DATE: MAY 3, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: CONSIDERATION OF RESOLUTION TO AMEND THE CITY'S EMPLOYEE PENSION PLANS

ISSUE: Consideration of seven proposed amendments to the City's pension plans, including:

1. Proposed Second Amendment to the City of Alexandria Firefighters and Police Officers Pension Plan (the "Fire and Police Plan");

2. Proposed First Amendment to the City of Alexandria Retirement Income Plan for Deputy Sheriffs, Emergency Rescue Technicians, and Fire Marshals (the "RIP DS Plan") [Note: the RIP DS Plan name has not changed to reflect that Emergency Rescue Technicians are now called Medics];

3. Proposed Second Amendment to the RIP DS Plan;

4. Proposed Third Amendment to the Fire and Police Plan;

5. Proposed First Amendment to the Pension Plan for Fire Fighters and Police Officers (the "Old Plan");

6. Proposed Third Amendment to the RIP DS Plan; and

7. Proposed Third Amendment to the City of Alexandria Supplemental Retirement Plan.

RECOMMENDATION: That City Council adopt the attached resolution that includes adoption of the attached seven amendments to four City retirement plans. The amendments to the plans have been discussed with the City Council Pension Compensation Committee.

BACKGROUND: These amendments can be divided into three categories: employee service credit buyback, RIP DS administration, and IRS-mandated technical amendments.
I. **Service Buyback:** Items 1 and 2 are related to one another. The Proposed Second Amendment to the Fire and Police Plan (1 above) provides a one-time opportunity for firefighters and police officers to purchase service credit at full actuarial cost for up to four years of Eligible Non-Covered Service. Eligible Non-Covered Service includes periods of employment with the City prior to October 14, 2010 as a Deputy Sheriff, Emergency Rescue Technician/Medic, or Fire Marshal.

The Proposed First Amendment to the RIP DS Plan (2 above) allows former plan participants who became firefighters or police officers to use their assets in the RIP DS Plan to purchase service credit under the Fire and Police Plan. The proposed change is necessary only if Council adopts the Proposed Second Amendment to the Fire and Police Plan.

II. **RIP DS Administration:** The Proposed Second Amendment to the RIP DS Plan (3 above) changes how contributions and individual employee defined contribution accounts are administered. If Council adopts the amendment, the City would close the current RIP DS Plan used for Deputy Sheriffs, Medics, and Fire Marshals, and make future contributions to the City-sponsored 457 Deferred Compensation Plan (the “457 Plan”) that is already available to other general schedule employees.

III. **IRS-Mandated Technical Amendments:** The Proposed Third Amendment to the Fire and Police Plan, Proposed First Amendment to the Old Plan, Proposed Third Amendment to the RIP DS Plan, and Proposed Third Amendment to the Supplemental Retirement Plan (4, 5, 6 and 7 above) are technical in nature and relate to compliance rules for highly compensated individuals. The City must adopt these rules even though they are designed to address practices and procedures that the City does not use. However, the IRS requires the plans to adopt them as plan amendments on or before June 28, 2011 for the plans to retain their tax preferred status. These plan amendments will not change the plans’ benefits, contributions, or eligibility and are cost-neutral to the City.

**DISCUSSION:** The first three amendments will be discussed separately below. The four technical amendments mandated by the IRS will be combined for discussion.

I.a. **Service Buyback: Fire and Police Plan:** The Fire and Police Plan, which is a defined benefit plan, became effective January 1, 2004. Prior to that date, the City’s sworn firefighters and police officers participated in the Retirement Income Plan for Firefighters and Police Officers (RIP), a defined contribution plan. When the City converted the RIP to a defined benefit plan in 2004, the Fire and Police Plan gave no service credit for any service credit earned prior to a break in service or service credit earned in another City plan. During the negotiations to convert from the RIP to the Fire and Police Plan, employee group representatives and City administration representatives decided to defer discussion on how to treat this prior City service credit buyback to a future date.

Earlier this year, the Fire and Police Plan’s Pension Plan Retirement Board (“Board”) formed a subcommittee made up of employee representatives and management to look into the purchase of service credit for Eligible Non-Covered City Service for former Sheriffs, Emergency Rescue Technicians/Medics, or Fire Marshals now covered under the Fire and Police Plan. The subcommittee brought to the Board a proposal providing firefighters and police officers the one-time opportunity to purchase service credit for Eligible Non-Covered City Service at the full actuarial cost for up to four years. When the member pays the full actuarial cost, there is no impact on the pension plan’s financial status and no change in the employer contribution rate.
No City subsidy to these 44 eligible employees is requested. Any increase to the Fire and Police Plan's liabilities due to allowing members to purchase service credit is paid in full by the members purchasing the service credits.

The Board directed the subcommittee to survey the 44 firefighters and police officers with Eligible Non-Covered City Service to determine how many were interested in purchasing service credit at the full actuarial cost. The survey included cost estimates for each individual as calculated by the actuary. At the October 14, 2010, meeting, the Board voted 6 – 2 to send this proposed Second Amendment to City Council but only if Council were to approve the purchase at full actuarial cost. Most of the Board members expressed strong opposition to any type of subsidy from or cost sharing by the City for any employee purchasing service credit. In voting on this proposed amendment, the Board stipulated that:

1. The employee must be actively employed as a firefighter or police officer on October 14, 2010;
2. The Eligible Non-Covered Service must have taken place prior to October 14, 2010;
3. Up to four years of Eligible Non-Covered Service may be purchased using payment methods to be determined by the City;
4. The purchase of service option is a one-time opportunity that is to be processed as quickly as possible should Council approve this amendment; and
5. Employees electing to purchase the service credit must pay full actuarial cost.

The cost to the employee to purchase service credit, which is based on age, service, and salary will vary significantly by person. The average cost is roughly $25,000 per year purchased. The proposed Second Amendment allows employees to purchase service credit using a combination of payroll-deducted contributions over a three year period of time and a lump sum roll-over from a qualified retirement plan. Qualified plans include a deferred compensation plan such as the City's 457 deferred compensation plan, an IRA, or the Retirement Income Plan account that accumulated while the employees were employed as a Deputy Sheriff, Emergency Rescue Technician, or Fire Marshal (the "RIP DS"). A number of employees have indicated a preference to make this purchase with a lump sum roll-over. Such roll-overs allow employees to withdraw money at an early date without paying taxes or being subject to any penalty. Taxes are paid when employees receive their monthly pension benefits.

In order for this proposed change to take effect, Council would also have to adopt the Proposed First Amendment to the RIP DS to allow employees with assets in the RIP DS who are now firefighters or police officers to make an in-service roll-over of assets to this Plan to purchase service credit for Eligible Non-Covered Service (See “Service Buyback: RIP DS Plan” below). It is expected that a number of the 44 Plan members with Eligible Non-Cover Service will take advantage of this opportunity if approved.

Should Council adopt this amendment, eligible employees will be sent detailed information that will describe the different options for purchasing service credit for Non-Covered Service. The members will have an election period during which they may elect to sign a binding agreement to purchase the service credit. Soon after, employees who elected to purchase service will be required to make lump sum payments and begin payroll-deducted contributions. Assuming Council adopts this amendment, the election and purchase period will commence as soon as possible in order to reduce the amount of interest added to the cost estimates already sent to eligible members. Employees were informed of the possibility of additional interest being added to the cost estimates in the survey that was sent to them earlier in the fall.
In compliance with the Fire and Police Plan, employees had a 60-day comment period prior to this docket memo being sent to City Council. During this time, employees had the opportunity to participate in several meetings in which the City's Pension Administration Division explained this proposed amendment and answered questions. This amendment was presented to the City Council Subcommittee on April 25, 2011. It should be noted that it is unlikely that all 44 eligible employees will choose to buy back their prior City service.

I.b. Service Buyback: RIP DS Plan: The RIP DS Plan, which was adopted by City Council on July 1, 1990, is a defined contribution plan that provides retirement income for the Participants. The City makes contributions to the RIP DS Plan at a rate that varies each year. The FY 2011 contribution rate is zero. The participants determine how the contributions in their accounts are invested.

As described above, the City is proposing a change to the Fire and Police Plan. The proposed Second Amendment to the RIP DS Plan will allow the 44 participants who are now firefighters or police officers to make a one-time lump sum transfer of assets in order to purchase service credit in the Fire and Police Plan. Currently, the RIP DS Plan does not allow participants who are actively employed by the City in any position to withdraw or transfer money. It is anticipated that some of the 44 participants will make a lump-sum transfer of assets to purchase service credits, but we will not know the exact number until they are officially offered the opportunity. Employees will be offered that opportunity if Council adopts the proposed changes.

Participants who choose to use assets from the RIP DS Plan to purchase the Fire and Police service credit will not be subject to taxes at the time the money is transferred since the money would be transferred directly to the Fire and Police Plan to fund future monthly retirement benefits. The participants will pay taxes when they receive their monthly retirement benefits. The transfer of assets will not impact the value of other participants' accounts. While no 60-day notice is required by the RIP DS Plan, this amendment was shared with employees for comment.

II. RIP DS Administration: There are 239 active employees in the RIP DS Plan (Deputy Sheriffs). The City makes all contributions to the RIP DS Plan and the participants choose how to invest those contributions. The contribution rate, which is determined each year during the budget process, is zero for FY 2011. That contribution rate is determined by comparing the total pension contributions that the City makes for Police Officers and Firefighters to the total pension contributions the City makes for Deputy Sheriffs, Medics, and Fire Marshals and making up the difference, if one exists. The benefit amount available to participants at retirement is determined by the sum of the contributions and investment earnings. Participants are also covered by the Virginia Retirement System and the City of Alexandria Supplemental Retirement Plan, which are defined benefit plans. These plans will pay a monthly retirement benefit determined by service, average earnings, and age.

The City also currently sponsors the 457 Plan for general schedule employees, which is administered by ICMA Retirement Corporation (ICMA-RC). A 457 plan is a savings plan available to state and local government employees that allows employees who are eligible in the City to save for retirement through payroll-deducted contributions on a pre-tax basis. Voluntary employee contributions are deducted from participants' paychecks before federal and state taxes are withheld and the amount of taxable income is reduced by the amount of the contribution. Earnings also accumulate on a tax-deferred basis. Participants pay taxes on their contributions and investment earnings when they withdraw money from the 457 Plan.
The Proposed Second Amendment to the RIP DS Plan changes how contributions and individual employee accounts are administered. If Council adopts the amendment, the City would close the RIP DS Plan and make future contributions for these employees to the City-sponsored 457 Deferred Compensation Plan (the “457 Plan”). This proposed amendment is an administrative change only. It does not change how the City paid contributions are determined, who is eligible to participate and receive the contributions, or how the participants make investment decisions to grow their account balances.

This change would simplify the administration of the City defined contribution pension plans, improve administrative efficiency, and reduce costs incurred by the City’s vendors. Since the 457 Plan is not administered directly by the City, the City would not be required to make payments to vendors such as a plan lawyer and plan consultant for the RIP DS Plan. Participants have the option of transferring their current balances in the RIP DS Plan to the 457 Plan or any other plan of their choice that is qualified to accept a roll-over from the RIP DS Plan. A roll-over of funds is not considered a taxable event, so this movement of assets will not create a tax liability for participants.

In closing the RIP DS Plan, IRS rules require the City to immediately vest all participants in their account balances. Participants are normally vested after working for the City for five years and may take all money in their account when leaving City employment. Non-vested participants forfeit the right to money in their RIP DS Plan when leaving City employment. The immediate vesting will have minimal fiscal impact on the City because very few RIP DS Plan participants leave City employment before being vested.

The move to the 457 Plan offers the following advantages to participants:

- More choices in the types of investment funds;
- Greater access to individual and web-based customer service;
- Greater access to financial education on the website and through seminars provided by ICMA-RC;
- Access to an ICMA-RC representative, who is available to meet with participants five days a week at a time and location convenient to them;
- Consolidation of assets and paperwork for the RIP DS Plan and the 457 Plan; and
- Access to the RIP DS Plan assets at the plan closing, should the employee choose. (Participants will be counseled about the consequences of directly withdrawing that money at the closing of the RIP DS Plan and will be strongly encouraged to roll over their account balances to another qualified plan such as an IRA or the City-sponsored 457 Plan in order to have the money available at retirement.)
If Council adopts the proposed change, Pension Administration Division staff will:

- Mail detailed information to each participant regarding the change, the change process, and deadlines;
- Hold meetings to explain the change, the change process, and deadlines and answer participant questions;
- Make arrangements for Prudential, the current vendor for the RIP DS Plan, to be available for any participant who may wish to roll their RIP DS Plan account balance into a qualified Prudential retirement account or purchase an annuity from Prudential; and
- Make arrangements for representatives from ICMA-RC to be available to assist participants and answer questions.

The proposed Second Amendment to the RIP DS Plan will have minimal, if any, fiscal impact, for a few non-vested accounts. Staff anticipates that administrative savings on vendor expenses will exceed any minimal increased vesting costs.

III. IRS-Mandated Technical Amendments: To retain their tax preferred status, the City's pension plans are periodically reviewed by the Internal Revenue Service (IRS). The City filed an application requesting a determination letter on January 23, 2009, and the IRS began processing the request on October 21, 2010. In April 2011, the IRS provided a favorable determination letter, contingent upon each of the plans amending their plan documents on or before June 28, 2011, a deadline set by the IRS. The required plan amendments are technical in nature, relate to compliance rules for highly compensated individuals, and are designed to restrict abuses in some small pension plans. Since the City does not engage in the practices that these amendments are designed to restrict, the proposed amendments will have no significant effect on City procedures. However, the IRS requires the plans to adopt them as plan amendments. These plan amendments will not change the plans' benefits, contributions, or eligibility and are cost neutral to the City.

These IRS-mandated technical amendments include:

- Proposed Third Amendment to the Fire and Police Plan;
- Proposed First Amendment to the Old Plan;
- Proposed Third Amendment to the RIP DS Plan; and
- Proposed Third Amendment to the Supplemental Retirement Plan.

The Fire and Police Plan generally calls for all plan participants to be given a 60-day notice of proposed plan amendments. In the case of a purely technical revision, for a plan amendment that does not impact benefits, contributions, or eligibility, the Board may waive the 60-day notice process. The Board voted at their April 14, 2011, meeting to waive the 60-day notice period and indicated their agreement that the amendments do not impact benefits.

These proposed amendments are comprised of some combination of five changes required by the Internal Revenue Service. These changes are as follows:

- **Change 1**: The definition of “employee” is clarified by adding the definition of “leased employee.” Change 1 applies only to the Proposed First Amendment to the Old Plan.
• **Change 2**: The definition of “Required Beginning Date” is amended to reflect that the beginning date may be measured from the calendar year in which the participant “retires from employment” rather than the calendar year in which the participant “terminates employment.” Change 2 applies to the Proposed First Amendment to the Old Plan, Proposed Third Amendment to the Fire and Police Plan, and Proposed Third Amendment to the Supplemental Retirement Plan.

• **Change 3**: The definition of remuneration is amended to include payments received after employment has ended, such as pay outs of leave balances, commissions or bonuses, and payments to employees in qualified military service. Severance payments are not included. Change 3 applies to all four amendments.

• **Change 4**: Language concerning employee vesting at Normal Retirement Date is added. Change 4 applies only to the Proposed First Amendment to the Old Plan.

• **Change 5**: Technical modifications are made to the section concerning reductions in maximum benefits and contributions in the event that limits on annual additions are exceeded. Change 5 applies to the Proposed Third Amendment to the Supplemental Retirement Plan and the Proposed Third Amendment to the RIP DS Plan.

**FISCAL IMPACT:** The Proposed Second Amendment to the Fire and Police Plan and Proposed First Amendment to the RIP DS Plan will have no fiscal impact because employees who commit to purchase service credit will pay the full actuarial cost.

The Proposed Second Amendment to the RIP DS Plan will have minimal, if any, fiscal impact, for a few non-vested accounts. Staff anticipates savings on vendor expenses will exceed any minimal increased vesting costs.

The IRS-mandated proposed plan amendments will not change the plans’ benefits, contributions, or eligibility and are cost neutral for both the City and the Participants.

**ATTACHMENTS:**
1. Resolution to Amend City of Alexandria Firefighters and Police Officers Pension Plan, the City of Alexandria Pension Plan for Firefighters and Police Officers, the City of Alexandria Retirement Income Plan for Deputy Sheriffs, Emergency Rescue Technicians, and Fire Marshals, and the City of Alexandria Supplemental Retirement Plan
2. Proposed Second Amendment to the Fire and Police Plan
3. Proposed Third Amendment to the Fire and Police Plan
4. Proposed First Amendment to the Old Plan
5. Proposed First Amendment to the RIP DS Plan
6. Proposed Second Amendment to the RIP DS Plan
7. Proposed Third Amendment to the RIP DS Plan
8. Proposed Third Amendment to the Supplemental Retirement Plan

**STAFF:**
Bruce Johnson, Chief Financial Officer
Michele Evans, Deputy City Manager
Laura Triggs, Deputy Chief Financial Officer
Steven Bland, Retirement Administrator
Board of the Firefighters and Police Officers Pension Plan
WHEREAS, the City of Alexandria maintains the “City of Alexandria Firefighters and Police Officers Pension Plan” (the “Fire and Police Plan”); the “City of Alexandria Pension Plan for Firefighters and Police Officers” (the “Old Plan”); the “City of Alexandria Retirement Income Plan for Deputy Sheriffs, Emergency Rescue Technicians, and Fire Marshals” (the “RIP DS Plan”); and the “City of Alexandria Supplemental Retirement Plan” (the “Supplemental Plan”);

WHEREAS, the City of Alexandria desires to adopt and incorporate certain amendments to the above plans as set forth in the attached hereto; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF ALEXANDRIA, VIRGINIA THAT the Alexandria City Council does hereby recognize, adopt, amend, and approve the Fire and Police Plan, the Old Plan, the RIP DS Plan, and the Supplemental Plan to incorporate the amendments attached hereto and incorporated fully herein by reference; and

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

ADOPTED ________________ (date)

William D. Euille ____________________________ Mayor

ATTEST:

Jackie M. Henderson, MMC, City Clerk
SECOND AMENDMENT

TO THE CITY OF ALEXANDRIA FIREFIGHTERS AND POLICE OFFICERS
PENSION PLAN

Pursuant to the powers of amendment reserved under Section 12.1 of The City of Alexandria Firefighters and Police Officers Pension Plan, as amended and restated effective as of January 1, 2009 (the "Plan"), said Plan shall be and the same is hereby amended by the City of Alexandria, Virginia (the "City"), effective as of _________ 1, 20__, as follows:

FIRST CHANGE

The definition of "Purchased Period of Credited Service" in Section 1.6 is hereby deleted and the following is inserted in lieu thereof:

Purchased Period of Credited Service

"Purchased Period of Credited Service" means the period of Purchasable Service that was purchased by a Covered Employee in accordance with the provisions of Section 3.5 or 3.6.

SECOND CHANGE

The definition of "Purchasable Service" in Section 1.6 is hereby deleted and the following is inserted in lieu thereof:

Purchasable Service

"Purchasable Service" means:

For purposes of Section 3.5, a period of employment as a Covered Employee that did not constitute Pre-2004 Credited Service, but which would have constituted Pre-2004 Credited Service, except that
contributions made by the City to the Retirement Income Plan with respect to such prior service were distributed to the Participant.

For purposes of Section 3.6, prior employment with the City as a Deputy Sheriff, Emergency Rescue Technician or Fire Marshal.

Purchasable Service shall not include any period that does not constitute "permissive service credit" under Section 415(n) of the Internal Revenue Code.

**THIRD CHANGE**

The following new Section 3.6 is hereby added:

3.6 **Purchase of Additional Credited Service**

(a) Each Covered Employee who:

(1) is a Participant in the Plan on October 14, 2010; and

(2) was previously employed by the City as a Deputy Sheriff, Emergency Rescue Technician or Fire Marshal.

may elect to purchase credit for up to four (4) years of Purchasable Service in accordance with, and subject to, the provisions of this Section 3.6. A Participant may elect to either purchase the total amount of his or her Purchasable Service (up to a maximum of four (4) years), or if the Participant does not want to purchase credit for all of his or her Purchasable Service, a Participant may purchase credit for part of his or her period of Purchasable Service (in increments of whole months). The Purchased Period of Credited Service shall be taken into account in determining the Participant's Years of Service and Years of Credited Service in accordance with the provisions of Section 3.6(f).

(b) In order to be effective, an election to purchase credit for Purchasable Service under this Section 3.6 must:

(1) be made on a form supplied by the City for this purpose;

(2) returned to (and the receipt acknowledged by) the Department of Finance on or before 5:00 P.M. (Eastern Time) on ____________, __20__, and

(3) include full amount due for the Purchased Period of Credited Service (as determined under Section 3.6(c)) and/or be accompanied by a payroll deduction authorization (on a form supplied by the City for this purpose).
(c) Participants who desire to purchase credit for Purchasable Service must pay 100% of the actuarial cost of the additional benefit provided under the Plan with respect to the Purchased Period of Credited Service. The actuarial cost of Purchased Period of Credited Service may be separately determined for each year in a Purchased Period of Credited Service and shall be determined by the Administrator, based on the advice of the Actuary.

(d) Payment for all or any portion of the Purchased Period of Credited Service may be made in a single lump sum by (i) a transfer from a Participant's Retirement Income Account (if any); (ii) a transfer from a Participant's account under the City of Alexandria Retirement Income Plan for Deputy Sheriffs, Emergency Rescue Technicians, and Fire Marshals; (iii) a transfer from a Participant’s account under any eligible deferred compensation plan (within the meaning of Section 457(b) of the Internal Revenue Code) maintained by the City; (iv) a direct lump sum payment to the Plan; or (v) a direct transfer or rollover from an individual retirement account to the extent permitted by Sections 401 and 408 of the Internal Revenue Code.

(e) In lieu of (or in addition to) a lump sum payment under Section 3.6(d), payment for the Purchased Period of Credited Service may be made through additional Employee Retirement Contributions over a period of up to thirty-six (36) months commencing July 1, 2011. To the extent that a Participant elects to pay for the Purchased Period of Credited Service by making additional Employee Retirement Contributions, then the cost of the Purchased Period of Credited Service (as determined under Section 3.6(c)) shall reflect the deferred payment period (computed based on the interest rate used for determining Actuarial Equivalence under Appendix A). In order for this payment option to be effective, the Participant must execute and deliver to the Administrator any required payroll deduction authorizations. A Participant may revoke the payroll deduction authorization on any anniversary date during the thirty-six (36) month period commencing July 1, 2011 (i.e., on either July 1, 2012 or July 1, 2013), but if such authorization is revoked, the Participant shall only receive credit for Purchased Periods of Credited Service for which the Participant has paid 100% of the actuarial cost.

(f) The Purchased Period of Credited Service shall be taken into account in determining the Participant's Years of Service and Years of Credited Service in accordance with the following provisions:

(1) Upon payment under Section 3.6(d), or as payment is made under Section 3.6(e), the Participant shall be credited with the number of full months in the Purchased Period of Credited Service for which the Participant has paid the full
actuarial cost (i.e., 100% of the cost of the Purchased Period of Credited Service), as determined under Section 3.6(c)(2).

(2) Only full months shall be credited to a Participant. No credit shall be given for partial months.

(3) In the event a Participant ceases to be a Covered Employee for any reason (including Disability or death), or otherwise reaches his or her Termination Date or DROP Effective Date before earning any portion of the Purchased Period of Credited Service in accordance with the provisions of this Section 3.6(f), the Participant shall forfeit all rights to any portion of the Purchased Period of Credited Service for which full payment has not been made.

IN WITNESS WHEREOF, the City has caused this Amendment to be executed by its City Manager on this ___ day of __________, 2010.

CITY OF ALEXANDRIA

By: ____________________________
    James K. Hartmann, City Manager
THIRD AMENDMENT
TO THE CITY OF ALEXANDRIA FIREFIGHTERS AND POLICE OFFICERS
PENSION PLAN

Pursuant to the powers of amendment reserved under Section 12.1 of The City of Alexandria Firefighters and Police Officers Pension Plan, as amended and restated effective as of January 1, 2009 (the "Plan"), said Plan shall be and the same is hereby amended by the City of Alexandria, Virginia (the "City"), effective as of January 1, 2009, as follows:

FIRST CHANGE

Subsection (5) of the definition of "Remuneration" in Section 1.6 of the Plan is hereby designated as subsection (6) and the following new subsection (5) is hereby added:

(5) Remuneration shall also include regular Earnings received after such Participant's severance from employment (as defined in Treas. Reg. §1.415(a)-1(f)(5)) (but not severance payments); provided that payment of such Earnings is made by the later of (i) two and one-half (2-1/2) months after the Participant's severance from employment or (ii) the end of the calendar year that includes the Participant's severance from employment; and provided further, in order for these post-severance payments to be considered Remuneration, these amounts may only consist of the following (which would otherwise constitute Compensation):

(i) Regular compensation for services during the Participant's regular working hours, or compensation for service outside of the Participant's regular working hours (such as overtime or shift differential), commission, bonuses, or other similar payments, if such
payment would have been paid to the Participant prior to severance from employment if the Participant had continued in employment with the City;

(ii) Payment for unused, accrued, bona fide sick, vacation or other leave (but only if the Participant would have been able to use the leave if employment had continued); and

(iii) For plan years beginning on or after January 1, 2009, payments to Participants who do not currently perform services for the Employer by reason of qualified military service (as that term is defined in Section 414(u)(1) of the Code) to the extent those payments do not exceed the amounts the individual would have received if the individual had continued to perform services for the Employer rather than entering qualified military service.

Other types of payments paid to the Participant after severance from employment shall not be considered Remuneration, even if paid within the time frame described above. In no event, however, shall Remuneration for this purpose include any amounts not permitted to be included under Section 415 of the Code.”

SECOND CHANGE

The definition of Required Beginning Date in Section 1.6 is hereby amended to read as follows:

“Required Beginning Date” means April 1st following the later of (i) the calendar year in which the Participant attains age 70½ or (ii) the calendar year in which such Participant retires from employment with the City.
IN WITNESS WHEREOF, the City has caused this Amendment to be executed by its City Manager on this ____ day of ________, 2010.

CITY OF ALEXANDRIA

By: _________________________
   James K. Hartmann, City Manager
FIRST AMENDMENT TO
THE CITY OF ALEXANDRIA PENSION PLAN FOR FIREFIGHTERS AND
POLICE OFFICERS

Pursuant to the powers of amendment reserved under Article XII, Section A,
Paragraph 1 of the City of Alexandria Pension Plan for Firefighters and Police
Officers (the “Plan”), as amended and restated effective as of January 1, 2009, said
Plan shall be and the same is hereby further amended by the City of Alexandria (the
“Employer”) effective as of January 1, 2009 as follows:

FIRST CHANGE

Paragraph 4 of Article I (definition of Employee), is hereby amended
to add the following paragraph at the end thereof:

For this purpose, a “Leased Employee” shall mean any person
(other than an employee of the recipient) who pursuant to an
agreement between the recipient and any other person (“leasing
organization”) has performed services for the recipient (or for
the recipient and related persons determined in accordance with
Section 414(n)(6) of the Code) on a substantially full time basis
for a period of at least one year, and such services are performed
under primary direction or control by the recipient.

SECOND CHANGE

Paragraph 24 of Article I (definition of Required Beginning Date) is
hereby amended to read as follows:

“REQUIRED BEGINNING DATE” means April 1st following
the later of (1) the calendar year in which the Participant attains
age 70½ or (2) the calendar year in which such Participant
retires from employment with the City.

THIRD CHANGE

Paragraph 27 of Article I (definition of Remuneration) is hereby
amended to add the following to the end thereof:

Remuneration shall also include regular Earnings received after
such Participant’s severance from employment (as defined in
Treas. Reg. §1.415(a)-1(f)(5) (but not severance payments); provided that payment of such Earnings is made by the later of (i) two and one-half (2-1/2) months after the Participant’s severance from employment or (ii) the end of the calendar year that includes the Participant’s severance from employment; and provided further, in order for these post-severance payments to be considered Remuneration, these amounts may only consist of the following (which otherwise constitute Earnings under Paragraph 13):

(1) Regular compensation for services during the Participant’s regular working hours, or compensation for service outside of the Participant’s regular working hours (such as overtime or shift differential), commission, bonuses, or other similar payments, if such payment would have been paid to the Participant prior to severance from employment if the Participant had continued in employment with the City;

(2) Payment for unused, accrued, bona fide sick, vacation or other leave (but only if the Participant would have been able to use the leave if employment had continued); and

(3) For plan years beginning on or after January 1, 2009, payments to Participants who do not currently perform services for the Employer by reason of qualified military service (as that term is defined in Section 414(u)(1) of the Code) to the extent those payments do not exceed the amounts the individual would have received if the individual had continued to perform services for the Employer rather than entering qualified military service.

Other types of payments paid to the Participant after severance from employment shall not be considered Remuneration, even if paid within the time frame described above. In no event, however, shall Remuneration for this purpose include any amounts not permitted to be included under Section 415 of the Code or exceed the dollar limit specified in Section 401(a)(17) of the Code applicable for the Plan Year, as adjusted from time to time by the Secretary of Treasury.”

FOURTH CHANGE

Paragraph 4, Section A, of Article IV is hereby amended to add the following to the end thereof:

“A Participant shall be fully vested on his Normal Retirement Date.”
The City of Alexandria Pension Plan for Firefighters and Police Officers, as amended and restated effective as of January 1, 2009, and as amended by the foregoing changes is hereby ratified and confirmed in all respects.

IN WITNESS WHEREOF, the Employer has caused this First Amendment to be executed on this ____ day of _________, 2010.

THE CITY OF ALEXANDRIA

By: ____________________
James K. Hartmann, City Manager
FIRST AMENDMENT TO
THE CITY OF ALEXANDRIA RETIREMENT INCOME PLAN FOR DEPUTY SHERIFFS, EMERGENCY RESCUE TECHNICIANS, AND FIRE MARSHALS AS AMENDED AND RESTATED EFFECTIVE AS OF JANUARY 1, 2009

Pursuant to the powers of amendment reserved under Section 14.1 of The City of Alexandria Retirement Income Plan for Deputy Sheriffs, Emergency Rescue Technicians, and Fire Marshals, as amended and restated effective as of January 1, 2010 (the “Plan”), said Plan shall be and the same is hereby amended by the City of Alexandria, Virginia (the “City”), effective as of January 1, 2010, as follows:

FIRST CHANGE

Section 15.2 of the Plan is hereby revised to read as follows:

15.2 TRANSFER OF ASSETS.

(A) Upon 90 days’ written notification from the Employer (unless the Insurance Company shall accept a shorter period of notification) that a different plan meeting the requirements set forth in Section 15.1 above has been executed and entered into by the Administrator and the Employer, and after the Insurance Company has been furnished the Employer’s certification in writing that the Employer intends to continue the Plan as a qualified Plan under Code Section 401(a), the Insurance Company shall transfer the value of all Participant’s Accounts to the Employer or such person or persons as may be entitled to receive the same. The Insurance Company may rely fully on the representations or directions of the Employer with respect to any such transfer and shall be fully protected and discharged with respect to any such transfer made in accordance with such representations, instructions, or directions.

(B) Each Inactive Participant who is a participant in the City of Alexandria Firefighters and Police Officers Pension Plan on October 14, 2010, may elect to transfer all or part of his or her Account to purchase service credit under the terms of the City of Alexandria Firefighters and Police Officers Pension Plan. In order to be effective, an election to transfer all or part of the Inactive Participant’s Account to purchase service credit must:

1. be made on a form supplied by the City for this purpose; and
(2) returned to (and the receipt acknowledged by) the Department of Finance on or before 5:00 P.M. (Eastern Time) on ____________, 20__. 

IN WITNESS WHEREOF, the City has caused this First Amendment to be executed by its City Manager on this ___ day of ____________, 2010.

CITY OF ALEXANDRIA

By: ____________________________
   James K. Hartmann, City Manager
SECOND AMENDMENT TO
THE CITY OF ALEXANDRIA RETIREMENT INCOME PLAN FOR DEPUTY
SHERIFFS, EMERGENCY RESCUE TECHNICIANS, AND FIRE MARSHALS
AS AMENDED AND RESTATE EFFECTIVE AS OF JANUARY 1, 2009

Pursuant to the powers of amendment reserved under Section 14.1 of the City of
Alexandria Retirement Income Plan for Deputy Sheriffs, Emergency Rescue
Technicians, and Fire Marshals, as amended and restated effective as of January 1, 2009
(the “Plan”), said Plan shall be and the same is hereby amended as follows by the City of
Alexandria, Virginia (the “City”) in connection with its termination, effective as of
[TERMINATION DATE], except as otherwise provided herein:

FIRST CHANGE

Effective as of January 1, 2009, the definition of Compensation in Section 1.8 of
the Plan is hereby amended by adding the following new subsection (E) at the end
thereof:

“(E) Notwithstanding anything contained herein to the contrary for plan
years beginning on or after January 1, 2009, solely for purposes of
Section 415 of the Code (and other Code provisions that refer to
Section 415), Compensation includes Differential Wage Payments,
if applicable, to an Employee who does not currently perform
services for the Employer by reason of qualified military service
(within the meaning of Code Section 414(u)) to the extent those
payments do not exceed the amounts the individual would have
received if the individual had continued to perform services for the
Employer rather than entering qualified military service.
“Differential Wage Payment” shall mean any payment which is
made by the Employer to an individual with respect to any period
during which the individual is performing services in the
uniformed services while on active duty for a period of more than
30 days, and which represents all or a portion of the wages the
individual would have received from the Employer if the
individual were performing services for the Employer, all within
the meaning of Code Section 3401(h)(2).”
SECOND CHANGE

Effective as of January 1, 2007, the following new Section 6.8 shall be added to the Plan:

"6.7 QUALIFIED MILITARY SERVICE DEATH BENEFIT. If a Participant dies on or after January 1, 2007, while performing qualified military service (within the meaning of Code Section 414(u)) the Participant's Beneficiaries are entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the Plan as if such Participant resumed and then terminated employment on account of death."

THIRD CHANGE

The following new Section 14.9 is hereby added to the Plan:

"14.9 PLAN TERMINATION. Pursuant to the powers reserved under Section 14.3 of the Plan, the Plan is hereby terminated effective [DATE]. As of [DATE], the rights of affected Participant's in and to the amounts credited to his or her Participant’s Account shall be 100% fully vested, in accordance with Section 14.4 of the Plan. Further, distributions of Participant’s Accounts and allocation of Forfeitures upon termination shall be governed by Sections 14.5 and 14.6 of the Plan, respectively."

IN WITNESS WHEREOF, the City has caused this Third Amendment to be executed by its City Manager on this ___ day of __________, 2011.

CITY OF ALEXANDRIA

By: ____________________________
     James K. Hartmann, City Manager
PROPOSED ATTACHMENT 7

THIRD AMENDMENT TO
THE CITY OF ALEXANDRIA RETIREMENT INCOME PLAN FOR DEPUTY SHERIFFS, EMERGENCY RESCUE TECHNICIANS, AND FIRE MARSHALS AS AMENDED AND RESTATED EFFECTIVE AS OF JANUARY 1, 2009

Pursuant to the powers of amendment reserved under Section 14.1 of The City of Alexandria Retirement Income Plan for Deputy Sheriffs, Emergency Rescue Technicians, and Fire Marshals, as amended and restated effective as of January 1, 2009 (the “Plan”), said Plan shall be and the same is hereby amended by the City of Alexandria, Virginia (the “City”), effective as of January 1, 2009, as follows:

FIRST CHANGE

The definition of “Remuneration” in Section 5.1(B) of the Plan is hereby revised to read as follows:

“Remuneration – The term Remuneration shall mean a participant’s wages as defined in Code Section 3401(a) and all other payments of compensation to the Participant from the Employer for which the Employer is required to furnish the Participant a written statement under Code Sections 6041(d) and 6051(a)(3). 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. Remuneration does not include any employee contributions picked up by the Employer as described in Code Section 414(h)(2). Remuneration shall include any amount which would otherwise be deemed Remuneration under this definition but for the fact that it is subject to a salary reduction agreement under any plan described in Code Section 457(b), 132(f) or 125. Remuneration shall also include regular Earnings received after such Participant’s severance from employment (as defined in Treas. Reg. §1.415(a)-1(f)(5)) (but not severance payments); provided that payment of such Earnings is made by the later of (i) two and one-half (2-1/2) months after the Participant’s severance from employment or (ii) the end of the calendar year that includes the Participant’s severance from employment; and provided further, in order for these post-severance payments to be considered Remuneration, these amounts may only consist of the following (which constitute Compensation under Section 1.8):
Regular compensation for services during the Participant’s regular working hours, or compensation for service outside of the Participant’s regular working hours (such as overtime or shift differential), commission, bonuses, or other similar payments, if such payment would have been paid to the Participant prior to severance from employment if the Participant had continued in employment with the City;

Payment for unused, accrued, bona fide sick, vacation or other leave (but only if the Participant would have been able to use the leave if employment had continued); and

For plan years beginning on or after January 1, 2009, payments to Participants who do not currently perform services for the Employer by reason of qualified military service (as that term is defined in Section 414(u)(1) of the Code) to the extent those payments do not exceed the amounts the individual would have received if the individual had continued to perform services for the Employer rather than entering qualified military service.

Other types of payments paid to the Participant after severance from employment shall not be considered Remuneration, even if paid within the time frame described above. In no event, however, shall Remuneration include any amounts not permitted to be included under Section 415 of the Code or exceed the dollar limit specified in Section 401(a)(17) of the Code applicable for the Limitation Year, as adjusted from time to time by the Secretary of Treasury. The cost of living adjustment in effect for a calendar year applies to Remuneration for the Limitation Year that begins with or within such calendar year.”

SECOND CHANGE

The second paragraph of Section 5.2 is hereby revised to read as follows:

“In the event that the limitations on Annual Additions described above are exceeded with respect to any Participant in any Limitation Year beginning before July 1, 2007 due to forfeiture allocations, a reasonable error in estimating a Participant’s annual Remuneration, or such other circumstances as are permitted by law, then the contributions allocable to the Participant for such Limitation Year shall be reduced to the minimum extent required by such limitations in the following order of priority (unless otherwise determined by the Administrator according to applicable law):”
IN WITNESS WHEREOF, the City has caused this First Amendment to be executed by its City Manager on this ___ day of ________, 2010.

CITY OF ALEXANDRIA

By: ____________________________________________
    James K. Hartmann, City Manager
THIRD AMENDMENT TO
THE CITY OF ALEXANDRIA SUPPLEMENTAL RETIREMENT PLAN,
AS AMENDED AND RESTATED EFFECTIVE AS OF JANUARY 1, 2009

Pursuant to the powers of amendment reserved under Section 14.1 of The City of Alexandria Supplemental Retirement Plan, as amended and restated effective as of January 1, 2009 (the “Plan”), said Plan shall be and the same is hereby amended by the City of Alexandria, Virginia (the “City”), effective as of January 1, 2009, as follows:

FIRST CHANGE

The definition of “Remuneration” in Section 1.1(ii) of the Plan is hereby amended to add the following to the end thereof:

Remuneration shall also include regular Earnings received after such Participant’s severance from employment (as defined in Treas. Reg. §1.415(a)-1(f)(5)) (but not severance payments); provided that payment of such Earnings is made by the later of (i) two and one-half (2-1/2) months after the Participant’s severance from employment or (ii) the end of the calendar year that includes the Participant’s severance from employment; and provided further, in order for these post-severance payments to be considered Remuneration, these amounts may only consist of the following (which constitute Earnings under Section 1.1(q)):

1. Regular compensation for services during the Participant’s regular working hours, or compensation for service outside of the Participant’s regular working hours (such as overtime or shift differential), commission, bonuses, or other similar payments, if such payment would have been paid to the Participant prior to severance from employment if the Participant had continued in employment with the City;

2. Payment for unused, accrued, bona fide sick, vacation or other leave (but only if the Participant would have been able to use the leave if employment had continued); and

3. For plan years beginning on or after January 1, 2009, payments to Participants who do not currently perform services for the Employer by reason of qualified military service (as that term is defined in Section 414(u)(1) of the Code) to the extent those payments do not exceed the
amounts the individual would have received if the individual had continued to perform services for the Employer rather than entering qualified military service.

Other types of payments paid to the Participant after severance from employment shall not be considered Remuneration, even if paid within the time frame described above. In no event, however, shall Remuneration for this purpose include any amounts not permitted to be included under Section 415 of the Code or exceed the dollar limit specified in Section 401(a)(17) of the Code applicable for the Plan Year, as adjusted from time to time by the Secretary of Treasury.”

SECOND CHANGE

The definition of “Required Beginning Date” in Section 1.1(kk) is hereby amended to read as follows:

A Participant’s “Required Beginning Date” means April 1st following the later of (i) the calendar year in which the Participant attains age 70½ or (ii) the calendar year in which such Participant retires from employment with the City.

THIRD CHANGE

The last paragraph of Section 11.5 is hereby amended to read as follows:

If the limit on Annual Additions under Code Section 415 would otherwise be exceeded, the portion of the employer contributions and of forfeitures for the Limitation Year under all such other plans that would otherwise have been allocated to the Participant thereunder, but which exceeds the limit, shall not be allocated to the Participant but shall be deemed a forfeiture for the Limitation Year and shall be disposed of as provided in such other plans; provided, however, that the amount of the employer contributions and forfeitures that is not allocated and is deemed forfeiture under this Section 11.5 shall be effected in the order prescribed by the Administrator, but first under any defined contribution plan that is not a money purchase pension plan and, if the limitation still is not satisfied, then under such money purchase pension plan. If the limit on Annual Additions under Code Section 415 still is not satisfied after all employer contributions and forfeitures under all such other plans are not allocated (and deemed forfeited) for the Limitation Year, the limit shall be satisfied by reducing Annual Additions under this Plan as provided in this Section 11.5.
If the Annual Additions to the Plan on behalf of a Participant in any Limitation Year beginning before July 1, 2007 would otherwise exceed the limit on Annual Additions under Section 11.1, the limit shall be satisfied by reducing the Participant's Mandatory Employee Contributions to the extent necessary. If a Participant is covered by any other plan taken into account under this Section 11.5 and if the Annual Additions for the Limitation Year would otherwise exceed the limit on Annual Additions under Code Section 415, such excess shall be reduced first by returning the after-tax employee contributions made by the Participant for the Limitation Year under all plans other than the Plan, and the income attributable thereto, to the extent necessary in the order prescribed by the Administrator. If the limit on Annual Additions under Code Section 415 still is not satisfied after returning all of the after-tax employee contributions made by the Participant under all such other plans, the excess shall be reduced by returning or forfeiting, as provided in each such plan, the elective contributions made on the Participant's behalf for the Limitation Year under all such other plans, and, if elective contributions are returned, the income attributable thereto, to the extent necessary in the order prescribed by the Administrator. If the limit on Annual Additions under Code Section 415 still is not satisfied, the provisions of the prior paragraph shall apply, so as to limit the Annual Additions under this and all other plans to which Code section 415 applies.

IN WITNESS WHEREOF, the City has caused this Third Amendment to be executed by its City Manager on this ____ day of __________, 2010.

CITY OF ALEXANDRIA

By: ____________________________
   James K. Hartmann, City Manager
RESOLUTION NO. 2451

WHEREAS, the City of Alexandria maintains the “City of Alexandria Firefighters and Police Officers Pension Plan” (the “Fire and Police Plan”); the “City of Alexandria Pension Plan for Firefighters and Police Officers” (the “Old Plan”); the “City of Alexandria Retirement Income Plan for Deputy Sheriffs, Emergency Rescue Technicians, and Fire Marshals” (the “RIP DS Plan”); and the “City of Alexandria Supplemental Retirement Plan” (the “Supplemental Plan”);

WHEREAS, the City of Alexandria desires to adopt and incorporate certain amendments to the above plans as set forth in the attached hereto; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF ALEXANDRIA, VIRGINIA THAT the Alexandria City Council does hereby recognize, adopt, amend, and approve the Fire and Police Plan, the Old Plan, the RIP DS Plan, and the Supplemental Plan to incorporate the amendments attached hereto and incorporated fully herein by reference; and

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

Adopted: May 10, 2011

William D. Euille Mayor

ATTEST:

Jacqueline M. Henderson, MMC City Clerk