Contracts. Such contributions, together with any income, gains or profits, less distributions, expenses and losses, shall comprise the Fund. The Trustee shall maintain that portion of the Fund held pursuant to the terms of the Trust.

Separate trust accounts, Annuity Contracts, or accounts under Annuity Contracts shall be established for (i) the defined benefit portion of the Plan, (ii) any Retirement Income Accounts, and (iii) any assets transferred to the Pension Plan from the Disability Income Plan. The establishment of such separate accounts shall be for accounting and bookkeeping only and shall not require a segregation of any part of the assets of the Fund.

The Retirement Income Accounts shall be held, invested, reinvested, managed, administered and distributed for the exclusive benefit of Participants with Retirement Income Accounts. The portion of the Fund comprising the defined benefit portion of the Plan shall be held, invested, reinvested, managed, administered and distributed for the exclusive benefit of Participants with an Accrued Pension Benefit. The assets transferred to the Pension Plan from the Disability Income Plan shall be held, invested, reinvested, managed, administered and distributed for the exclusive purpose of providing Disability Benefits pursuant to Article 5.

No person shall have any interest in or right to the Fund or any part thereof, except as expressly provided in the Plan. Each Participant, former Participant, Beneficiary or other person who shall claim the right to any payment under the Plan shall be entitled to look only to the Fund for such payment. No liability for the payment of benefits under the Plan (or the Disability Income Plan) shall be imposed upon the Trustee, the issuer of any Annuity Contract, the Board, the Administrator, the City, or their respective agents or employees.

#### **4.2 Pension Contributions**

##### **(a) City Contributions**

- (1) After taking into account the contributions made by Covered Employees in accordance with Section 4.2(b), the City shall, from time to time, make contributions to the Fund in amounts necessary, according to sound actuarial principles, (and based upon reasonable actuarial assumptions, funding

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

methods and related matters recommended by the Actuary) to fund the benefits under this Plan and to maintain the actuarial integrity of the Fund. For this purpose:

- (i) Any unfunded liability attributable to the grant of additional Years of Credited Service pursuant to Section 3.4 shall be amortized over a 25 year period beginning January 1, 2004, in level dollar payments; and
  - (ii) The contribution required by the City under this provision shall be (1) based upon the actuarial valuation produced annually by the Actuary; (2) expressed as a percentage of Compensation; and (3) remitted monthly (in arrears), such that the contribution with respect to Compensation paid during a month shall be remitted to the Trustee or deposited in an Annuity Contract within 15 business days after the close of such month.
- (2) Notwithstanding any provisions of this Plan to the contrary, upon the City's request, a contribution which was made by the City under Section 4.2(a) or 4.3(a) due to a mistake of fact shall be returned to the City within one year after the payment of the contribution. Any portion of a contribution returned shall be adjusted to reflect its proportionate share of the losses of the Fund, but shall not be adjusted to reflect any earnings or gains.

**(b) Employee Retirement Contributions**

- (1) On and after the Date of Adoption, each Participant who is classified as a Covered Employee shall make Employee Retirement Contributions to the Plan in an amount \_\_\_ [up to 8%] of the Participant's Compensation, as reflected in the paycheck the Participant receives from the City. Such Employee Retirement Contribution shall continue until the earlier of the Participant's (1) Termination Date, or (2) DROP Effective Date, and shall be made in accordance with rules established by the Administrator.
- (2) The Employee Retirement Contributions referred to in Section 4.2(b)(1) shall be:
  - (i) picked up by the City, as described in Section 414(h)(2) of the Internal Revenue Code;

***Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City***

- (ii) deducted from the pay of the contributing Participants as salary reduction contributions;
  - (iii) paid by the City to the Trustee or deposited in an Annuity Contract within 15 business days following the end of the month during which such amounts were withheld from the pay of the contributing Participants;
  - (iv) made a part of the Participant's Employee Contribution Retirement Benefit, that is, a part of his or her Accrued Pension Benefit; and
  - (v) automatically suspended for any payroll period during which the participant is not a Covered Employee or during which he or she is on an Authorized Leave of Absence.
- (3) Notwithstanding any provisions of this Plan to the contrary, Participant contributions picked up by the City, shall be fully (100%) vested.

**4.3 Disability Contributions**

The cost of providing the Disability Benefits on or after the Date of Adoption shall be borne by contributions by the City and the Participants. The amount of the respective contributions shall be determined as follows:

**(a) City Disability Contribution**

On and after the Date of Adoption, subject to the limitations contained herein, the City shall, from time to time, make contributions to the Fund in amounts necessary, according to sound actuarial principles, (and based upon reasonable actuarial assumptions, funding methods and related matters recommended by the Actuary) to fund the Disability Benefits under this Plan (other than Disability Benefits attributable to a Non-Service Connected Partial Disability, which shall be funded by contributions made by Covered Employees in accordance with Section 4.3(b)). The contribution attributable to Disability Benefits payable to Participants before their Normal Retirement Date shall not exceed three percent (3%) of the Compensation of all Participants for any Plan Year. The contribution attributable to Disability Benefits payable to Participants after their Normal Retirement Date shall not be limited by a percentage of Compensation of Participants.

**(b) Employee Disability Contributions**

On and after the Date of Adoption, each Participant shall make an Employee Disability Contribution in an amount required to offset the cost (as determined by the Actuary based upon reasonable actuarial assumptions, funding methods and related matters) to provide for Disability Benefits attributable to a Non-Service Connected Partial Disability under Sections 5.4 and 5.10. Such Employee Disability Contribution shall continue until the earlier of the Participant's (1) Termination Date, or (2) DROP Effective Date. The initial amount of Employee Disability Contribution shall be ½% of each Participant's Compensation, as reflected in the paycheck the Participant receives from the City; however, this amount may be changed on any January 1 that the Actuary determines that such change is necessary to maintain proper funding. The amount of the Employee Disability Contribution shall not be picked up by the City under Section 414(h)(2) of the Internal Revenue Code. The Employee Disability Contribution shall only be used to pay for Disability Benefits on account of a Non-Service Connected Partial Disability.

**4.4 Disposition Of Forfeitures**

Any forfeitures arising under the Plan for any reason shall not be applied to increase the benefit of any person hereunder, but rather, shall be applied to pay administrative expenses of the Plan and Fund, if and as directed by the Administrator, and/or be used to reduce the City's contributions under the Plan.

**4.5 Actuarial Examination**

The Administrator shall, at least once every Plan year, cause the liabilities of the Plan to be evaluated by the Actuary who shall report to the Board and the City as to the soundness and solvency of the Fund in relation to the said liabilities, the amount of the City contribution sufficient to meet the requirements of Section 4.2(a) and 4.3(a) and the amount of the Employee Disability Contribution sufficient to meet the requirements of Section 4.3(b).

**4.6 Transfer of Assets from Disability Income Plan**

On or following the Date of Adoption, the liability for all benefits of any kind or nature under the Disability Income Plan, as well as all assets held under the Trust established with respect to the Disability Income Plan, shall be transferred to this Plan, which shall thereafter be responsible for

***Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City***

all benefits payable under the Disability Income Plan following the date of transfer.

**4.7 Contributions to Retirement Income Accounts**

City contributions pursuant to Section 4.1 of the Prior Plan shall continue until the Date of Adoption. On and after the Date of Adoption, no further City contributions will be made pursuant to Section 4.1 of the Prior Plan. On and after the Effective Date, no other contributions of any kind will be made or permitted to any Retirement Income Account (including, without limitation, rollover contributions pursuant to Section 4.3 of the Prior Plan, or voluntary employee contributions pursuant to Section 4.4 or 4.5 of the Prior Plan). Subject to the provisions of Section 3.4, amounts previously contributed to a Participant's Retirement Income Account shall (1) remain a part of the Account after the Date of Adoption, (2) be subject to investment direction by the Participant in accordance with, and subject to the terms of, Section 9.4, and (3) be distributable upon termination of employment with the City in accordance with the provisions of Section 6.6.

**ARTICLE 5**

**Disability Benefits**

**5.1 Eligibility for a Service Connected Total and Permanent Disability Benefit**

A Participant will be eligible for a Disability Benefit on account of a Service Connected Total and Permanent Disability commencing on the first day of the month when the Participant meets each and all of the following conditions:

- (a) The Participant is Totally Disabled prior to his or her Normal Retirement Date (while actively employed as a Covered Employee);
- (b) The Participant has been Totally Disabled for a period of six (6) consecutive months;
- (c) The Participant's Total Disability has been ruled by the Virginia State Industrial Commission as total and permanent and is compensable as Workmen's Compensation; and
- (d) The Participant has received an award of Social Security disability benefits.

**5.2. Eligibility for a Non-Service Connected Total and Permanent Disability Benefit**

A Participant will be eligible for a Disability Benefit on account of a Non-Service Connected Total and Permanent Disability commencing on the first day of the month when the Participant meets all of the following conditions:

- (a) The Participant is Totally Disabled prior to the earlier of his or her Normal Retirement Date or DROP Effective Date (while actively employed as a Covered Employee);
- (b) The Participant has been Totally Disabled for a period of six (6) consecutive months; and
- (c) The Participant has received an award of Social Security disability benefits.

**5.3 Eligibility for Service Connected Partial Disability Benefit**

A Participant will be eligible for a Disability Benefit on account of a Service Connected Partial Disability commencing on the first day of the month when he meets all of the following conditions:

- (a) The Participant is Partially Disabled prior to his or her Normal Retirement Date (while actively employed as a Covered Employee);
- (b) The Participant's Disability has been ruled by the Virginia State Industrial Commission to be compensable as Workmen's Compensation;
- (c) The Participant's Disability is certified by the Administrator as a Service Connected Partial Disability; and
- (d) The Administrator determines that such Disability is not reasonably correctable or subject to rehabilitation, the cost of which shall be borne by the City.

**5.4 Eligibility for a Disability Benefit on Account of Non-Service-Connected Partial Disability**

A Participant will be eligible for a Disability Benefit on account of a Non-Service Connected Partial Disability commencing on the first day of the month when the Participant meets all of the following conditions:

- (a) The Participant is Partially Disabled prior to the earlier of his or her Normal Retirement Date or DROP Effective Date (while actively employed as a Covered Employee);
- (b) The Participant has been a Participant under this Plan (including any participation under the Disability Income Plan) for at least five (5) years at the commencement of his or her Partial Disability;
- (c) His disability is certified by the Administrator as a Non-Service Connected Partial Disability; and
- (d) The Administrator determines that such Partial Disability is not reasonably correctable or subject to rehabilitation, the cost of which shall be borne by the City.

**5.5 Certain Excluded Disabilities**

Notwithstanding anything in this Plan to the contrary, a Participant shall not become eligible for a Disability Benefit under this Plan if his or her Disability results from, or consists of addiction to narcotics or conviction of participation in a felonious act.

**5.6 Gainful Employment**

- (a) Notwithstanding any other provision of this Plan, any Participant receiving benefits or eligible to receive benefits under this Plan as the result of a Disability shall be required to accept employment in any position offered by an employer for which the Participant is qualified or for which the City is willing to assume the costs for the retraining and rehabilitation necessary to enable the Participant to qualify, if the City, in its sole judgment, determines that such employment is appropriate under the circumstances and if the locus of employment is suitable to the Participant's residence.
- (b) (1) Prior to any action to provide such alternate employment,
  - (i) the Personnel Department shall present a detailed job description to an independent physician selected by the City (who shall be the treating physician if the Disability was covered by the Workmen's Compensation Act) for review and a determination that the Participant is medically able to undertake such employment;
  - (ii) the Personnel Department shall notify the Participant of the particulars of the alternative employment (including the job location and a copy of the job description) and a copy of the physician's determination that the Participant is able to undertake the offered employment;
  - (iii) if the Participant believes he or she has just cause to refuse to accept such alternate employment, the Participant shall notify the Personnel Department in writing of such reason or reasons for refusal, no later than ten (10) days from receipt of the notification required by the preceding subparagraph;
  - (iv) should the Personnel Director, after reviewing the Participant's written statement, still believe the alternative employment is appropriate and suitable, the Personnel Director shall respond in writing to the Participant, stating the reasons supporting the determination of appropriateness and suitability, particularly responding to the Participant's written statement of reasons;

- (v) should the Participant continue to refuse to accept the alternate employment, the issue shall be determined in accordance with the procedures of Section 5.6(b)(2)(i) or (ii).
- (2) (i) In the event the Participant who refuses employment is, in addition, entitled to receive benefits under the Workmen's Compensation Act, the decision as to whether his refusal is justifiable shall be presented to the Industrial Commission of Virginia for determination under the provisions of Section 65.1-63, *Code of Virginia*, and the decision of the Industrial Commission shall also be binding on the question of termination of Disability Benefits, as set forth in Section 5.11(a)(6) or (b)(3). If the Industrial Commission should fail or refuse to act on this question, then the determination shall be made pursuant to Section 5.6(b)(2)(ii) below.
- (ii) If a Participant entitled to Disability Benefits under this Plan is not entitled to receive benefits under the Workmen's Compensation Act of the Commonwealth of Virginia, the decision as to whether his refusal of alternative employment is justifiable shall be presented to the City Attorney who shall act as an impartial arbitrator, based upon the entire record, under the standards utilized by the Industrial Commission under the provisions of Section 65.1-63, *Code of Virginia*. The City Attorney shall issue a written opinion specifying the reasoning and precedential support for his decision. The City Attorney may request either the Participant or the Personnel Director, or both, to present additional information prior to rendering his decision.

**5.7 Amount of Disability Benefit on Account of Service-Connected Total and Permanent Disability**

Subject to Section 5.12, a Participant who is entitled to a Disability Benefit under Section 5.1 on account of a Service Connected Total and Permanent Disability shall receive a monthly Disability Benefit equal to seventy percent (70%) of the Participant's Average Monthly Compensation.

**5.8 Amount of Disability Benefit on Account of Non-Service-Connected Total and Permanent Disability**

Subject to Section 5.12, a Participant who is entitled to a Disability Benefit under Section 5.2 on account of a Non-Service Connected Total and Permanent Disability shall receive a monthly Disability Benefit equal to sixty-six and two-thirds percent (66 2/3%) of the Participant's Average Monthly Compensation.

**5.9 Amount of Disability Benefit on Account of Service-Connected Partial Disability**

Subject to Section 5.12, a Participant who is entitled to a Disability Benefit under Section 5.3 on account of a Service Connected Partial Disability Benefit shall receive a monthly Disability Benefit equal to sixty-six and two-thirds percent (66 2/3%) of the Participant's Average Monthly Compensation, 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.

**5.10 Amount of Disability Benefit on Account of Non-Service-Connected Partial Disability**

Subject to Section 5.12, a Participant who is entitled to a Disability Benefit under Section 5.4 on account of a Non-Service Connected Partial Disability Benefit shall receive a monthly Disability Benefit equal to fifty percent (50%) of the Participant's Average Monthly Compensation.

**5.11 Commencement and Cessation of Disability Benefits**

- (a) Disability Benefits shall be paid monthly commencing on the Participant's Disability Retirement Date.
- (b) Subject to the provisions of Section 5.13 and 5.15, Disability Benefits for a Participant who is Totally Disabled and entitled to benefits under Sections 5.1 or 5.2, will cease on the first day of the month coincident, with or next following the earliest of the dates specified below:
  - (1) The date the administrator determines that the Participant is no longer Totally Disabled, on the basis of a medical examination by an independent diagnostic clinic or physician(s) selected by the Administrator.
  - (2) The date the Participant refuses to undergo a medical examination requested by the Administrator, provided the

Participant may not be required to undergo such medical examination more often than twice a year.

- (3) The Participant's Normal Retirement Date.
  - (4) The date that the Participant's disability payments under Social Security cease.
  - (5) The date the Participant returns to a regular occupation or employment.
  - (6) The date the Participant refuses any employment which the Participant is required to accept pursuant to Section 5.6.
  - (7) The date on which the Participant dies.
- (b) Subject to the provisions of Section 5.13 and 5.15, Disability Benefits for a Participant who is Partially Disabled and entitled to benefits under Sections 5.3 or 5.4, will cease on the first day of the month coincident with or next following the earliest of the dates specified below:
- (1) The date the Administrator determines that the Participant is no longer Partially Disabled, on the basis of a medical examination by an independent diagnostic clinic or physician(s) selected by the Administrator.
  - (2) The date the Participant refuses to undergo a medical examination requested by the Administrator, provided the Participant may not be required to undergo such medical examination more often than twice a year.
  - (3) The date the Participant refuses any employment which the Participant is required to accept pursuant to Section 5.6.
  - (4) The Participant's Normal Retirement Date.
  - (5) The date on which the Participant dies.

## **5.12 Limitation on Benefits**

Disability Benefits under this Article 5 or the Disability Income Plan before Normal Retirement Date shall be limited by the assets of the Fund designated for the payment of Disability Benefits. If the Administrator after consultation with the Actuary foresees the portion of the Fund dedicated to Disability Benefits becoming insolvent, the Administrator may reduce all

Participants' Disability Benefits on a pro rata basis as of the first day of any month after giving each Participant receiving Disability Benefits under the Plan and the Disability Income Plan adequate written notice.

### **5.13 Disability Benefits After Normal Retirement Date**

A Participant who reaches his or her Normal Retirement Age shall begin receiving his or her Accrued Pension Benefit in accordance with the provisions of Article 6 and may elect to have his or her Accrued Pension Benefit paid in any of the optional annuity forms permitted under Section 7.2(a) or (b) (but not under Section 7.2(c)).

When the Participant reaches his or her Normal Retirement Date, Disability benefits under this Plan shall be recomputed so that the Participant's Disability benefits under Article 5 and the sum of the Participant's Accrued Pension Benefit under Article 6 and, if applicable the amount of his or her City Funded Retirement Income Account (all expressed in the form in which Disability Benefits were payable prior to the Participant's Normal Retirement Date) is actuarially equal in value to the amount of payments that the Participant would have received under Article 5 if the Participant (i) had not been Disabled, (ii) had continued to be employed by the City at the same rank and grade he or she had attained immediately prior to his or her Disability, (ii) for the prior sixty (60) 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 under this Article 5 immediately prior to his or her 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 under Article 5 shall continue to be paid to the Participant following his or her Normal Retirement Date in the same form as such Benefits were being paid prior to the Participant's Normal Retirement Date (i.e., either in the normal form or under the contingent annuitant option), but only to the extent necessary to provide that the Disability Benefits under Article 5 and the retirement benefits under Article 6 (including for this purpose any retirement benefits payable with respect to the Participant's City Funded Retirement Income Account, after taking into account any Investment Adjustments after the Date of Adoption) are Actuarially Equivalent to the recalculated Disability Benefits the Participant would have received under Article 5, as computed in accordance with the preceding paragraph. In the event that the Participant's retirement benefits under Article 6 (including for this purpose

any retirement benefits payable with respect to the Participant's City Funded Retirement Income Account, as adjusted for any investment gains or losses after the Date of Adoption) are equal to or greater than such recalculated Disability Benefit, then all Disability Benefits payable under this Article 5 shall cease on the Participant's Normal Retirement Date.

For purposes of this Section 5.13, any benefits to the Participant under the Retirement Income Plan shall be actuarially calculated by the Actuary using the Actuarial Assumptions in effect at such Normal Retirement Date.

#### **5.14 Cash Settlement Option**

The Participant may, at the option of the Administrator, receive a cash settlement in an amount agreed upon by the Participant and the Administrator prior to his Disability Retirement Date in lieu of the Disability Benefit that he would otherwise be entitled to, provided such Disability is due to a Service Connected Total and Permanent Disability or Service Connected Partial Disability as described in Section 5.1 and 5.3. Any such cash settlement shall not be in excess of the value of the Participant's Disability Benefit on his Disability Retirement Date, as determined based on the Actuarial Assumptions assuming payment to a Participant ceases as of the earlier of the first day of the month in which the Participant dies or reaches his or her Normal Retirement Date.

#### **5.15 Contingent Annuitant Option**

A Participant may elect, prior to his or her Disability Retirement Date, to receive Disability Benefits in the form of the contingent annuitant option and designate a contingent annuitant (who is the spouse of the Participant or the Participant's natural or legally adopted children, determined as of the Participant's Disability Retirement Date). A Participant's election, revocation or change under this Section shall be made by written notice filed with the Administrator. Such contingent annuitant shall not be more than 30 years younger than the Participant. Under this option, the Participant will receive a reduced annual Disability Benefit equal to 50%, 66 2/3%, or 100% of the Disability Benefit payable during the Participant's lifetime (as specified in the election). Such reduced Disability Benefit shall be payable to the contingent annuitant until the first day of the month in which the contingent annuitant dies.

If a Participant elects the contingent annuitant option, the amount of the Disability Benefit to which the Participant is entitled will be adjusted, so that it is the Actuarial Equivalent of the Disability Benefit that the Participant would have received had the election not been made.

This option will become inoperative if (i) a Disabled Participant ceases to be eligible for Disability Benefits for reasons other than death, or (2) either

***Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City***

the Participant or the contingent annuitant dies before Disability Benefits commence.

If the Contingent Annuitant dies before the Participant, this option will become inoperative and the Participant's Disability Benefits will be adjusted up to the full amount.

The Administrator reserves the right to make this option inoperative with respect to any Participant if the annual Disability Benefit to the Contingent Annuitant would be less than Sixty Dollars (\$60.00).

**5.16 Cost of Living Adjustment**

Disability Benefits payable pursuant to Section 5.7, 5.8, 5.9, 5.10 or 5.13 shall be adjusted beginning May 1, 2005 for changes in the cost of living in accordance with the provisions of Section 6.11.

**5.17 Death of Disabled Participant**

If a Participant receiving Disability Benefits dies, the extent to which any benefits are payable following the death of the Participant shall be determined in accordance with Section 6.9(f).

**ARTICLE 6**

**RETIREMENT AND OTHER TERMINATION OF EMPLOYMENT**

**6.1 Normal Retirement**

- (a) A Participant who terminates employment with the City on his or her Normal Retirement Date shall be entitled to receive a monthly retirement income, beginning with the first day of the month coincident with or next following his or her Normal Retirement Date and continuing for the remainder of the Participant's life.
- (b) The amount of such monthly benefit shall equal to:
  - (1) 2.5% of the Participant's Average Monthly Compensation, multiplied by the number of the Participant's Years of Credited Service up to a maximum of 20 years, plus
  - (2) 3.2% of the Participant's Average Monthly Compensation, multiplied by the number of the Participant's Years of Credited Service in excess of 20 years, but not in excess of 30 years (i.e., up to a maximum of 10 years).

Notwithstanding anything to the contrary, in no event shall a Participant's monthly allowance under Section 6.1(b) exceed 82% of the Participant's Average Monthly Compensation.

**6.2 Early Retirement**

- (a) A Participant who reaches his or her Early Retirement Date and who shall terminate employment with the City at that time shall thereupon be entitled to receive, commencing on the first day of the month coincident with or next following the Participant's 55<sup>th</sup> birthday, a monthly benefit equal to the Participant's Accrued Pension Benefit, determined as of his or her Early Retirement Date.
- (b) At the election of the Participant, payment of his or her vested Accrued Pension Benefit may commence at any time on or after the Participant's Early Retirement Date and prior to his or her 55<sup>th</sup> birthday, in which case such Accrued Pension Benefit shall be reduced (in order to reflect early commencement of payments) to an amount that is the Actuarial Equivalent of the Participant's Accrued Pension Benefit.
- (c) Notwithstanding the foregoing, a Participant who has completed at least 25 Years of Credited Service prior to attaining age 55 shall be entitled to a monthly benefit equal to the Participant's Accrued

Pension Benefit (determined as of his or her Early Retirement Date) commencing on the first day of the month coincident with or next following the date of his or her termination of employment with the City (i.e., the Participant's benefit shall not be actuarially reduced for commencement prior to age 55).

### **6.3 Employment After Normal Retirement Age**

In the event a Participant remains an Employee after his or her Normal Retirement Date, then, subject to the limitations set forth in Section 6.8 and subject to Section 7.3, the Participant shall be entitled to receive, commencing on the first day of the month coincident with or otherwise next following his or her termination of employment with the City, the benefit to which the Participant would have been entitled with respect to his or her Accrued Pension Benefit pursuant to Section 6.1(b) if he or she had retired on the Participant's Normal Retirement Date, but adjusted:

- (a) by including any additional Years of Credited Service which have accrued since the Participant's Normal Retirement Date (subject to the overall 30 year limitation on Years of Credited Service taken into account); and
- (b) by taking into account any increases in Average Monthly Compensation which may be generated by increases in Compensation earned as a Covered Employee since the Participant's Normal Retirement Date.

### **6.4 Deferred Retirement Option Program**

#### **(a) Eligibility For DROP**

A Participant who has completed at least 30 Years of Credited Service may voluntarily elect, pursuant to this Section 6.4, to retire for purposes of calculating his or her Accrued Pension Benefit, continue working as a Covered Employee for a period of up to 3 years, and defer commencement of his or her Accrued Pension Benefit until his or her DROP Retirement Date. The deferred benefit will be credited to the Participant's DROP Account and credited with interest in accordance with Section 6.4(e). In order for the DROP Election to be effective, the eligible Participant must complete and execute an election and release on a form supplied by the Administrator, and such election and release must be valid and binding on the Participant in accordance with its terms.

A Participant who does not elect to participate in the DROP in accordance with the provisions of this Section 6.4 when first eligible, may elect to participate at anytime thereafter prior to his or her Termination Date or Disability Retirement Date.

**(b) Election of Retirement Date**

An eligible Participant who voluntarily elects to have the provisions of this Section 6.4 apply shall irrevocably elect to retire no later than three years following the DROP Effective Date on which the Participant makes a DROP Election in accordance with Section 6.4(c). The DROP Election is not a commitment to remain employed for a period of up to three years or a guarantee of continued employment. A Participant who makes a DROP Election may retire at any time prior to the date specified in his or her DROP Election and may be terminated by the City at any time in accordance with the relevant rules and procedures applicable to terminations of firefighters or police officers.

**(c) DROP Election**

The election to participate in the DROP in accordance with all of the terms and conditions of this Section 6.4 must be made, if at all, by executing and delivering to the Administrator, a DROP Election on a form provided by the Administrator for this purpose. Such form shall include a waiver and release of any age discrimination or other claims relating to the DROP. A DROP Election using the form provided by the Administrator must be filed with the Administrator at least sixty (60) days prior to the proposed DROP Effective Date. The proposed DROP Effective Date selected by the Participant shall be subject to the approval of the Administrator. A Participant who makes a DROP Election shall have a period of seven (7) calendar days to revoke the DROP Election. If the DROP Election is in effect at the close of regular business hours on the seventh calendar day after the date on which the Participant signs the DROP Election, the DROP Election (including, without limitation, the DROP Effective Date and the commitment to terminate employment and retire on the date specified) shall thereupon become irrevocable.

If a Participant makes a valid DROP Election, the amount accrued by a Participant after his or her DROP Effective Date and the amount payable with respect to the Participant's Accrued Pension Benefit shall be determined solely and exclusively by the provisions of this Section 6.4 and, except as otherwise specifically provided herein, the Participant shall not be entitled to any payment, benefit or amount with respect to his or her Accrued Pension Benefit.

**(d) Effect of Failure to Elect**

The rights under the Plan of any Participant who is eligible for the DROP but who does not elect to participate in the DROP in

52 a

accordance with, and subject to, all of the terms and conditions of this Section 6.4, shall be determined by the remaining terms of the Plan, and the value of any rights created by this Section 6.4 shall not be considered in determining such Participant's Accrued Pension Benefit or the Actuarial Equivalent thereof.

**(e) Credit to DROP Account**

- (1) As of the first day of each calendar month commencing on or after the DROP Effective Date and continuing until the Participant's DROP Retirement Date, the Participant's DROP Account shall be credited with the amount the Participant would have received under Section 6.1 or 6.2(c) if the Participant had actually retired on the DROP Effective Date and elected to receive his or her Accrued Pension Benefit in the form of a straight life annuity. Notwithstanding the forgoing, in lieu of having the amount credited to his or her DROP Account determined under the monthly life annuity form of retirement income, the Participant may elect, as part of his or her DROP Election, to have the amount determined under any of the Actuarial Equivalent forms of benefit specified in Section 7.2(a) or (b).
- (2) The initial annuity amount will be adjusted each May 1 (beginning May 1, 2005) for changes in the cost of living in accordance with the provisions of Section 6.11.
- (3) As of the last day of each full calendar month that has elapsed since the DROP Effective Date, a Participant's DROP Account shall be credited with interest for such full calendar month at the rate of 3%, compounded annually. No interest shall be credited for any period less than a full calendar month.

**(f) Amount of Retirement Benefit**

Subject to the limitations contained in Section 6.8, an eligible Participant who is subject to a valid and binding DROP Election shall be entitled to receive a monthly retirement income, beginning with the first day of the month coincident with or next following his or her DROP Retirement Date equal to:

- (1) His or her Accrued Pension Benefit, calculated as if the Participant had terminated employment with the City on the Participant's DROP Effective Date.

- (2) Additional monthly retirement income that is the Actuarial Equivalent of the value of the Participant's DROP Account on the DROP Retirement Date.

**(g) Form of Retirement Benefit**

Following the DROP Retirement Date, the Participant's retirement benefit, as determined pursuant to Section 6.4(f), shall be payable in the form of monthly payments for the remainder of the Participant's life, unless an optional form of payment has been elected pursuant to Section 7.2.

A Participant may elect to have his or her benefits following the DROP Retirement Date paid in the form of a joint and survivor annuity or guaranteed period certain under Section 7.2(a) or (b) in accordance with the procedures contained in Article 7. The election made by the Participant does not have to be the same as the election made with respect to the amount credited to his or her DROP Account under Section 6.4(e). A Participant may also elect to receive the value of his or her DROP Account (but not his or her Accrued Pension Benefit) in the form of a single lump sum payment.

Upon the Participant's Benefit Commencement Date, any election made by the Participant (including the designation of a Beneficiary under any option other than the guaranteed period option) shall be irrevocable.

The benefit payable to the Participant following his or her DROP Retirement Date shall be adjusted beginning May 1 of the year following the Participant's DROP Retirement Date for changes in the cost of living in accordance with the provisions of Section 6.11.

**(h) Amount of Benefit Accruals and Cessation of Employee Contributions**

Except as specifically provided in Section 6.4(i), a Participant who makes a DROP Election shall be treated as if he or she ceased to be a Covered Employee as of the DROP Election Date.

- (1) The Participant shall not be required to make any Employee Retirement or Disability Contributions with respect to Compensation earned on or after the DROP Effective Date.
- (2) Such Participant's Accrued Pension Benefit shall be determined based only on Years of Service and Years of Credited Service earned as of the DROP Effective Date and

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

shall be determined under the provisions of this Plan in effect as of the DROP Effective Date.

- (3) In determining Average Monthly Compensation under this Plan, only Compensation with respect to employment as a Covered Employee prior to the DROP Effective Date shall be taken into account.
- (4) The benefit accrued by the Participant subsequent to the DROP Effective Date shall consist solely of the amounts credited to the Participant's DROP Account under Section 6.4(e).

**(i) Disability Benefits**

On and after the DROP Effective Date, the Participant shall cease to be eligible for Disability Benefits on account of a Non-Service Connected Total and Permanent Disability or Non-Service Connected Partial Disability, but shall remain eligible for Disability Benefits on account of a Service Connected Total and Permanent Disability or Service Connected Partial Disability in accordance with the provisions of Article 5.

**(j) Death Benefits**

If a Participant who makes a DROP Election dies before the DROP Effective Date, the DROP Election shall be inoperative, and the death benefits, if any, payable on account of the Participant's death shall be determined in accordance with the provisions of Section 6.9.

If a Participant who makes a DROP Election dies after the DROP Effective Date but before his or her Benefit Commencement Date (following the DROP Retirement Date) the benefits payable upon the death of the Participant shall be determined in accordance with the provisions of Section 6.9(e).

If a Participant dies after his or her Benefit Commencement Date (following the DROP Retirement Date), the benefits, if any, to which the Participant's Beneficiary shall be entitled shall depend upon the form in which the Participant's benefits were payable at the time of his or her death, under the applicable form of benefit described in Section 7.2.

**6.5 Other Termination of Employment**

- (a) A Participant who reaches a Termination Date prior to his or her Normal or Early Retirement Date for any reason other than

Disability or death and after having become vested in his or her Accrued Pension shall be entitled to receive, commencing on the first day of the month coincident with or next following the Participant's Normal Retirement Date, a monthly benefit equal to his vested Accrued Pension Benefit, determined as of the date of such Termination Date (i.e., based upon the Participant's actual Years of Credited Service and Average Monthly Compensation at his or her Termination Date).

**(b) Commencement of Termination Benefit**

Subject to the provisions of Section 6.5(d), benefits payable pursuant to this Section 6.5 shall commence on the first day of the month coincident with or next following the Participant's Normal Retirement Date.

**(c) Vested Percentage of the Accrued Pension Benefit**

(1) The vested percentage of a Participant's Accrued Pension Benefit shall be equal to the greater of:

(i) 100% of the Participant's Employee Contribution Retirement Benefit and his or her Minimum Retirement Benefit, if any; or

(ii) In the case of a Participant who commenced employment as a Covered Employee on or after the Effective Date, a percentage of the Participant's Accrued Pension Benefit, determined on the basis of the number of his or her Years of Service and in accordance with the following schedule:

<b>Years of Service</b>	<b>Percentage Vested</b>
Less than 5	0%
5 or more	100%

(iii) In the case of a Participant who commenced employment as a Covered Employee prior to the Effective Date (and who has been continuously employed as a Covered Employee from the Effective Date through his or her Termination Date), a percentage of the Participant's Accrued Pension Benefit, determined on the basis of the number of his or her Years of Service and in accordance with the following schedule:

<b>Years of Service</b>	<b>Percentage Vested</b>
Less than 1	0%
1 but less than 2	20%
2 but less than 3	40%
3 but less than 4	60%
4 but less than 5	80%
5 or more	100%

- (2) Notwithstanding the preceding paragraph, a Participant's vested percentage in his or her Accrued Pension Benefit shall be 100% upon attainment of his or her Normal Retirement Date while a Covered Employee.

(d) **Cash Out of Employee Contributions and Minimum Retirement Benefit**

Notwithstanding the preceding provisions of this Section 6.5,

- (1) A Participant who reaches a Termination Date before reaching his or her Early or Normal Retirement Date, but after having become vested in all or a portion of his or her Accrued Pension Benefit attributable to City contributions, may elect to receive a Cash-Out of an amount equal to the sum of his or her Employee Contribution Retirement Benefit and his or her Minimum Retirement Benefit, as provided in Section 7.2(c), in which case such Cash-Out may be made at any time following the Termination Date, at the election of the Participant.
- (2) A Participant who reaches a Termination Date before becoming vested in any portion of his or her Accrued Pension Benefit attributable to City contributions shall receive a Cash-Out of his or her Employee Contribution Retirement Benefit as provided in Section 7.2(c), which Cash-Out shall be made as soon as administratively feasible following the Termination Date.
- (3) If the present value of a the total amount due a Participant with respect to Participant's vested Accrued Pension Benefit is \$5,000 or less as of his or her Termination Date, distribution of the Participant's vested Accrued Pension Benefit shall be made in a single lump sum payment within a reasonable time following his or her Termination Date.

- (4) A Cash-Out made pursuant to this Section 6.5(d) shall constitute full payment of all benefits due to such Participant under the Plan with respect to his or her Accrued Pension Benefit.
- (5) In the event of a Cash-Out to a Participant pursuant to this Section 6.5(d), then, subject to restoration provided in Section 2.3(d), the portion of the Participant's Accrued Pension Benefit attributable to City contributions shall be forfeited by the Participant.

## **6.6 Retirement Income Accounts**

In addition to any benefit payable with respect to his or her Accrued Pension Benefit, a Participant with an Retirement Income Account under the Plan shall also be entitled to receive additional monthly retirement income, beginning with the first day of the month coincident with or next following the earlier of his or her Termination Date or Normal Retirement Date and continuing for the remainder of the Participant's life that is the Actuarial Equivalent of the value of his or her Retirement Income Account on the Participant's Benefit Commencement Date. If a Participant reaches a Termination Date prior to age 55, then, at the election of the Participant, payment of his or her Retirement Income Account may be deferred until the Participant's 55<sup>th</sup> birthday. If a Participant reaches his or her Normal Retirement Date prior to his or her Termination Date, the Participant may elect to commence or receive payment of his or her Retirement Income Account as of his or her Normal Retirement Date. Absent such an election, payment of the Participant's Retirement Income Account will be made or commence within a reasonable time following his or her Termination Date.

Notwithstanding the forgoing, if the value of a Participant's Retirement Income Account is \$5,000 or less on his or her Termination Date, distribution of the Participant's Retirement Income Account shall be made in a single lump sum within a reasonable time following his or her Termination Date.

A Participant shall be 100% vested in his or her Retirement Income Account.

## **6.7 Form of Benefits**

Except as otherwise expressly provided herein, the benefits payable pursuant to Section 6.1 through 6.6 shall be payable in the form of a single life annuity beginning on the applicable date specified in Section 6.1 through 6.6, unless an optional form of payment has been elected pursuant to Section 7.2.

**6.8 Maximum Limitation On Benefits**

Notwithstanding any Plan provisions to the contrary:

**(a) Maximum Benefit**

To the extent necessary to prevent disqualification under Section 415 of the Internal Revenue Code, and subject to the remainder of this Section 6.8, the maximum monthly benefit to which any Participant may be entitled at any time with respect to his or her Accrued Pension Benefit pursuant to Sections 6.1 through 6.5, as adjusted from time to time pursuant to Section 6.11 (hereafter referred to as the "maximum benefit") shall not exceed the defined benefit dollar limit (adjusted as provided in Section 6.8(b)), which limit shall be determined in accordance with the following:

- (1) The defined benefit dollar limit shall be \$13,333, as adjusted under Section 415(d) of the Internal Revenue Code.
- (2) The defined benefit dollar limit as set forth above is the monthly amount payable in the form of a straight life annuity, beginning no earlier than age 62 (except as provided in Section 6.8(b)(1)(ii)) and no later than age 65.

In addition to the foregoing, to the extent necessary to prevent disqualification under Section 415 of the Internal Revenue Code, and subject to the remainder of this Section 6.8, the maximum annual additions for any limitation year shall be equal to the lesser of:

- (1) \$40,000, as adjusted pursuant to Section 415(d) of the Internal Revenue Code; or
- (2) 100% of the Participant's Remuneration.

The defined benefit and defined contribution dollar limits shall be adjusted, effective January 1 of each year, under Section 415(d) of the Internal Revenue Code in such manner as the Secretary shall prescribe. A limit as adjusted under Section 415(d) shall apply to limitation years ending with or within the calendar year for which the adjustment applies.

**(b) Actuarial Adjustment of Defined Benefit Dollar Limit**

The defined benefit dollar limit shall be subject to actuarial adjustment as follows:

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

- (1) If the benefit is payable in any form other than a single life annuity or a qualified joint and survivor annuity (as defined for purposes of Section 415 of the Internal Revenue Code), the maximum benefit shall be reduced so that it is the Actuarial Equivalent of the single life annuity.
  - (i) If the benefit of a Participant begins prior to age 62, the defined benefit dollar limit applicable to the Participant at such earlier age is an annual benefit payable in the form of a straight life annuity beginning at the earlier age that is the Actuarial Equivalent of the defined benefit dollar limit applicable to the Participant at age 62 (adjusted under Section 5.8(c), if required). The defined benefit dollar limit applicable at an age prior to age 62 is determined as the lesser of (i) the Actuarial Equivalent (at such age) of the defined benefit dollar limit computed using the interest rate and mortality table specified in Section 1.6(b) of the Plan, and (ii) the Actuarial Equivalent (at such age) of the defined benefit dollar limit computed using a 5% interest rate and the applicable mortality table designated by the Secretary of the Treasury from time to time pursuant to Section 417(e)(3) of the Internal Revenue Code. Any decrease in the defined benefit dollar limit determined in accordance with this Section 5.8(b)(1)(i) shall not reflect a mortality decrement if benefits are not forfeited upon the death of the Participant. If any benefits are forfeited upon death, the full mortality decrement is taken into account.
  - (ii) The adjustment described in Section 6.8(b)(1)(i) above shall not apply to Participants who have been credited with at least 15 years of creditable service as a full-time Covered Employee.
- (2) If the benefit of a Participant begins after the Participant attains age 65, the defined benefit dollar limit applicable to the Participant at the later age is the annual benefit payable in the form of a straight life annuity beginning at the later age that is Actuarially Equivalent to the defined benefit dollar limit applicable to the Participant at age 65 (adjusted under Section 6.8(c), if required). The Actuarial Equivalent of the defined benefit dollar limit applicable at an age after age 65 is determined as (i) the lesser of the Actuarial Equivalent (at such age) of the defined benefit dollar limit computed using the interest rate and mortality table specified in Section 1.6(b) of the Plan and (ii) the Actuarial Equivalent (at such

age) of the defined benefit dollar limit computed using a 5% interest rate assumption and the applicable mortality table as designated by the Secretary of the Treasury from time to time pursuant to Section 417(e)(3) of the Internal Revenue Code. For these purposes, mortality between age 65 and the age at which benefits commence shall be ignored.

**(c) Reducing Dollar Limit**

If a Participant has fewer than 10 years of participation in the defined benefit portion of the Plan, the defined benefit dollar limit shall be multiplied by a fraction, (1) the numerator of which is the number of years (or part thereof) of participation in the Plan, and (2) the denominator of which is 10. For this purpose, a Participant who makes a valid DROP Election shall continue to accrue years of participation until his or her DROP Retirement Date.

In the case of Years of Credited Service credited to a Participant pursuant to Section 3.4:

- (1) The limitation contained in Section 6.8(a)(1) and this Section 6.8(c) shall not apply to the portion of the Participant's Accrued Pension Benefit (determined as of his or her Normal Retirement Date) that is attributable to any additional Years of Credited Service under Section 3.4 that are actuarially funded by the Participant's Retirement Income Account.
- (2) The limitation contained in Section 6.8(a)(1) and this Section 6.8(c) shall apply to the portion of the Participant's Accrued Pension Benefit (determined as of his or her Normal Retirement Date) that is attributable to any additional Years of Credited Service under Section 3.4 that are not actuarially funded by the Participant's Retirement Income Account.
- (3) The determination of the extent to which additional Years of Credited Service under Section 3.4 are actuarially funded by the Participant's Retirement Income Account as of his or her Normal Retirement Date shall be made by the Actuary based on the Actuarial Assumptions.

**(d) Limitation Year**

Limitation year shall be defined as the Plan year.

**(e) Other Reductions in Maximum Benefit**

In addition to the foregoing, the maximum benefit shall be reduced, and the rate of benefit accrual shall be frozen or reduced

61

accordingly, to the extent necessary to prevent disqualification of the Plan under Section 415 of the Internal Revenue Code, with respect to any Participant who is also a participant in:

- (1) any other tax-qualified pension plan maintained by the City, including a defined benefit plan in which an individual medical benefit account (as described in Section 415(l) of the Internal Revenue Code) has been established for the Participant;
- (2) any welfare plan maintained by the City in which a separate account (as described in Section 419A(d) of the Internal Revenue Code) has been established to provide post-retirement medical benefits for the Participant; and/or
- (3) any retirement or welfare plan, as aforesaid, maintained by a related employer, as described in Section 414(b), (c), (m) or (o) of the Internal Revenue Code.

(f) **Annual Additions**

Annual Additions shall be defined as the sum of the following items credited to the Participant under this Plan and under any other tax-qualified defined contribution plans sponsored by the City for any limitation year: City contributions that are separately allocated to the Participant's credit in any defined contribution plan; forfeitures; participant contributions; and amounts credited after March 31, 1984 to the participant's individual medical account (within the meaning of Section 415(l) of the Internal Revenue Code). Notwithstanding anything to the contrary, the amount of a Participant's Retirement Income Account that is used to purchase credit for pre-January 1, 2004 Years of Credited Service shall not be treated as a post-January 1, 2004 annual addition.

(g) **Incorporation of Section 415 Limits**

To the extent a Participant's benefit is subject to provisions of Section 415 of the Internal Revenue Code which have not been set forth in the Plan, such provisions are hereby incorporated by reference into this Plan and for all purposes shall be deemed a part of the Plan.

**6.9 Death Benefits**

The only benefits payable under the Plan in the event of the death of a Participant shall be as follows:

*62*

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

**(a) General Benefit**

In the event of the death of a Participant prior to the earlier of his or her Disability Retirement Date, Benefit Commencement Date or DROP Effective Date, the Participant's Beneficiary shall be entitled to receive, as a single lump sum:

- (1) an amount equal to the Participant's Employee Contribution Retirement Benefit;
- (2) an amount equal to the Participant's Minimum Retirement Benefit, if any; and
- (3) an amount equal to the Participant's Retirement Income Account, if any.

**(b) Surviving Spouse Annuity Benefit**

- (1) If all of the following conditions are met, then the surviving spouse of a deceased Participant shall be entitled to receive a survivor annuity with respect to the Participant's Accrued Pension Benefit, in lieu of the benefit described in Section 6.9 (a)(1) and (2) above:
  - (i) the Participant is married on the date of death;
  - (ii) the Participant was continuously married to the surviving spouse for a period of at least one year prior to the date of death, or the Participant's death was attributable to an accidental injury and the Participant was married to the surviving spouse on the date of such accidental injury;
  - (iii) the Participant's death occurs (A) before his or her Termination Date or DROP Effective Date, or (B) after his or her Early or Normal Retirement Date and before his or her Benefit Commencement Date; and
  - (iv) the spouse does not elect to receive the lump sum benefit provided in subsection (a)(1), and, if applicable, (a)(2) above.
- (2) For purposes of this subsection (b), a survivor annuity is a monthly income commencing in the month next following the Participant's death, and continuing for the remainder of the spouse's life, in an amount equal to the benefit the spouse would have received under an immediate joint and survivor annuity pursuant to Section 7.2(a) (with a 50% spousal

survivor benefit) had the Participant retired on the day before death, but computed without actuarial reduction for early retirement or early commencement.

**(c) Benefits Payable After Benefit Commencement Date**

If a Participant dies after his or her Benefit Commencement Date, the benefits, if any, to which the Participant's Beneficiary shall be entitled shall depend upon the form in which the Participant's benefits were payable at the time of his or her death, under the applicable form of benefit described in Section 7.2.

**(d) Death While on Authorized Leave of Absence**

The Beneficiary of a Participant who dies while a Covered Employee and on an Authorized Leave of Absence for reasons other than military service shall be entitled to receive death benefits pursuant to this Section 6.9.

**(e) Death of DROP Participant**

If a Participant dies on or after his or her DROP Effective Date, but prior to his or her Benefit Commencement Date (following the DROP Retirement Date), the death benefits payable on account of the death of the Participant shall be determined in accordance with the provisions of this Section 6.9(e).

(1) If the amount being credited to the Participant's DROP Account was based on a straight life annuity, then the Participant's Beneficiary shall be entitled to receive as a single lump sum:

- (i) the amount of the Participant's DROP Account; and
- (ii) an amount equal to the Participant's Retirement Income Account, if any.

(2) If the Participant elected to have the amount credited to his or her DROP Account determined in one of the optional forms permitted under Section 7.2(a) or (b), then:

- (i) The Participant shall be deemed to have reached his Termination Date on the day prior to the date of death and to have commenced payment of his or her Accrued Pension Benefit according to the form that deferred benefit payments were being credited to the Participant's DROP Account under Section 6.4(e)(1). The benefits, if any, to which the Participant's

Beneficiary shall be entitled with respect to the Participant's Accrued Pension Benefit shall depend upon the form in which the Participant's Accrued Pension Benefits were being credited to the Participant's DROP Account under Section 6.4(e)(1).

- (ii) In addition to the amount payable under Section 6.9(e)(2)(I) above, the Participant's Beneficiary shall be entitled to receive as a single lump sum:
  - a. the amount of the Participant's DROP Account; and
  - b. an amount equal to the Participant's Retirement Income Account, if any.

**(f) Death of a Participant Receiving Disability Benefits**

The extent to which death benefits are payable to with respect to a Participant who dies while receiving Disability Benefits shall be determined by the provisions of this Section 6.9(f).

- (1) If the Participant dies prior to his or her Normal Retirement Date, the following provisions shall apply:
  - (i) If the Participant has not elected the contingent annuitant option in accordance with Section 5.15, then:
    - a. All Disability Benefits shall cease on the date of the Participant's death; and
    - b. The Participant's shall be deemed to have died prior to his or her Termination Date for purposes of Section 6.9(a) and (b).
  - (ii) If the Participant has elected the contingent annuitant option in accordance with Section 5.15, then the benefit payable to the contingent annuitant shall be in lieu of any other benefit payable on account of the death of the Participant with respect to the Participant's Accrued Pension Benefit (including any Minimum Retirement Benefit) and the Participant's City Funded Retirement Income Account. The amount of the benefit payable to the contingent annuitant shall not be subject to any reduction under Section 5.13.

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

- (2) If the Participant dies on or after his or her Normal Retirement Date, the following provisions shall apply:
  - (i) If the Participant has not elected the contingent annuitant option in accordance with Section 5.15, then all Disability Benefits shall cease on the date of the Participant's death.
  - (ii) If the Participant has elected the contingent annuitant option in accordance with Section 5.15, then the Disability Benefit (as reduced on the Participant's Normal Retirement Date in accordance with Section 5.13) shall be payable to the contingent annuitant.
  - (iii) The extent to which any benefits are payable following the Participant's death with respect to his or her Accrued Pension Benefit shall depend upon the form in which the Participant's benefits were payable at the time of his or her death, under the applicable form of benefit described in Section 7.2.

**(g) Death of Terminated Vested Participant**

If a Participant reaches a Termination Date prior to his Early or Normal Retirement Date for any reason other than Disability and dies before his or her Benefit Commencement Date, then the Participant's designated Beneficiary shall be entitled to receive a single lump sum in an amount equal to:

- (1) the Employee Contribution Retirement Benefit (to the extent such amounts were not previously withdrawn);
- (2) the Minimum Retirement Benefit, if any; and
- (3) the balance of any Retirement Income Account.

**6.10 Limitations On Death Benefits**

All death benefits payable pursuant to Section 6.9 shall be distributed only in accordance with regulations prescribed by the Internal Revenue Service under Section 401(a)(9) of the Internal Revenue Code, as follows:

**(a) Lump Sum Benefit**

All benefits payable as a lump sum under Section 6.9(a), (e)(1), (e)(2)(ii) or (g) shall be distributed in full not later than the last day of the calendar year containing the 5th anniversary of the death of the Participant.

66

**(b) Surviving Spouse Annuity Benefit**

If the Participant's Beneficiary is the Participant's surviving spouse, then, unless the Participant's spouse elects to receive the lump sum benefit under Section 6.9(a), benefits payable under Section 6.9(b) to or for the benefit of the spouse shall begin not later than the later of the last day of the calendar year containing the first anniversary of the Participant's death, or the last day of the calendar year in which the Participant would have reached age 70-1/2.

**(c) When Annuity Benefits Commence Before Participant's Death**

If annuity benefits meeting the requirements of Section 7.3(a) had commenced prior to the Participant's death, then the death benefits payable pursuant to Sections 7.2 may be distributed without regard to the aforesaid 5 year limit, but must be distributed at least as rapidly as they would have been under the pre-death method of distribution.

**6.11 Cost Of Living Adjustments**

(a) Subject to the provisions of Section 6.11(b) and Section 6.8, (i) any amount payable as an annuity under Sections 6.1, 6.2, 6.3, 6.4, 6.5 or 6.9(b) or (f) (including a benefit payable under any of the optional forms permitted under Section 7.2(a) or (b)) with respect to a Participant's Accrued Pension Benefit, or (ii) any Disability Benefit payable under Section 5.7, 5.8, 5.9, 5.10 or 5.13 shall be increased or decreased as of May 1 of each year by multiplying the benefit, as determined immediately prior to the adjustment (including any prior cost-of-living adjustments made pursuant to this Section 6.11), by a fraction,

- (1) whose numerator is the CPI for the month of January of the current fiscal year; and
- (2) whose denominator is the CPI for the month of January of the preceding fiscal year.

The resulting adjustment may increase or decrease the benefit payable to a Participant or Beneficiary.

(b) Notwithstanding anything herein to the contrary,

- (1) This Section 6.11 shall be effective as of May 1, 2005. No cost-of-living adjustment shall be made with respect to any benefits paid prior to May 1, 2005.

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

- (2) The first adjustment made under Section 6.11(a) shall be the May 1 occurring on or after the first anniversary of the date on which the benefit commenced.
- (3) The amount of the cost-of-living adjustment for any year shall in no event exceed three percent (3%).
- (4) The benefit payable to a Participant (or a surviving spouse or other Beneficiary) after the application of this Section 6.11 shall never exceed two hundred percent (200%) of the Base Pension Benefit or Base Disability Benefit, as the case may be.
- (5) In no event shall a reduction in the amount of the benefit payable to a Participant (or a surviving spouse or other Beneficiary) as a result of this Section 6.11 cause the benefit to be less than the Participant's Base Pension Benefit or Base Disability Benefit, as the case may be.
- (6) The following special rules shall apply in determining the cost of living adjustments with respect to a Participant who continues to receive a Disability Benefit following his or her Normal Retirement Date:
  - (i) Separate cost of living adjustment shall be made with respect to the payment of the Participant's Disability Benefit and Accrued Pension Benefit following the Participant's Normal Retirement Date (subject to all of the limitations and provisions of this Section 6.11).
  - (ii) Following the Participant's Normal Retirement Date, the next adjustment made under Section 6.11(a) to the Participant's Disability Benefit and Accrued Pension Benefit shall be May 1 occurring on or after the first anniversary of the Participant's Normal Retirement Date. Such adjustment shall be based on changes in the cost of living that occurred during the calendar year preceding the May 1 date of such adjustment.
  - (iii) In the case of an adjustment to a Disability Benefit payable after the Participant's Normal Retirement Date, the cost of living adjustment and the application of the three percent (3%) limitation shall be applied as if the Disability Benefit payable immediately after the Participant's Normal Retirement Date (i.e., the

Disability Benefit after the offset under Section 5.13) had been in effect on January 1 of the preceding fiscal year (so that the cost of living adjustment is calculated with respect to the recalculated Disability Benefit and not the Disability Benefit payable prior to the Participant's Normal Retirement Date).

- (iv) The aggregate cost of living adjustments made pursuant to this Section 6.11 with respect to the combined Disability Benefits payable under Article 5 and the retirement benefits payable under Article 6 relating to the Participant's Accrued Pension Benefit shall not exceed:
  - a. Two hundred percent (200%) of the Base Disability Benefit, less
  - b. the amount of the benefit provided by the Participant's City Funded Retirement Income Account (determined as of the Participant's Normal Retirement Date and expressed in the same form of payment as the Disability Benefit using the Actuarial Assumptions in effect on such date).
  
- (7) The following special rules shall apply in determining the cost of living adjustments with respect to any benefit payable to a contingent annuitant pursuant to Section 5.15 following the death of the Participant:
  - (i) For all purposes of this Section 6.11, benefits payable to a contingent annuitant following the death of the Participant shall be deemed to have commenced on the date on which the benefit commenced to the Participant.
  - (ii) The first adjustment to the benefit payable to the contingent annuitant shall be determined as if the amount payable to the contingent annuitant had commenced immediately prior to January 1 of the preceding fiscal year (so that the cost of living adjustment is calculated with respect to the amount payable to the contingent annuitant and not to the Disability Benefit payable to the Participant immediately prior to death).

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

- (iii) For purposes of determining whether the two hundred percent (200%) limit applies, the Base Disability Benefit shall be determined as if the Participant had died on the day following his or her Disability Retirement Date and benefits had immediately commenced to such contingent annuitant on such date. To the extent that the Participant dies on or after his or her Normal Retirement Date, the aggregate limitation contained in Section 6.11(b)(6)(iv) shall be applied in a manner consistent with the provisions of this subsection.
- (8) The following special rules shall apply in determining the cost of living adjustments with respect to any benefit payable to a surviving spouse or other Beneficiary following the death of the Participant:
  - (i) For all purposes of this Section 6.11, benefits payable to a surviving spouse or other beneficiary following the death of the Participant shall be deemed to have commenced on the date on which the benefit commenced to the Participant.
  - (ii) The first adjustment to a joint and survivor annuity payable to a surviving spouse or other beneficiary shall be determined as if the survivor annuity had commenced immediately prior to January 1 of the preceding fiscal year (so that the cost of living adjustment is calculated with respect to the survivor annuity and not the benefit payable to the Participant immediately prior to death).
  - (iii) For purposes of determining whether the two hundred percent (200%) limit applies, the Base Pension Benefit shall be determined as if the Participant had died on the day following his or her Benefit Commencement Date and benefits had immediately commenced to such surviving spouse or other beneficiary on such date.
- (9) Notwithstanding anything herein to the contrary, this Section 6.11 shall not apply to any benefit paid with respect to a Participant's Retirement Income Account. For this purpose, no portion of the Participant's Accrued Pension Benefit that is attributable to the purchase of Credited Service under

***Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City***

Section 3.4 shall be deemed attributable to the Participant's Retirement Income Account.

## **ARTICLE 7**

### **PAYMENT OF BENEFITS**

#### **7.1 Method Of Payment**

- (a) All benefit distributions shall be in cash (or in individual annuity contracts as provided herein).
- (b) The Administrator shall determine, in its discretion, whether the distribution shall be funded through periodic payments made directly from the Trust, or through the purchase of individual annuity contracts, or whether a combination of such methods of distribution shall be used, and the Administrator shall give such directions and information as may be necessary to carry out the decision of the Administrator.
- (c) If the Administrator shall determine that the whole or any part of the distribution is to be funded through purchase of an individual annuity contract for a Participant, the Administrator shall select such form of contract (including a variable annuity) to be so purchased and shall direct the payment of the premium of such contract to the issuing company.
- (d) The Administrator shall direct that all right, title and interest in such contract shall remain part of the Fund under the terms of the Plan and the Participant shall have no right, title or interest therein except to receive the payments therefrom as provided therein, and, to the extent that such contract is used to fund a guaranteed period option under Section 7.2(c), to change the Beneficiary from time to time.

#### **7.2 Optional Forms Of Retirement Benefits**

A Participant, subject to the conditions hereinafter set forth, may elect to receive, in lieu of the monthly life annuity form of retirement income described in Section 6.1, 6.2, 6.3, 6.4, 6.5 or 6.6, a benefit, which is its Actuarial Equivalent, payable in any of the forms specified in this Section 7.2. A Participant who has both an Accrued Pension Benefit and a Retirement Income Account may make separate elections with respect to the benefits payable with respect to his or her Accrued Pension Benefit and Retirement Income Account.

##### **(a) Joint and Survivor Option**

- (1) The joint and survivor option is a monthly income payable during the Participant's lifetime and continuing after his or

her death at either a 50%, 66 2/3%, or 100% (as elected by the Participant) rate to the Participant's Beneficiary (as determined as of the Participant's Benefit Commencement Date) and continuing for the remainder of such Beneficiary's life.

- (2) The only permitted Beneficiary under the joint and survivor option is the spouse of the Participant or the Participant's natural or legally adopted children or stepchildren (by marriage) all as determined as of the Benefit Commencement Date.
- (3) If the Beneficiary dies before the Participant's Benefit Commencement Date, the Participant's election shall thereupon become void.
- (4) If the Beneficiary dies after the Participant's Benefit Commencement Date (but before the Participant dies), the election shall remain effective and the Participant shall continue to receive the reduced retirement income payable to the Participant in accordance with the option.

**(b) Guaranteed Period Option.**

- (1) The guaranteed period option is a monthly income payable during the Participant's lifetime and guaranteed to continue to the Participant or his designated Beneficiary for a period certain of 5, 10, 15 or 20 years after the commencement of benefit payments to the Participant, regardless of whether the Participant survives such period certain. The period certain shall be elected by the Participant prior to his or her Benefit Commencement Date.
- (2) If the Participant's Beneficiary dies before the Participant, the Participant shall have the right to designate another Beneficiary. If the Participant's Beneficiary dies after the Participant and after benefits have commenced, benefits for the remainder of the period certain will be continued to the estate of the Beneficiary, unless the Participant shall have designated another Beneficiary to receive such benefits.

**(c) Lump Sum Option**

- (1) A Participant may elect to receive the value of his or her DROP Account or Retirement Income Account (but not his or her Accrued Pension Benefit) in the form of a single lump sum payment.

- (2) A Participant (other than a Participant receiving Disability Benefits under Article 5) may elect at any time after his or her Termination Date and before the earlier of his or her Normal Retirement Date, DROP Effective Date or Benefit Commencement Date to receive a lump sum cash payment in an amount equal to the sum of the Participant's Employee Contributions Benefit and Minimum Retirement Benefit (if any) in lieu of all other benefits with respect to the Participant's Accrued Pension Benefit under the Plan and, upon payment of that lump sum cash payment, the entire remaining portion of his or her Accrued Pension Benefit shall be forfeited by the Participant. In the event the Participant is subsequently re-employed as a Covered Employee, any amount forfeited shall be subject to restoration to the extent provided in Section 2.3(d).

### **7.3 General Provisions Applicable To Options**

#### **(a) Election Procedures**

An election of a contingent annuitant option under Section 5.15 or any optional form of benefit described in Section 7.2 shall be made by a Participant in writing, on a form supplied by the Administrator.

Any election under Section 5.15 must be made prior to the Participant's Disability Retirement Date. Except as expressly provided in Section 5.15, upon the Participant's Disability Retirement Date, the election of the contingent annuitant option under Section 5.15 (including the designation of a contingent annuitant) shall be irrevocable.

Upon the Participant's Benefit Commencement Date, any election under Section 7.2 (including the designation of a Beneficiary under any option other than the guaranteed period option) shall be irrevocable.

#### **(b) Effect of Death**

In the event of the death of a Participant prior to his or her Benefit Commencement Date, no benefits shall be payable to the Participant's spouse or other Beneficiary except as provided in Section 6.9, regardless of whether or not the Participant has elected an optional form of benefit pursuant to Section 7.2.

#### **(c) Minimum Distribution Requirements**

Notwithstanding any other provision in the Plan to the contrary, distribution shall be made only in accordance with Section

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

401(a)(9) of the Internal Revenue Code and regulations promulgated thereunder. To the extent required thereby, distribution of benefits shall comply with the following limitations:

- (1) (i) Except as otherwise provided below, distribution shall begin not later than the later of April first of the calendar year (hereinafter referred to as the "commencement year") in which the Participant retires or attains age 70½.
- (ii) Distribution shall be made:
  - a. over the life of the Participant or the lives of the participant and his or her Beneficiary; and/or
  - b. over a period certain not extending beyond the life expectancy of the Participant or the joint life and last survivor expectancy of the Participant and his or her Beneficiary,

All as described in proposed treasury regulation §1.401(a)(9)-1, or, if shorter, the alternate period described in proposed treasury regulation §1.401(a)(9)-2.

- (2) A required distribution shall be deemed to have been made during the commencement year if actually made by the following April 1, but such delayed distribution shall not change the amount of such distribution, and the distribution otherwise required during the subsequent calendar year shall be calculated as if the first distribution had been made on the last day of the commencement year.
- (3) Benefits paid prior to the commencement year shall reduce the aggregate amount subject to (but shall not otherwise negate) the minimum distribution requirements described herein.
- (4) Nothing contained in this subsection (c) shall prevent distribution of annuity benefits providing for non-increasing (except as otherwise permitted in proposed treasury regulation 1.401(a)(9)-1) payments beginning not later than the commencement year (except as provided in paragraph (3) above) and payable at least annually over a period permitted by this subsection (c) (for which purpose, if benefit commencement under the annuity precedes the commencement year, each relevant life expectancy shall be based on the individual's attained age as of his or her

birthday occurring in the calendar year in which benefit commencement occurs).

#### **7.4 Eligible Rollover Distributions**

Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Section, a distributee may elect, at the time and in the manner prescribed by the Administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

##### **(a) Definitions**

###### **(1) Eligible rollover distribution:**

An "eligible rollover distribution" is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include:

- (i) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of 10 years or more; and
- (ii) any distribution to the extent such distribution is required under Section 401(a)(9) of the Internal Revenue Code.

A portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be paid only to an individual retirement account or annuity described in Section 408(a) or (b) of the Internal Revenue Code, or to a qualified defined contribution plan described in Section 401(a) or 403(a) of the Internal Revenue Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

**(2) Eligible retirement plan:**

- (i) An "eligible retirement plan" is:
- a. An individual retirement account described in Section 408(a) of the Internal Revenue Code;
  - b. An individual retirement annuity described in Section 408(b) of the Internal Revenue Code;
  - c. A qualified trust described in Section 401(a) of the Internal Revenue Code or an annuity plan described in Section 403(a) of the Internal Revenue Code, that accepts the distributee's eligible rollover distribution;
  - d. An annuity contract described in Section 403(b) of the Internal Revenue Code that accepts the distributee's eligible rollover distribution; and
  - e. An eligible plan described in Section 457(b) of the Internal Revenue Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state, that accepts the distributee's eligible rollover distribution and agrees to account separately for amounts transferred into such plan from this plan.
- (ii) The foregoing definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a domestic relations order.

**(3) Distributee:**

A "distributee" includes a participant or former participant. In addition, the participant's or former participant's surviving spouse is a distributee with regard to the interest of the spouse or former spouse.

**(4) Direct rollover:**

A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

## ARTICLE 8

### BENEFICIARIES

#### 8.1 Designation Of Beneficiaries

##### (a) Participant Designation

Each Participant may designate a beneficiary or beneficiaries (who may be named contingently or successively) to receive such benefits as may be payable under the Plan upon or after the Participant's death. Prior to the Participant's Benefit Commencement Date and, subject to the provisions of the Plan, such designation may be changed from time to time by the Participant by filing a new designation with the Administrator. Upon the Participant's Benefit Commencement Date, the designation of a Beneficiary under any option other than the guaranteed period option shall be irrevocable.

##### (b) Revocations; Form of Designation; Filed with Plan Administrator

Each designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Administrator, and, shall be effective only when filed in writing with the Administrator. Except as provided in Section 7.2(b) and 8.1(a), a designation shall not be effective unless it is filed in writing with the Administrator prior to the Participant's Benefit Commencement Date.

##### (c) Absence of Valid Beneficiary Designation

In the absence of a valid Beneficiary designation, or if, at the time any benefit payment that is due under the terms of the Plan following the Participant's death, there is no living Beneficiary validly named by the Participant eligible to receive the payment, the Administrator shall direct any such benefit payment to:

- (1) the Participant's spouse, if then living; otherwise to
- (2) the Participant's then living descendants, if any, per stirpes; otherwise to
- (3) the Participant's then living parent or parents, equally; otherwise to

(4) the Participant's estate.

(d) **Question Regarding Right of a Person to Receive a Benefit Payment**

In determining the existence or identity of anyone entitled to a benefit payment, the Administrator may rely conclusively upon information supplied by the Participant's personal representative. In the event of a lack of adequate information being supplied to the Administrator, or in the event that any question arises as to the right of any person to receive a benefit payment as aforesaid, or in the event that a dispute arises with respect to any such payment, then, notwithstanding the foregoing, the Administrator, in its sole discretion, may, in complete discharge of the Administrator, and without liability for any tax or other consequences which might flow therefrom, direct the Trustee to:

- (1) distribute the payment to the Participant's estate,
- (2) retain such payment, without liability for interest, until the rights thereto are determined, or
- (3) deposit the payment into any court of competent jurisdiction.

**8.2 Location Of Participants And Beneficiaries**

(a) **Notice to Last Post Office Address**

Any communication, statement or notice addressed to a Participant or Beneficiary at his or her last post office address filed with the Administrator, or if no such address was filed with the Administrator, then at the individual's last post office address as shown on the City's records, shall be binding on the Participant or Beneficiary for all purposes of the Plan. Except for the Administrator's sending of a registered letter to the last known address, the Administrator shall not be obliged to search for any Participant or Beneficiary.

(b) **Forfeiture if Participant or Beneficiary Fails to Claim Amount**

If the Administrator notifies any Participant or Beneficiary that he or she is entitled to an amount under the Plan and the Participant or Beneficiary fails to claim such amount or make his or her location known to the Administrator within 3 years thereafter, then, except as otherwise required by law, the Administrator shall have the right to direct that the amount payable shall be deemed to be a forfeiture and treated in accordance with Section 4.3, except that the dollar amount of the forfeiture, unadjusted for gains or losses in the

***Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City***

interim, shall be reinstated if a claim for the benefit is made by the Participant or Beneficiary to whom it was payable. If any benefit payable to an unlocated participant or beneficiary is subject to escheat pursuant to applicable state law, the Administrator shall not be liable to any person for any payment made in accordance with such law.

**ARTICLE 9**

**ADMINISTRATION OF THE PLAN AND MANAGEMENT OF PLAN ASSETS**

**9.1 Administration Of The Plan**

The Plan shall be operated and administered on behalf of the City by the Administrator, which shall have the powers and duties set forth in Section 10.7.

**9.2 Management Of Plan Assets**

The Board shall have the powers and duties set forth in Section 10.5 with respect to the management of the assets of the Plan. The Board may also make recommendations to the City Manager or the City Council concerning modifications to or clarifications of the Plan.

**9.3 Pension Fund**

All assets of the Plan shall be deposited and held in one or more Annuity Contracts selected by the Board and/or in the Trust. The assets held under the Trust and any Annuity Contracts shall comprise the Fund and shall be held for the purpose of providing benefits to Participants and defraying reasonable expenses of administering the Plan. Subject to Section 9.4, and the terms of the Trust, the Trustee shall have the full power and authority to invest and reinvest the portion of the Fund held under the Trust and to change such investments and reinvestments in accordance with the terms of the Trust.

**9.4 Participant Directed Investment Of Retirement Income Accounts**

A Participant shall not have any right with respect to the investment of the assets of the Fund used to provide his or her Accrued Pension Benefit. However, subject to such limitations as may from time to time be required by law, imposed by the Board or contained elsewhere in the Plan, and subject to such operating rules and procedures as may be imposed from time to time by the Board (or its designee), each Participant (including for this purpose former Participants with a Retirement Income Account, Beneficiaries and/or an alternate payee under a domestic relations order in which a Participant's Retirement Income Account has been validly divided into separate accounts for the Participant and alternate payee) shall have the right to direct the investment of his or her Retirement Income Account in accordance with the following:

- (a) The Board shall designate the Investment Funds from among which each Participant may direct the investment of his or her Retirement

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

Income Account. The Board may, in its absolute discretion change, modify or limit such Investment Funds and may establish uniform rules and procedures to be followed with respect to the investment of Retirement Income Accounts in such Investment Funds.

- (b) The Board shall determine the manner, period, and frequency of investment elections (e.g., daily, weekly, or monthly). Different terms and conditions may be specified for different Investment Funds (e.g., monthly elections for one Investment Fund and daily elections for another Investment Fund). Any term or condition imposed by the Board may apply to an entire Retirement Income Account or may be applied separately to different subaccounts, or different Investment Funds. Except as the Board shall otherwise determine, any initial or subsequent investment designation shall be in writing, on a form supplied by and filed with the Board (or its designee), and shall be effective on such date as may be specified by the Board (or its designee). The Board may provide for telephone or other electronic investment designations to the extent that such facilities are made available by the Trustee or the Investment Fund, and may establish (and thereafter change) a limit on the number of designations that may be made by any Participant during a specified period.
- (c) A Participant's Retirement Income Account (except for investment earnings) shall be allocated among the separate Investment Funds in accordance with the then effective investment designation. Except as the Board shall otherwise determine, any distributions shall be taken proportionately from each separate Investment Fund in which the Participant's Retirement Income Account is invested at the time of the distribution. As of the effective date of any new investment designation, the entire balance of the Participant's Retirement Income Account at that date shall be reallocated among the designated Investment Funds according to the percentages specified in the investment designation.
- (d) In the event the Board (or its designee) receives an initial or revised investment designation which it deems to be incomplete, unclear, not in accordance with procedures established pursuant to this Section or otherwise improper, the Participant's investment designation then in effect shall remain in effect (or, in the case of a deficiency in an initial designation, the Participant shall be deemed to have filed no designation) until a complete, clear investment designation has been filed that is in accord with the rules and procedures established by the Board (or its designee) and has become effective.

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

- (e) It is intended that each Participant be required to direct the investment of his or her Retirement Income Account to the extent set forth in this Section. In the event that the Board (or its designee) possesses at any time instructions as to the investment of less than all of a Participant's Retirement Income Account, the Participant shall be deemed to have designated that the non-directed portion of his or her Retirement Income Account be invested in the separate Investment Fund which most closely resembles a money market or stable asset fund. To the extent that the Board finds it to be administratively appropriate to hold a portion of the assets of the Plan out of the operation of this Section, or to the extent that the operation of this Section is suspended or terminated with respect to any portion of the assets of the Plan as aforesaid, then the Board shall direct the Trustee with respect to the investment of such assets in accordance with the Trust Agreement.
  
- (f) The Board may determine at any time to vary the rules provided above to accord with the requirements of any Investment Fund, for ease in administration, or for any other reason. In such event, the Board shall promptly notify Participants of any changes which affect the manner in which Retirement Income Accounts are invested.

Neither the Trustee, the Board, the Administrator, the City, the issuer of any Annuity Contract nor any other person who may be deemed a fiduciary hereunder shall have any responsibility to determine the appropriateness of any individual Participant's investment direction.

## ARTICLE 10

### RETIREMENT PLAN BOARD AND ADMINISTRATOR

#### 10.1 Retirement Plan Board

- (a) The Board shall consist of eight members who are nominated by the City Manager and Voting Participants in accordance with this Article and appointed by the City Council.
- (b) Four of the members of the Board shall be nominated by the City Manager pursuant to Section 10.2 (the "City Representatives"), and four of the members of the Board shall be nominated by the Voting Participants pursuant to Section 10.3 (the "Participant Representatives"). In the event the City Council does not appoint a City Representative or Participant Representative that has been nominated in accordance with this Article, the City Manager or Voting Participants, as the case may be, shall select and present another nominee in accordance with the provisions of this Article.
- (c) In addition to the four City Representatives and four Participant Representatives, there shall be two alternate Participant Representatives and one alternate City Representative appointed by the City Council. The two alternate Participant Representatives shall be nominated in the same manner as the Participant Representatives (with one of the Participant alternates nominated by Voting Participants who are or were Firefighters, and the other Participant alternate nominated by Voting Participants who are or were Police Officers). The alternate City Representative shall be nominated by the City Manager. The designated alternates may attend meetings of the Board and participate therein, but unless acting in place of an absent member of the Board in accordance with Section 10.4, shall not be entitled to vote on any matter presented to the Board for consideration.
- (d) Each member of the Board and each alternate shall signify in writing his acceptance of his appointment as a member or alternate of the Board. No person shall act as a member of the Board or as an alternate until he has accepted and acknowledged his appointment.
- (e) Until such time as the initial members of the Board have been appointed (and signified acceptance of their appointment), the City Manager or his or her designee shall serve as the sole member of the Board.

**10.2 City Representatives**

- (a) The City Manager shall nominate the four City Representatives for appointment to the Board. The City Representatives appointed by the City Council shall serve as members of the Board until removed or until their death or resignation.
- (b) Each City Representative shall have the right to resign as a member of the Board at any time by giving notice in writing, mailed or delivered to the City Manager and the remaining members of the Board. A City Representative who was an employee of the City at the time of his appointment shall be deemed to have resigned from the Board upon his termination of employment with the City. The City Manager at any time may, in his discretion, request that the City Council remove any City Representative with or without cause. Upon the death, resignation or removal of a City Representative, the City Manager shall nominate a successor. The appointment of a successor shall be made by the City Council, and the successor shall have all of the rights and privileges and all of the duties and obligations of his predecessor.

**10.3 Participant Representatives**

- (a) The Voting Participants shall nominate each Participant Representative (by secret ballot). A Participant Representative must be a current Voting Participant.
- (b) Two out of the four Participant Representatives shall be Voting Participants who are currently or previously employed by the City as Firefighters, and shall be nominated for appointment to the Board based on the vote of all Voting Participants who are or were Firefighters. The remaining two Participant Representatives shall be Voting Participants who are currently or previously employed by the City as Police Officers, and shall be nominated for appointment to the Board based on the vote of all Voting Participants who are or were Police Officers.
- (c) Each Participant Representative, and alternate, shall serve a three-year term (or until their successor is duly appointed and has accepted his position on the Board). Each Participant Representative may be re-nominated and re-appointed for any number of additional three-year terms.
- (d) The City Manager (or his designee), in consultation with employee organizations in the Police and Fire Departments, shall conduct the initial nomination of Participant Representatives, and thereafter such nominations shall be conducted by the Board. In any

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

nomination proceeding conducted by the Board, no Participant Representative who is seeking to be nominated for re-appointment to the Board shall participate in conduct of the nomination proceedings by the Board.

- (e) The City Manager or his designee (for the initial nomination) or the Board (for all subsequent nominations) shall establish reasonable rules and procedures to be followed with respect to the conduct of the nomination of Participant Representatives (consistent with the provisions of Section 10.3(f)). Such procedures may include the use of paperless notices, ballots or other communications.
- (f) For the purpose of the nomination of Participant Representatives pursuant to this Section 10.3, the following procedures shall apply:
  - (1) Each Voting Participant shall have one vote in such nomination proceedings (regardless of the amount of the Participant's Accrued Pension Benefit or the amount in the Participant's Retirement Income Account).
  - (2) Each Voting Participant desiring to serve as a Participant Representative shall submit a nominating petition (in such form as the City Manager (for the initial nomination) or the Board (for all subsequent nominations) may prescribe that contains the signature of at least twenty-five of the Voting Participants entitled to vote for the nomination of such Participant Representative (i.e., Voting Participants who are or were Firefighters or Police Officers, as the case may be).
  - (3) Each Voting Participant entitled to vote on the nomination of a Participant Representative shall be provided with a ballot identifying each Voting Participant who is a valid nominee for appointment as a Participant Representative, and a brief (no more than three letter size pages) statement prepared and submitted by each candidate discussing their qualifications and reasons for serving as a Participant Representative.
  - (4) The ballot shall also include:
    - (i) Instructions for completing the ballot and information concerning the time and manner the ballot is to be returned to the City Manager (for the initial nomination) or the Board (for all subsequent nominations). If the ballot is to be returned by mail, the ballot shall include a postage paid return envelope addressed to the City Manager (for the initial

-

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

- nomination) or the Board (for all subsequent nominations).
- (ii) The date by which the Voting Participant's ballot must be postmarked (if mailed) or actually received (if delivered) in order for the Voting Participant's vote to count.
  - (iii) Such other information that the City Manager (for the initial nomination) or the Board (for all subsequent nominations) reasonably believes is necessary to enable the Voting Participant to make an informed vote for the nomination of the Participant Representative.
- (g) A Participant Representative who ceases to be a Voting Participant shall be deemed to have resigned from the Board on the date he ceases to be a Voting Participant. A Participant Representative may resign from the Board at any time, upon 30 days notice to the Board. Upon the death, resignation or deemed resignation of a Participant Representative, the alternate shall become the Participant Representative until such time as a successor is nominated in accordance with the provisions of this Section 10.3 and appointed to the Board by the City Council.
- (h) The Voting Participants at any time may request that the City Council remove a Participant Representative or alternate and may nominate a new Participant Representative or alternate to fill any vacancy among Participant Representatives or alternates. In order to request removal of a Participant Representative or alternate, the Voting Participants shall submit a removal petition to the Board containing the signatures of at least twenty percent (20%) of the Voting Participants who are entitled to vote for the nomination of the Participant Representative or alternate (i.e., Voting Participants who are or were Firefighters or Police Officers, as the case may be). Such petition shall be in such form and contain such other information as may be reasonably prescribed by the Board. Upon receipt of a valid removal petition, the Board shall conduct a proceeding to determine whether or not to recommend removal (using the procedures for nomination of Participant Representatives and alternates, other than Section 10.3(f)(2)). For purposes of 10.3(f)(3), the Participant Representative or alternate who is the subject of the removal petition and the Voting Participants submitting the removal petition shall each have the opportunity to submit a brief (no more than three letter size pages) statement discussing the reasons why the recommendation to remove the

***Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City***

Participant Representative or alternate should (or should not) be presented to the City Council. In the event that a Participant Representative or alternate is removed, a new Participant Representative or alternate shall be nominated using the procedures contained in Section 10.3(f).

- (i) If the City Manager (for the initial nomination) or the Board (for all subsequent nominations) makes an error in conducting a nomination or removal proceeding with respect to any Participant Representative or alternate, such error shall not affect the nomination or removal (and shall be ignored), unless the City Manager (for the initial nomination) or the Board (for all subsequent nominations) reasonably concludes that the results of the nomination or removal vote would have been different, absent such error.
- (j) Any ballot, information or other communication to a Voting Participant shall be sent to the Participant at his last post office address, electronic mail address or other address shown on the Plan's records. Information or communications addressed generally to all Voting Participants shall also be posted in those places generally used for posting Employee communications (e.g., the City's intranet site). Except for sending such ballot, information or communication to the last know address shown on the Plan's records and posting general information or communications, neither the City Manager (for the initial nomination) or the Board (for all subsequent nominations) shall be obliged to take any other action to locate a Voting Participant.

**10.4 Conduct Of Board Business**

- (a) The Board may adopt rules for the conduct of its business.
- (b) Proceedings and actions of the Board shall be subject to the Virginia Freedom of Information Act and all other applicable law, and the Board shall takes all steps necessary to ensure that it complies with such Act and all applicable law.
- (c) The members of the Board shall elect a Chairman and a Secretary from among its members. Neither the City Representatives nor the Participant Representatives shall hold the position of both Chairman and Secretary (e.g., if a City Representative is elected to serve as Chairman, the Secretary shall be a Participant Representative). In the event the members of the Board fail to elect a Chairman or Secretary within sixty (60) days, the City Manager may appoint the Chairman or Secretary, as the case may be.

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

- (d) A regular meeting of the Board shall be held each calendar quarter, on a date, and at a reasonable time and place, jointly designated by the Chairman and Secretary or by resolution of the Board from time to time (provided that such date does not fall on a holiday for employees of the City). Special meetings of the Board may be called jointly by the Chairman and Secretary, or by a majority of the members of the Board. Meetings of the Board shall take place within the City of Alexandria at a site furnished by the City.
- (e) Notice of the time and place of every regular, special and reconvened meeting of the Board shall be given to each member and each alternate by personal delivery, by telephone communication, by telephone facsimile transmission, by first class mail, by electronic mail, or by a delivery service providing confirmation of delivery. At least 5 business days notice shall be given of all regular meetings and at least 72 hours notice shall be given of all special or reconvened meetings. The purpose of any meeting of the Board need not be stated in the notice. No notice of the time, place or purpose of any meeting need be given to any member, who, in writing executed and filed with the records of the meeting either before or after the holding thereof, waives such notice or who attends the meeting.
- (f) Meetings of the Board shall be presided over by the Chairman or in his absence by the Secretary, or in their absence by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his absence the chairman of the meeting may appoint any person to act as secretary of the meeting.
- (g) The Board shall keep minutes of its proceedings showing the vote of each member on each question or if absent or failing to vote indicating such fact, and shall keep records of its official actions.
- (h) Subsequent to each Board meeting, and as soon as practicable thereafter, each member of the Board (and each alternate) shall be furnished with a copy of the minutes of said meeting (which minutes shall be revised, if necessary, and then adopted and approved by the Board at its next meeting).
- (i) Two City Representatives and two Participant Representatives (with at least one Firefighter and one Police Participant Representative) shall constitute a quorum for the transaction of any business of the Board. At all meetings of the Board, each City and Participant Representative shall have a total of one vote. In the event that the Participant Representative elected by the Firefighters is absent, the alternate Participant Representative elected by the

***Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City***

Firefighters shall, if present, cast one vote. In the event that a police Participant Representative elected by the Police Officers is absent, the alternate representative elected by the Police Officers shall, if present, cast one vote. In the event that a City Representative is absent, the alternate City Representative shall, if present, cast one vote. Decisions of the Board shall be by a majority of the votes cast.

- (j) If quorum is lacking for any meeting, the meeting may be adjourned and reconvened by the chairman of the meeting to a future date, and any business may be transacted at any adjourned meeting which could have been transacted at the meeting as originally called. A quorum must be present at the reconvened meeting in order for the Board to transact any business or take any action.
  
- (k) In the event of a tie vote by the Board, the question or questions in issue may be submitted to the City Manager for resolution upon majority vote of the entire Board. If the Board does not agree to submit the question to the City Manager for resolution, then either the City Representatives (by majority vote of the City Representatives) or Participant Representatives (by majority vote of the Participant Representatives) may request that an individual be selected to arbitrate and decide the action or question in issue. The location of the arbitration shall be in the City of Alexandria, Virginia and shall be conducted in accordance with its applicable arbitration rules and procedures of the American Arbitration Association or its successor. If the City Representatives and the Participant Representatives cannot agree on an individual to serve as the arbitrator with 20 days after arbitration has been invoked, the parties will jointly request that the Chief Judge of the Alexandria Circuit Court designate an individual to serve as arbitrator and decide the action or question. The City shall pay the cost of the arbitrator; but City Representatives and the Participant Representatives shall each bear their own costs and expenses in connection with the arbitration. The decision of the City Manager or the arbitrator on such issue shall be final and binding on the Board. In the event the Board does not submit the action or issue to the City Manager, or the City or Participant Representatives do not invoke arbitration following a tie vote, the action or question shall fail and the status quo shall remain in effect, until such time as the question or action is subsequently addressed by the Board.
  
- (l) The Board may create such subcommittees as it shall deem necessary and appropriate, provided, however, that all proceedings and actions of any subcommittees shall be subject to the Virginia Freedom of Information Act and applicable law, and the Board shall

takes all steps necessary to ensure that each subcommittee complies with such Act and applicable law.

- (m) The Board may authorize one or more of its number or any agent to execute or deliver any instrument on its behalf and do any and all other things necessary and proper in the exercise of its duties with respect to the Plan.
- (n) The Board shall adopt standards of conduct (which conform to the State and Local Government Conflict of Interests Act) and shall require newly elected City and Participant Representatives (and alternates) to attend a course of instruction in the responsibilities and duties of a fiduciary and of an employee benefit plan that is sponsored by International Foundation of Employee Benefit Plans (or a similar organization) within a reasonable period of time following their appointment or nomination (unless such member has previously served as a fiduciary of a similar plan and, in connection therewith, has attended a similar course of instruction within a period of 5 years preceding the member's date of appointment).
- (o) All documents, instruments, orders, requests, directions, instructions and other papers shall be executed on behalf of the Board by either its Chairman or Secretary, or by any member or agent of the Board duly authorized to act on the Board's behalf.
- (p) The City shall provide the Board with assistance in recording and maintaining the minutes of the Board; notifying appropriate persons of the actions of the Board; and providing any other required administrative and clerical assistance.
- (q) In carrying out its duties the Board may, from time to time, employ agents and may delegate to them ministerial and limited discretionary duties as it sees fit.
- (r) The members of the Board who are Participant Representatives (or alternates of Participant Representatives) will receive compensation for their services as member of the Board (or alternate) in an amount determined by the City Council. City Representatives (and the alternate of the City Representatives) shall perform their duties with respect to the Plan without receiving any additional compensation in their capacity as Board members.

#### **10.5 Duties And Responsibility Of The Board**

The Board shall serve as the fiduciary of the Plan in connection with the management of the Plan's assets.

***Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City***

Except as the City, acting through the City Council, shall otherwise expressly determine, the Board shall have full authority to act for the City before all persons in any matter directly pertaining to the management of the assets of the Plan, including, without limitation, the power:

- (a) To establish and modify written investment policies, objectives and guidelines with respect to the Fund.
- (b) To act for the City in any matter directly pertaining to the investment of the Fund.
- (c) To select, retain and/or remove the Trustee, to enter into a Trust Agreement with the Trustee on such terms and conditions as the Board deems advisable, and to establish and determine the amount of compensation to be paid to the Trustee.
- (d) To select one or more Annuity Contracts as a funding vehicle for the Plan.
- (e) To direct the Trustee with respect to the investment and/or investment allocation of that portion of the Fund relating to the defined benefit portion of the Plan and/or that portion of the Fund relating the disability benefits provided under the Plan.
- (f) To retain or remove one or more investment managers to manage or direct investment allocations with respect to such portions of the Fund as the Board shall designate.
- (g) To allocate investment duties and responsibilities between the Trustee and one or more investment managers.
- (h) To determine, select, monitor, review and alter as appropriate the Investment Funds from among which each Participant may direct the investment of his or her Retirement Income Account in accordance with the provisions of Section 8.4, and to take all action necessary to perform such function.
- (i) To establish reasonable rules and procedures to be followed with respect to the investment of Retirement Income Accounts, including the use of paperless notices, elections, consents, authorizations, instructions, directions, designations, requests or communications.
- (j) To determine the manner, period, and frequency of investment elections by Participants under Section 9.4.
- (k) If deemed appropriate by the Board, to suspend or terminate the right of Participants to direct the investment of all or any portion of their Retirement Income Account (and in such event to direct the

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

Trustee with respect to the investment of such Retirement Income Accounts).

- (l) To add or terminate any annuity contract as an Investment Fund or funding vehicle under the Plan.
- (m) To provide investment education (but not investment advice) to Plan Participants who have Retirement Income Accounts through independent service providers acting solely in the interests of Plan Participants.
- (n) To appoint and retain any trustees, custodians, investment managers, investment advisors, investment planners, record-keepers, and other vendors for the Plan as it deems necessary and appropriate for the management and operation of the assets of the Plan.
- (o) To approve all standard form benefit statements, and all other standard or special written communications from the Plan to Participants with respect to their Accrued Pension Benefit or Retirement Income Account (or the investment thereof), including but not limited to information and communications furnished to Participants by the City that directly relates to or describes their Accrued Pension Benefit or the investment of assets of the Plan, or provides information to Participants respecting the value of their Retirement Income Accounts.
- (p) To establish reasonable rules and procedures to be followed with respect to the nomination (and removal) of Participant Representatives.
- (q) To consult with the City, Administrator or City Manager respecting the terms of the Plan and to make recommendations concerning modifications to or clarifications of the Plan (including making recommendations to the City Council following consultation with the City Manager); provided, however, that the Board shall have no discretionary authority acting itself to modify or amend, in any respect, any term or provision of the Plan, which authority resides exclusively with the City Council.
- (r) To do all acts, whether or not expressly authorized herein, which the Board deems necessary or appropriate in connection with the management of the assets of the Plan.

Notwithstanding anything herein to the contrary, the Board shall not have the power to amend or terminate the Plan, to affect the employer-

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

employee relationship between the City and any Employee, all of which powers are reserved to the City.

**10.6 Administrator**

In the absence of any designation to the contrary by the City Manager, the City Manager shall serve as the Administrator.

The City Manager may designate and appoint one or more persons who are employed by the City to act as Administrator. The person or persons designated as the Administrator by the City Manager shall have full power and authority to administer and operate the Plan in accordance with its terms and in particular the authority contained in Section 9.7, and, in acting pursuant thereto, shall have full power and authority to deal with all persons in any matter directly connected with the operation and administration of the Plan.

If more than one person is designated as the Administrator by the City Manager, the committee thus formed shall be known as the Administrative Committee and all references in the Plan to the Administrator shall be deemed to apply to the Administrative Committee.

The Administrator (or each member of the Administrative Committee) shall signify in writing his acceptance of his responsibility as Administrator.

Any person or persons designated by the City Manager as Administrator (or a member of the Administrative Committee) shall:

- (a) have the right to resign at any time by giving notice in writing, mailed or delivered to the City Manager;
- (b) be deemed to have resigned as an Administrator (or a member of the Administrative Committee) upon his termination of employment with the City; and
- (c) shall be subject to removal by the City Manager at any time, with or without cause.

Upon the death, resignation or removal of an Administrator, the City Manager may appoint a successor. The appointment of a successor shall be made by the City Manager in writing, and the successor shall have all of the rights and privileges and all of the duties and obligations of his predecessor.

If the City Manager has created an Administrative Committee to serve as the Administrator, then the City Manager shall designate a Chairman and Secretary from among the members of the Administrative Committee.

***Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City***

The Administrative Committee may adopt reasonable rules for the conduct of its business. A majority of the members then serving as members of the Administrative Committee shall constitute a quorum for the transaction of business. All action taken by the Administrative Committee shall be by vote of a majority of those present at such meeting and entitled to vote. Actions may be taken without a meeting upon written consent signed by at least a majority of the members of the Administrative Committee. All documents, instruments, orders, requests, directions, instructions and other papers shall be executed on behalf of the Administrative Committee by either its Chairman or Secretary, or by any member or agent of the Administrative Committee duly authorized to act on the Committee's behalf.

**10.7 Duties and Powers of Administrator.**

The Administrator shall have the following duties and powers in connection with the administration of this Plan:

- (a) To administer the Plan in accordance with the provisions of the Plan and applicable law.
- (b) To make and to change from time to time and to enforce such rules and regulations, consistent with the provisions of this Plan, as may be necessary or desirable for the carrying out of its duties, and for the efficient administration of the Plan.
- (c) Finally and conclusively to determine, according to the provisions set forth in this Plan, the eligibility of a Participant under this Plan and, if eligible, the Participant's rights hereunder.
- (d) To exercise its sole discretionary right and authority to interpret and construe terms of this Plan and any rules and regulations that the Administrator might make.
- (e) To advise the City and the Board regarding the known future need for funds to be available for distribution in order that the Board may establish investments accordingly.
- (f) To correct defects, supply omissions and reconcile inconsistencies to the extent necessary to effectuate the Plan.
- (g) To compute the amount of benefits which shall be payable to any Participant or Beneficiary in accordance with the provisions of the Plan and to determine the person or persons to whom such benefits shall be paid.

***Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City***

- (h) To direct the Trustee, custodian or issuer of an Annuity Contract concerning all payments which shall be made out of the Fund pursuant to the provisions of this Plan, an Annuity Contract or the Trust Agreement.
- (i) To file all reports with government agencies, Employees and other parties as may be required by law, whether such reports are initially the obligation of the City, the Plan or the Trustee.
- (j) To engage the Actuary of the Plan and to cause the liabilities of the Plan to be evaluated by the Actuary as provided in the Plan.
- (k) To compromise, settle, or release claims or demands in favor of or against the Plan or the Administrator on such terms as the Administrator may deem reasonable and prudent.
- (l) To recommend changes to the Plan that are necessary or desirable to maintain the qualification of the Plan under Section 401(a) of the Internal Revenue Code.
- (m) To request determination letters from the Secretary of the Treasury that the Plan continues to meet the requirements for qualification under Section 401 of the Internal Revenue Code and to take the necessary steps to notify the appropriate interested parties whenever an application is made to the Secretary of the Treasury for a determination letter in accordance with Section 7476 of the Internal Revenue Code.
- (n) To do all acts necessary to implement any action or decision with respect to the administration of the Plan.
- (o) To do all acts, whether or not expressly authorized herein, which the Administrator deems necessary to accomplish the general purposes of this Plan, provided, however, that the Administrator shall have no authority to take any action with respect to the management of the assets of the Plan, other than those actions which are necessary to implement any action or decision of the Board.

Notwithstanding anything herein to the contrary, the Administrator shall not have the power to amend or terminate the Plan or to affect the employer-employee relationship between the City and any Employee, which powers are reserved to the City.

**10.8 Participation by Members of Board or Administrator**

No member of the Board or Administrative Committee shall be precluded from becoming a Participant in the Plan if he or she would be otherwise

eligible, but such member shall not be entitled to vote or act upon matters or to sign any documents relating specifically to his or her own participation under the Plan, except when such matters or documents relate to benefits generally.

#### **10.9 Agents**

The Board and the Administrator may employ agents, consultants, accountants, attorneys, and service providers and provide for such clerical, legal, actuarial, accounting, medical, advisory or other services as it deems necessary to perform their respective duties under this Plan.

#### **10.10 Allocation of Duties**

The duties and powers reserved to the Board and the Administrator may be allocated among their respective members so long as such allocation is pursuant to written procedures adopted by the Board or Administrator, as the case may be, in which case, no member of the Board or Administrative Committee shall have any liability, with respect to any duties or powers not allocated to him or her, for the acts or omissions of any other member of the Board or Administrative Committee.

#### **10.11 Delegation of Duties**

The Board and the Administrator may delegate any of their respective duties or powers to employees of the City, or to any other person or firm, provided that the Board or Administrator, as the case may be, shall prudently choose such person or firm and rely in good faith on their actions.

#### **10.12 Action Conclusive**

Any action on matters within the discretion of the Board or the Administrator shall be final and conclusive except as provided in Article 10.

#### **10.13 Records and Reports**

- (a) The Administrator and the Board shall maintain such records, and compile such data, as is necessary for the proper administration and operation of the Plan and the proper management of the assets of the Plan. The Administrator and the Board shall maintain adequate records of their actions and proceedings in administering this Plan and shall file all reports and take all other actions necessary or appropriate in order to comply with applicable law.
- (b) The Plan shall be included in the annual audit of City sponsored retirement plans.

- (c) The Board shall furnish the City Manager or his designee a copy of all monthly financial or investment reports, the annual audit of the Plan, and any financial reports or documents provided by any service provider to the Plan.
- (d) The City shall promptly furnish all necessary information to the Administrator and the Board to permit them to perform their respective duties under the Plan. The Administrator and the Board shall be entitled to rely upon the accuracy and completeness of all information furnished by the City, unless it knows or should have known that such information is erroneous.

**10.14 Expenses Of Administrator And Board.**

Unless paid by the City, any expenses incurred by the Administrator or the Board in connection with the administration or management of the Plan shall be paid out of the Fund, including but not limited to those associated with the retention of attorneys, accountants, an actuaries, or other service providers; provided, however, that any and all fees and expenses of the Administrator or the Board shall be subject to review and approval of the City Council.

**10.15 Reservation of Rights by City.**

Where rights are reserved in this Plan to the City, such rights shall be exercised only by action of the City. The City may conduct independent audits of the Fund, or examine the records of the Plan or the Fund, at any time.

**10.16 Standard of Care.**

The Board and the Administrator shall perform all duties required of them under this Plan in a prudent manner. Neither the Board or the Administrator shall not be responsible in any way for any action or omission of the City, the Trustee or any other fiduciaries in the performance of their respective duties and obligations under the Plan and Trust Agreement. Neither the Board or the Administrator shall be responsible for any act or omission of any of their respective agents, or with respect to reliance upon advice of their respective counsel (whether or not such counsel is also counsel to the City) provided that such agents or counsel were prudently chosen by the Board or Administrator, as the case may be, and that the Board or the Administrator relied in good faith upon the action of such agent or the advice of such counsel.

**10.17 Paperless Communications**

Notwithstanding anything contained herein to the contrary, the Board or the Administrator from time to time may establish uniform procedures whereby with respect to any or all instances herein where a writing is required, including but not limited to any required written notice, election, consent, authorization, instruction, direction, designation, request or claim, communication may be made by any other means designated by the Board or the Administrator including by paperless communication, and such alternative communication shall be deemed to constitute a writing to the extent permitted by applicable law, provided that such alternative communication is carried out in accordance with such procedures in effect at such time.

**ARTICLE 11**  
**CLAIMS PROCEDURE**

**11.1 Claim for Benefits.**

Any person claiming a benefit under the Plan (a "Claimant") shall apply for such benefit by filing a claim with the Administrator in writing on the form or forms prescribed by the Administrator. If no form or forms have been prescribed, a claim for benefits shall be made in writing to the Administrator setting forth the basis for the claim. The Claimant shall furnish the Administrator with such documents, evidence, data, authorizations, consents or information in support of such claim as the Administrator considers necessary or desirable to determine the validity of the claim. The Administrator shall respond in writing to any claim for benefits.

**11.2 Notice of Denial.**

- (a) If the claim is denied, either in whole or in part, the written notice of denial shall state, in a manner calculated to be understood by the Claimant:
  - (1) The specific reason or reasons for denial, with specific references to the Plan provisions on which the denial is based;
  - (2) A description of any additional material or information necessary for the Claimant to perfect his or her claim, if possible, and an explanation of why such material or information is necessary; and
  - (3) An explanation of the Plan's claims review procedure and the time limits applicable to such procedures.
- (b) The written notice denying or granting the Claimant's claim shall be provided to the Claimant within 90 days after the Administrator's receipt of the claim, unless special circumstances require an extension of time for processing the claim. If such an extension is required, written notice of the extension shall be furnished by the Administrator to the Claimant within the initial 90-day period and in no event shall such an extension exceed a period of ninety (90) days from the end of the initial 90-day period. Any extension notice shall indicate the special circumstances requiring the extension and the date on which the Administrator expects to render a decision on the claim.

**11.3 Right to Reconsideration.**

Any Claimant whose claim is denied (or such Claimant's authorized representative) may, within sixty (60) days after the Claimant's receipt of notice of the denial, request a review of the denial by notice given, in writing, to the Administrator. Upon such a request for review, the claim shall be reviewed by the Administrator (or its designated representative) which may, but shall not be required to, grant the Claimant a hearing.

**11.4 Review of Documents and Submission of Comments.**

The Claimant shall be provided reasonable access to, and copies of, all relevant documents, records and information directly related to the claim. In connection with the review, the Claimant may have an authorized representative act on the claimant's behalf. The Claimant may submit comments, documents, records and other relevant information in writing to the Administrator.

**11.5 Decision by Administrator.**

- (a) The decision on review normally shall be made within sixty (60) days of the Administrator's receipt of the request for review. If an extension of time is required due to special circumstances, the Claimant shall be notified, in writing, by the Administrator, and the time limit for the decision on review shall be extended up to a total of one hundred and twenty (120) days. Any extension notice shall indicate the special circumstance requiring the extension and the date on which the Administrator expect to render a decision on the appeal.
- (b) The Administrator shall notify the Claimant in writing of all benefit determinations as soon as possible, but no later than fifteen (15) days after the benefit determination is made.
- (c) The decision on review shall be in writing and shall state, in a manner calculated to be understood by the Claimant the specific reason or reasons for the decision, with specific references to the relevant Plan provisions on which the decision is based.
- (d) The Administrator has the exclusive discretionary authority to construe and to interpret Plan terms, to decide all questions of eligibility for benefits and to determine the amount of such benefits, and its decisions on such matters shall be final and conclusive. This grant of discretionary authority extends to all decisions made by the Administrator on review, which shall be final and binding with respect to all concerned parties.

101

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

- (e) A Claimant shall be entitled, either in his or her own name or in conjunction with any other interested parties, to bring such actions in law or equity or to undertake such administrative actions or to seek such relief as may be necessary or appropriate to compel the disclosure of any required information, to enforce or protect his or her rights, to recover present benefits due to the Claimant or to clarify rights to future benefits under the Plan. However, in any civil action, in law or equity, any interpretation or determination made pursuant to the discretionary authority conveyed upon the Administrator shall be upheld, unless it is shown that the interpretation or determination made by the Administrator was an abuse of discretion (or was arbitrary and capricious).

## **ARTICLE 12**

### **AMENDMENT OR TERMINATION OF THE PLAN**

#### **12.1 Amendment Of Plan**

The City shall have the right from time to time to modify or amend, in whole or in part any or all provisions of the Plan. Upon any such modification or amendment, the Board and the Administrator shall be furnished a copy thereof.

The City shall give notice to Participants prior to making any material changes to this Plan, except those required by statutes, and shall be available to receive and consider comments of Participants as to proposed changes. When the City staff, City Council or a committee of the City Council has formulated the substance of a proposed material change, notice of the substance of the proposed change will be given to Participants at least sixty (60) days before City Council votes on the proposal. This notice will contain a "plain language" explanation of the substance of the proposed changes. Employees will have access to the staff during such sixty (60) day period. If requested in writing by at least 5 Participants, a meeting shall be held between the staff and interested Participants at which time the staff will explain the proposal and answer any questions. These questions and areas of concern must be submitted in writing by interested Participants at least 5 days prior to the scheduled meeting. At least 7 days notice shall be given of the time and place of such meeting.

Any change in benefits provided for by amendment to the Plan shall not apply to any Participant whose Termination Date, Disability Retirement Date or cessation of participation occurred prior to the effective date of such amendment, except as otherwise specifically provided for in the Plan or in such amendment.

#### **12.2 Conditions Of Amendment**

No amendment shall:

- (a) make it possible for any part of the Fund to be used for, or diverted to, purposes other than for the exclusive benefit of Participants or their Beneficiaries, except that, if after the Plan is terminated there are assets remaining after all Plan liabilities have been provided for, such remaining assets shall be returned to the City.
- (b) directly or indirectly, reduce the vested portion of any Participant's Accrued Pension Benefit as of the effective date of the amendment.

### **12.3 Termination**

It is the present intention of the City to maintain the Plan indefinitely for the benefit of its Covered Employees. Nevertheless, subject to the second paragraph of Section 11.1, the City reserves the right, at any time, by resolution of the City Council to permanently discontinue further contributions to the Trust or to terminate the entire Plan and Trust. Upon such event, the Accrued Pension Benefits, to the extent funded, of all Participants shall become fully vested and nonforfeitable. Upon termination of the Plan, the value of the Accrued Pension Benefits of all Participants shall be determined in accordance with the provisions of Section 12.4.

### **12.4 Allocation of Assets of Fund on Termination of Plan.**

In the event that the Plan is terminated by the City, the Administrator shall determine (on the basis of actuarial valuation) the share of the Fund allocable to each person entitled thereto, in the following order:

- (a) First, all unpaid expenses, fees and other charges under the Plan shall be paid.
- (b) Second, the balance of each Retirement Income Account shall be distributed.
- (c) Third, each Participant shall receive an amount equal to the Participant's Employee Contribution Retirement Benefit (determined as of the date of termination), less any benefits received under the Plan.
- (d) Fourth, an amount sufficient to provide for all Disability Benefits to each Participant who is Disabled and who is entitled to or who is receiving Disability Benefits under the Plan immediately prior to termination, reduced to reflect any allocations made pursuant to the foregoing subsections.
- (e) Fifth, an amount sufficient to provide for the amount of the Accrued Pension Benefit not already provided for under subsection (c) shall be allocated to each former Participant or Beneficiary who has been receiving monthly payments for 3 years, or who could have begun to receive retirement benefits under the Plan at least 3 years prior to the date of termination of the Plan (but who elected to defer the retirement or the commencement of benefits under the Plan), in both cases based upon the terms of the Plan in effect on the date of termination of the Plan.

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

- (f) Sixth, an amount sufficient to provide for all Accrued Pension Benefit not already provided for under subsection (c) or (d) that were nonforfeitable immediately prior to the termination of the Plan.
- (g) Seventh, any remaining balance shall be allocated to all Participants and Beneficiaries in proportion to the excess of the actuarial values of their Accrued Pension Benefits under the Plan over the amounts allocated under subsections (c), (d) and (f).
- (h) Eighth, if after following the order of allocations set forth above there is an amount remaining, then such amount shall be returned to the City. The Actuary for the Plan shall certify that what is being returned to the City is not needed to satisfy all of the liabilities under the Plan as to the Participants or Beneficiaries.

Should there prove to be insufficient funds to provide the amounts required to fully satisfy any subsection, then the allocation to all persons covered by that subsection will be reduced by the same proportion.

The provisions set forth in this Section 12.4 shall be subject to such modification, retroactively if required, without necessity of formal amendment to the Plan, as may be necessary in order to cause the termination of the Plan and/or trust and any distributions made pursuant thereto and to conform to any requirements which may be imposed by the Internal Revenue Service to prevent disqualification of the Plan and/or Trust, and no such modification shall be deemed prejudicial to the interest of any Participant or Beneficiary. Further these provisions may be modified retroactively by an amendment to the Plan to change the priority and method of allocation of the Fund on termination of the Plan, provided such amendment does not adversely affect the qualification of the Plan under Section 401(a) of the Internal Revenue Code or increase the amount returned to the City.

**12.5 Distribution Of The Fund.**

- (a) Upon termination of the Plan, the City may determine to distribute the assets of the Fund as soon as is practicable after such termination. In such event, the Board, in its discretion, shall distribute the Retirement Income Accounts and the amount determined under Section 12.4 to distributable with respect to the Accrued Pension Benefits to Participants or their Beneficiaries by the purchase of annuity contracts, or by liquidating the Fund and distributing the assets to Participants, or partially by one method and partially by another, or in any manner as may be established or required by law.

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

- (b) As an alternative to immediate distribution of the Trust, the City, in its discretion, and subject to its option at any time to require the complete distribution of the Trust to the then Participants, may defer commencement of benefits to any Participant who has not reached an event that would otherwise entitle such Participant to commence benefits under Sections 6.1, 6.2, 6.3, 6.5 or 6.6 until such Participant reaches an event which would otherwise entitle him or her to benefit commencement, at which time the provisions of Sections 7.1 - 7.4 shall become applicable.
  
- (c) If the City invokes the application of Section 12.6(b), then during the interim period, there shall be established and maintained a separate account in the name of each Participant, based upon the values established pursuant to Sections 12.4. The separate account shall thereafter define and measure the amount available for benefits distributable to the Participant, and there shall be credited or charged thereto any income, expenses, gains or losses (whether or not realized, based upon fair market value of invested assets) attributable or allocable thereto as of each trust valuation date (or the date of complete distribution of the trust) with respect to the period since the last valuation date.

**ARTICLE 13**

**MISCELLANEOUS PROVISIONS**

**13.1 Limitations On Liability Of City**

**(a) No Rights Except as Provided by Law, Plan Provision, or Terms of Insurance or Annuity Policy**

Neither the establishment of the Plan or Trust, nor any modification thereof, nor the creation of any fund or account, nor the payment of any benefits, shall be construed as giving to any Participant or other person any legal or equitable right against the City (or any person connected therewith), the Trustee, the Board, the Administrator, any custodian, trustee or any insurance company, except as provided by law, by any Plan provision or by the terms of any insurance or annuity policy.

**(b) City Does Not Guarantee the Trust**

The City does not in any way guarantee the Trust from loss or depreciation, nor does the City guarantee the payment of any money which may be or become due to any person from the Trust. Any person having a right or claim under the Plan shall look solely to the Fund, and in no event shall the City (or any person connected therewith) be liable to any person on account of any claim arising by reason of the provisions of the Plan or of any instrument or instruments implementing its provisions, or for the failure of any Participant, Beneficiary or other person to be entitled to any particular tax consequences with respect to the Plan, the Trust or any contribution thereto or distribution therefrom.

**(c) City Not Liable for Failure to Make Contributions**

The City shall not be liable to any person for failure on its part to make contributions as provided in Section 4.2 or 4.3, nor shall any action lie to compel the City to make such contributions.

**(d) City Not Liable for Failure of Plan to Qualify Under Internal Revenue Code**

The City (or any person connected therewith) shall not have any liability to any person by reason of the failure of the Plan to maintain qualified status under Section 401(a) of the Internal Revenue Code, or the failure of the Trust to attain and/or maintain tax exempt status under Section 501(a) of the Internal Revenue Code, regardless of the reason for such failure.

**13.2 Construction**

**(a) General Rules of Constriction**

For all purposes of the Plan, where the context admits, the singular shall include the plural, and the plural shall include the singular, and references to persons shall include individuals, receivers, trustees, guardians, fiduciaries, corporations, partnerships, associations, estates and trusts. Headings of sections, subsections, and paragraphs are inserted only for convenience of reference and are not to be considered in the construction of the Plan.

**(b) Intended to Comply with Requirements for Qualification Under Internal Revenue Code**

The Plan is intended to comply with all requirements for qualification under Section 401(a) of the Internal Revenue Code and, if any provision of the Plan is subject to more than one interpretation or construction, such ambiguity shall be resolved in favor of that interpretation or construction which is consistent with the Plan being so qualified.

**(c) References to Governmental Regulations**

References in this Plan to regulations issued by the Internal Revenue Service, the Department of the Treasury or other governmental agencies shall include all regulations, rulings, procedures, releases and other position statements issued by any such agency.

**(d) Severability**

In case any provision of the Plan shall be held to be illegal or void, such illegality or invalidity shall not affect the remaining provisions of the Plan, but shall be fully severable and the Plan shall be construed and enforced as if said illegal or invalid provisions had never been inserted herein.

**(e) Laws of Commonwealth of Virginia Shall Govern**

All questions pertaining to the validity, construction and administration of the Plan, and the validity of its respective provisions, shall be determined in accordance with the laws of the Commonwealth of Virginia, except to the extent superseded by the Internal Revenue Code.

**13.3 Miscellaneous**

**(a) Non Guarantee of Employment**

Participation under the Plan shall not give any participant the right to be retained in the service of the City nor any right or claim to any benefit under the Plan unless such right or claim to such benefit has specifically accrued hereunder.

**(b) Counsel**

The City, the Board and the Administrator may consult with legal counsel, who may also serve as counsel for the City, the Administrator or the Board (as the case may be), with respect to the meaning or construction of this Plan and the Trust Agreement, their respective obligations or duties hereunder or with respect to any action or proceeding or any question of law, and they shall be fully protected with respect to any action taken, or omitted by them in good faith pursuant to the advice of legal counsel.

**(c) Prohibition Against Assignment Of Benefits**

(1) Except as provided below or as specifically provided by law, no benefit payable at any time under this Plan shall be subject in any manner to anticipation, alienation, attachment, garnishment, sale, transfer, assignment (either at law or in equity), execution, levy, pledge, encumbrance, charge or other legal and equitable process.

(2) The prohibitions of subsection (c)(1) shall not preclude, and the trustee at the direction of the Administrator or to the extent necessary to comply with a directive of a court or other governmental agency of competent jurisdiction) shall honor (i) the enforcement of a federal tax levy made pursuant to Section 6331 of the Internal Revenue Code; (ii) the collection by the United States on a judgment resulting from an unpaid tax assessment, or (iii) the creation, assignment recognition of a right to any benefit payable with respect to a participant pursuant to a "qualified domestic relations order."

(3) Further, the prohibitions of subsection (c)(1) shall not preclude any arrangement for: (a) the withholding of taxes from Plan benefit payments, (b) the recovery by the Plan of overpayments of benefits previously made to a Participant, (c) the transfer of benefit rights from the Plan to another plan, or (d) the direct deposit of benefit payments to an

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

account in a banking institution (if not part of an arrangement constituting an assignment or alienation).

- (4) Notwithstanding the foregoing, a Participant's benefit under the Plan may be offset by the amount that the Participant is ordered or required to pay to the Plan if:
  - (i) the order or requirement to pay arises (i) under a judgment of conviction for a crime involving the Plan or the Fund, or (ii) under settlement agreement or a civil judgment (including a consent order or decree) entered by a court in an action brought in connection with a violation (or alleged violation) of a fiduciary or other obligation of the Participant with respect to the Plan or the Fund, and
  - (ii) the judgment, order, decree or settlement agreement expressly provides for the offset of all or part of the amount ordered or required to be paid to the Plan against the Participant's benefits provided under the Plan.
- (5) For the purposes hereof, a qualified domestic relations order shall mean a judgment, decree or order made pursuant to a state domestic relations law which relates to the provision of child support, alimony payments or marital property rights and
  - (i) which clearly specifies:
    - a. the names and last known mailing addresses of the participant and each payee;
    - b. the amount or percentage of the participant's benefits to be paid by this Plan to each payee (or the manner in which such amount or percentage is to be determined);
    - c. the number of payments or period to which such order relates: and
  - (ii) which does not:
    - a. require this Plan to provide any type or form of benefit, or any option, not otherwise provided under this Plan;

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

- b. require this Plan to provide increased benefits (determined on the basis of actuarial value); or
- c. require the payment of the same benefits to any payee which are payable to another payee pursuant to a prior qualified domestic relations order.

**(d) Cooperation of Parties**

All parties to this Plan and any person claiming any interest hereunder agree to perform any and all acts and execute any and all documents and papers which are necessary or desirable for carrying out this Plan or any of its provisions.

**(e) Incapacity**

If the Administrator shall receive evidence satisfactory to it that a Participant or Beneficiary entitled to receive any benefit under the Plan is, at the time when such benefit becomes payable, a minor, or is physically or mentally incompetent to receive such benefit and to give a valid release therefor, and that another person or an institution is then maintaining or has custody of such Participant or Beneficiary, and that no guardian, committee or other representative of the estate of such Participant or Beneficiary shall have been duly appointed, the Administrator may determine to make payments of such benefit otherwise payable to such Participant or Beneficiary to such other person or institution, including a custodian under a Uniform Gifts to Minors Act, or corresponding legislation (who shall be an adult, a guardian of the minor or a trust company), and such payments shall, to the extent made, be deemed a complete discharge of any liability for such payments under the Plan.

**APPENDIX A**

**ACTUARIAL ASSUMPTIONS**

This Appendix A lists all of the Actuarial Assumptions necessary to be included in a Plan document. This Appendix, which may be amended from time to time by the Administrator (without the necessity of formal amendment to the Plan) to make necessary adjustments in the Actuarial Assumptions, is intended to be incorporated by reference into and made a part of the Plan. Except as otherwise permitted by law, no amendment to this Appendix A shall reduce any Participant's Accrued Pension Benefit calculated as of the later of the effective date or the adoption of such an amendment.

**Actuarial Equivalence:**

1. Interest Rate: 7.5%
2. Mortality: 1983 Group Annuity Mortality Table for males, with ages set back one year.
3. Cost of Living: 3% (subject to overall Plan limits)

**APPENDIX B**

**CITY OF ALEXANDRIA FIREFIGHTERS AND POLICE OFFICERS PENSION RESTORATION PLAN**

- (a) This Appendix B shall constitute a qualified governmental excess benefit arrangement, as described in Section 415(m) of the Internal Revenue Code. The City Of Alexandria Firefighters And Police Officers Pension Restoration Plan (the "Restoration Plan") shall be deemed a separate portion of the Pension Plan which is maintained solely for the purpose of providing to Participants in the Pension Plan whose Accrued Pension Benefit exceeds the limitations imposed by Section 415 of the Internal Revenue Code as a result of an election to exchange the Participant's City Funded Retirement Income Account for Pre-2004 Credited Service pursuant to Section 3.4 of the Pension Plan. Under the Restoration Plan, no election shall be provided at any time to a Participant (directly or indirectly) to defer compensation. Furthermore, no benefits under the Restoration Plan shall be paid from the Trust maintained to fund the Plan.
- (b) In accordance with Section (a) above, any Participant in the Plan whose Accrued Pension Benefit exceeds the limitations imposed by Section 415 of the Internal Revenue Code as a result of an election to exchange the Participant's City Funded Retirement Income Account for Pre-2004 Credited Service pursuant to Section 3.4 of the Pension Plan shall receive such excess amount under the Restoration Plan, subject to applicable taxes. Payments from the Restoration Plan shall be made to Participants at the same time and in the same form as payments are made to Participants under the Pension Plan.
- (c) All of the terms and conditions of the Pension Plan, to the extent not inconsistent with the Restoration Plan, shall control the rights and benefits of Participants and Beneficiaries under the Restoration Plan. In this regard, a Participant's Beneficiary designation under the Pension Plan (and all rules of the Pension Plan incident to such designation) shall control for purposes of the Restoration Plan.
- (d) Participants and their Beneficiaries under the Restoration Plan shall have solely those rights of an unsecured creditor of the City. No assets of the City shall be deemed to be held in trust for any Participants and Beneficiaries, nor shall any assets be considered security for the performance of obligations of the City. The City's obligation under the Restoration Plan shall be unsecured.

***Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City***

- (e) The Restoration Plan is an unfunded plan maintained to provide retirement benefits for Restoration Plan Participants. Any Participant's benefit under the Restoration Plan is maintained for recordkeeping purposes only and is not to be construed as funded. Notwithstanding the unfunded status of the Restoration Plan, the City may establish a grantor trust to hold assets under the Restoration Plan. Any assets set aside, including any assets transferred to a trust or purchased by the City with respect to amounts payable under the Restoration Plan, shall be subject to the claims of the City's general creditors and no person other than the City shall, by virtue of the provisions of the Restoration Plan, have any interest in such assets.
  
- (f) Notwithstanding anything in the Pension Plan to the contrary, no Participant or Beneficiary shall not have any right to commute, sell, pledge, assign, transfer or otherwise convey the right to receive any payment under the Restoration Plan and any attempt to accomplish the same shall be void. The right to any payment of benefits shall be non-assignable and non-transferable. Such right to payment shall not be subject to legal process or levy of any kind.

**THE CITY OF ALEXANDRIA  
FIREFIGHTERS AND POLICE OFFICERS PENSION  
PLAN HANDBOOK**

## **TABLE OF CONTENTS**

INTRODUCTION .....	1
PLAN ELIGIBILITY AND ENROLLMENT .....	3
Who Does The Plan Cover? .....	3
Do I Have To Enroll In The Plan? .....	3
When Does My Participation In The Plan End? .....	3
What Happens If I Am Later Re-Hired As A Firefighter Or Police Officer? .....	3
YEARS OF SERVICE AND YEARS OF CREDITED SERVICE .....	4
What Are Years Of Service? .....	4
What Are Years Of Credited Service? .....	4
How Are My Years Of Service Calculated? .....	4
How Are My Years Of Credited Service Calculated? .....	4
How Are My Years Of Service And Credited Service Calculated If I Start (Or End) Work As A Firefighter Or Police Officer During A Month? .....	5
What If I Terminate Employment And I Am Subsequently Rehired? .....	5
What If I Am On A Leave Of Absence? .....	5
VESTING .....	7
What Is My Vested Interest In The Pension Plan? .....	7
What If I Still Have An Account Under The Retirement Income Plan? .....	8
RETIREMENT BENEFITS .....	9
When Can I Retire? .....	9
NORMAL RETIREMENT .....	9
When Is My Normal Retirement Date? .....	9
How Much Will I Receive If I Retire On Or After My Normal Retirement Date? .....	9
EARLY RETIREMENT .....	11
Can I Retire Early? .....	11
DEFERRED RETIREMENT .....	15
Can I Elect To Work Past My Normal Retirement Date? .....	15
What Is The Deferred Retirement Option Program (DROP)? .....	15
Who Is Eligible For The DROP? .....	15
Can I Change My Mind About Retirement Once I Elect To Participate In The DROP? .....	15
Do I Have To Work For 3 Years If I Elect To Participate In The DROP? .....	15
Does My Status Change If I Elect To Participate In The DROP? .....	16
How Do I Elect To Participate In The DROP? .....	16
What Do I Receive If I Elect To Participate In The DROP? .....	16
When Do I Receive My DROP Account And How Is It Paid? .....	16
What Happens If I Become Disabled During The DROP Period? .....	17

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

What Happens If I Die During The DROP Period?..... 17  
Can I Change The Way In Which My Benefit Is Paid After I Actually Retire (At The  
End Of The DROP Period)? ..... 17  
RETURN TO SERVICE FOLLOWING RETIREMENT ..... 17  
    What Happens To My Retirement Benefit If I Return To Work With The City After I  
    Retire?..... 17  
TERMINATION PRIOR TO RETIREMENT ..... 18  
    What Happens To My Benefit If I Cease Employment As A Firefighter Or Police  
    Officer Before Becoming Eligible For Early Or Normal Retirement..... 18  
PAYMENT OF RETIREMENT BENEFITS..... 18  
    How Is My Retirement Benefit Paid?..... 18  
    Do I Have Any Options Regarding The Payment Of My Retirement Benefit?..... 19  
    What Optional Forms Of Payment Does The Plan Provide?..... 19  
    If I Elect To Have My Benefit Paid In One Of The Optional Forms, How Much Will My  
    Benefit Be Reduced?..... 20  
    Does My Spouse Have To Consent To The Payment Of My Benefit In A Form Other  
    Than A Joint And Survivor Annuity? ..... 21  
DESIGNATION OF BENEFICIARY ..... 21  
APPLICATION FOR BENEFITS ..... 21  
    When Are Retirement Benefits Paid?..... 22  
    What Benefits Are Payable If I Die? ..... 22  
    What Happens If I Die Before My Retirement Benefits Have Commenced?..... 22  
    What Death Benefits Are Payable If I Make A DROP Election?..... 23  
    What Happens If I Die After I Am Disabled? ..... 23  
    What Happens If I Die After My Retirement Benefits Have Commenced?..... 24  
    Are Retirement And Survivor Benefits Adjusted For Changes In The Cost Of Living?  
    ..... 24  
    How Is My Distribution Taxed? ..... 26  
DISABILITY BENEFITS..... 28  
    If I Become Disabled, Am I Eligible For Benefits?..... 28  
    How Much Of A Disability Benefit Will I Receive If I Become Disabled Before Age 55?  
    ..... 28  
TOTAL AND PERMANENT DISABILITY..... 28  
    How Much Will I Receive If I Sustain A Service Connected Total And Permanent  
    Disability? ..... 28  
    How Much Will I Receive If I Sustain A Non-Service Connected Total And Permanent  
    Disability? ..... 29  
    If I Am Totally And Permanently Disabled, When Will My Benefits End?..... 29  
    What Kinds Of Alternative Employment Would I Be Required To Accept? ..... 29

PARTIAL DISABILITY .....	30
How Much Will I Receive If I Sustain A Service Connected Partial Disability?.....	30
How Much Will I Receive If I Sustain A Non-Service Connected Partial Disability? ...	30
If I Am Partially Disabled; When Will My Benefits End? .....	31
Can The City Require That I Undergo A Medical Examination? .....	31
If I Am Receiving Benefits, How Much Will I Receive Once I Reach Age 55? .....	32
Do I Have Any Options Regarding The Payment Of My Disability Benefits? .....	33
Will I Receive Service Credit While I Am Disabled?.....	35
What Happens If I Die While I Am Disabled?.....	35
Is My Benefit Adjusted For Changes In The Cost of Living? .....	35
How Are My Benefits Taxed?.....	38
PLAN CONTRIBUTIONS.....	40
How Are Benefits Funded? .....	40
Do I Have To Make Contributions To The Pension Plan?.....	40
Are My Contributions Credited With Interest? .....	40
Can I Withdraw My Contributions?.....	40
Do My Contributions End When I Reach Normal Retirement Date Or Complete 30 Years Of Credited Service?.....	41
How Much Does the City Contribute? .....	41
Can I Make Additional Contributions To The Plan? .....	41
Can I "Rollover" A Distribution From Another Retirement Plan? .....	41
How Are Contributions To The Plan Invested? .....	41
SPECIAL PROVISIONS APPLICABLE TO RETIREMENT INCOME ACCOUNTS.....	43
INVESTING YOUR RETIREMENT INCOME ACCOUNT.....	43
Can I Still Direct The Investment Of My Retirement Income Plan Account?.....	43
Who Decides What Investment Choices Are Available?.....	43
About The Investment Options.....	44
Before You Invest .....	44
Will I Still Receive An Account Statement? .....	45
DISTRIBUTION OF YOUR ACCOUNT .....	45
Payment Of Retirement Income Plan Account Following Termination of Employment With The City .....	45
Naming A Beneficiary.....	46
Required Distributions.....	46
How Are Benefits Paid? .....	46
How Is My Distribution Taxed? .....	47
Withholding .....	47
PLAN ADMINISTRATION.....	49
Who Administers The Plan?.....	49
APPLYING FOR PLAN BENEFITS .....	50

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

How Do I File A Claim For Benefits?.....	50
What If My Claim Is Denied?.....	50
May I Ask The Administrator To Reconsider My Claim If It Is Denied? .....	50
<b>OTHER IMPORTANT INFORMATION .....</b>	<b>52</b>
Can The Plan Be Changed? .....	52
Can The Plan Be Terminated?.....	52
Assignment Of Benefits.....	52
Update Your Address.....	52
Plan Name .....	52
Plan And Identification Numbers.....	53
Plan Administrator.....	53
Agent For Service Of Legal Process .....	53
Trustee.....	53
Plan Year .....	53
Who To Contact For More Information.....	53
<b>IMPORTANT TERMS USED IN THIS BOOKLET .....</b>	<b>54</b>
Administrator Or Plan Administrator.....	54
Average Monthly Compensation .....	54
Beneficiary .....	54
Benefit.....	54
Board .....	55
City.....	55
Compensation .....	55
Disability Or Disabled.....	55
Disability Income Plan.....	56
Disability Retirement Date.....	56
DROP Or Deferred Retirement Option Program .....	56
Early Retirement Date.....	56
Employee .....	56
Minimum Retirement Benefit.....	56
Non-Service Connected Partial Disability.....	57
Non-Service Connected Total And Permanent Disability .....	58
Normal Retirement Date .....	58
Participant.....	59
Past Service Election .....	59
Retirement Income Plan.....	59
Retirement Income Plan Account.....	59
Service Connected Partial Disability .....	60
Service Connected Total And Permanent Disability.....	61
Spouse.....	61
Year Of Service.....	62
Year Of Credited Service .....	62

# **The City Of Alexandria Firefighters And Police Officers Pension Plan Handbook**

## **INTRODUCTION**

---

The City of Alexandria Firefighters and Police Officers Pension Plan is a continuation of the City of Alexandria Retirement Income Plan for Firefighters and Police Officers that was established on February 13, 1979. The Plan was converted from a defined contribution plan to a defined benefit plan by a resolution adopted by the City Council on February 21, 2004 and renamed the City of Alexandria Firefighters and Police Officers Pension Plan. The Pension Plan covers all sworn firefighters and police officers employed by the City. Although the Plan was adopted by the City Council on February 21, 2004, it is effective retroactively as of January 1, 2004 with respect to individuals who were actively employed as City firefighters and police officers on February 21, 2004.

The Plan is designed to provide firefighters and police officers with a specified level of retirement benefits. Individual accounts are not maintained for Plan participants, and participants do not make investment decisions or assume investment risks. The amount of the retirement benefit provided under the Pension Plan is not affected by investment gains or losses of the Pension Plan.

If you were a participant in the Retirement Income Plan prior to February 21, 2004, and you did not make a past service election, or you had a rollover or voluntary after-tax contributions credited to your account on December 31, 2003, you still have an individual account under the defined contribution portion of the Plan.

The Plan also incorporates the provisions of the City of Alexandria Firefighters and Police Officers Disability Income Plan, which was combined with the Plan effective February 21, 2004. The Plan now provides all service and non-service connected disability benefits to firefighters and police officers who become disabled prior to their normal retirement date.

This booklet only applies to individuals who are actively employed as firefighters or police officers on or after February 21, 2004. If the City determined that you were disabled, or you retired or otherwise terminated your employment with the City as a firefighter or police officer before February 21, 2004, any benefits to which you are entitled under the prior Retirement Income Plan or Disability Income Plan will be determined under the provisions of those plans as in effect on the date that the City determined you were disabled or the date you retired or otherwise ceased to be employed as a City firefighter or police officer.

This booklet is intended to summarize the major provisions of the Pension Plan as in effect on February 21, 2004. It is not an official plan document. If there is any conflict between this booklet and the official plan document, the Plan document will control and

***Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City***

govern Plan determinations. You can obtain a copy of the plan document from the Pension Administrator through the City's intranet site at <http://intranet.alexgov.net>.

We hope you will read this booklet carefully and that you will find it helpful. We also hope that you will discuss it with your family. Please feel free to contact the Pension Administrator or Personnel Services Department with any questions about the Plan or your retirement benefits.

For more information about this Plan you may contact:

Pension Administrator  
City of Alexandria  
301 King Street  
City Hall, Suite 1600  
Alexandria, Virginia 22314  
703-838-4755

or visit the City's intranet site at <http://intranet.alexgov.net>.

## **PLAN ELIGIBILITY AND ENROLLMENT**

---

### **WHO DOES THE PLAN COVER?**

The Plan covers individuals who are actively employed as City firefighters and police officers on or after February 21, 2004. You automatically become eligible to participate in the Plan on the day you are sworn in as a firefighter or police officer of the City of Alexandria.

Please note that the Plan does not cover parking enforcement officers, tag enforcement officers or employees covered under the City of Alexandria Pension Plan for Firefighters and Police Officers.

### **DO I HAVE TO ENROLL IN THE PLAN?**

Yes. Participation in this Plan is mandatory and a condition of your employment with the City. When you are hired by the City as a sworn firefighter or police officer, you will receive an enrollment form from the Personnel Services Department, which, among other things, authorizes the City to deduct from your paycheck the amount you are required to contribute to the Plan. You must complete this enrollment form and return it to the Personnel Services Department.

### **WHEN DOES MY PARTICIPATION IN THE PLAN END?**

Your participation in the Plan will end as soon as:

- you terminate employment as a firefighter or police officer (even if you remain employed by the City);
- you are discharged;
- you retire;
- you die;
- the Administrator determines that you are disabled;
- you commence an unauthorized leave of absence; or
- you fail to return to work following the expiration of an authorized leave of absence.

### **WHAT HAPPENS IF I AM LATER RE-HIRED AS A FIREFIGHTER OR POLICE OFFICER?**

If you cease employment with the City as a sworn firefighter or police officer, but later return to your position, you will resume participation in Plan on the date you return to work as a sworn firefighter or police officer.

## **YEARS OF SERVICE AND YEARS OF CREDITED SERVICE**

---

### **WHAT ARE YEARS OF SERVICE?**

Your years of service determine whether you are eligible to receive a benefit under the Plan – that is, whether or not you are “vested.”

### **WHAT ARE YEARS OF CREDITED SERVICE?**

Your years of credited service determine the amount of the benefit you receive at retirement or the amount your spouse receives if you die before your retire. Years of credited service are also used to determine when you are eligible to retire.

### **HOW ARE MY YEARS OF SERVICE CALCULATED?**

Your years of service are based on the period of time that you are continuously employed by the City as a sworn firefighter or police officer. In most cases, this period starts on your date of hire as a firefighter or police officer and ends on the date you cease to be a City firefighter or police officer for any reason (e.g., if you quit, retire, die, are discharged or are absent from service for any other reason).

Your “years of service” are only expressed in whole years. This is because vesting is based on whole years of service. Thus, if you have completed 4 years and 9 months of employment as a firefighter or police officer, you would have 4 years of service for vesting purposes.

### **HOW ARE MY YEARS OF CREDITED SERVICE CALCULATED?**

Generally, your years of credited service are based on the same period of time that is used to calculate your years of service (i.e., the period that you are continuously employed by the City as a sworn firefighter or police officer). However, while all of your service as a firefighter or police officer is taken into account in computing your “years of service,” periods of employment prior to January 1, 2004 are not taken into account in determining your “years of credited service,” unless you were eligible for and actually made the past service election.

Your “years of credited service” are expressed in years and fractions of a year. Thus, if you have completed 5 years and 9 months of employment as a firefighter or police officer, you would have 5 3/4 years of credited service for purposes of calculating retirement benefits and determining retirement eligibility.

**HOW ARE MY YEARS OF SERVICE AND CREDITED SERVICE CALCULATED IF I START (OR END) WORK AS A FIREFIGHTER OR POLICE OFFICER DURING A MONTH?**

In calculating your years of service and years of credited service, only complete months of employment as a firefighter or police officer are taken into account (i.e., months during which you were employed as a firefighter or police officer on each day of the month). For example, if you became a firefighter or police officer on June 2<sup>nd</sup>, you would not begin receiving credit for "years of service" and "years of credited service" until July 1<sup>st</sup>. Similarly, if you terminate your position as a firefighter or police officer prior to the last day of a month, you will not receive service credit for the month of termination.

Note that while your credit for service may not start until the following month, you must begin making contributions to the Plan as soon as you are hired.

**WHAT IF I TERMINATE EMPLOYMENT AND I AM SUBSEQUENTLY REHIRED?**

If you are rehired as a firefighter or police officer, your prior service will be added to service completed after you are re-hired for purposes of determining your years of service and years of credited service. However, if you received a distribution of your employee contributions (and if you made the past service election, your minimum retirement benefit), you will be treated as a new employee unless you repay the entire distribution you received, plus interest at the rate of 7½% per annum from the date of distribution to the date of repayment. This repayment must be made (in full) within 90 days after the date you resume service as a firefighter or police officer. After this 90-day period expires, you will not be permitted to repay your prior distribution and have your prior service restored.

**WHAT IF I AM ON A LEAVE OF ABSENCE?**

***Authorized Leave of Absence***

Paid leaves of absence (such as vacation, sick days and paid holidays) are treated the same as active employment (i.e., you receive service credited during these periods).

If you are on an unpaid temporary absence from active service that is treated as an authorized leave of absence, you will not experience a break in your service credit, but you will not receive credit for the period you are on the authorized leave. However, if you fail to return to work at the end of your authorized leave, you will be treated as having terminated employment on the last day of your authorized leave.

***Military Service***

Military service is a period in which you are called to active duty in the uniformed armed services that includes active duty for training, initial and inactive duty training, full-time National Guard federal duty or absence from work for an examination to determine if you are eligible for military duty. The uniformed services include the armed forces (Army, Navy, Marine Corps, Air Force or Coast Guard), reservist or anyone designated by the President for military duty in time of war or emergency.

If you are called to active duty in the military while you are employed as a City firefighter or police officer, you will not experience a break in service for the period of time you are out on military leave. You will actually receive service credit for purposes of calculating the amount of your benefit.

In order to receive service credit, you must return to work with the City as a firefighter or police officer within the time period provided by the law following the completion of your military service. The length of your military service determines the time frame in which you must return to work for the City. If you do not return to work in the required time frame, then you are not eligible for service credit.

## **VESTING**

---

### **WHAT IS MY VESTED INTEREST IN THE PENSION PLAN?**

If you terminate your employment with the City as a firefighter or police officer prior to your early or normal retirement date, you will be entitled to receive a "deferred" retirement benefit if you are "vested." If you terminate employment and are not vested in your benefit, you will still receive the employee contributions you made towards your retirement benefit (plus interest), but you will not be entitled to a return of the contributions you made towards your disability benefit or any other benefits under the Plan.

The extent to which you are "vested" in your retirement benefit under the Pension Plan depends on whether you were employed by the City as a firefighter or police officer on December 31, 2003.

If you commenced or re-commenced employment as a City firefighter or police officer on or after January 1, 2004, you will be vested in your retirement benefit under the Plan in accordance with the following schedule:

<b>Years of Service for Vesting Purposes</b>	<b>Vesting Percentages</b>
Less than 5	0%
5 or more	100%

If you were employed by the City as a firefighter or police officer on December 31, 2003 (and have remained employed as a firefighter or police officer since that date), you will be vested in your retirement benefit under the Plan in accordance with the following schedule:

<b>Years of Service for Vesting Purposes</b>	<b>Vesting Percentages</b>
Less than 1	0%
1 but less than 2	20%
2 but less than 3	40%
3 but less than 4	60%
4 but less than 5	80%
5 or more	100%

You are always 100% vested in your employee contributions. This simply means that you are always entitled to receive 100% of your own employee contributions to the Plan when you terminate employment with the City, even if you are not "vested" in your retirement benefit under the Plan.

Also, if you made the past service election, your minimum retirement benefit is fully vested.

**WHAT IF I STILL HAVE AN ACCOUNT UNDER THE RETIREMENT INCOME PLAN?**

If you were a participant in the Retirement Income Plan prior to February 21, 2004, and you still have an account under the Retirement Income Plan, you are 100% vested in your account. (You would only have an account under the Retirement Income Plan if you did not make a past service election, or you had previously made voluntary after-tax contributions to the Plan or a rollover from an individual retirement account or another retirement plan prior to January 1, 2004.)

## **RETIREMENT BENEFITS**

---

### **WHEN CAN I RETIRE?**

If you are working as a City firefighter or police officer, you can elect to retire at any time after you have reached your normal retirement date or early retirement date.

### **NORMAL RETIREMENT**

#### **WHEN IS MY NORMAL RETIREMENT DATE?**

Your "normal retirement date" depends on when you started working for the City as a firefighter or police officer.

If you were employed by the City as a sworn firefighter or police officer prior to January 1, 2004, your normal retirement date is the first day of the month following your 55<sup>th</sup> birthday.

If you commenced employment as a City firefighter or police officer on or after January 1, 2004, your normal retirement date is the first day of the month following the date on which you turn age 55 and complete 5 years of credited service.

You may retire at any time after you reach your normal retirement date.

#### **HOW MUCH WILL I RECEIVE IF I RETIRE ON OR AFTER MY NORMAL RETIREMENT DATE?**

If you retire on your normal retirement date, you will receive a monthly benefit that is equal to:

- 2.5% of your average monthly compensation for each of the first 20 years of credited service; plus
- 3.2% of your average monthly compensation for each year of credited service between 20 and 30 years.

The number of years of credited service taken into account in computing your retirement benefit cannot exceed 30 and your monthly benefit under the Plan cannot exceed 82% of your average monthly compensation.

Your "average monthly compensation" is the average of the 60 consecutive highest months of compensation from employment as a sworn firefighter or police officer for the City. For this purpose, compensation is limited to base compensation (i.e., regular pay based on grade and step and excluding overtime, differentials, allowances, FLSA adjustments, etc.). (See the definitions of "average monthly compensation" and "compensation" under the heading **IMPORTANT TERMS USED IN THIS BOOKLET.**)

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

Your retirement benefit is paid each month following your retirement from the City and continues for the remainder of your life. Upon your death, no further benefits are payable to anyone. This type of benefit is commonly referred to as a "single life annuity."

Instead of having your retirement benefit paid as a single life annuity, you can elect to have your retirement benefit paid in any of the alternative forms permitted under the Plan. For example, if you are married and want to ensure that your spouse continues to receive benefits after your death, you would elect to receive your retirement benefit in the form of a joint and survivor annuity.

If you elect an alternate form of payment, your retirement benefit will be actuarially adjusted (reduced) so that your optional form of payment is the actuarial equivalent of a single life annuity. The actuarial reduction is not a penalty; it merely accounts for the fact that benefits will continue for a specified period (under the guaranteed period option) or that payments may be made over two lives, instead of one (under the joint and survivor annuity option). (See the discussion under PAYMENT OF RETIREMENT BENEFITS.)

Here is an example of how the retirement benefit is calculated for someone who retires on his or her normal retirement date.

John is 55 years of age and commenced employment with the City as a firefighter on May 10, 1981. He has not had a break in service since his date of hire.

John elects to stop working on June 19, 2004, after he has completed 22 years of credited service. John made the past service election (and exchanged his City funded Retirement Income account for pre-2004 credited service under the Pension Plan). John's highest 60 consecutive months of compensation were as follows:

6/1/2003 through 5/31/2004 – \$4,718  
6/1/2002 through 5/31/2003 – \$4,581  
6/1/2001 through 5/31/2002 – \$4,447  
6/1/2000 through 5/31/2001 – \$4,318  
6/1/1999 through 5/31/2000 – \$4,192

John would be entitled to a monthly benefit of \$2,510 effective on July 1, 2004 and continuing for the rest of his life. John's benefit was calculated as follows:

Step 1 – Determine Amount of Continuous Service

At the time of his retirement, John had 22 years of credited service. His credited service is measured from his date of hire to his date of retirement as a firefighter (May 10, 1981 to June 19, 2004). Since service is measured in complete calendar months, John does not receive any credited service credit for his month of hire (May, 1981) or his month of retirement (June, 2004).

**Step 2 – Determine John’s Average Compensation**

John’s average compensation would be \$4,451

12 months @ \$4,718 = \$ 56,616  
12 months @ \$4,581 = \$ 54,972  
12 months @ \$4,447 = \$ 53,364  
12 months @ \$4,318 = \$ 51,816  
12 months @ \$4,192 = \$ 50,304  
\$267,072

$\$267,072 \div 60 = \$4,451$

**Step 3 – Calculate Monthly Benefit Amount**

2.5% times 20 years times \$4,451 = \$2,225  
3.2% times 2 years times \$4,451 = \$ 285

Total benefit \$2,510

John’s benefit would continue for the rest of his life. John could also elect to have his retirement benefit paid in a form other than a single life annuity. If John elects an alternate form of payment, his benefit will be actuarially adjusted (reduced) so that the optional form of payment is the actuarial equivalent of a single life annuity. The actuarial reduction is not a penalty; it merely accounts for the fact that benefits will continue for a specified period (under the guaranteed period option) or that payments may be made over two lives, instead of one (under the joint and survivor annuity option). (See the discussion under PAYMENT OF RETIREMENT BENEFITS.)

Note that if you made the past service election, the amount of your monthly retirement benefit will be based upon the greater of (1) the monthly retirement benefit calculated under the "regular" retirement formula contained in the Pension Plan, or (2) the monthly benefit generated by the value of your minimum retirement benefit (i.e., the value of your Retirement Income account on December 31, 2003) and your employee retirement contribution benefit (i.e., your employee retirement contributions plus interest).

**EARLY RETIREMENT**

**CAN I RETIRE EARLY?**

Yes. If you are employed as a City firefighter or police officer on your early retirement date, you can retire early and receive either an unreduced or a reduced retirement benefit, depending on the number of years of credited service you have completed when you retire.

***Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City***

If you have completed 25 years of credited service, you can elect to retire before age 55 and begin receiving your full retirement benefit, without any reduction for the fact that you retired prior to your normal retirement date. The amount of your benefit is determined in the exact same manner as your normal retirement benefit.

In addition, you can also elect to retire early and receive a reduced retirement benefit once you have attained age 50 and completed at least 20 years of credited service.

If you have less than 25 years of credited service, your early retirement benefit is actuarially reduced to take into account the greater number of monthly payments you are expected to receive during your lifetime because you are retiring earlier than your normal retirement date. The early retirement reduction is not a penalty for retiring early; it merely accounts for the fact that the benefit you earned will be spread over a longer period of time. Therefore, you can expect to receive smaller payments but more of them.

The early retirement benefit is payable monthly for your life. You can also elect to have your early retirement benefit paid in a form other than a single life annuity. If you elect an alternate form of payment, your benefit will be actuarially adjusted (reduced) so that the optional form of payment is the actuarial equivalent of a single life annuity.

Here are some examples of how the retirement benefit is calculated for someone who retires early.

*Unreduced Benefit After 25 Years of Credited Service*

Andrew is 46 years of age and commenced employment with the City as a police officer on March 6, 1979. He has not had a break in service since his date of hire.

Andrew elects to retire effective April 1, 2004, after he has completed 25 years of credited service. Andrew made the past service election (and exchanged his City funded Retirement Income account for pre-2004 credited service under the Pension Plan). Andrew's highest 60 consecutive months of compensation were as follows:

4/1/2003 through 3/31/2004 – \$4,718  
4/1/2002 through 3/31/2003 – \$4,581  
4/1/2001 through 3/31/2002 – \$4,447  
4/1/2000 through 3/31/2001 – \$4,318  
4/1/1999 through 3/31/2000 – \$4,192

Andrew would be entitled to a monthly benefit of \$2,937 effective on April 1, 2004 and continuing for the rest of his life. Andrew's benefit was calculated as follows:

Step 1 – Determine Amount of Continuous Service

***Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City***

At the time of his retirement, Andrew had 25 years of credited service. His credited service is measured from his date of hire to his date of retirement as a police officer (March 6, 1979 to March 31, 2004). Since service is measured in complete calendar months, Andrew does not receive any credited service credit for his month of hire (March, 1979) but does receive credit for his last month of employment (March, 2004) since he worked the entire month.

**Step 2** – Determine Andrew's Average Compensation

Andrew's average compensation would be \$4,451

12 months @ \$4,718 =	\$ 56,616
12 months @ \$4,581 =	\$ 54,972
12 months @ \$4,447 =	\$ 53,364
12 months @ \$4,318 =	\$ 51,816
12 months @ \$4,192 =	<u>\$ 50,304</u>
	\$267,072

$\$267,072 \div 60 = \$4,451$

**Step 3** – Calculate Monthly Benefit Amount

2.5% times 20 years times \$4,451 = \$2,225

3.2% times 5 years times \$4,451 = \$ 712

Total benefit     \$2,937

Because Andrew had completed 25 years of credited service when he retired, Andrew's benefit is not reduced for commencement prior to age 55.

Andrew's benefit would continue for the rest of his life. Andrew could also elect to have his retirement benefit paid in a form other than a single life annuity. If Andrew elects an alternate form of payment, his benefit will be actuarially adjusted (reduced) so that the optional form of payment is the actuarial equivalent of a single life annuity. The actuarial reduction is not a penalty; it merely accounts for the fact that benefits will continue for a specified period (under the guaranteed period option) or that payments may be made over two lives, instead of one (under the joint and survivor annuity option). (See the discussion under PAYMENT OF RETIREMENT BENEFITS.)

***Early Retirement After Age 50 (With At Least 20 Years of Credited Service)***

Sue is 50 years of age and commenced employment with the City as a firefighter on May 10, 1984. She has not had a break in service since her date of hire.

Sue elects to retire effective June 1, 2004, after she has completed 20 years of credited service. Sue made the past service election (and exchanged her City funded

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

Retirement Income account for pre-2004 credited service under the Pension Plan). Sue's highest 60 consecutive months of compensation were as follows:

6/1/2003 through 5/31/2004 – \$4,718  
6/1/2002 through 5/31/2003 – \$4,581  
6/1/2001 through 5/31/2002 – \$4,447  
6/1/2000 through 5/31/2001 – \$4,318  
6/1/1999 through 5/31/2000 – \$4,192

Sue would be entitled to a monthly benefit of \$2,225 as of the first day of the month following her 55<sup>th</sup> birthday (i.e., effective June 1, 2009). Sue's benefit was calculated as follows:

Step 1 – Determine Amount of Continuous Service

At the time of her retirement, Sue had 20 years of credited service. Her credited service is measured from her date of hire to her date of retirement as a firefighter (May 10, 1984 to May 31, 2004). Since service is measured in complete calendar months, Sue does not receive any credited service credit for her month of hire (May, 1984) but does receive credit for her last month of employment (May, 2004) since she worked the entire month.

Step 2 – Determine Sue's Average Compensation

Sue's average compensation would be \$4,451

12 months @ \$4,718 = \$ 56,616  
12 months @ \$4,581 = \$ 54,972  
12 months @ \$4,447 = \$ 53,364  
12 months @ \$4,318 = \$ 51,816  
12 months @ \$4,192 = \$ 50,304  
\$267,072

$\$267,072 \div 60 = \$4,451$

Step 3 – Calculate Monthly Benefit Amount

$2.5\% \text{ times } 20 \text{ years times } \$4,451 = \$2,225$

Sue's benefit would commence in June 2009 (following her 55<sup>th</sup> birthday), and would continue for the rest of her life. Sue could also elect to begin benefits immediately, in which case her benefits would be actuarially reduced to account for the fact that her retirement benefit will be paid over a longer period of time. In Sue's case, if she elected to commence benefits immediately in the form of a single life annuity, her benefit would be reduced from \$2,225 to \$1,392.

Sue could also elect to have her early retirement benefit paid in a form other than a single life annuity. If Sue elects an alternate form of payment, her benefit will be subject to another actuarial adjustment (reduction) so that the optional form of payment is the actuarial equivalent of a single life annuity. The actuarial reduction is not a penalty; it merely accounts for the fact that benefits will continue for a specified period (under the guaranteed period option) or that payments may be made over two lives, instead of one (under the joint and survivor annuity option). (See the discussion under PAYMENT OF RETIREMENT BENEFITS.)

## **DEFERRED RETIREMENT**

### **CAN I ELECT TO WORK PAST MY NORMAL RETIREMENT DATE?**

Yes. You do not have to retire on your normal retirement date. If you continue to work after your normal retirement date, you will continue to participate in the Plan (as long as you remain employed as a City firefighter or police officer) and your retirement benefit will not be distributed to you until your actual retirement. However, please keep in mind that no more than 30 years of credited service can be taken into account in computing your retirement benefit and your monthly benefit under the Plan cannot exceed 82% of your average monthly compensation.

### **WHAT IS THE DEFERRED RETIREMENT OPTION PROGRAM (DROP)?**

The DROP is a program that allows you to continue working for the City as a firefighter or police officer for a period of up to 3 years and to have your retirement benefits credited to a deferred account at the same time. Participation in the DROP is entirely *voluntary*. If you do not want to commit to a retirement date, you can continue working until you are ready to retire.

### **WHO IS ELIGIBLE FOR THE DROP?**

The deferred retirement program is available to participants who have completed 30 or more years of credited service and are not ready to retire.

While the DROP is voluntary, once you elect to participate in the DROP, you must actually retire within 3 years from the date your DROP election becomes effective.

### **CAN I CHANGE MY MIND ABOUT RETIREMENT ONCE I ELECT TO PARTICIPATE IN THE DROP?**

Your election can be revoked any time within 7 days. After this 7 day period has expired, your election to participate in the DROP is irrevocable.

### **DO I HAVE TO WORK FOR 3 YEARS IF I ELECT TO PARTICIPATE IN THE DROP?**

No. You can elect to retire at any time. However, you must retire no later than 3 years after your DROP effective date.

**DOES MY STATUS CHANGE IF I ELECT TO PARTICIPATE IN THE DROP?**

For purposes of the Plan, you would be treated as if you actually retired and commenced retirement benefits on the date your DROP election takes effect. Thus, for example, compensation increases after your DROP effective date will not increase or affect your average monthly compensation or the amount of your future retirement benefit. In addition, once you reach your DROP effective date, you would no longer be required to make employee retirement or disability contributions to the Plan and you will not receive credit for service completed during your DROP period.

If you elect to participate in the DROP, your retirement benefit will be paid in one of the annuity forms permitted under the Plan. The limited lump sum option discussed on page 20 will not be available when you start receiving your retirement benefits.

Except for purposes of the Plan, you are treated like any other active firefighter or police officer (and are eligible for pay increases, promotions, etc.) during your DROP period.

Participation in the DROP is not a guarantee of continued employment. You are subject to discharge, suspension, lay-off, etc. on the same basis as any other active firefighter or police officer.

**HOW DO I ELECT TO PARTICIPATE IN THE DROP?**

If you are eligible, you can elect to participate in the DROP by filing a DROP election at least 60 days prior to your proposed DROP effective date. You can obtain a DROP election form from the Personnel Services Department.

**WHAT DO I RECEIVE IF I ELECT TO PARTICIPATE IN THE DROP?**

If you elect to participate in the DROP, the amount of retirement benefits you would normally receive are credited to a special "DROP account" in your name. You can choose to have the credit to your DROP account based on any of the optional annuity forms permitted under the Plan (a life annuity; a joint and 50%, 66 2/3% or 100% survivor annuity; or a 60, 120, 180 or 240 month guaranteed period option). However, the limited lump sum option would not apply.

Interest is credited on your DROP account at the rate of 3% per annum. In addition, your DROP account is credited with any cost of living adjustment that you would have received if you had actually retired.

**WHEN DO I RECEIVE MY DROP ACCOUNT AND HOW IS IT PAID?**

Your DROP account is paid to you when you actually retire. The account can be paid as a lump sum or used to increase your retirement annuity (at your option). It can also be rolled over to an individual retirement account or another eligible retirement plan.

**WHAT HAPPENS IF I BECOME DISABLED DURING THE DROP PERIOD?**

Since you are treated as if you retired on your DROP effective date, you are not eligible for any disability benefits under the Plan. However, if you have not yet reached age 55 (when coverage for a disability normally ends), you would receive disability benefits if you sustain a service connected total or partial disability prior to age 55.

**WHAT HAPPENS IF I DIE DURING THE DROP PERIOD?**

If you die during the DROP period, your beneficiary will receive the balance of your DROP account. However, the determination of whether any other death benefits are payable will be based on the form in which you elected to have your retirement benefit paid to your DROP account. Thus, if you elected to have your benefit credited to your DROP account in the form of a life annuity (with no survivor benefits) and you die during your DROP period, the only benefit payable upon your death would be the amount actually credited to your DROP account before your death. On the other hand, if you elected a joint and 100% survivor annuity, your beneficiary would continue to receive annuity payments following your death.

**CAN I CHANGE THE WAY IN WHICH MY BENEFIT IS PAID AFTER I ACTUALLY RETIRE (AT THE END OF THE DROP PERIOD)?**

Yes. When you actually retire, you can elect to have your retirement benefit paid in any of the annuity or guaranteed period forms permitted under the Plan – regardless of the method you choose to have your benefit paid during the DROP period. Thus, if you had elected to have your benefit paid in the form of a joint and 100% survivor annuity during the DROP period, after you actually retire you can change your mind and elect to have benefits paid after your actual retirement in the form of a life annuity. However, you could not elect the limited lump sum in lieu of your retirement benefits.

**RETURN TO SERVICE FOLLOWING RETIREMENT**

**WHAT HAPPENS TO MY RETIREMENT BENEFIT IF I RETURN TO WORK WITH THE CITY AFTER I RETIRE?**

If you retire and then return to work as a firefighter or police officer after you start receiving your benefits under the Pension Plan, your retirement benefits will stop while you are working as a City firefighter or police officer. The calculation of your retirement benefit will change when you stop working again because you will have additional credited service when your retirement benefit is recalculated. When you retire again you will receive your recalculated benefit, minus any amounts you previously received before coming back to work for the City.

If you return to work for the City in any other capacity (i.e., in a position other than as a firefighter or police officer), your retirement benefit will not stop while you are working for

the City. However, if you retire prior to your normal retirement date, you cannot retire and be re-employed immediately in another capacity. Instead, it must be clear that you actually terminated all employment with the City and were later hired in a capacity other than as a firefighter or police officer. Also, note that if you are re-employed in any other capacity you will not earn any additional benefits under the Plan with respect to your service as City employee.

### **TERMINATION PRIOR TO RETIREMENT**

#### **WHAT HAPPENS TO MY BENEFIT IF I CEASE EMPLOYMENT AS A FIREFIGHTER OR POLICE OFFICER BEFORE BECOMING ELIGIBLE FOR EARLY OR NORMAL RETIREMENT?**

If you cease to be a City firefighter or police officer before you become eligible for early or normal retirement, you will still be eligible for a retirement benefit (based upon your average monthly compensation and years of credited service at that time) as long as you are vested in all or a portion of your benefit when you terminate employment with the City as a firefighter or police officer. This is called a deferred vested benefit. Note that any benefit to which you may be entitled will be based on the terms of the Plan in effect on the date you terminate employment with the City as a firefighter or police officer (including, for example, the pension multiplier).

The deferred vested benefit is payable to you at age 55.

If you terminate with a deferred vested benefit, you can elect to receive a lump sum cash payment in an amount equal to the sum of the your employee retirement contributions (plus interest) and, if applicable, your minimum retirement benefit. Your election can be made anytime after you are no longer employed by the City in any capacity, or you attain age 55. However, it must be made prior to the date your deferred vested benefit is due to commence.

If you are not vested in your benefit when you cease to be a firefighter or police officer, you will automatically receive a return of your employee contributions plus interest shortly after the date you terminate all employment with the City.

If you are vested in all or part of your retirement benefit, but the present value of your benefit is \$5,000 or less (including your employee retirement contributions plus interest), you will automatically receive a lump sum distribution of your benefit shortly after the date you terminate all employment with the City.

### **PAYMENT OF RETIREMENT BENEFITS**

#### **HOW IS MY RETIREMENT BENEFIT PAID?**

The normal form of a retirement benefit under the Plan is a single life annuity; that is, a regular monthly income to you *only* for your life.

**DO I HAVE ANY OPTIONS REGARDING THE PAYMENT OF MY RETIREMENT BENEFIT?**

Yes. You can elect to have your retirement benefit paid in any of the optional forms of payment permitted under the Plan. However, your election must be made before your benefits begin.

The Plan provides for several different forms of payment of your retirement benefit. You may elect one of the optional forms of payment. If your benefit is paid under a form other than the single life annuity, your benefit will be actuarially adjusted (i.e., reduced). The amount of the reduction is based on the value of any benefit that continues after your death and reflects the longer period of time a payment may be required.

*Once your benefit begins, you cannot change the manner in which your benefit is paid.*

**WHAT OPTIONAL FORMS OF PAYMENT DOES THE PLAN PROVIDE?**

The Plan allows you to have your Retirement Benefit paid in any of the following forms:

***Joint & Survivor Annuity Option***

A joint and survivor annuity provides monthly payments to you during your life and, upon your death, either 50%, 66 2/3% or 100% of your payment (as elected by you) will be made to your designated beneficiary for the rest of his or her life. No benefits will be paid to anyone after the death of you and your beneficiary. If your beneficiary dies before you, no further payments will be made to anyone after your death.

You are only allowed to designate your spouse, your natural or legally adopted children, or your stepchildren (by marriage) as your beneficiary under the joint and survivor option.

*Once your benefits commence under the joint and survivor annuity option, you cannot change your designated beneficiary. Thus, for example, if you retire and designate your spouse as your beneficiary, and later get divorced and remarry, you cannot change your beneficiary to your new spouse.*

If you elect a joint and survivor annuity, your monthly payments will be reduced in order to reflect the fact that payments are expected to continue to your beneficiary after your death.

***Guaranteed Payment Option***

The guaranteed payment option guarantees that your monthly retirement benefit will be paid for 60, 120, 180, or 240 months (as elected by you). If you die before the number of guaranteed monthly payments (60, 120, 180 or 240) have been made, your designated beneficiary will receive your payments until the total number of

guaranteed payments have been made to you and your beneficiary. Inasmuch as this option simply assures that at least 60, 20, 180 or 240 monthly payments (as elected by you) will be made, if you die after the selected number of guaranteed monthly payments have been made to you, no payments will be made to your beneficiary after your death. If your beneficiary dies before you die, you can designate another beneficiary to receive any benefits payable after your death. You may also change the designated beneficiary under the guaranteed payment option at any time (even after benefits commence) by completing another election form and submitting it to the Plan Administrator.

If you elect this form of payment, your monthly payments will be reduced to reflect the value of the guaranteed payment period.

### ***Lump Sum Option***

You can elect to receive the value of your DROP account or Retirement Income Plan account in a single lump sum.

If you terminate employment prior to becoming eligible for normal retirement, you can also elect to receive a lump sum cash payment in an amount equal to the sum of the your employee contributions account (and, if applicable, your minimum retirement benefit). If you elect to receive a lump sum payment of your employee contributions and minimum retirement benefit, this payment will be in lieu of all other benefits you are entitled to receive under the Pension Plan. This option does not apply if you have reached your normal retirement date or you are receiving disability benefits. In addition, the lump sum option is not available to participants in the DROP.

### **IF I ELECT TO HAVE MY BENEFIT PAID IN ONE OF THE OPTIONAL FORMS, HOW MUCH WILL MY BENEFIT BE REDUCED?**

Retirement benefits under the Plan are based on a single life annuity. Thus, if you want your benefit paid in another form, the amount you receive must be adjusted to reflect that benefits may be paid over a longer period. The different forms of benefit are designed so that they are equivalent, from an actuarial standpoint. Although the amount of the adjustment depends on your age and the age of your beneficiary (if you elect a joint and survivor option), we will try to give you some idea of the adjustment you could expect.

Paul retires at age 55 with 25 years of credited service and average monthly compensation of \$5,000. Paul is married and his spouse is also 55 years old. The following illustrates the amount Paul could expect to receive under a joint and survivor annuity or guaranteed period options:

Optional Form of Benefit	Amount Payable During Paul's Lifetime	Amount Payable To Paul's Beneficiary
Life Annuity	\$3,300	\$0
Joint and 50% Survivor Annuity	\$3,018	\$1,509
Joint and 66-2/3% Survivor Annuity	\$2,934	\$2,200
Joint and 100% Survivor Annuity	\$2,779	\$2,779
60 month Guaranteed Period Option	\$3,285	*\$3,285
120 month Guaranteed Period Option	\$3,243	*\$3,243
180 month Guaranteed Period Option	\$3,171	*\$3,171
240 month Guaranteed Period Option	\$3,071	*\$3,071

\*Amount only payable if Paul dies before expiration 60, 120, 180 or 240 month guaranteed payment period.

When you are ready to retire, the Personnel Services Department will supply you with an estimate of the benefits you would receive under the various optional forms permitted under the Plan.

**DOES MY SPOUSE HAVE TO CONSENT TO THE PAYMENT OF MY BENEFIT IN A FORM OTHER THAN A JOINT AND SURVIVOR ANNUITY?**

No. However, if you are married and you elect a form of benefit other than a joint and survivor annuity (with your spouse as your beneficiary), the Plan Administrator will advise your spouse of your benefit election before it becomes effective.

**DESIGNATION OF BENEFICIARY**

When you complete your application for a retirement benefit, you will be asked to designate a beneficiary if you elect a joint and survivor annuity or the guaranteed payment option.

You *must* designate a beneficiary at the time you complete your retirement application in order to receive your benefit under the joint and survivor annuity option. Your beneficiary under the joint and survivor annuity option must be your spouse, one or more natural or legally adopted children, or your stepchildren (by marriage). Once your benefits commence under the joint and survivor annuity option, you cannot change your beneficiary for any reason.

If you elect the guaranteed payment option, you can change the designated beneficiary at any time (even after benefits commence) by completing another election form and submitting it to the Plan Administrator. If you fail to designate a beneficiary, or your designated beneficiary dies before you die and you do not designate a new beneficiary, then any amount payable following your death will be paid to your spouse, children, parents or your estate (in that order).

## **APPLICATION FOR BENEFITS**

Your retirement benefit is not paid automatically. You must apply for your retirement benefit. You can obtain the necessary application forms from the Personnel Services Department or call (703) 838-4425. The Personnel Services Department is open Monday through Friday from 8:00 a.m. to 5:00 p.m. You can also obtain the necessary forms from the City's intranet site at <http://intranet.alexgov.net>.

When you are ready to start receiving your retirement benefit, you should contact the Personnel Services Department. The Personnel Services Department will supply you with an estimate of your retirement benefit and the amount you could expect to receive if you elect to have your retirement benefit paid in one of the optional forms permitted under the Plan.

You may be asked to provide personal data, such as proof of your age and the age of your beneficiary at the time you apply for benefits.

Once you complete your application, a retirement specialist is available to meet with you and review your retirement options.

You may change your election while your application for a retirement benefit is pending, but not once your retirement benefits begin.

### **WHEN ARE RETIREMENT BENEFITS PAID?**

Retirement benefits are payable at the end of the month they cover. For example, a retirement benefit for the month of July is payable on July 31. The initial payment of a retirement benefit is usually received 15-25 days after the normal payment date, due to the time required to set up payment of the benefit with the Plan's bank. Thus, for a retirement effective date of July 1, the first payment would be expected sometime around August 25.

### **WHAT BENEFITS ARE PAYABLE IF I DIE?**

The benefits payable upon your death depend on whether you die before or after your retirement benefits have commenced and whether or not you are receiving disability benefits.

### **WHAT HAPPENS IF I DIE BEFORE MY RETIREMENT BENEFITS HAVE COMMENCED?**

If you are not disabled and you die before your retirement benefits have commenced, your beneficiary would normally receive:

- the contributions you made to the plan with respect to your retirement benefits (but not your disability benefits) and the interest credited on these employee contributions;

***Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City***

- the balance of your Retirement Income Plan account (if you still have an account). (You would only have an account under the Retirement Income Plan if you did not make a past service election, or you had previously made voluntary after-tax contributions to the Plan or a rollover from an individual retirement account or another retirement plan prior to January 1, 2004);
- if you were eligible for and made the past service election, your minimum retirement benefit.

A special death benefit applies if (1) you have been married for at least one year at the time of your death (or you have been married for less than one year and you died as a result of an accidental injury), and (2) you were either actively employed as a firefighter or police officer at the time of your death or you had reached your early, normal or disability retirement date but had not yet commenced retirement benefits. If these requirements are met, your spouse can elect to receive:

- the death benefit payable to a participant who is not married; or
- the balance of your Retirement Income Plan account (if you still have an account); plus
- a monthly benefit payable for the rest of your spouse's life equal to the amount your spouse would have received if you had retired the day before your death and elected to have your benefits paid in the form of a joint and 50% survivor annuity.

The amount of the benefit payable to your surviving spouse is based on your average monthly compensation and years of credited service when you die.

The survivor annuity will commence immediately to your spouse and will not be actuarially reduced for early commencement.

There is one instance in which the special spousal death benefits are not payable, even if you are still actively employed as a firefighter or police officer. If you have made a DROP election, you are treated as if you retired and commenced retirement benefits on your DROP effective date.

**WHAT DEATH BENEFITS ARE PAYABLE IF I MAKE A DROP ELECTION?**

The benefits payable if you die during the DROP period are discussed on page 17.

**WHAT HAPPENS IF I DIE AFTER I AM DISABLED?**

If you are disabled and you die prior to age 55 and you did not elect the contingent annuitant option, your disability benefits will end and you will be treated as if you had died while you were still employed for purposes of determining whether your beneficiary is entitled to any benefits under the retirement portion of the Plan following your death.

Note that if you elected the contingent annuitant option under the disability provisions of the Plan and you die prior to age 55, disability benefits will continue to your contingent annuitant following your death. The amount payable following your death reflects the full death benefit payable under the Plan.

If you die after attaining age 55 while disabled, and you are still receiving disability benefits (i.e., your retirement benefits did not fully offset your disability benefits), your disability benefits would end, unless you elected the contingent annuitant option. The extent to which any benefits are payable after your death with respect to your retirement benefits would depend on the manner in which you elected to have your retirement benefits paid. See the discussion under **WHAT HAPPENS IF I DIE AFTER MY RETIREMENT BENEFITS HAVE COMMENCED?**

**WHAT HAPPENS IF I DIE AFTER MY RETIREMENT BENEFITS HAVE COMMENCED?**

If you die after you begin to receive your retirement benefits, the extent to which any benefits are payable after your death would depend on the manner in which you elected to have your retirement benefits paid. If you elected an optional form of payment that provides benefits after your death (i.e., the joint and survivor or guaranteed payment option) your beneficiary would receive any benefits payable after your death under the optional form of payment you elected when you retired.

**ARE RETIREMENT AND SURVIVOR BENEFITS ADJUSTED FOR CHANGES IN THE COST OF LIVING?**

Yes. Each May 1, retirement benefits that are paid to you or your beneficiary in the form of a monthly annuity will be adjusted (upward or downward) to reflect changes in the cost of living (but not by more than 3% in any one year).

The cost-of-living adjustment is based upon the Consumer Price Index for All Urban Wage Earners (CPI-U) for the Washington, D.C. Metropolitan area for the most recent 12-month period. However, the manner in which the cost of living adjustment is calculated differs slightly depending upon whether the benefit is being paid to your beneficiary under the joint and survivor option (with a less than 100% survivor annuity).

***Cost-of-Living Adjustment applicable to benefits paid to you or to your survivor under the guaranteed period option or joint and 100% survivor annuity***

Each year the benefit payable to you or your beneficiary will be adjusted for changes in the CPI-U since your retirement benefits commenced. However, the change for any given year will not exceed 3%.

In addition, in no event will the benefit be increased to an amount that is more than twice the benefit initially payable to you when you retired.

**Example:**

Renee, who is a sworn police officer employed by the City, retired on January 15, 2005 with 25 years of credited service. At the time she retired she elected to have her retirement benefit paid in the form of a joint and 100% survivor annuity (with her spouse as her beneficiary). Her initial retirement benefit (after being adjusted for the survivor annuity) was \$3,000 per month.

During 2005, the CPI-U rose from 183.0 to 187.6, an increase of 2½%.

On May 1, 2006, Renee's monthly disability benefit would be increased by 2½% – from \$3,000 to \$3,075.

Each year, Renee's benefit will be adjusted to further reflect changes in the CPI-U. However, in no event would the benefit paid to Renee (or her spouse after her death) exceed \$6,000 (twice her initial retirement benefit of \$3,000).

**Cost-of-Living Adjustment applicable to beneficiary under a joint and 50% or 66-2/3% survivor annuity**

The cost-of-living adjustment for benefits payable to you if you elect a joint and 50% or 66-2/3% survivor annuity is the same as the cost-of-living adjustment described above. However, the adjustment applicable to your beneficiary following your death varies slightly in order to properly reflect the effect of the reduced annuity benefit payable to your beneficiary.

After your death the "reduced" benefit payable to your beneficiary is adjusted for changes in the cost of living. However, the annual adjustment (as well as the 3% annual limit and 200% aggregate limit of the COLA) is applied as if this reduced benefit had been in effect since the date you retired. The net effect is that the amount of the adjustment for any given year will not exceed 3% of the reduced survivor annuity and in no event will the survivor annuity be increased to an amount that is more than twice the benefit that would have been paid to your beneficiary if you had died the day after your retirement benefits commenced.

**Example:**

Bill retired at age 55 with 30 years of credited service. At the time he retired, he elected to have his benefit paid in the form of a joint and 50% survivor annuity with his spouse as his beneficiary. Bill's initial retirement benefit was \$5,200 per month (after adjustment for the 50% survivor annuity). When Bill died several years later, his COLA adjusted monthly

retirement benefit was \$6,000, so that his surviving spouse was initially entitled to receive a monthly benefit of \$3,000.

During the year following Bill's death, the CPI-U rose 2½%.

On May 1 of the next year, the monthly benefit payable to Bill's spouse would be increased from \$3,000 to \$3,075. Each year, the survivor benefit will be adjusted further for changes in the CPI-U. However, in no event can the survivor benefit from the Plan exceed \$5,200 (twice the amount of the benefit his surviving spouse would have received if Bill had died the day after he retired and his spouse had begun receiving a survivor annuity of \$2,600 – 50% of Bill's initial retirement benefit of \$5,200).

### **HOW IS MY DISTRIBUTION TAXED?**

Because your employee contributions for retirement benefits are made on a pre-tax basis, the entire amount of your monthly retirement benefit will be taxable to you (and your beneficiary) for income tax purposes. Federal income taxes will be withheld from your distribution (unless you elect not to have federal income taxes withheld).

Different tax rules apply if you receive a lump sum distribution of your retirement benefit. You can receive a lump sum distribution for several reasons:

- The value of your retirement benefit is \$5,000 or less;
- You elected to withdraw your employee retirement contributions (plus interest) and, if applicable, your minimum retirement benefit); or
- You elected a lump sum distribution of your DROP account.

If you receive a lump sum distribution, you can avoid current taxation of your distribution by rolling it over or directly transferring it to another tax deferred retirement plan.

A lump sum distribution to you (or your spouse following your death) can be rolled over to an IRA, or into another employer's tax-deferred retirement plan that will accept a rollover from the Plan (whether a qualified retirement plan, 403(b) plan or governmental 457(b) plan), within 60 days of receipt. You may also elect to have the distribution directly transferred to the IRA or other retirement plan.

Generally, 20% of the taxable portion of any lump sum distribution under the Plan that is not directly transferred to an IRA or another employer's tax-deferred retirement plan must be withheld as an estimated payment toward the taxes due. Note that you cannot elect to forgo the required 20% withholding on an otherwise eligible distribution. In addition, the required 20% withholding applies even if you plan to roll over your distribution to an IRA or to another employer's tax-deferred retirement plan within 60 days. You can avoid the required 20% withholding by requesting a direct transfer of your distribution to an IRA or to another employer's tax-deferred retirement plan.

***Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City***

If you receive a lump sum distribution before age 55 and you do not transfer or roll over the lump sum distribution that you receive, you may be required to pay an additional 10% Federal tax on the taxable portion of your distribution.

The tax laws that apply to distributions from retirement plans are complex. Before you elect to have your distribution paid to you or decide to transfer it to another employer's tax-deferred retirement plan or to an IRA, you should talk to your tax advisor.

## **DISABILITY BENEFITS**

---

### **IF I BECOME DISABLED, AM I ELIGIBLE FOR BENEFITS?**

Generally, yes. The Plan provides benefits if, while you are actively employed as a City firefighter or police officer, you incur a service or non-service connected total and permanent disability or a service or non-service connected partial disability prior to age 55. *However, you are not eligible for benefits if:*

- *your injury or illness occurs after age 55, or*
- *your injury or illness results from (or consists of) addiction to narcotics or results from your participation in a felonious act.*

The Plan provides two types of disability benefits: a basic disability benefit that is payable during your period of disability (but not beyond age 55), and a supplemental disability benefit that is payable after you reach age 55.

### **HOW MUCH OF A DISABILITY BENEFIT WILL I RECEIVE IF I BECOME DISABLED BEFORE AGE 55?**

The amount of the disability benefit you will receive depends on the nature of your disability and whether or not it is service connected.

## **TOTAL AND PERMANENT DISABILITY**

### **HOW MUCH WILL I RECEIVE IF I SUSTAIN A SERVICE CONNECTED TOTAL AND PERMANENT DISABILITY?**

If you suffer a service connected total and permanent disability while you are actively employed as a City firefighter or police officer, you are eligible for a disability benefit equal to 70% of your average monthly compensation.

#### ***Example:***

Beth, who is a sworn police officer employed by the City, suffers a service connected total and permanent disability on December 31. Beth's highest total monthly compensation during any 60 consecutive month period was \$249,960, so that her average monthly compensation is \$4,166 per month ( $\$249,960/60 = \$4,166$ ). Beth is entitled to a monthly disability benefit of \$2,916. ( $70\% \times \$4,166$  (average monthly compensation) = \$2,916)

Beth will receive \$2,916 a month, or \$35,000 per year, for as long as she remains totally and permanently disabled (but not beyond age 55).

**HOW MUCH WILL I RECEIVE IF I SUSTAIN A NON-SERVICE CONNECTED TOTAL AND PERMANENT DISABILITY?**

If you suffer a non-service connected total and permanent disability, you are eligible for a disability benefit equal to 66-2/3% of your average monthly compensation.

**Example:**

John, who is a sworn firefighter employed by the City, suffers a non-service connected total and permanent disability on December 31. John's highest total monthly compensation during any 60 consecutive month period was \$249,960, so that his average monthly compensation is \$4,166 per month ( $\$249,960/60 = \$4,166$ ). John is entitled to a monthly disability benefit of \$2,777. ( $66\text{-}2/3\% \times \$4,166$  (final average earnings) = \$2,777)

John will receive \$2,777 a month, or \$33,324 per year, for as long as he remains totally and permanently disabled (but not beyond age 55).

**IF I AM TOTALLY AND PERMANENTLY DISABLED, WHEN WILL MY BENEFITS END?**

If you suffer a service or non-service connected total and permanent disability you will receive disability benefits under the Plan until:

- The Administrator determines, on the basis of a medical examination, that you are no longer permanently and totally disabled;
- you refuse to undergo a medical examination requested by the Administrator;
- your Social Security benefits cease;
- you resume a regular occupation or employment;
- you refuse alternative employment;
- you reach age 55; or
- you die

(whichever happens first.)

If you cease to be totally and permanently disabled, you may still be eligible to receive a benefit for a partial disability.

**WHAT KINDS OF ALTERNATIVE EMPLOYMENT WOULD I BE REQUIRED TO ACCEPT?**

If you receive a disability benefit under the Plan, you are required to accept employment in any position the City determines you are qualified to perform. However, the location of the new position must be suitable, based on your place of residence. The City assumes the cost of retraining and/or rehabilitation for you so that you can rejoin the workforce.

Prior to being required to accept alternative employment, a detailed job description will be presented to an independent physician, who will review the description and your medical records to determine whether you are medically able to perform the duties of the job.

You will then be provided with a copy of the job description and location, as well as the Physician's report indicating that the alternative employment is suitable for you.

If you believe you have "just cause" for declining the position, you may refuse the offer of alternative employment by filing a written statement with the Administrator within 10 days after the City notifies you of the job location and description. Your written statement must include the reasons why you do not believe the alternative employment offered to you is appropriate.

If the Administrator disagrees with your position, and you are receiving workers' compensation benefits, the decision as to whether the alternative employment is suitable for you will be made by the Virginia Workers' Compensation Commission. If you are not receiving workers' compensation benefits, the City Attorney will act as an impartial arbitrator and render a written final decision as to whether the alternative employment is suitable.

### **PARTIAL DISABILITY**

#### **HOW MUCH WILL I RECEIVE IF I SUSTAIN A SERVICE CONNECTED PARTIAL DISABILITY?**

If you suffer a service connected partial disability while you are actively employed as a City firefighter or police officer, you are eligible for a disability benefit equal to 66-2/3% of your average monthly compensation, less the amount of your workers' compensation benefits.

#### ***Example:***

Nancy, who is a sworn firefighter employed by the City, suffers a service connected partial disability on December 31. Nancy's highest total monthly compensation during any 60 consecutive month period was \$249,960, so that her average monthly compensation is \$4,166 per month ( $\$249,960/60 = \$4,166$ ). Nancy is entitled to a monthly disability benefit of \$2,777, less the amount of her workers' compensation benefits. ( $66\text{-}2/3\% \times \$4,166$  (average monthly compensation) = \$2,777)

Nancy will receive \$2,777 a month, less the amount of her workers' compensation benefits, for as long as she remains partially disabled (but not beyond age 55).

#### **HOW MUCH WILL I RECEIVE IF I SUSTAIN A NON-SERVICE CONNECTED PARTIAL DISABILITY?**

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

If you suffer a non-service connected partial disability while you are actively employed as a City firefighter or police officer, you are eligible for a disability benefit equal to 50% of your average monthly compensation.

**Example:**

Darryl, who is a sworn police officer employed by the City, suffers a non-service connected partial disability on December 31. Darryl's highest total monthly compensation during any 60 consecutive month period was \$249,960, so that his average monthly compensation is \$4,166 per month ( $\$249,960/60 = \$4,166$ ). Darryl is entitled to a monthly disability benefit of \$2,083. ( $50\% \times \$4,166$  (average monthly compensation) = \$2,083)

Darryl will receive \$2,083 a month, for as long as he remains partially disabled (but not beyond age 55).

**IF I AM PARTIALLY DISABLED, WHEN WILL MY BENEFITS END?**

If you suffer a service or non-service connected partial disability you will receive disability benefits under the Plan until:

- The Administrator determines, on the basis of a medical examination, that you are no longer partially disabled;
- you refuse to undergo a medical examination requested by the Administrator;
- you refuse alternative employment (see the discussion under "Alternative Employment" on pages 29-30);
- you reach age 55; or
- you die

(whichever happens first).

**CAN THE CITY REQUIRE THAT I UNDERGO A MEDICAL EXAMINATION?**

Yes. If you apply for disability benefits, the Administrator can require that you undergo a medical examination to determine whether you are disabled.

Also, during the period you are disabled (partial or total), the Administrator can require that you undergo a medical examination to determine whether you are still disabled. However, the Administrator cannot require you to undergo more than two medical examinations a year. (If you are required to see more than one physician in connection with a determination regarding your disability, it is treated as a single "medical examination.")

All medical examinations will be performed by an independent diagnostic clinic or by one or more physicians selected by the Administrator. The City is responsible for the cost of any medical examinations that it requires you to undergo.

**IF I AM RECEIVING BENEFITS, HOW MUCH WILL I RECEIVE ONCE I REACH AGE 55?**

Once you reach age 55, your disability benefit will be adjusted to reflect the fact that you will be receiving retirement benefits under the Plan. If you still have an account under the Retirement Income Plan attributable to City contributions or amounts transferred from the "old" Pension Plan, the adjustment to your disability benefit at age 55 will include the retirement benefits attributable to your account. The determination of the monthly benefit produced by your account is based on the actuarial assumptions used under the Pension Plan when you reach age 55.

Also, your benefits under the Plan will be recomputed so that your combined disability benefits and the retirement benefits under the Plan (and the Retirement Income Plan – if you still have an account under the Retirement Income Plan) will be roughly equivalent (from an actuarial standpoint) to the amount of disability benefits that you would have received under the Plan (based on the nature of your disability) as if:

- you had continued to work for the City (until you reached age 55) as a firefighter or police officer;
- you continued to occupy the same rank and grade you had attained immediately prior to your disability;
- for the 60 month period prior to your 55<sup>th</sup> birthday, you had compensation equal to the basic pay applicable to such rank and grade (ignoring any step increases); and
- you became disabled and had begun receiving disability benefits under the Plan immediately prior to your 55<sup>th</sup> birthday.

Although complicated, this provision is designed to “re-calculate” your disability benefit at age 55 based on the average monthly compensation being paid at that time to a firefighter or police officer who holds the same rank or grade you occupied when you became disabled. By recalculating your benefit in this manner, you will receive a combined disability and retirement benefit that is based on the average monthly compensation that you would have received at age 55 if you had not become disabled.

Note that while you are treated as if you continued to work for the City until you reach age 55 for purposes of re-computing your disability benefit at age 55, you will not be credited with any years of service or years of credited service after your disability retirement date for purposes of calculating your retirement benefits. Also, except for the re-computation of the average monthly compensation, your disability benefits will be based on the terms of the Plan that were in effect on your disability retirement date.

**Example:**

Bill was a firefighter who sustained a service connected total and permanent disability when he was age 45 and had 25 years of credited service. At the time he was disabled, his average monthly compensation was \$4,166, so that he received a monthly disability benefit under the Plan of \$2,916 (70% of \$4,166). Over the next ten years, Bill's disability benefit was increased to reflect changes in the cost of living, and by the time he turned 55 he was receiving a monthly disability benefit of \$3,500. Based on his average monthly compensation and years of credited service when he became disabled, Bill was entitled to a monthly retirement benefit at age 55 of \$2,750 ( $\$4,166 \times 2.5\% \times 20$ , plus  $\$4,166 \times 3.2\% \times 5 = \$2,750$ ).

When Bill turned 55, a firefighter holding his last rank and grade would have had average monthly compensation of \$5,666.

Under these facts, Bill would continue to receive a monthly benefit from the Plan of \$1,249 ( $\$14,990$  per year) once he reached age 55, and his combined disability and retirement benefit from the Plan would be \$3,966 (70% of \$5,666) determined as follows:

- Step 1: Bill's benefit is "recomputed" using \$5,666 (the average monthly compensation of a current firefighter holding Bill's last rank and grade) – so that Bill is entitled to a "recomputed" benefit of \$3,966 (70% of \$5,666).
- Step 2: Bill's benefit under the Plan is offset (reduced) by the amount of his monthly retirement income of \$2,750 at age 55, leaving Bill with a monthly benefit under the Plan of \$1,216 ( $\$3,966 - \$2,750 = \$1,216$ ).

**DO I HAVE ANY OPTIONS REGARDING THE PAYMENT OF MY DISABILITY BENEFITS?**

Generally, disability benefits are paid during the period you are disabled, and if disability benefits continue after you reach age 55, for the rest of your life. Once you die, no further disability benefits are payable to anyone. (However, your beneficiary may be entitled to receive benefits after your death with respect to your retirement benefits. See the discussion on page 22 under "WHAT BENEFITS ARE PAYABLE IF I DIE?")

If you would like to have your disability benefits continue after your death, you can elect the contingent annuitant option described below. If you incur a service connected total and permanent or service connected partial disability, you can also request a cash settlement of your disability benefit.

*If you are eligible for the cash settlement option or would like to elect the contingent annuitant option, you must file your request or make your election before the date on which the Administrator determines you are disabled. Once the Administrator has made*

*its disability determination, you can no longer request the cash settlement option or elect the contingent annuitant option.*

**Cash Settlement Option**

If you incur a service connected total and permanent or service connected partial disability, you can request a cash settlement of your disability benefits instead of receiving monthly disability benefits. *This request must be made prior to the date on which the Administrator determines you are disabled.* The cash settlement is based on the estimated disability benefit you would have received during your lifetime, or until age 55, whichever is earlier. This estimate takes into account the retirement offset that occurs at age 55. The cash settlement allows you to receive your estimated disability benefit in a lump sum. Once you receive the cash settlement, you will not be entitled to any further benefits under the Plan.

Please note that election of the cash settlement option is not automatic. The Administrator must approve your request for a cash settlement.

**Contingent Annuitant Option**

Instead of receiving monthly disability benefits that end when you die (even though you are still disabled at the time of your death), you can elect to have your beneficiary receive a reduced benefit following your death. Your beneficiary may be anyone you designate, including your spouse. However, your beneficiary may not be more than 30 years younger than you.

You can elect to have your beneficiary receive a benefit equal to two-thirds or one-half of the amount of your reduced lifetime benefit. The benefit paid following your death will be paid for the remainder of your beneficiary's life. If you die prior to age 55, the amount of the disability benefits payable to your contingent annuitant following your death will be the only benefit payable under the Plan following your death (i.e., be in lieu of any other benefit payable on account of your death with respect to your benefit under the Pension Plan and (if applicable) your "City funded" Retirement Income Plan account). After your beneficiary's death, no further disability benefits will be payable to anyone. If your beneficiary dies before you begin to receive a disability benefit, your "contingent annuitant" election will be cancelled and you will receive the "regular" disability benefit payable under the Plan.

If you elect this option, your disability benefit will be reduced during your lifetime in order to reflect the fact that payments will continue after your death. The amount of this reduction depends on a number of factors, including the difference between your age and your beneficiary's age and on the percentage of your benefit that is payable to your beneficiary after you die.

*The contingent annuitant option must be elected prior to the date on which the Administrator determines you are disabled.*

*If you elect the contingent annuitant option, and later change your mind, you can only revoke your election by written notice to the Administrator prior to the date on which the Administrator determines you are disabled.*

You may not elect the contingent annuitant option if the monthly disability benefit that would be payable to your beneficiary is less than \$60.

### **WILL I RECEIVE SERVICE CREDIT WHILE I AM DISABLED?**

You will continue to receive credit for "years of service" and "years of credited service" until the earlier of the date you cease to be classified as a firefighter or police officer who is actively employed by the City or the date on which the Administrator determines you are disabled. At that time, you will be considered to have terminated employment as a City firefighter or police officer and your service credit will end.

### **WHAT HAPPENS IF I DIE WHILE I AM DISABLED?**

If you are receiving disability benefits under the Plan, and you die, your disability benefits will end unless you elected to receive your benefit under the contingent annuitant option explained above or you elected (and the Administrator agreed to) a cash settlement of your disability claim.

If you did not elect the contingent annuitant option, the extent to which your beneficiary is entitled to any amount with respect to your retirement benefits will depend on whether you die before or after age 55.

If you die before reaching age 55, your beneficiary will be entitled to receive your employee retirement contributions (plus interest), and to the extent applicable, your Retirement Income Plan account and minimum retirement benefit.

If you die after reaching age 55, the extent to which any benefits are payable after your death would depend on the manner in which you elected to have your retirement benefits paid. See the discussion on page 22 under "WHAT BENEFITS ARE PAYABLE IF I DIE?"

### **IS MY BENEFIT ADJUSTED FOR CHANGES IN THE COST OF LIVING?**

Yes. Each May 1, your disability benefit will be adjusted (upward or downward) to reflect changes in the cost of living (but not by more than 3% in any one year).

The cost of living adjustment is based upon the Consumer Price Index for All Urban Wage Earners (CPI-U) for the Washington, D.C. Metropolitan area for the most recent 12-month period. However, the manner in which the cost of living adjustment is

calculated differs before and after you reach age 55, and whether you elected the contingent annuitant option.

***Pre-Age 55 Cost-of-Living Adjustment***

Each year your disability benefit will be adjusted for changes in the CPI-U since your disability benefits commenced. However, the change for any given year will not exceed 3%.

In addition, in no event will your benefit be increased to an amount that is more than twice the benefit payable to you when you became disabled.

***Example:***

Renee, who is a sworn police officer employed by the City, suffers a service connected total and permanent disability on January 15, 2005 (when she is 25 years of age). At the time she is disabled, her average monthly compensation is \$2,500 and she is entitled to receive a disability benefit of \$1,750 (70% of \$2,500).

During 2005, the CPI-U rose from 183.0 to 187.6, an increase of 2½%.

On May 1, 2006, Renee's monthly disability benefit would be increased by 2½% – from \$1,750 to \$1,794.

Each year, Renee's benefit will be adjusted to further reflect changes in the CPI-U. However, in no event can Renee's benefit exceed \$3,500 (twice her initial disability benefit of \$1,750).

***Post-Retirement Cost-of-Living Adjustment***

The cost of living adjustment for benefits payable after age 55 is calculated after the "reduction" for your retirement benefit. The amount of the adjustment for any given year will not exceed 3% and in no event will your benefit be increased to an amount that is more than twice the benefit payable to you when you became disabled, less the amount of your retirement benefit under the Plan.

***Example:***

Bill was a firefighter who sustained a service connected total and permanent disability when he was age 45 and had 25 years of credited service. At the time he was disabled, his average monthly compensation was \$4,166, so that he received an annual disability benefit under the Plan of \$2,916. When Bill turned 55 on March 3, 2005, he became entitled to receive a monthly retirement benefit of \$2,750 for the rest of his life. Bill's benefit was recalculated when he reached age 55 and it was determined

that he was entitled to receive a "combined" monthly disability and retirement benefit of \$3,966. Inasmuch as Bill's monthly retirement benefit under the Plan is \$2,750, his monthly disability benefit under the Plan at age 55 is reduced to \$1,216. (See the example on page 33).

During 2005, the CPI-U rose from 183.0 to 187.6, an increase of 2½%.

On May 1, 2006, Bill's monthly benefit would be increased from \$1,216 to \$1,246. Note that the adjustment is made based on Bill's disability benefit at age 55.

Here is how the calculation works:

- The 2½% cost of living adjustment for 2005 is applied to the reduced disability benefit of \$1,216 at age 55, so that the cost of living adjustment is 2½% of \$1,216 or \$30. This adjustment is then added to Bill's benefit under the Plan (\$1,216) and his new monthly benefit is \$1,246 ( $\$1,216 + \$30 = \$1,246$ ).
- Each year, Bill's benefit will be adjusted further for changes in the CPI-U. However, in no event can his combined post age 55 disability and retirement benefit from the Plan exceed \$5,832 (twice his initial benefit of \$2,916). Thus, if Bill's COLA adjusted retirement benefit were \$3,500, his disability benefit could not exceed \$2,332 ( $\$5,832 - \$3,500 = \$2,332$ ).

### ***Contingent Annuitant Option***

If you elected the contingent annuitant option, the cost-of-living adjustment applicable to your contingent annuitant following your death is calculated in a manner designed to properly reflect the effect of the reduced benefit payable to your contingent annuitant.

#### ***Example:***

Rebecca became disabled and elected to have her disability benefits paid under the contingent annuitant option with a 50% survivor benefit. Rebecca's initial disability benefit was \$4,200 per month (after adjustment for the 50% survivor benefit). When Rebecca died several years later (at age 50), her COLA adjusted monthly retirement benefit was \$5,000, so that her contingent annuitant was initially entitled to receive a monthly benefit of \$2,500.

During the year following Rebecca's death, the CPI-U rose 2½%.

On May 1 of the next year, the monthly benefit payable to Rebecca's contingent annuitant would be increased from \$2,500 to \$2,562. Each year, the survivor benefit will be adjusted further for changes in the CPI-U. However, in no event can the survivor benefit from the Plan exceed \$4,200 (twice the amount of the \$2,100 disability benefit the contingent annuitant would have received if Rebecca had died the day after her disability benefits commenced – 50% of Rebecca's initial retirement benefit of \$4,200).

If Rebecca had died after she reached her normal retirement date (age 55), the combined disability and retirement benefits payable following her death could not exceed twice the amount of the \$2,100 disability benefit the contingent annuitant would have received if Rebecca had died the day after her disability benefits commenced.

#### **HOW ARE MY BENEFITS TAXED?**

The extent to which your benefits are subject to federal income or employment taxes is complicated and depends on the nature of your disability payments.

##### ***Service Connected Payments***

Benefits paid on account of a service connected total and permanent disability or a service connected partial disability are considered to be in the nature of workers' compensation payments and are excluded from your gross income for federal income tax purposes. In other words, you do not have to pay income taxes on service connected disability payments under the Plan.

In addition, payments on account of a service connected total and permanent disability are not considered "wages" for purposes of FICA or FUTA (Social Security and federal unemployment taxes).

Payments on account of a service connected partial disability *are* considered "wages" for purposes of FICA or FUTA (Social Security and federal unemployment taxes). However, they will cease to be treated as "wages" for FICA and FUTA purposes 6 months after you last worked for the City. In other words, Social Security and federal unemployment taxes will be withheld from your payments until 6 calendar months have expired since the date you last worked for the City.

##### ***Non-Service Connected Payments***

Benefits paid on account of a non-service connected total and permanent disability are included in your gross income for federal income tax purposes (i.e., the full payment is taxable to you). However, these payments *are not* considered

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

“wages” for purposes of FICA or FUTA (Social Security and federal unemployment taxes).

Benefits paid on account of a non-service connected partial disability *are not* included in your gross income for federal income tax purposes, to the extent that contributions made by employees are sufficient to fully fund these benefits. In other words, you do not have to pay income taxes on non-service connected total disability payments under the Plan as long as the employees’ contributions are sufficient to fund these benefits. If the employee contributions are not sufficient to fully fund these benefits, the portion funded by City contributions will be taxable and the portion funded by employee contributions will not be taxable.

Regardless of whether employee contributions are sufficient, benefits paid on account of a non-service connected partial disability *are* considered “wages” for purposes of FICA or FUTA (Social Security and federal unemployment taxes). However, they will cease to be treated as “wages” for FICA and FUTA purposes 6 months after you last worked for the City. In other words, Social Security and federal unemployment taxes will be withheld from your payments until 6 calendar months have expired since the date you last worked for the City.

## **PLAN CONTRIBUTIONS**

---

### **HOW ARE BENEFITS FUNDED?**

Benefits under the Plan are funded by monies from the following sources:

- Contributions from firefighters and police officers who are covered by the Plan;
- City contributions; and
- Earnings from investments made with the City and employee contributions.

Amounts contributed by employees and the City are held in a trust fund that is used to pay benefits.

### **DO I HAVE TO MAKE CONTRIBUTIONS TO THE PENSION PLAN?**

Yes. You are required to make contributions to the Pension Plan as a condition of your employment as a City firefighter or police officer. In fact, you are required to make two different contributions: one to help fund retirement benefits and one to help fund disability benefits.

The contribution you are required to make to help fund retirement benefits is 8% of your base salary, as reflected in the paycheck you receive from the City. This contribution is "picked up" by the City, meaning that your contribution will be made on a before tax basis for federal income tax purposes. Since your contributions are made before taxes, they will not be included in your taxable income on your W-2.

You are required to contribute ½% of your compensation to help fund disability benefits under the Plan. Your disability contributions are made on an "after-tax" basis and are used to fund non-service connected partial disability benefits.

Your required retirement and disability contribution will be automatically deducted from your earnings each payroll period.

### **ARE MY CONTRIBUTIONS CREDITED WITH INTEREST?**

Yes. The contributions you make to help fund your retirement benefits are credited with interest at the rate of 4% per annum. Your disability contributions help fund disability benefits and are not credited with interest.

### **CAN I WITHDRAW MY CONTRIBUTIONS?**

If you terminate employment as a City firefighter or police officer prior to your normal retirement date, you can elect to withdraw the contributions you made towards your

retirement benefits and the credited interest. If you were eligible for and made the past service election, you can also elect to withdraw your minimum retirement benefit. However, if you withdraw your contributions (and, if applicable, your minimum retirement benefit) you will lose service credit represented by the withdrawn amount and will no longer be entitled to a monthly retirement benefit (or any other Plan benefits).

If you withdraw your contributions (and, if applicable, your minimum retirement benefit) and later return to work as a firefighter or police officer, the service represented by the amount you withdrew will only be restored if you repay your contributions (and, if applicable, your minimum retirement benefit) plus interest at the rate of 7½% per annum within 90 days of the date you resume service as a firefighter or police officer. In other words, you will be treated as a new employee unless you repay the entire distribution you received, plus 7½% interest within 90 days after the date you resume service. After this 90-day period expires, you will not be permitted to repay your prior distribution and have your prior service restored.

Your disability contributions help fund disability benefits and these contributions will never be returned to you.

**DO MY CONTRIBUTIONS END WHEN I REACH NORMAL RETIREMENT DATE OR COMPLETE 30 YEARS OF CREDITED SERVICE?**

No. Unless you are participating in the DROP, you must continue to make contributions to the Plan while you are working for the City as a firefighter or police officer.

**HOW MUCH DOES THE CITY CONTRIBUTE?**

The City funds the balance of your retirement and disability benefits. The City's contribution is based on an amount determined by an actuary to be sufficient to pay future benefits under the Plan. However, in no event is the City required to contribute more than 3% of the compensation of Participants to fund disability benefits that are payable before age 55.

**CAN I MAKE ADDITIONAL CONTRIBUTIONS TO THE PLAN?**

No.

**CAN I "ROLLOVER" A DISTRIBUTION FROM ANOTHER RETIREMENT PLAN?**

No.

**HOW ARE CONTRIBUTIONS TO THE PLAN INVESTED?**

Contributions to the Plan are held in a Trust or in one or more annuity contracts issued by an insurance company. The Board oversees the investment of the assets in the

***Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City***

Trust and annuity contracts. These assets are invested consistent with the needs and purposes of the Plan.

## **SPECIAL PROVISIONS APPLICABLE TO RETIREMENT INCOME ACCOUNTS**

---

If you were a participant in the Retirement Income Plan prior to February 21, 2004, you may still have an account under the Retirement Income Plan.

You would only have an account under the Retirement Income Plan if you did not make (or were not eligible to make) a past service election, or you had previously made voluntary after-tax contributions to the Plan or a rollover from an individual retirement account or another retirement plan prior to January 1, 2004.

Participants who made the past service election and who did not have a rollover or any voluntary after-tax contributions in their account as of December 31, 2003, no longer have a Retirement Income Plan account. This is because the balance of the account was reduced to zero in connection with the past service election.

If you still have a Retirement Income Plan account, you will not be permitted to make any further contributions to your account (either through additional voluntary after-tax contributions or through a rollover from another eligible retirement plan). However, you will still be able to direct the investment of your account and you will receive a distribution of your account when you terminate employment with the City.

### **INVESTING YOUR RETIREMENT INCOME ACCOUNT**

#### **CAN I STILL DIRECT THE INVESTMENT OF MY RETIREMENT INCOME PLAN ACCOUNT?**

Yes. Even though the Plan has been converted from a defined contribution plan to a defined benefit plan, you still decide how your Retirement Income Plan account will be invested. By carefully choosing investment options, you can create a personal investment program designed to meet your financial objectives.

#### **WHO DECIDES WHAT INVESTMENT CHOICES ARE AVAILABLE?**

The Board is responsible for the investment options offered under the Plan with respect to your Retirement Income Plan account. The Board monitors the investment options that are offered under the Plan to make sure they offer you the possibility of securing a reasonable investment return (with a reasonable amount of investment risk). From time to time, the Board may decide to add or change one or more of the investment options.

You are responsible for choosing how your account is invested (based on the available investment options). You may invest in one fund – or a combination of funds. If you select more than one investment fund, your election must be made in multiples of 1%. For example, if you choose three different investment funds, you could invest 33% in the first fund, 33% in the second fund, and 34% in the third fund.

*Neither the City, the Board, the Administrator, the trustee nor the insurance company will tell you how to invest your account or review your investment choices.*

*Because you are responsible for your investment choices, neither the City, the Board, the Administrator, the trustee nor the insurance company can be held accountable if you do a poor job investing your account.*

#### **ABOUT THE INVESTMENT OPTIONS**

The Plan offers various investment alternatives that have materially different risk and return characteristics. These investment funds are similar to mutual funds, in that your investment is pooled with that of many other people and invested in a specific manner.

Some funds may offer a steady and more predictable investment return in exchange for a potentially smaller return. Other funds may involve a greater risk to your principal in exchange for the opportunity to earn a greater return on your money.

By carefully choosing investment options, you can create a personal investment program designed to meet your financial objectives.

#### **BEFORE YOU INVEST**

You should carefully review the information that has been provided to you about the investment options available under the Plan. This information also includes important points about each investment option under the Plan, including:

- the investment objective for each option;
- how the objective is pursued (that is, how funds will be invested to meet the objective);
- risk factors;
- the organization, history, and management philosophy of the investment option; and
- the historical performance of the investment option.

The information you received also describes how and when you may elect or change your investment options.

If you have not received this information or you have any questions concerning the Plan's investment procedures, you should contact the Personnel Services Department.

You can also get information about each of the investment funds from provider of the various investment options.

*Please keep in mind that you are responsible for the investment decisions that you make. Neither the City, the Board nor the Administrator, nor anyone else is responsible for or reviews your investment elections.*

*If you do not direct the investment of your account, your account will be invested in a money market type of account.*

**WILL I STILL RECEIVE AN ACCOUNT STATEMENT?**

Yes. As long as you continue to have a Retirement Income Plan account under the Plan, you will receive a statement of your account balance four times a year (as of the last business day of the preceding calendar quarter). This statement will reflect all adjustments to your account since the date of your previous statement, including investment gains and losses. You should carefully review each statement. If you believe your statement contains an error, you must promptly notify the Administrator (through the Personnel Services Department). If you believe that there is a mistake in your investment elections, you should also immediately contact the Plan recordkeeper (which is currently CIGNA) and the Administrator. Prompt notification of any errors will give the Administrator and the recordkeeper an opportunity to examine the matter and take appropriate action. If the Administrator and the recordkeeper are not promptly notified of an error, corrective action may not be possible.

In order to make sure you receive your statements in a timely fashion, you need to notify the Personnel Services Department of any change in your address.

**DISTRIBUTION OF YOUR ACCOUNT**

**PAYMENT OF RETIREMENT INCOME PLAN ACCOUNT FOLLOWING TERMINATION OF EMPLOYMENT WITH THE CITY**

You are entitled to receive your Retirement Income Plan account under these situations:

- **If you die** – If you die, your beneficiary will be entitled to receive your entire account.

You can designate anyone you want as your beneficiary. If you do not complete a beneficiary designation, your account will be paid to your surviving spouse (if you are married), your children, or your estate (in that order);

- **When you retire or terminate employment with the City** – You will be entitled to receive a distribution of your entire account when you retire or otherwise terminate employment with the City for any reason (including retirement and disability). If you cease to be employed as a City firefighter or police officer, but remain a City employee, you will not receive a distribution until you are no longer employed by the City in any capacity.

## **NAMING A BENEFICIARY**

You may name anyone you wish to receive your Retirement Income Plan account in the event of your death.

You can change your beneficiary designation at any time by giving written notice to the Administrator. Forms for changing beneficiary names are available from the Personnel Services Department.

The change will be effective as of the day you sign a new beneficiary designation form.

If you do not complete a beneficiary designation (or the beneficiary you designate predeceases you), your account will be paid to your surviving spouse (if you are married), your children, or your estate (in that order).

## **REQUIRED DISTRIBUTIONS**

The Internal Revenue Code contains rules that require distributions in certain circumstances and regulate the period over which periodic distributions can be made from the Plan (or under an annuity contract). These rules will override any contrary provisions of the Plan. For example, if you retire from the City prior to age 70½, you must begin to receive distributions of your account by April 1 following the year in which you turn 70½.

## **HOW ARE BENEFITS PAID?**

The manner in which your benefits are paid depends on the amount in your account.

### ***Accounts of \$5,000 or less***

If your account balance is \$5,000 or less, your benefit will be automatically distributed to you in a single lump sum. You may elect to have your lump sum distribution paid to you by check or have it directly transferred to another tax deferred retirement plan or to an individual retirement account.

### ***Accounts In Excess of \$5,000***

If your account balance is more than \$5,000, you may select the manner in which your benefit will be paid to you from the following options:

- Payment in a single lump sum cash payment;
- Payment by direct transfer to another tax deferred retirement plan or to an individual retirement account;
- Increasing the amount of your monthly retirement benefit under the Pension Plan. The amount of the extra monthly benefit that your account

**Draft as of February 10, 2004 - Subject to Modification Prior to Adoption by City**

will purchase will be based on the actuarial assumptions used under the Pension Plan when you make your election.

This is only a brief description of the ways that your benefit may be distributed to you. When you become eligible for a distribution from the Plan, the Administrator will provide you with a more detailed description of the distribution alternatives that are available to you.

**HOW IS MY DISTRIBUTION TAXED?**

You are taxed on your account when it is distributed to you. If your account is distributed in a single lump sum, you (or your spouse following your death) can elect to roll over the distribution to an IRA, or into another employer's tax-deferred retirement plan that will accept a rollover from the Plan (whether a qualified retirement plan, 403(b) plan or governmental 457(b) plan), within 60 days of receipt. However, certain IRS required distributions *are not* eligible for rollover to an IRA or to another employer's tax-deferred retirement plan.

If your distribution is eligible for rollover into an IRA or another employer's tax-deferred retirement plan, you may also elect to have the distribution directly transferred to the IRA or other retirement plan.

If you do not (or cannot) rollover your distribution, the portion of your account attributable to any City contributions will be fully taxable to you. The earnings on your voluntary employee contributions will also be taxable, but the amount attributable to your voluntary employee contributions will not be taxable (since you have already paid taxes on these contributions). If you have made voluntary employee contributions and receive a distribution from your account, the determination of the taxable and non-taxable portions of your distribution will depend on whether your distribution is paid in a lump sum or used to increase your monthly retirement benefit.

If you receive a lump sum distribution before age 55 and you do not transfer or roll over the lump sum distribution that you receive, you may be required to pay an additional 10% Federal tax on the taxable portion of your distribution.

**WITHHOLDING**

**LUMP SUM DISTRIBUTIONS**

If you receive a lump sum distribution of your Retirement Income Plan account, 20% of the taxable portion of a distribution must be withheld as an estimated payment toward the taxes due. Note that you cannot elect to forgo the required 20% withholding. In addition, the required 20% withholding applies even if you plan to roll over your distribution to an IRA or to another employer's tax-deferred retirement plan within 60 days. You can avoid the required 20% withholding by requesting a direct transfer of your distribution to an IRA or to another employer's tax-deferred retirement plan.

Shortly before you receive your distribution from the Plan, you will receive more information about this direct transfer option, including the forms you will need to complete if you elect a direct transfer.

**INCREASE IN MONTHLY RETIREMENT BENEFITS**

If your account is used to increase your monthly retirement benefits, income taxes will also be withheld from your distribution (unless you elect not to have federal income taxes withheld).

The tax laws that apply to distributions from retirement plans are complex. Before you elect to have your distribution paid to you or decide to transfer it to another employer's tax-deferred retirement plan or to an IRA, you should talk to your tax advisor.

## **PLAN ADMINISTRATION**

---

### **WHO ADMINISTERS THE PLAN?**

The Plan is administered on behalf of the City by the Plan Administrator. The Plan Administrator has the discretionary authority to administer the Plan. This includes the power to interpret the Plan and to resolve questions considering Plan eligibility, benefit calculations and payment determinations. The Board oversees the investment of the contributions made by employees and the City to the Pension Plan and selects the available investment for Retirement Income Plan accounts.

## **APPLYING FOR PLAN BENEFITS**

---

### **HOW DO I FILE A CLAIM FOR BENEFITS?**

You should contact the Personnel Services Department, which will provide you with the necessary forms to apply for benefits and send your information about the Plan's claim procedures.

### **WHAT IF MY CLAIM IS DENIED?**

If the Administrator denies your claim for benefits you will receive a written notice that explains the reason for denial.

*The notice denying benefits will contain:*

- the reasons the benefit is denied, with specific references to the Plan provisions on which the denial is based;
- the provisions of the Plan that the denial of your claim is based upon;
- a description of any additional material or information necessary to perfect your claim, and an explanation of why such material is necessary; and
- an explanation of the Plan's claims review procedures, including the time limits applicable to such procedures.

### **MAY I ASK THE ADMINISTRATOR TO RECONSIDER MY CLAIM IF IT IS DENIED?**

Yes, you may ask the Administrator to reconsider your claim if it is denied.

You may file a written request for review of your claim by sending a written application to the Personnel Services Department within 60 days of the date you receive written notice that your claim has been denied.

You will be provided with copies of all pertinent Plan documents and may, within the 60 day review period, submit comments, documents, records and other relevant information in writing to the Administrator.

The Administrator will generally make a final and binding decision on your claim within 60 days after your request for a review. However, if there are special circumstances requiring additional information, the Administrator may delay the time for making a final decision for up to an additional 60 days.

After the Administrator reaches a decision on your claim, it will issue a decision that contains the reasons why your claim has been approved (or denied) – with specific references to the provisions of the Plan.

The Administrator has the discretion to construe and interpret the terms of the Plan and to decide all questions concerning eligibility and benefits and its decisions on such matters are generally binding on all parties.

If you disagree with the Administrator's decision, you have a legal right to bring a lawsuit challenging the Administrator's determination. However, because the Administrator has discretion regarding eligibility and benefit determinations, the Administrator's decision will be upheld on judicial review unless it is shown the interpretation or determination was an abuse of discretion or was arbitrary and capricious.

## **OTHER IMPORTANT INFORMATION**

---

This section includes other important information about the Plan.

### **CAN THE PLAN BE CHANGED?**

Yes, the City reserves the right to amend the Plan at any time. However, before any material changes are made to the Plan (other than those required by law), the City will provide Participants with an explanation of the proposed changes at least 60 days before the change is considered by the City Council, so that Participants have the opportunity to comment on the proposed change. If at least 5 Participants request a meeting to discuss the amendment, representatives from the City will meet with Participants to receive comments and answer questions.

### **CAN THE PLAN BE TERMINATED?**

Yes, the City has the right to terminate the Plan at any time.

### **ASSIGNMENT OF BENEFITS**

Ordinarily, your Plan account may not be assigned, sold, transferred, garnished, or pledged as collateral. This means that a creditor may not attach your value in the Plan as a means of collecting a debt owed by you.

However, your account may be attached to satisfy a Federal tax levy or a Domestic Relations Order (DRO) issued by a state court. A DRO requires that your benefits be paid to someone other than you or your named beneficiary in connection with child support, alimony payment, or marital property rights.

*Inasmuch as the Plan is not subject to the provisions of the Employee Retirement Income Security Act (commonly know as ERISA), there may be other exceptions under state law to the general rule against assignment of your benefits under the Plan.*

### **UPDATE YOUR ADDRESS**

It is important that you keep the Personnel Services Department informed of any change in your home address after you retire or terminate employment, so that you will receive your distribution of your account and any information about the Plan that is sent to you. If the Personnel Services Department does not have your current address, your distribution check and other items sent to your old address may be returned and the Personnel Services Department will not be able to contact you.

### **PLAN NAME**

The official name of this plan is the City of Alexandria Pension Plan for Firefighters and Police Officers.

**PLAN AND IDENTIFICATION NUMBERS**

Information about the Plan is filed with the Internal Revenue Service. You will need the following information for any inquiries to the IRS.

Employer Identification Number 54-6001103  
Plan Number 002

**PLAN ADMINISTRATOR**

The Plan Administrator keeps the Plans records, determines questions of eligibility relating to participation and benefits, interprets the Plan, communicates with participants and their beneficiaries, and is otherwise generally responsible for Plan operations. The Plan Administrator is:

[insert]  
Alexandria, Virginia  
(703) 838-4496

**AGENT FOR SERVICE OF LEGAL PROCESS**

If it becomes necessary for you to take legal action because of a dispute relating to the Plan, legal process should be served on the City Attorney, City of Alexandria, 301 King Street, Alexandria, Virginia 22314

**TRUSTEE**

The Plan's assets are held in trust under a Trust Agreement between the City and \_\_\_\_\_.

**PLAN YEAR**

The plan year is the twelve-month period that begins January 1 and ends December 31.

**WHO TO CONTACT FOR MORE INFORMATION**

For more information about the Plan, you may contact Myla Riggs at (703) 838-4425 or Caterina Tarver at (703) 838-4505 (or by e-mail to [myla.riggs@ci.alexandria.va.us](mailto:myla.riggs@ci.alexandria.va.us) or [caterina.tarver@ci.alexandria.va.us](mailto:caterina.tarver@ci.alexandria.va.us)).

## **IMPORTANT TERMS USED IN THIS BOOKLET**

---

This booklet uses a number of terms to describe the provisions of the Plan. You need to understand these terms in order to understand your entitlement to benefits under the Plan and how your benefit is calculated.

**ADMINISTRATOR OR PLAN  
ADMINISTRATOR**

The "Administrator" is the individual(s) or department designated by the City Manager to administer the Plan on behalf of the City.

---

**AVERAGE MONTHLY  
COMPENSATION**

Most benefits under the Plan are computed using your "average monthly compensation." Your average monthly compensation refers to the average of your monthly compensation from the City over the 60 consecutive calendar months that produce the highest average. Only compensation paid with respect to your service as a firefighter or police officer is taken into account.

---

**BENEFICIARY**

When you retire, you can elect to have your benefit paid in a number of different ways. Some of these ways provide for a benefit after your death. The person you designate to receive your death benefit is referred to as your beneficiary.

---

**BENEFIT**

The term "benefit" refers to a benefit that is paid under the Plan. A benefit may be paid to you following your (1) retirement – a retirement benefit, (2) disability – a disability benefit, or (3) death – a death benefit.

---

**BOARD**

The "Board" is the Retirement Plan Board that was established under the Plan to oversee the management and investment of the assets of the Plan. The Board is appointed by the City Council and consists of 4 representatives nominated by the City Manager, 2 representatives nominated by participants who are firefighters, and 2 representatives who are nominated by participants who are police officers.

---

**CITY**

The City of Alexandria, Virginia

---

**COMPENSATION**

Your "compensation" consists of your regular or base salary or wages with respect to your employment as a firefighter or police officer (based on your grade and step). "Compensation" excludes any and all overtime, differentials, benefits, premiums, bonuses, FLSA adjustments or form of extra compensation. The term "compensation," as used in this booklet, does not include payments for unused vacation. However, the term compensation does include amounts you elect to defer under the City's 457 Plan and pre-tax contributions under the cafeteria plan (including pre-tax contributions that are used to pay required employee contributions under the City's health plans).

Compensation paid to you in any capacity other than as a sworn firefighter or police officer will not be taken into account in calculating your benefits under the Pension Plan.

---

**DISABILITY OR DISABLED**

The Plan provides disability benefits in the case of a service connected total and permanent disability, a non-service connected total and permanent disability, a service connected partial disability, and a non-service connected partial disability. References to a disability include all of these types of disabilities. The disability must occur while you are actively employed as a City firefighter or police officer.

---

**DISABILITY INCOME PLAN**

The City of Alexandria Firefighters and Police Officers Disability income Plan that was in effect prior to February 21, 2004

---

**DISABILITY RETIREMENT DATE**

The date the Administrator determines you are no longer able to perform your job due to a disability.

Disability benefits will not commence until the first day of the month that occurs on or following your disability retirement date.

---

**DROP OR DEFERRED RETIREMENT OPTION PROGRAM**

The deferred retirement option program is available to participants who have completed at least 30 years of credited service.

---

**EARLY RETIREMENT DATE**

The date on which you attain age 50 and complete 5 years of credited service (while still working for the City as a firefighter or police officer) or the date on which you complete 25 years of credited service.

---

**EMPLOYEE**

Any person who is classified by the City as an "employee." However, in order to be covered under the Pension Plan, you must be a sworn City firefighter or police officer.

---

**MINIMUM RETIREMENT BENEFIT**

If you made the past service election, the value of your "City funded" Retirement Income Plan account on December 31, 2003 (without any further investment adjustments) is treated as a minimum benefit for certain purposes of the Plan. This amount is not part of your Retirement Income Plan account; nor does it mean that you still have a Retirement Income Plan account under the Plan.

**NON-SERVICE CONNECTED  
PARTIAL DISABILITY**

A "non-service connected partial disability" is a disability that prevents you from performing your assigned duties as a City firefighter or police officer and which is not reasonably correctable. You will be considered to have sustained a "non-service connected partial disability" *only if you meet all of the following criteria:*

- you suffer an illness or injury while you are actively employed as a City firefighter or police officer which, in the opinion of the Administrator (based on a medical examination) prevents you from performing your assigned duties as a firefighter or police officer;
  - you have been a participant in the Plan for at least 5 years at the time your disability commenced;
  - the Administrator has certified that you have a non-service-connected partial disability; *and*
  - the Administrator determines that your disability is not reasonably correctable or subject to rehabilitation (at the City's expense).
-

**NON-SERVICE CONNECTED  
TOTAL AND PERMANENT  
DISABILITY**

A "non-service connected total and permanent disability" is a total and permanent disability that does not result from your service as a City firefighter or police officer. You will be considered to have sustained a "non-service connected total and permanent disability" *only if you meet all of the following criteria:*

- you suffer an illness or injury while you are actively employed as a City firefighter or police officer which, in the opinion of the Administrator (based on a medical examination) prevents you from not only performing your assigned duties as a firefighter or police officer, but any job for which you are otherwise qualified (or for which you could become qualified by rehabilitation or retraining);
- you have been so disabled for a period of 6 consecutive months; *and*
- you are receiving Social Security disability benefits.

---

**NORMAL RETIREMENT DATE**

Your "normal retirement date" depends on when you started working for the City as a firefighter or police officer.

If you were employed by the City as a sworn firefighter or police officer prior to January 1, 2004, your normal retirement date is the first day of the month following your 55<sup>th</sup> birthday.

If you became a sworn firefighter or police officer on or after January 1, 2004, your normal retirement date is the first day of the month following the date on which you turn age 55 and complete 5 years of credited service.

You can retire anytime after your normal retirement date, but benefits will not commence until the first day of the month that occurs on or following your date of retirement.

---

**PARTICIPANT**

The term "participant" refers to a sworn City firefighter or police officer who is covered by the Plan and who is making the contribution required for Plan participation. In some cases, the term is also used to refer to a former firefighter or police officer who is no longer accruing any benefits under the Plan, but who is receiving or entitled to receive a benefit under the Plan.

---

**PAST SERVICE ELECTION**

Participants who were actively employed on February 21, 2004 as a sworn City firefighter or police officer and who had commenced participation in the Retirement Income Plan prior to July 1, 2003 were provided a one-time opportunity to exchange their "City funded" Retirement Income Plan account for "pre-2004 credited service" under the Pension Plan. The period for making the past service election expired on January 16, 2004.

---

**RETIREMENT INCOME PLAN**

The City of Alexandria Retirement Income Plan for Firefighters and Police Officers that was in effect prior to February 21, 2004.

---

**RETIREMENT INCOME PLAN  
ACCOUNT**

If you were covered by the Retirement Income Plan on February 21, 2004, you may still have an individual account under the defined contribution portion of the Plan.

If you were eligible for and made the past service election, you will only have a Retirement Income Plan account to the extent that your account balance on February 21, 2004 included a prior rollover and/or voluntary after-tax employee contributions. Your minimum retirement benefit is not part of your account.

If you did not make the past service election, your Retirement Income Plan account reflects the amount credited to your account as of February 21, 2004 and subsequent investment adjustments.

---

**SERVICE CONNECTED  
PARTIAL DISABILITY**

The term "Service Connected Partial Disability" refers to a disability resulting from your service as a firefighter or police officer that prevents you from performing your duties as a firefighter or police officer and which is not reasonably correctable. You will be considered to have sustained a "service connected partial disability" *only if you meet all of the following criteria:*

- you suffer an illness or injury while you are actively employed as a City firefighter or police officer which, in the opinion of the Administrator (based on a medical examination) prevents you from performing your job as a firefighter or police officer;
- your disability has resulted in the award of a workers' compensation benefit by the Virginia Workers' Compensation Commission;
- The Administrator has certified that you have a service-connected partial disability; *and*
- The Administrator determines that your disability is not reasonably correctable or subject to rehabilitation (at the City's expense).

**SERVICE CONNECTED TOTAL  
AND PERMANENT DISABILITY**

A "service connected total and permanent disability" is a total and permanent disability resulting from your service as a firefighter or police officer. You will be considered to have sustained a "service connected total and permanent disability" *only if you meet all of the following criteria:*

- you suffer an illness or injury while you are actively employed as a City firefighter or police officer which, in the opinion of the Administrator (based on a medical examination) prevents you from not only performing your job as a firefighter or police officer, but any job for which you are otherwise qualified (or for which you could become qualified by rehabilitation or retraining);
- you have been so disabled for a period of 6 consecutive months;
- the Virginia Workers' Compensation Commission has determined that you are totally and permanently disabled and has awarded you a workers' compensation benefit; *and*
- you are receiving Social Security disability benefits.

---

**SPOUSE**

The person to whom you are married on the relevant date. (For purposes of the Pension Plan, the concept of marriage refers to a formal legal ceremony and does not include a common law marriage.)

---

**YEAR OF SERVICE**

The term "year of service" refers to the period used to determine whether you are "vested" in your accrued benefit under the Pension Plan. Your "years of service" are expressed in whole years – since only whole years are relevant for vesting purposes.

"Years of service" include all of your years as a City firefighter or police officer.

The determination of your "years of service" is explained in greater detail on page 4.

---

**YEAR OF CREDITED SERVICE**

The term "year of credited service" refers to the period used (1) to determine whether you are eligible for early or normal retirement (including whether you have the requisite 25 years of credited service needed for an unreduced early retirement benefit), and (2) to calculate your benefit under the Pension Plan. Your "years of credited service" are expressed in years and months (e.g., 5 years and 3 months).

"Years of credited service" only include service as a firefighter or police officer after January 1, 2004 (unless you made a past service election and exchanged your City-funded Retirement Income Plan account for pre-2004 credited service).

The determination of your "years of credited service" is explained in greater detail on page 4.

---



CITY OF ALEXANDRIA  
FIREFIGHTERS AND POLICE  
OFFICERS PENSION PLAN

# 1. What is the Recommended Change in Retirement Plans?

- Changing from a Defined Contribution Plan to a Defined Benefit Plan
- Primary difference in Plans relates risk – the City is assuming investment risk as opposed to having 100% of the investment risk shouldered by participants.

## 2. What are the Major DB Plan Provisions?

- Benefit Formula
  - 2.5% x Average Monthly Compensation x Years of Service (1 – 20 years)
  - + 3.2% x Average Monthly Compensation x Years of Service (21 - 30 years)
  - 82% Maximum Benefit

# provisions (con't)

- Definitions
  - Average Monthly Compensation
  - Credited Service
- Contributions
  - City
  - Employees
- Retirement
  - Normal
  - Early

### 3. Who is Covered by New Plan?

- Sworn police officers and firefighters
- However, some choice was given:
  - Retain DC funds and participate in new DB plan prospectively only, or
  - Convey DC funds to DB plan in exchange for credit for years of service under DC plan, and participate prospectively in new DB plan

- Employees' choices

	<b>Exchange DC Balance</b>	<b>Will Not Exchange DC Balance</b>	<b>Total</b>
<b>Responded</b>	349	36	385
<b>Not Responded</b>		56	56
<b>Total</b>	349	92	441
<b>Percentage</b>	79%	21%	100%

## 4. Why is This Change Recommended?

- Experience in 1990's
- Risk to employees having retirement income reduced due to market fluctuations

## 5. What is Financial Impact of the Recommended Change?

- For the City: 20% of payroll expense for sworn personnel
- For plan participants: 8% of salary

## 6. Employee Concerns

- Unable to continue in DC Plan
- Required to contribute
- Insufficient time to consider the change