EXHIBIT NO. 1

20
6-10-08

City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 6, 2008

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: CONSIDERATION OF AN ORDINANCE TO CREATE AN INVESTMENT TRUST FUND FOR POST-RETIREMENT HEALTH AND LIFE INSURANCE BENEFITS

ISSUE: Creating an investment trust fund for pre-funding retiree health insurance and life insurance benefits.

RECOMMENDATION: That City Council:

(1) Approve the proposed Post-Employment Benefits Trust Agreement (Attachment 1), as well as an ordinance, creating the City of Alexandria Post-Employment Benefits Trust Fund Account (Attachment 2) on first reading on Tuesday, June 10; and

(2) Set the Trust Agreement and ordinance for public hearing, second reading and final passage on Saturday, June 14.

DISCUSSION: Historically, state and local governments, using national accounting standards, could account in budgets and financial reports for Other Post Employment Benefits (OPEB), which include health and life insurance benefits for their governmental retirees, by using a "pay-as-you go" accounting approach. State and local governments, like Alexandria, often offer their employees, as part of the total compensation package, the extension of health insurance and life insurance benefits (albeit often at reduced levels) to employees after they retire from employment with state and local governments. The national accounting standards established by the Governmental Accounting Standards Board (GASB) required state and local governments to budget and report in its financial reports, only the current year's retiree health and life insurance expenses on a cash pay-as-you-go basis, and did not require state and local governments to accrue the resources needed, nor report the long term liability for active employees, as well as current retirees, of future retiree health and life insurance costs.

In 2004, the GASB issued GASB Statement 45, which requires state and local governments to report annual OPEB costs and their unfunded actuarial accrued liabilities for post-employment

benefits such as retiree health and life insurance. For governments of Alexandria's size, this new reporting is required starting with the FY 2008 Comprehensive Annual Financial Report (CAFR) to be issued this coming fall. This is similar to a requirement that the private sector Financial Accounting Standards Board had required publicly held private companies to institute in the early 1990's.

The City provides certain eligible retirees with a post employment health care subsidy to subsidize a portion of health care costs. Retirees who retired from a primary City-sponsored retirement plan are generally permitted to remain in the City-sponsored health care plan but are required to pay any health care premium in excess of the City's maximum subsidy of $260 per month. This benefit of $260 per month is now prorated based on years of service for employees hired after October 1, 2007. For employees hired before July 1, 2008, the City pays the cost of basic life insurance coverage (two times final salary) for retirees. That coverage amount is reduced after age 65 as a retiree ages.

In preparation for the implementation of GASB 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the City had actuaries prepare a preliminary evaluation of post retirement medical and life insurance costs. That latest evaluation, from the fall of 2007, estimated the City government's Unfunded Actuarial Accrued Liability to be $89 million and the Annual Required Contribution to be $12.3 million. This information was based on a 30-year amortization of the unfunded actuarial liability and a 6 percent discount rate assumption. The 6 percent discount rate assumption was based on the assumption that the City would establish a separate investment trust fund to finance the payment of benefits. If a separate investment trust fund is not established, GASB 45 requires the City to use a discount rate assumption that reflects the rate the City receives on its general operating fund investments. If a discount rate assumption of 3 percent, to reflect a general investment rate (from last fall), is used for the preliminary evaluation, the Total Actuarial Accrued Liability would increase to $126 million and the Annual Required Contribution would increase to $16 million.

The Alexandria City Public Schools (a component unit of the City) also provides a post retirement health care subsidy per month for each retiree. For FY 2009, the Schools plan to continue to provide a subsidy of $265 per month to over 335 retirees at a total cost on a "pay-as-you-go" basis of $0.8 million. A preliminary evaluation of their plan as of June 30, 2006, estimated that with a separate trust fund the Unfunded Actuarial Accrued Liability to be $39 million and the Annual Required Contribution to be $4.9 million, and if a separate trust fund is not used the Unfunded Actuarial Accrued Liability to be $66 million and the Annual Required Contribution to be $7 million. The Schools are planning to implement their own OPEB investment trust fund and fund it on a phased-in basis.

In recognition that GASB 45 reported unfunded liabilities should be funded, City Council as part of its FY 2007 budget deliberations, designated $7.2 million of the City's General Fund balance for post retirement employee benefits. This $7.2 million had been previously designated for compensated absences. City Council also designated an additional $3.5 million of FY 2006 and FY 2007 surplus revenues to be added to the post retirement benefits designation bringing the total designation to $10.7 million by the end of FY 2007.

As part of the FY 2009 budget process, Council discussed the creation of an OPEB investment trust at its fall Retreat, discussed the trust and proposed funding plan at a budget work session, and then took steps to begin funding a trust by approving $1.4 million in new funding for the trust as part of the FY 2009 Approved Budget. The School's budget included $0.8 million in new funding for their trust. Creating an investment trust fund with regular contributions and investment earnings will help the City to:

1) Comply with GASB standards;
2) Satisfy bond rating agencies and facilitate maintenance of the City's top AAA/Aaa bond ratings;
3) Minimize the long-term liability which needs to be recorded;
4) Provide legal protection of the fund assets; and
5) Achieve a higher rate of return on investments.

Code of Virginia Section 15.2-1544 authorizes localities to set aside OPEB funds in a local trust for the purpose of accumulating and investing assets. Money contributed into this trust fund can be used only to provide OPEB for current and future retirees. These funds are considered to be irrevocable once placed in a trust. With a trust, the City can use a 6% discount rate assumption, and as described above, reduce its calculated liability from $126 million to $89 million, as well as reduce its Annual Required Contribution from $16 million to $12.3 million.

At the time of the Council Retreat in the fall, and again at a budget work session, staff proposed a multi-year step plan aimed at gradually increasing the funding necessary to amortize the unfunded liability over a 30-year period. This plan is detailed in the chart depicted below. The Approved FY 2009 Budget reflects $10.6 million for OPEB, including $5.0 million for current benefits and $1.4 million to pre-fund future benefits. Also, $4.2 million from the City's General Fund Fund Balance set aside of $10.6 million is proposed to be placed in the fund in FY 2009.

OPEB Funding Plan for $12.3 million Annual Required Contribution (ARC)*					
Fiscal Year	**2009**	**2010**	**2011**	**2012**	**2013**
Current "pay-go"	$2.0	$2.0	$2.0	$2.0	$2.0
Costpool Subsidy	3.0	3.0	3.0	3.0	3.0
New Funding	1.4	2.8	4.2	5.6	7.3
G.F Fund Balance Drawdown	4.2	3.1	2.0	1.4	0.0
Total	**$10.6**	**$10.9**	**$11.2**	**$12.0**	**$12.3**
%ARC Funded	86%	89%	91%	98%	100%

*Figures subject to periodic actuarial analysis, trust fund earnings, health insurance costs, and assume no increase in the $260 monthly reimbursement rate. If reimbursement rate was increased, liabilities would increase substantially.

In FY 2010 and in subsequent fiscal years, the $1.4 million in new funding will be increased by $1.4 million per year until it reaches $7.3 million per year in new funding by FY 2013. Also, the General Fund Fund Balance draw down will be reduced gradually from $4.2 million in FY 2009 to no further draw down in FY 2013. This gradual draw down will make the impact of a reduced

General Fund Fund balance not as severe, as well as result in the Annual Required Contribution (ARC) no less than 86% in the FY 2009 to FY 2010 time period. The addressing of OPEB liabilities, avoiding drastic General Fund fund balance draw downs, as well as having a high percentage of ARC funding, are key bond rating agency areas of interest. This multi-year funding phase-in plan addresses all of those concerns.

Code of Virginia Section 15.2-1547 requires governing bodies that create such a trust to also create a board to serve as trustee to manage and invest the assets of the trust. The Code further says that the board shall be composed of at least three members, to include:

1) The Chief Financial Officer of the locality;
2) The City Finance Director; and
3) At least one other citizen of the Commonwealth with "proven integrity, business ability, and demonstrated experience in cash management and in investments."

It is proposed that the City Manager nominate and City Council appoint the citizen member with the intention that a private sector financial professional who meets the Code criteria be sought for that appointment. The proposed trust and its managing board would be an investment trust only, and would not set rates nor administer retiree health or life insurance benefits. Council would continue to set rates as part of the budget process, and the Personnel Department would continue to administer these programs for retirees.

In accordance with Code of Virginia Sections 15.2-1547 through 15.2-1549, the board must:

1) Meet at least quarterly;
2) Retain the service of an investment manager;
3) Invest short-term the funds needed for current benefits;
4) Invest long-term the assets not needed for current benefits in the near term;
5) Maintain records of all proceedings;
6) Make such records available for inspection by the public;
7) Create, and periodically revise, an asset allocation for the investments; and
8) Report the fund's performance in the Comprehensive Annual Financial Report (CAFR).

Creation of the Post-Employment Benefits Trust will require an amendment to City Code Section 2-5-7 to authorize the Director of Finance to expend such funds as Council appropriates, plus any applicable retiree contributions, to fund the trust created pursuant to this ordinance and permitted by Virginia Code Section 15.2-1544 through 15.2-1549.

Each year, the City will report on this Trust Fund in the Comprehensive Annual Financial Report (CAFR). Bond rating agencies now review OPEB liabilities and consider these liabilities and how localities are dealing with addressing unfunded OPEB liabilities. As the rating agencies understand that OPEB liabilities will exist, their reviews will focus predominantly on a government's willingness to address their OPEB responsibilities by making regular and consistent contributions to pre-fund their obligations, a practice that was rare in state and local

governments until recently. Creating the fund and making adequate progress toward funding this liability will facilitate the City's continued AAA/Aaa bond ratings.

The combination of rising medical costs and an aging population could contribute to increasing OPEB costs in the future. Pre-funding will smooth out these costs. In order to be able to assume this potential higher earnings rate and thereby substantially reduce the liability that the City will have to post on its FY 2008 financial records and reports, the Trust Fund must be in place no later than June 30, 2008. The City's current plan is to use its existing investment consultant to provide advice on asset allocation, as well as to monitor investments, and to use one or more existing pension fund investment managers to manage the fund's assets.

FISCAL IMPACT: The creation of the trust and its board will not have a fiscal impact on the General Fund, in that all expenses related to investment consulting and investment management fees will be paid by the proposed trust fund.

ATTACHMENTS:
Attachment 1: Post-Employment Benefits Trust Agreement
Attachment 2: Proposed Ordinance

STAFF:
Mark Jinks, Deputy City Manager
Laura B. Triggs, Director of Finance
Steven Bland, Retirement Administrator

CITY OF ALEXANDRIA

POST-EMPLOYMENT BENEFITS TRUST

Effective _____, 2008

CITY OF ALEXANDRIA

POST-EMPLOYMENT BENEFITS TRUST

THIS TRUST AGREEMENT ("Trust Agreement"), made effective as of the _____day of _____, 2008, is by and between the City of Alexandria, Virginia (hereinafter the "City") and the City of Alexandria Finance Board (hereinafter referred to as the "Trustee" or the "Board").

WITNESSETH:

WHEREAS, the City maintains one or more plans providing post-employment benefits other than pensions to eligible individuals who were employed by the City ("Former Employees") and to the eligible dependents of such Former Employees; and

WHEREAS, Section 15.2-1544 of the Virginia Code authorizes the City to establish a trust for the purpose of accumulating and investing assets to fund post-employment benefits other than pensions; and

WHEREAS, pursuant to an ordinance duly adopted by the Alexandria City Council on _____ __, 2008, the City adopted the City of Alexandria Post-Employment Benefits Trust (the "Trust"), the assets of which are to be used in connection with its essential governmental function of providing for such post-employment benefits; and

WHEREAS, pursuant to the requirements of Section 15.2-1547 of the Virginia Code, the City has created and appointed the Board as the trustee and administrator of the Trust with the power to oversee the management of the assets of the Trust on the terms and conditions hereinafter set forth; and

WHEREAS, the City intends that the Trust be used in connection with its essential governmental function of providing post-employment benefits other than pensions to Former Employees and their eligible dependents, such that the Trust and its income shall qualify for the exemption from taxation under Section 115 of the Internal Revenue Code of 1986, as amended; and

WHEREAS, the City intends that the Trust Agreement be construed in accordance with the applicable requirements of sections 15.2-1544 through 15.2-1549 of the Virginia Code, as amended from time to time, and with the requirements of Governmental Accounting Standards Board Statement No. 45 (GASB 45), as amended from time to time.

NOW, THEREFORE, in consideration of the mutual promises, the mutual covenants and agreements herein contained, and other good and valuable consideration, the receipt of which is hereby acknowledged, the City and the Trustee, intending to be legally bound, agree as follows:

ARTICLE I

DEFINITIONS AND CONSTRUCTION

1.1 Definitions.

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

(a) **Beneficiary** – A person who is entitled to Benefits under a Plan upon the death of a Former Employee.

(b) **Benefits** – Any and all post-employment benefits other than pensions, including, but not limited to, medical, dental, vision and life insurance provided under a Plan to Former Employees and their eligible dependents and Beneficiaries.

(c) **Board** – The City of Alexandria Finance Board, as constituted pursuant to Article VI hereof, which has appointed by the City to serve as Trustee and administrator of the Trust in accordance with the requirements of Section 15.2-1547 of the Virginia Code.

(d) **City** – The City of Alexandria, Virginia, a political subdivision of the Commonwealth of Virginia.

(e) **Code** – The Internal Revenue Code of 1986, as amended from time to time, or any successor statute.

(f) **Custodian** – The bank, trust company or other entity selected by the Trustee to hold the assets of the Trust.

(g) **Former Employee** – An individual who is classified by the City as a former employee or official of the City.

(h) **Fund or Trust Fund** – The assets accumulated in the Trust established by this Trust Agreement in order to provide for the payment of Benefits under a Plan.

(i) **Investment Manager** – A registered investment advisor under the Investment Advisors Act of 1940, a bank (as defined in that Act), or an insurance company qualified to manage, acquire or dispose of trust assets under the laws of more than one State.

(j) **Plan** – The plan or plans maintained by the City to provide Benefits to eligible Former Employees and their eligible dependents.

(k) **Plan Participants** – Former Employees and dependents of Former Employees who are eligible for Benefits under the terms of a Plan.

(l) **Trust** – The trust established under this Trust Agreement.

(m) **Trust Agreement** – This Trust Agreement, together with any and all amendments or supplements thereto, and if an additional Trustee is appointed by the Board pursuant to the provisions of Section 5.2, the provisions of any separate trust agreement entered into between the Board and such Trustee.

(n) **Trustee** – The Board, and if one or more additional Trustees are appointed by the Board pursuant to the provisions of Section 5.2, the Trustee or Trustees holding assets of the Fund, or its or their successors.

(o) **Valuation Year** – The 12-month period ending each June 30th, except that the first Valuation Year shall be the two month period ending June 30, 2008.

(p) **Virginia Code** – The Virginia Code, as amended from time to time, or any successor statute.

1.2 Plurals and Gender.

Where appearing in this Trust Agreement, the masculine gender shall include the feminine and neuter genders, and the singular shall include the plural, and vice versa, unless the context clearly indicates a different meaning.

1.3 Headings and Subheadings.

The headings and subheadings in this Trust Agreement are inserted for the convenience of reference only and are to be ignored in any construction of the provisions thereof.

ARTICLE II

FINANCE BOARD

2.1 Creation of Finance Board.

(a) The City hereby creates the Board pursuant to the provisions of Section 15.2-1547 of the Virginia Code. The Board shall have three members, consisting of the Chief Financial Officer, the City Finance Director and a member nominated by the City Manager and appointed by the City Council. A member of the Board appointed by the City Council shall serve a two-year term (or until their successor is duly appointed and has accepted his or her position on the Board). A member may be re-nominated and re-appointed for any number of additional two-year terms.

(b) The member appointed by the City Council may resign or be removed by the City Council at any time. Notice of said resignation shall be in writing, and shall be either mailed or delivered by hand to the remaining members of the Board, the City Manager, and the City Council. Notice of removal shall be in writing, and shall be either mailed or delivered by hand to the member and the remaining members of the Board.

(c) The Chief Financial Officer and the City Finance Director shall become members of the Board by virtue of their position with the City (and shall cease to be members when they cease to hold such positions).

2.2 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 take all steps necessary to ensure that it complies with such Act and all applicable law.

(c) The Chief Financial Officer shall serve as the Chair of the Board and the City Treasurer shall serve as Secretary of the Board.

(d) A regular meeting of the Board shall be held each calendar quarter, on a date, and at a reasonable time and place, designated by the Chair or by resolution of the Board from time to time. Special meetings of the Board may be called jointly by the Chair, 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 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 3 business days notice shall be given of all regular meetings and at least 24 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 Chair or in the absence of the Chair, by the Secretary. The Secretary shall act as secretary of the meeting, but in the Secretary's absence the Chair shall 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 members of the Board shall constitute a quorum for the transaction of any business of the Board. At all meetings of the Board, each member shall have one vote.

(j) If quorum is lacking for any meeting, the meeting may be adjourned and reconvened by the chair 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) 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.

(l) The Board shall adopt standards of conduct (which conform to the State and Local Government Conflict of Interests Act).

(m) All documents, instruments, orders, requests, directions, instructions and other papers shall be executed on behalf of the Board by either its Chair or Secretary, or by any member or agent of the Board duly authorized to act on the Board's behalf.

(n) 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.

(o) 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.

(p) The members of the Board shall perform their duties with respect to the Trust without receiving any additional compensation in their capacity as Board members and without compensation from any other source. To the extent permitted by applicable law, the City shall reimburse any member of the Board for any expense incurred by such member with the approval of the Board. A member shall not receive reimbursement for such expense from any other source.

2.3 Employment of Agents.

The Board may employ agents, attorneys, accountants, actuaries, advisors and other third parties to provide counsel to the Board (or on behalf of the Trust).

2.4 Fees and Expenses.

All expenses incurred by the Board in the performance of its duties hereunder, and all other proper charges and disbursements of the Board, shall be paid from the Fund unless paid by the City. The City may request reimbursement from the Fund with respect to any expenses incurred by the City for services provided to the Board in connection with the administration of the Trust.

2.5 Standard of Care.

The Board shall perform all duties required of it hereunder in a prudent manner. The Board shall not be responsible in any way for any action or omission of the City, any Trustee or Custodian appointed pursuant to Section 5.2, or any other fiduciaries in the performance of its duties and obligations under the Trust Agreement. The Board shall not be responsible for any act or omission of any of its agents, or with respect to reliance upon advice of its counsel (whether or not such counsel is also counsel to the City) provided that such agents or counsel were prudently chosen and properly monitored by the Board, and the Board relied in good faith upon the action of such agent or the advice of such counsel.

2.6 Limitation on Liability.

The Board shall not have any duties other than those expressly set forth in this Agreement or imposed by applicable law. No member of the Board shall have any responsibility for, or have any duty to make inquiry concerning, any act, omission or failure to act of any predecessor or successor member.

To the maximum extent permitted by Section 15.2-1547 of the Virginia Code, the members of the Board shall not be liable for any act, omission or failure to act with respect to the Trust, except for gross negligence or intentional misconduct on the part of such member.

ARTICLE III

CREATION OF TRUST

3.1 Creation of Trust.

The City hereby creates a Trust into which shall be paid the contributions made or transmitted by the City, which contributions, together with any income, gains or profits, less distributions, losses, and expenses, shall comprise the Fund held by the Trustee.

The assets of the Fund shall be dedicated to providing Benefits to Plan Participants and their Beneficiaries. The Trustee is the owner of the Fund, and, shall hold, invest, reinvest, manage, administer and distribute the assets of the Fund, in accordance with this Trust Agreement, for the exclusive benefit of Plan Participants and their Beneficiaries, except as provided in Section 7.3 hereof.

3.2 Contributions.

The City shall contribute and pay over to the Trustee, annually or more often, as the City shall decide, such amounts as shall be determined by the City. The City may make contributions to the Trust in the form of cash, securities, or any other property permissible under applicable law. Contributions to the Trust are irrevocable.

3.3 Receipt of Contributions.

The Trustee shall accept and hold in the Fund contributions made or transmitted by the City. Neither the Board or the Trustee shall be responsible in any way for the administration of a Plan and shall be under no duty to determine whether the amount of any contribution is in accordance with applicable law or to collect or enforce payment of any contribution.

3.4 Discontinuance of Contributions.

The City assumes no contractual obligation to continue contributions to a Plan. The City reserves the right at any time and for any reason to discontinue the Plan and contributions hereunder. Failure by the City to continue a Plan or to make contributions to the Trust shall not give rise to any liability on its part whatsoever.

3.5 Disbursements from Fund.

(a) Benefits under a Plan may be paid or funded directly by the City or may be paid from the Trust. Upon written certification of the City Manager that (i) the City has paid or funded a Benefit, the payment or funding of which could have been made by the Trust, and (ii) that the City wishes to be reimbursed for same, Trust assets equal to the amount of the Benefit paid or funded may be returned by the Trustee to the City.

(b) The Board shall direct payment from the Fund to such persons in such manner, at such times, and in such amounts as the City may from time to time direct. Neither the Board or any Trustee or Custodian appointed pursuant to Section 5.2 shall be obligated in any manner to ensure a distribution complies with the terms of a Plan, or that the amount distributed is proper under the terms of a Plan. If there is a dispute as to a payment from the Trust, the Trustee may decline to make payment of such amounts until the proper payment of such amounts is determined by a court of competent jurisdiction, or, in the case of a Trustee or Custodian appointed pursuant to Section 5.2, the Trustee or Custodian has been indemnified to its satisfaction.

(b) Disbursements may be made from the Fund to defray all reasonable expenses incurred in connection with the establishment, maintenance, operation and administration of the Trust, unless other arrangements for their payment are made by the City.

(c) All taxes of any and all kinds whatsoever that may be levied or assessed under existing or future laws upon or in respect to the Fund or the income thereof shall be paid from the Fund.

ARTICLE IV

DUTIES OF THE CITY

4.1 Information and Data to be Furnished by the City.

In addition to making the contributions called for in Article II hereof, the City agrees to furnish the Board, and any Trustee or Custodian appointed pursuant to Section 5.2, with such information and data as is necessary for the proper administration of the Trust established hereunder.

4.2 Limitation of Duties.

Neither the City nor any of its elected or appointed officials or other employees shall have any duties or obligations with respect to this Trust Agreement, except those expressly set forth in this Agreement.

4.3 Limitation of Liability.

Neither the establishment of this Trust or a Plan, 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 Plan Participant, Beneficiary or other person any legal or equitable right against the City (or any of its elected or appointed officials or employees), the Board, any Trustee, or any Custodian.

By establishing this Trust, the City is not guaranteeing or agreeing to continue Benefits under any Plan. The City does not 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 a Plan.

The City shall not be liable to any person for failure on its part to make contributions, nor shall any action lie to compel the City to make such contributions.

4.4 Administrative Support.

The City shall provide the Board with such personnel and support services necessary for it to perform its duties hereunder and for the administration of the Trust, including, but not limited to, maintaining the accounting records and preparation of reports and filings.

ARTICLE V

DUTIES AND POWERS OF THE TRUSTEE

5.1 Discretionary Investment Authority.

The authority to control, manage and direct the investment of the Fund shall reside in the Trustee, except as otherwise provided herein, who shall hold, invest and manage the Fund pursuant to this Agreement without distinction between principal and income.

5.2 Appointment of Additional Trustee(s) or Retention of Custodian(s).

(a) The Board shall appoint one or more additional Trustees or retain one or more Custodians and Investment Managers to assist it with respect to the custody and the management of the assets of the Trust. The terms and conditions of appointment, authority and retention of any Trustee, Custodian or Investment Manager shall be the sole responsibility of the Board.

(b) The Board may enter into a trust agreement or other agreement with a bank or trust company organized and existing under the laws of the United States or any state thereof for the purposes of obtaining the services of such bank or trust company in the handling of investments for any or all of the assets of the Fund transferred to such bank or trust company at the direction of the Board. Any such trust agreement shall provide that such bank or trust company shall have sole responsibility of retention, investment, reinvestment, management and disbursement of any and all funds so transferred; as to any such funds so transferred, the designated Trustee shall have all of the powers of the Trustee hereunder and the Board shall thereafter have no duties or responsibilities with respect to the retention, safekeeping or investment of such assets. Such further agreement may also make provisions for the disbursement of funds, record-keeping requirements and such other matters as shall be agreed upon between the Board and such bank or trust company consistent with the provisions of this trust Agreement and Section 15.2-1548 of the Virginia Code. A copy of such agreement shall be provided to the City Manager. To the extent that an Investment Manager has been appointed with respect to any assets of the Fund held by such Trustee, then such Trustee shall be a "directed trustee" with respect to such assets of the Trust Fund for which an Investment Manager has been appointed.

(c) To the extent that the Board is serving as trustee of all or a portion of the Fund, the Board shall appoint and retain one or more custodians for the management and operation of such assets of the Trust. The Board may delegate, with or without the direction of the City and by instrument in writing, to a Custodian any of its powers or functions hereunder other than its powers or functions with respect to the investment of the assets of the Fund, including (without limitation):

(1) custodianship of all or any part of the assets of the Fund;

(2) maintaining and accounting for the Fund and other accounts as a part thereof;

(3) disbursing Fund assets as directed by the City; and

(4) preparing the annual report on the status of the Fund.

The Custodian so appointed may act as agent for the Board, without investment responsibility, for fees to be mutually agreed upon by the City and the Custodian and paid in the same manner as other Fund expenses. The Board shall not be responsible for any act or omission of the Custodian.

(d) Any Trustee or Custodian appointed pursuant to this Section 5.2 may resign from such position at any time by giving the Board written notice of such resignation.

(e) Any Trustee or Custodian appointed pursuant to this Section 5.2 may be removed by the Board at any time. Notice of said removal shall be in writing, and shall be either mailed or delivered by hand to the affected Trustee or Custodian and the City Manager.

(f) In no event shall the resignation or removal of a Trustee appointed pursuant to this Section 5.2 terminate this Trust Agreement. Upon the resignation or removal of a Trustee that has been appointed pursuant to this Section 5.2, the Board shall resume the duties of Trustee with respect to the assets held by the Trustee that has resigned or been removed. The Board may appoint a successor Trustee with respect to such assets. Notice in writing of the appointment of a successor Trustee shall be given by the Board to the Trustee resigning or being removed and to the City Manager.

(g) In the event of the resignation or removal of the Trustee that has been appointed pursuant to this Section 5.2 (or upon the appointment of a successor Trustee appointed by the Board and the acceptance of such successor Trustee), the Trustee shall turn over to its successor Trustee all of the assets of the Fund held by such Trustee.

(h) All records or books of account pertaining to the Fund which are in the possession of the Trustee shall be turned over to the Board or the successor Trustee provided that the Trustee shall be given a reasonable time, not to exceed 60 days, to complete its accounting before making such turnover.

(i) Any successor Trustee appointed by the Board shall have the same powers and duties as those herein conferred upon the Trustee. Any successor Trustee may be removed or may resign in the same manner, and, in the event of such removal or resignation of a successor Trustee, the same steps shall follow as on the removal of the Trustee.

(j) All fees, charges and expenses of the Trustee shall be paid from the assets of the Fund unless other arrangements for their payment are made by the City.

5.3 Appointment of Investment Manager.

(a) The Board may retain the services of one or more Investment Managers for the management of (including the power to direct the acquisition and disposition of) all or any part of the Fund. Each such Investment Manager shall acknowledge in writing that he or it is a fiduciary with respect to the Trust. If the Board appoints one or more Investment Managers, it shall direct the segregation of the portion of the Fund to be managed by each Investment Manager. The Board shall deliver to the City Manager, and any Trustee holding assets subject to management by such Investment Manager, a copy of the agreement between the Board and the Investment Manager (along with any subsequent amendments thereto).

(b) Subject to the terms of this Trust Agreement and the agreement between the Investment Manager(s) and the Board, the Investment Manager(s) shall have the power, without prior consultation with the Trustee, to manage, acquire or dispose of such assets, and to direct the Trustee with respect to the acquisition, retention, disposition or management of such assets. However, the Investment Manager(s) shall not have or retain the physical possession or indicia of ownership of any such assets except to the extent such assets are invested and reinvested through the medium of any combined, common or commingled trust fund or funds established by the Investment Manager(s). The Trustee shall follow the directions of the Investment Manager(s) regarding such assets, and shall not be liable for failing to take any action in the absence of directions from the Investment Manager(s). A Trustee or Custodian appointed pursuant to Section 5.2 shall not be liable for any act or omission of an Investment Manager, or be under any obligation to invest, review or otherwise manage any assets of the Fund for which an Investment Manager has been appointed. In addition, a Trustee or Custodian appointed pursuant to Section 5.2 shall not be required to advise the Board, the City or any other person regarding the investment quality of any directed investment held hereunder.

(c) Direction of an Investment Manager to the Trustee or a Custodian shall be in writing or may be made orally and confirmed in writing as soon as practicable thereafter if allowed by the Trustee. Each Investment Manager shall furnish the Trustee and/or Custodian holding the assets under management with the names and signatures of those persons who shall be authorized to direct the Trustee and/or Custodian on its behalf hereunder. The Trustee and/or Custodian may assume that the appointment of an Investment Manager to this Section 5.3 shall continue in force until receipt of written notice to the contrary is provided by the Board.

(d) Pending receipt of directions from an Investment Manager, any cash received by the Trustee and/or Custodian with respect to the assets under management by such Investment Manager may be retained by the Trustee and/or Custodian in cash.

(e) The Trustee is authorized and directed to pay from the Fund all fees, charges and expenses incurred by an Investment Manager in managing and maintaining the assets of the Fund unless other arrangements for their payment are made by the City.

(f) The Board reserves the right to remove any Investment Manager appointed hereunder at any time by delivering written notice of such removal to the Investment Manager being removed, any Trustee or Custodian appointed pursuant to Section 5.2, and the City Manager. A Trustee or Custodian appointed pursuant to Section 5.2 shall be under no duty or obligation to inquire into or question the propriety of any such removal by the Board.

5.4 Investment Policy

The Board shall formulate and communicate in writing to any Trustee or Custodian appointed pursuant to Section 5.2, the City Manager and each Investment Manager or other fiduciary responsible for plan investments, an investment policy and method for the Fund (or portion thereof being managed by such fiduciary) consistent with the provisions of Section 15.2-1549 of the Virginia Code. If any adjustment from such policy or method is subsequently deemed appropriate, notice of such adjustment shall be communicated by the Board in writing as soon as practicable to the responsible fiduciary and the fiduciary shall be under no duty to make any such adjustment prior to receiving such notice.

The investment policy promulgated by the Board may establish investment objectives, return and risk parameters, and asset allocation strategies (including, by way of example, a policy designed to hedge against increases in medical costs by an asset allocation involving broadly diversified investments in healthcare and related industries).

5.5 General Powers of the Trustee.

(a) The Trustee (and any Trustee appointed pursuant to Section 5.2) shall have full power and authority with respect to the assets of the Trust, including all cash, investments and other property at any time received or held in the Trust, and to do all acts, take such actions, and exercise all rights, privileges and discretion, whether herein specifically referred to or not, as could be done, taken or exercised by the absolute owner thereof, including, without in any way limiting or impairing the generality of the foregoing, the following powers and authority:

(1) To invest and reinvest any monies at any time forming a part of the Fund in any property, real, personal or mixed or any interest therein, wherever situate, which offers possibilities for investment return through either capital appreciation or income or both, including, but not limited to, savings accounts or other savings investment media, capital or common stock (whether voting or non-voting and whether or not currently paying a dividend), preferred or preference stock (whether voting or non-voting and whether or not currently paying a dividend), exchange traded funds,

convertible securities, corporate and governmental obligations, real property, leaseholds, ground rents, mortgages, junior mortgages and other interests in realty, notes and other evidences of indebtedness or ownership (secured or unsecured), contracts, partnership, limited liability or joint venture interests, choses in action, and warrants, derivatives and other instruments entitling the owner thereof to subscribe to or purchase any of the aforesaid. Investments pursuant hereto may be made by the Trustee without any duty to refrain from making investments which by any statute, rule of court or custom would not be considered appropriate investments for a trustee or which are not productive of income and without any limitation because of the size or nature of any investment, the size or nature of the enterprise in which any investment is made, the lack or absence of certainty or regularity of return on the investment or the volatile nature of the market value of any investment. A substitute Trustee need not request approval from any governmental agency as to the propriety of any investment in the Fund at the time it assumes its duties.

(2) To retain, manage, operate, repair, develop, preserve, improve, mortgage or lease for any period any real, personal or mixed property, either alone or by joining with others, using other trust assets for any such purposes if deemed advisable; to modify, extend, renew or otherwise adjust any or all of the provisions of any such mortgage or lease, including the waiver of rentals; and to make provisions for the amortization of the investment or in depreciation of the value of such property as it may deem advisable.

(3) To make, execute, acknowledge and deliver any and all deeds, leases, assignments and instruments.

(4) To borrow or raise money for the purposes of the Fund, including the borrowing of money for the purpose of acquiring, improving, developing and repairing real, personal or mixed property, or any interest therein and any other property. For any sum so borrowed, the Trustee may issue a promissory note as Trustee, and secure the repayment thereof by pledging, mortgaging, or otherwise assigning all or any part of the Fund.

(5) To sell or otherwise dispose of, either by public or private sale, any property, real, personal or mixed, at any time held by the Trustee, for such considerations, and on such terms and conditions as to credit or otherwise as may be appropriate, and to make contracts and grant options with respect to any such property, to bid for and become the purchaser of any property so sold on behalf of the Fund at any public sale thereof, and to again sell the same without liability for any resulting loss.

(6) To exchange any property at any time held by the Trustee for other property, and to pay and receive money to effect equality in price.

(7) To vote in person or by proxy any stocks, bonds or other securities held by the Trustee; to exercise any options appurtenant to any stock, bonds or other securities, or to exercise any right to subscribe for additional stocks, bonds or other securities, and to make any and all necessary payments therefore to join in, or to dissent from, and to oppose the reorganization, recapitalization, consolidation, liquidation, sale or merger of corporations or properties in which it may be interested as Trustee.

(8) To compromise, compound and settle any debt or obligations and to agree to reduce the rate of interest on, to extend or otherwise modify, or to foreclose upon default, or otherwise enforce any such obligation.

(9) To cause any investments from time to time held by it to be registered in, or transferred into, its name as Trustee, or the name of a nominee, or to retain them unregistered or in form permitting transferability by delivery, but the books and records of the Trustee shall at all times show that all such investments are part of the Fund. The Trustee is authorized to utilize the services of a securities clearing corporation such as The Depository Trust Co. to the extent permitted by applicable law.

(10) To employ and enter into agreements with such counsel, accountants, brokers, investment trustees, investment advisors, and other agents (and, in the case of a Trustee or Custodian appointed pursuant to Section 5.2, as may be directed by the Board), and to pay their reasonable expenses and compensation.

(11) To retain any stocks or other property received as a result of the exercise of any of the powers herein granted, whether or not investment in such stocks or other property is authorized by Section 5.5(a)(1).

(12) To organize and incorporate under the laws of any state the Trustee may deem advisable one or more holding corporations for the purposes of acquiring and holding title to any real or personal property which the Trustee is authorized to acquire under this Section 5.5, and to exercise with respect thereto any and all of the powers, functions and duties set forth in this Section 5.5.

(13) To retain any cash and keep unproductive of income, by deposits in a bank, even if the balances in any such account exceed the deposit insurance limits in effect from time to time, or otherwise any portion of the Fund as may be advisable, without liability to pay interest on such cash balance or on cash in its hands pending investment or distribution.

(14) To the extent permitted by applicable law, to cause any or all assets of this Fund to be invested and reinvested in any proportion through the medium of any combined, common or commingled trust fund or funds (such collective funds being hereinafter referred to as the "Combined Funds"). In connection with the participation of this Fund in any of the Combined Funds, where required by law or the terms of any such Combined Fund, the instrument establishing such Combined Fund is hereby adopted and made a part of this Trust Agreement, to the extent such instrument does not violate applicable law, and any assets of this Fund invested in any of the Combined Funds shall be subject to all the provisions thereof, as the same may be amended from time to time.

(15) To the extent permitted by applicable law, to cause any or all assets of this Fund to be commingled for investment purposes with the assets of other non-pension employee benefit plans maintained by the City or an affiliated entity.

(16) To hold and administer the Fund without distinction between principal and income, and as a single trust fund without physical separation of any separate funds or accounts provided by the Plan, except where the City clearly requires the segregation of Fund assets.

(b) The Trustee shall do, and shall have the power and authority to do, all things proper or desirable in order to carry out, promote or advance the purpose of the Trust even though such activities are not specifically mentioned in this Trust Agreement. Each and all of the foregoing powers may be exercised without court order or other legal formality.

(c) To the extent that an Investment Manager has been appointed to manage all or a portion of the Fund, the Trustee's exercise of any discretionary power, right or duty with respect to the portion of the Fund subject to the management of such Investment Manager shall be made at the direction of the Investment Manager.

ARTICLE VI

TRUST ADMINISTRATION AND ACCOUNTING

6.1 Accounting, Records and Certificates.

(a) The Trustee shall keep accurate and detailed accounts of all investments, receipts and disbursements and other transactions hereunder, which shall show the complete record of the operation of the Fund, and all such accounts and the books and records relating thereto shall be open to inspection at all reasonable times by the City.

(b) The Trustee shall also furnish to the City Manager, upon request, balance sheets and statements of receipts and disbursements during the continuance of this Trust Agreement as of any date requested.

(c) Within 120 days following the close of each Valuation Year, and within 180 days following the completion of the application or distribution of the Fund upon termination of the Plan as provided for in Article VII hereof, the Trustee shall file with the City Manager a written account setting forth all investments, receipts, disbursements and other transactions effected by it during such year or during the period from the closing date of the last preceding written account to the date of such resignation or removal or to the date of such completion of application or distribution of funds. Each such account shall set forth in summary form the receipts and disbursements of the Trustee for the period accounted for, and shall show all cash, securities and other property held at the end of such period, and the cost and then market value of each item thereof.

(d) The Trustee shall cooperate with the City in the preparation and filing of any returns, reports and other information concerning the Fund or the Plan required to be prepared or filed by the Fund by any governmental agency, but shall not have any obligation to prepare or file such returns or reports.

6.2 Valuation of the Fund.

The Trustee shall value the assets of the Fund annually or more frequently as requested in writing by the City Manager (or, in the case of a Trustee or Custodian appointed pursuant to Section 5.2, as may be requested by the Board, but not more frequently than monthly). All assets contained in the Trust accounting shall be shown at their fair market value as of the end of the Valuation Year or as of the date of valuation. The value of marketable investments shall be determined using the most recent price quoted on a national securities exchange or over the counter market. The value of non-marketable securities shall, except as provided otherwise herein, be determined in the sole judgment of the Trustee, which determination shall be binding and conclusive.

ARTICLE VII

CONTINUANCE AND TERMINATION OF TRUST AGREEMENT

7.1 Term of Trust Agreement.

This Trust Agreement shall continue unless expressly terminated by the City.

7.2 Effect of Termination.

Upon the termination of this Trust Agreement, the Fund shall be allocated and distributed as Benefits as provided by the City.

7.3 Exclusive Benefit; Reversion Upon Plan Termination.

It is expressly agreed and understood that all contributions made are irrevocable and that the Fund shall be used for the exclusive benefit of Plan participants and beneficiaries, including the payment of Plan benefits and reasonable administrative expenses. However, notwithstanding the foregoing or any contrary provision of the Trust Agreement, if the Plan terminates, and assets remain in the Fund after payment of all Plan benefits and reasonable administrative expenses, and if there are no other active or former employees or dependents to which a benefit is due under any plan or program of the City providing non-pension post employment welfare benefits, then the assets remaining in the Fund shall revert to the City.

ARTICLE VIII

AMENDMENTS

8.1 Amendments.

This Trust Agreement may be amended by the City (by action of the City Council), in which event written notice of amendment shall be given by the City to the Board, and any Trustee or Custodian appointed pursuant to Section 5.2, but no amendment to this Trust Agreement may be made which increases the duties of a Trustee or Custodian appointed pursuant to Section 5.2 without its consent.

ARTICLE IX

MISCELLANEOUS

9.1 Reliance

The parties hereto shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, statement or other document which they reasonably believed to be genuine and to have been signed by the proper party or parties or by a person or persons authorized to act on its behalf.

9.2 Persons Dealing with the Trustee.

No person dealing with the Trustee shall be under any obligation to inquire into the validity, expediency or propriety of any action by the Trustee or of any exercise by it of any of the powers conferred upon it by this Trust Agreement. The execution by the Trustee of any instrument, document or paper in connection with the exercise of any of the powers enumerated herein shall, of itself, be conclusive evidence to all persons of the authority of the Trustee to execute the same and to exercise the powers incident thereto.

9.3 Advice of City, Counsel, Etc.

(a) If at any time or times the Board is in doubt as to the course which it should follow in any matter relating to the administration of this Trust Agreement, it may request the City to advise it with respect thereto, and it shall be protected in relying upon the advice or direction which may be given it by the City, in writing, in response to such request.

(b) If at any time or times a Trustee or Custodian appointed pursuant to Section 5.2 is in doubt as to the course which it should follow in any matter relating to the administration of this Trust Agreement, it may request the Board to advise it with respect thereto, and it shall be protected in relying upon the advice or direction which may be given it by the Board, in writing, in response to such request.

(c) In the event the Board any reasonable doubt at any time as to its rights or obligations hereunder, or in the event of any dispute arising under the terms of this Trust Agreement or the Plan, in which dispute the City, any participant, any beneficiary or any person claiming an interest in the Fund is involved, the Board shall have the right to consult with legal counsel (including counsel for the City) and to obtain other professional assistance such as, for example, accountants or actuaries, to assist it in resolving such doubts, or to advise it with respect to the meaning or construction of this Trust Agreement, or its obligations, powers or duties hereunder, or to advise it or represent it with respect to any action or proceeding or any question, and it shall be fully protected with respect to any action taken by it or omitted by it in good faith pursuant to the advice of such counsel or other such professional advisors. The fees and expenses of

such counsel or such professional advisors shall be paid from the Fund, unless paid by the City.

9.4 Notices.

(a) Any action by the City pursuant to any of the provisions of the Plan or this Trust Agreement shall be evidenced by a writing over the signature of the City Manager. and the Board (or a Trustee or Custodian appointed pursuant to Section 5.2) shall be fully protected in acting in accordance with such writing. All orders, requests, directions and instructions of the City to the Board shall be in writing, signed by the City Manager or by any agent of the City duly authorized to act on behalf of the City Manager. Unless it knows that the direction constitutes a breach of the City's duties or responsibilities under the Plan, the Board shall act and shall be fully protected in acting in accordance with such orders, requests, directions and instructions. In the absence of knowledge that the direction constitutes such a breach, the Board shall be entitled to rely conclusively on such direction, and shall have no further duty to make any investigation or inquiry before acting upon any such direction of the City. The Board shall not be liable to anyone for the inaction, action, mistaken action or other errors of the City in directing the Board.

(b) Notwithstanding anything contained herein to the contrary, the City and the Board 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 or request, communication may be made by any other agreed upon means, 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.

(c) Promptly after the execution of this Trust Agreement, the City shall furnish the Board with a list of the names of the individuals authorized to act on behalf of the City or the City Manager in connection with this Trust Agreement, and thereafter it shall provide the Board with updates to the list as they occur. The Board may assume at all times that the persons named in such list continue to have authority to act on behalf of the City or the City Manager, unless it has received written notice from the City to the contrary or has actual knowledge to the contrary.

9.5 Judicial Accounting.

Nothing contained in this Trust Agreement shall be construed as depriving a Trustee or Custodian appointed pursuant to Section 5.2 to have a judicial settlement of its accounts. Upon any proceeding by a Trustee or Custodian appointed pursuant to Section 5.2 for a judicial settlement of its accounts or for instructions, the only necessary party thereto in addition to the Board shall be the City. If the Trustee's or Custodian's statement or account proves accurate, the costs of such proceedings, including any reasonable counsel fee incurred by the Trustee or Custodian, shall be paid from the Fund.

9.6 No Bond or Security Required.

No Trustee or Custodian shall be required to give any bond or other security for the faithful performance of its duties hereunder, unless otherwise required by law.

9.7 Law and Interpretation.

This Trust Agreement is made in the Commonwealth of Virginia and shall be construed in accordance with the laws thereof. It is intended that this Trust be exempt from federal income taxation under Section 115 of the Code, and comply with GASB 45, and it shall be construed accordingly.

9.8 Invalidity.

In the event any provision of this Trust Agreement shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining provisions hereof, and this Trust Agreement shall thereafter be construed and enforced as if said illegal or invalid provisions had never been included herein.

9.9 Counterparts.

This Trust Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original.

IN WITNESS WHEREOF, the parties hereto have caused this Trust Agreement to be executed effective as of _____, 2008.

CITY OF ALEXANDRIA

By:_____

Print Name:_____

Date: _____

CITY OF ALEXANDRIA FINANCE BOARD

_____

Print Name: _____

Date: _____

_____

Print Name: _____

Date: _____

_____

Print Name: _____

Date: _____

EXHIBIT NO. 2

Introduction and first reading:	6/10/2008
Public hearing:	6/14/2008
Second reading and enactment:	6/14/2008

INFORMATION ON PROPOSED ORDINANCE

Title

AN ORDINANCE to amend and reordain Section 2-5-57 (SALARY DEDUCTIONS AND WITHHOLDINGS FOR RETIREMENT, ETC.) of Article D (RETIREMENT AND INSURANCE), Chapter 5 (OFFICERS AND EMPLOYEES), Title 2 (GENERAL GOVERNMENT), and to amend Chapter 1 (GENERAL PROVISIONS) of Title 3 (FINANCE, TAXATION AND PROCUREMENT), by adding there to a new Section 3-1-7 (POST-EMPLOYMENT NON-PENSION BENEFIT TRUST FUND ACCOUNT), all of the Code of the City of Alexandria, Virginia, 1981, as amended.

Summary

As required to comply with Government Accounting Standards Board standards, as implemented by state law, the proposed ordinance establishes a separate accounting fund for the payment of non-pension retirement benefits for City employees. The fund will be managed by a three member board, comprised of the City's chief financial officer, director of finance, and a citizen with expertise in financial management and investment, appointed by city council.

Sponsor

Staff

Laura B. Triggs, Director of Finance
Ignacio B. Pessoa, City Attorney
Christopher P. Spera, Assistant City Attorney

Authority

Va. Code Sections 15.2-1544, *et seq.*

Estimated Costs of Implementation

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

None

EXHIBIT NO. 3

ORDINANCE NO. _____

AN ORDINANCE to amend and reordain Section 2-5-57 (SALARY DEDUCTIONS AND WITHHOLDINGS FOR RETIREMENT, ETC.) of Article D (RETIREMENT AND INSURANCE), Chapter 5 (OFFICERS AND EMPLOYEES), Title 2 (GENERAL GOVERNMENT), and to amend Chapter 1 (GENERAL PROVISIONS) of Title 3 (FINANCE, TAXATION AND PROCUREMENT), by adding there to a new Section 3-1-7 (POST-EMPLOYMENT NON-PENSION BENEFIT TRUST FUND ACCOUNT), all of the Code of the City of Alexandria, Virginia, 1981, as amended.

THE CITY COUNCIL OF ALEXANDRIA HEREBY ORDAINS:

Section 1. That Section 2-5-57 of the Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

Sec. 2-5-57 Salary deductions and withholdings for retirement; deferred compensation and insurance plans; payment of city's share to maintain plans.

(a) The director of finance is hereby authorized to deduct, withhold and remit employees' contributions, either voluntary or mandatory, for the plans adopted in this article and health insurance plans for city employees authorized by law. The director of finance is further authorized to expend the share of the city toward maintaining or contributing on its behalf or on behalf of its employees to these plans, subject to appropriation of necessary funds by the city council.

(b) The director of finance is further authorized to expend any applicable employee or retiree contributions to fund the Post-Employment Non-Pension Benefit Trust Fund established by section 3-1-7 of this code.

Section 2. That Article 1 of Title 3 of the Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended by adding thereto a new Section 3-1-7 to read as follows:

[The following is all new language]

Sec. 3-1-7 Post-Employment Non-Pension Benefit Trust Fund Account.

(a) *Establishment of account.* There is hereby established for the City of Alexandria a permanent account to be known and designated as The City of Alexandria Post-Employment Non-Pension Benefit Trust Fund Account, which account shall be accounted for and maintained separate and apart from all other accounts maintained by the City of Alexandria. Such trust fund account shall be maintained and administered pursuant to the terms and requirements of Virginia Code Sections 15.2-1544, et seq.

(b) *Funding of account.* The City Council shall, for the fiscal year commencing July 1, 2008, and in each ensuing fiscal year, assign and appropriate to such trust fund account such funds as deemed reasonably prudent for the ongoing and future payment of post-employment non-pension benefits for retired employees of the City of Alexandria and their eligible beneficiaries. Such appropriated funds, together with any employee or retiree contribution funds deposited in such account, shall be irrevocable, and unexpended appropriations to such account shall not lapse or expire at the end of the fiscal year in which made, irrespective of whether such appropriations were encumbered within such fiscal year. Funds deposited in the account shall be invested in accordance with law, and earnings thereon shall likewise be irrevocably deposited into such account..

(c) *Expenditures from account.* Notwithstanding any contrary provision of law, appropriations from the said account shall be authorized and made exclusively to pay for post-employment non-pension benefits afforded under any applicable retirement plan for former City of Alexandria employees pursuant to the terms of those plans. Once such trust fund has been fully funded (so as pay the city's actuarially determined liability for such benefits accrued and accruing, excepting only funds required to be deposited in the current fiscal year), such post-employment non-pension benefits shall be paid exclusively from the trust fund.

(d) *Post-employment non-pension benefits defined.* As used in this section, post-employment non-pension benefits means medical, dental, and life insurance provided to individuals who have terminated their service with the City of Alexandria and to the dependents of such individuals, whether provided by purchasing insurance, by a program of self-insurance, or by a combination of both.

(e) *Administration of account.* The trust fund account established by this section shall be managed, maintained and invested, as set forth in Virginia State Code Sections 15.2-1544, et. seq., by a three member finance board, comprised of the chief financial officer and director of finance of the city, and one citizen member with proven integrity, business ability, and demonstrated experience in cash management and investments, appointed by city council for a two-year term.

Section 3. That this ordinance shall become effective on July 1, 2008.

WILLIAM D. EUILLE
Mayor

Introduction: 6/10/08
First Reading: 6/10/08
Publication:
Public Hearing:
Second Reading:
Final Passage: