


City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 21, 2012

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: RASHAD M. YOUNG, CITY MANAGER 

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

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

1. Proposed Fourth Amendment to the City of Alexandria Firefighters and Police Officers Pension Plan (the "Fire and Police Plan");
2. Proposed Fourth Amendment to the Supplemental Retirement Plan (the "Supplemental Plan"); and
3. Proposed Second Amendment to the Pension Plan for Fire Fighters and Police Officers (the "Old Plan").

RECOMMENDATION: That City Council adopt the attached resolution that includes adoption of the attached three amendments to three City retirement plans. The amendments to the plans were discussed with the City Council Pension Compensation Committee on April 26.

BACKGROUND:

1. The proposed Fourth Amendment to the Fire and Police Plan

The Firefighters and Police Officers Pension Plan (the "Plan"), a defined benefit plan, became effective on January 1, 2004. The Plan has a Board of Trustees (the "Board") comprised of representatives of firefighters, police officers, and City management, which serves as the Plan's fiduciary in connection with the management of the Plan assets. In addition to managing the Plan assets, the Board also makes recommendations to the City Manager on changes to the Plan provisions.

This amendment was requested by the Plan's Board in response to requests from participants. This proposed amendment will allow eligible employees to make an election at retirement to receive a portion of their monthly benefits as a partial lump-sum option payment (PLOP). The proposed Fourth Amendment was approved unanimously by the Board at the April 12 meeting.

2. The Proposed Fourth Amendment to the Supplemental Plan

This proposed amendment makes technical corrections to ensure that the Plan Document reflects actual practice and to comply with federal law and regulations. The Plan Document explains how the pension plan works.

3. The Proposed Second Amendment to the Old Plan

This proposed amendment makes technical corrections to ensure that the Plan Document reflects actual practice and to comply with the Pension Protection Act of 2006.

DISCUSSION:

1. Proposed Fourth Amendment to the Firefighters and Police Officers Pension Plan

During 2011, employee Board representatives requested that the Board make a recommendation to City management to amend the Plan to offer a provision similar to the 25-year DROP offered by Fairfax and Arlington Counties. The Board formed a subcommittee to look into the issue and instructed the subcommittee to only consider cost-neutral options.

Currently, the Plan offers a Deferred Retirement Option Program (DROP), which allows an employee with at least 30 years of service in the Plan to elect to retire under the Plan (enter the DROP) and keep working for up to three years. The DROP participant is allocated a monthly benefit equivalent to what he or she would have received at retirement. This benefit is accumulated in a DROP account until the employee retires from the City or, in some cases, leaves uniformed service to take a general schedule position with the City. At retirement, the employee may choose to receive the DROP account as a lump sum payment, roll it into a qualified plan, such as a traditional IRA or a 457 Plan, or use it to purchase an annuity. The DROP employee is still an active employee for all other City benefits programs.

The Plan currently allows employees to receive an unreduced monthly retirement benefit after: a) accumulating 25 years of service in the Plan; or b) attaining age 55 with five years of service. These employees are often in their prime working years (i.e., 40s and 50s). Some of these employees retire with 25 years of service and go to work for another company in a "security or law enforcement type position." They will often receive a good salary at the new company based on the experience and training they gained while working for the City.

Employees who leave at 25 years often indicate that they would like to take advantage of the DROP but work fewer than the 30 years required before entering DROP (and working the additional one to three years). The PLOP may allow the City to retain experienced and well

trained public employees who might otherwise leave, without additional cost to the City's pension obligation.

After much discussion, the subcommittee decided to recommend a Partial Lump-Sum Option Payment (PLOP) similar to that provided in VRS as preferable to a 25-year DROP. The Virginia Retirement System ("VRS") PLOP allows an eligible employee to make an election at the time of retirement to receive a portion of their monthly retirement benefit as a lump sum at retirement. The monthly retirement benefit, calculated as of the date of retirement, will be actuarially reduced for the amount that is paid as a lump sum. Eligibility varies depending on the type of VRS plan.

The subcommittee proposed a PLOP provision to the Board, instead of a 25-year DROP, to maintain cost neutrality. The Board unanimously supports the PLOP provision discussed in this memorandum and in the attached proposed Fourth Amendment to the Plan as long as it remains cost neutral.

The proposed PLOP is cost neutral for two reasons. First, the monthly retirement benefit for the employee electing a PLOP will be actuarially reduced for the amount that was paid as a lump sum. The employee is just receiving a portion of their retirement benefit. Secondly, an employee who is eligible for both the PLOP and the DROP may elect to receive either payment option, but not both. A sunset provision in the proposed plan amendment is recommended so that the PLOP can be eliminated for future retirees at any time prior to June 30, 2022, for any reason. This allows the City to restrict the PLOP if the need to retain staff becomes less of an issue at a future date.

The Plan currently has 462 participants. Of that number, approximately 60 have at least 25 years of service. That number is expected to grow slightly over the next few years. Police and Fire Department staffing could be negatively affected if those eligible leave when they attain retirement eligibility at 25 years of service or age 55 with at least five years of service.

In compliance with the Fire and Police Plan, employees had a 60-day comment period prior to this recommendation to City Council. Information on the proposed amendment was sent to employees. Additionally, employees had the opportunity to participate in several meetings where the City's Pension Administration Division explained this proposed amendment and answered questions. There are no outstanding questions or issues. Fire and Police Employee Board Representatives reported their employee groups were excited about this proposed change when it was discussed at their employee association meetings.

This amendment does not change eligibility, benefits, or contributions and is cost neutral to the plan. This is simply an option for timing of payments. This amendment was discussed with the City Council Pension Compensation Committee on April 26.

2. Proposed Fourth Amendment to the Supplemental Plan

Technical changes are being made to make language in the Plan Document reflect actual practice or to comply with federal legislation and regulations. The Plan Document describes how the plan works. The technical changes do the following:

- i. Capitalizes all terms defined in Article I, Definitions, when used in the Plan Document;
- ii. Clarifies Section 1.1(d) (the definition for Actuarial Equivalent) by adding language regarding the mortality tables used in determining any actuarial equivalent value;
- iii. Clarifies and retitles Section 2.2 Employment in Another Capacity to explain what happens to vesting service and benefit service: a) when an employee who was not covered by the plan becomes covered by the plan; and b) when an employee who is covered by the plan is still an employee but no longer covered by the plan;
- iv. Renumbers Section 3.2 Mandatory Employee Contributions as Section 3.3;
- v. Clarifies how the lump sum described in Section 6.4 Payment is calculated for the employee retiring with less than 30 years of service;
- vi. Adds language under Section 8.4 Notice Regarding Forms of Payment to reflect the current practice of providing retiring employees with all pension payment options available under the plan and a 30-day period to review pension benefits;
- vii. Changes language in Section 8.6 Effect of Reemployment on Form of Payment to clarify that a pension stops and is recalculated for a plan retiree who returns to City employment and participation under the plan; and
- viii. Adds language under Section 15.4 Veterans Reemployment Rights so the plan complies with federal legislation, the Heroes Earnings Assistance and Relief Act (HEART Act). Under the HEART Act, if a participant dies during qualified military service, the Plan must treat the participant as if he died during covered employment. The plan has complied with the HEART Act but did not have the required language stating it did so.

This amendment makes no changes to eligibility, benefits, or contributions and is cost neutral to the plan. Pension Administration Staff held a meeting for employees to hear about the proposed changes and ask questions. There are no outstanding employee concerns or issues. This amendment was discussed with the City Council Pension Compensation Committee on April 26.

3. Proposed Second Amendment to the Old Plan

The technical changes in the proposed Second Amendment are required for the plan to comply with federal legislation and regulations. The changes mostly refer to active participants. However, all of the participants in the plan are retirees and will not be impacted by these changes. The changes do the following:

- i. Capitalizes all terms in Article I, Definitions, in the Plan Document;
- ii. Changes the language in Article I, definition of Remuneration, to comply with law and to clarify that remuneration includes payments to employees as wages or other type of compensation;
- iii. Adds language to Article VIII Death Benefits in order to comply with the HEART Act in the same manner as described above;
- iv. Corrects the section reference number for Section G Direct Rollover Option found under Article IX Normal and Option Forms of Pension and adds required language regarding the Director Rollover Option available at the time of retirement; and
- v. Adds Section H - Qualified Health Insurance Premium Distribution under Article IX Normal and Optional Forms of Pension. The plan has complied with federal legislation, the Pension Protection Act (PPA), but the Internal Revenue Service requires the plan to insert certain technical language to show the plan does comply with PPA. The PPA provides eligible disability and service retirees an exemption from taxable income for certain health insurance premiums if they retire on or after the Normal Retirement Date (NRD). The PPA provision allows certain uniformed officers to exclude from taxable income amounts paid for medical insurance and long-term care premiums up to the annual dollar limitation contained in Section 402(1)(2) of the Internal Revenue Code. This limit is currently \$3,000. The premiums must be deducted directly from monthly pension payments.

This amendment makes no changes to eligibility, benefits, or contributions and is cost neutral to the plan. This amendment was discussed with the City Council Pension Compensation Committee on April 26.

FISCAL IMPACT: There is no fiscal impact. The three proposed plan amendments make no changes to eligibility, benefits, or contributions, and are cost neutral to the plans. As noted previously, the monthly benefit of a Firefighter or Police Officer who elects the PLOP will be actuarially reduced to keep the benefit cost neutral.

ATTACHMENTS:

1. Resolution to Amend City of Alexandria Firefighters and Police Officers Pension Plan, the City of Alexandria Supplemental Retirement Plan, and the City of Alexandria Pension Plan for Firefighters and Police Officers
2. Proposed Fourth Amendment to the Fire and Police Plan
3. Proposed Fourth Amendment to the Supplemental Retirement Plan
4. Proposed Second Amendment to the Old Plan

STAFF:

Laura B. Triggs, Acting Chief Financial Officer
Bruce Johnson, Chief of Staff
Michele Evans, Deputy City Manager
Steven Bland, Retirement Administrator
Board of the Firefighters and Police Offices Pension Plan

RESOLUTION NO. _____

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 Supplemental Retirement Plan” (the “Supplemental Plan”); and the “City of Alexandria Pension Plan for Firefighters and Police Officers” (the “Old 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 Supplemental Plan, and the Old 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

FOURTH 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, 2012, as follows:

FIRST CHANGE

Section 7.2 is hereby amended by adding the following subsection (d):

(d) Partial Lump Sum Option Program (PLOP)

A Participant who (i) retires at least one year after his or her Normal Retirement Age, or retires with at least 26 Years of Credited Service, (ii) has not elected the DROP under Section 6.4, and (iii) is not receiving Disability Benefits under Article 5, may elect to receive part of his or her Accrued Pension Benefit in the form of a lump sum and the remainder of his Accrued Pension Benefit in any of the optional forms available under Section 7.2(a) or (b). The monthly amount of the Accrued Pension Benefit otherwise payable to such Participant making a PLOP election shall be reduced on an actuarially equivalent basis (as determined based on the actuarial equivalency factors for non-Disabled Participants in Appendix A) to reflect the payment of such partial lump sum distribution. Any optional payment of the Accrued Pension Benefit, pursuant to Section 7.2(a) or (b), shall also be based upon such reduced Accrued Pension Benefit.

An eligible Participant may elect to have up to three years' worth of his or her reduced Accrued Pension Benefit payable in a lump sum, depending upon the number of the Participant's Years of Credited Service at retirement. The lump sum distribution payable to an eligible Participant who elects the PLOP shall be equal to twelve times the monthly amount of the Participant's reduced Accrued Pension Benefit for each year that the Participant elects to include in the calculation of the partial lump sum. The Accrued Pension Benefit used to determine the partial lump sum (and the payment of the Participant's remaining Accrued Pension Benefit), shall be determined based on the optional form of benefit under Section 7.2(a) or (b) that is selected by the Participant.

A Participant who is eligible for the PLOP under this Section 7.2(d) may elect to include at least one, and up to three, years' worth of reduced Accrued Pension Benefit in the calculation of the partial lump sum as follows:

<u>Retirement Date/ Service at Retirement</u>	<u>Number of Years that a Participant May Elect to Include in PLOP</u>
At least 1 year past Normal Retirement Date or 26 years of Credited Service	1
At least 2 years past Normal Retirement Date or 27 years of Credited Service	2
At least 3 years past Normal Retirement Date or 28 or more years of Credited Service	3

The partial lump sum distribution, if elected by an eligible Participant, shall be paid at the same time that the first monthly annuity payment is paid to such Participant.

Before an eligible Participant may make an election to receive a partial lump sum distribution, such Participant shall be provided with a calculation showing the amount by which the Participant's monthly retirement benefit will be reduced under each of the available partial lump sum options.

The PLOP election is a one-time only election. Once made, the PLOP election is irrevocable. Only one partial lump sum payment may be made pursuant to a PLOP election (even if the PLOP election made by an eligible Participant is for less than the maximum permitted partial lump sum).

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

If a Participant who makes a PLOP Election dies after his or her Benefit Commencement Date, the benefits, if any, to which the Participant's Beneficiary shall be entitled shall depend upon the form in which the Participant's remaining Accrued Pension Benefit was payable at the time of his or her death, under the applicable form of benefit described in Section 7.2 (i.e., after taking into account the partial lump sum payment).

Notwithstanding anything to the contrary, the PLOP may be eliminated for future retirees at any time prior to June 30, 2022. If the PLOP is eliminated, it will not affect any Participant who previously elected the PLOP in accordance with the terms of this Section 7.2(d).

IN WITNESS WHEREOF, the City has caused this Amendment to be executed by its City Manager on this ____ day of _____, 2012.

CITY OF ALEXANDRIA

By: _____
Rashad M. Young, City Manager

**FOURTH 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 (or such other dates as specified herein), as follows:

FIRST CHANGE

All defined terms in Article I (Definitions) shall be capitalized when used in the body of the plan document.

SECOND CHANGE

The first paragraph of Section 1.1(d) (the definition of Actuarial Equivalent) is revised to read as follows:

- (d) The "**Actuarial Equivalent**" of a value means the actuarial equivalent determined using the mortality table adopted by the Administrator in accordance with this Section 1.1(d) and PBGC interest rates used at the beginning of each Plan Year, except that in determining the present value of a Participant's Accrued Benefit under the Plan for purposes of a single sum payment, the interest rate used shall be the annual rate of interest on 30-year Treasury securities for the second calendar month preceding the Plan Year in which the distribution is made, and the mortality table shall be the prevailing commissioners' standard table, described in Code Section 807(d)(5)(A), used to determine reserves for group annuity contracts issued on the date as of which present value is being determined (without regard to any other subparagraph of Code Section 807(d)(5)).

THIRD CHANGE

Section 2.2 of the Plan is hereby retitled "Employment In Another Capacity" and amended to read as follows:

Notwithstanding the foregoing, the determination of a Participant's Service and Credited Service shall be subject to the following:

- (a) Any person who is employed by the City in a capacity other than as an Employee and who subsequently becomes an Employee shall be credited with Service and Credited Service beginning on the date he becomes an Employee (and his employment with the City prior to the date he becomes an Employee shall be ignored in determining Service and Credited Service under the Plan).
- (b) For purposes of determining Service or Credited Service, any person who ceases to be an Employee and who is subsequently employed by the City in a capacity other than as an Employee (even if he transfers from employment with the City as an Employee directly to other employment with the City in a capacity other than as an Employee), shall be deemed to have terminated employment with the City as of the date he ceases to be an Employee. However, such person shall not be deemed to have terminated his employment as an Employee for other purposes of the Plan until such time as he is no longer in the employment of the City.

FOURTH CHANGE

Section 3.2 Mandatory Employee Contributions is hereby amended to read 3.3 Mandatory Employee Contributions.

FIFTH CHANGE

Section 6.4 is hereby amended by adding the following sentence at the end thereof:

If a Participant with fewer than 30 years of Service at retirement elects, pursuant to Section 8.2(h), to receive a single sum payment of the full present value of his vested Accrued Benefit, as of date any month following the month in which he attains age 55 and prior to his Normal Retirement Date, the amount of such single sum payment shall be equal to the present value of the Participant's deferred vested benefit commencing on his Normal Retirement Date.

SIXTH CHANGE

Section 8.4 is hereby amended to read as follows:

Subject to the rules prescribed by the Administrator, the Administrator shall provide a Participant with a written description of (i) the terms and conditions of the normal form of payment provided in Section 8.1, (ii) the optional forms of payment provided in Section 8.2, (iii) the Participant's right to elect an optional form of payment and the effect thereof. Effective for plan years after January 1, 2006, distributions under the Plan shall not be paid until at least 30 days (or shorter period as may be permitted by law) but not more than 180 days after a Participant has received all required distribution notice and election forms pursuant to Code Section 402(f).

SEVENTH CHANGE

Section 8.6 is hereby amended to read as follows:

If a Participant who has commenced benefit payments under the Plan resumes employment with the City as an Employee and participation in the Plan, such Participant's benefits shall be suspended in accordance with Section 10.1 and the determination the Participant's future benefit shall be actuarially reduced or offset, if and as necessary, to avoid duplication of any benefits paid with respect to the Participant's prior employment.

EIGHTH CHANGE

Section 15.4 is hereby amended to read as follows:

Notwithstanding any other provision of the Plan to the contrary, contributions, benefits and service credit with respect to qualified military service shall be provided in accordance with Code Section 414(u). A Participant who dies on or after January 1, 2007 while on a leave of absence for qualified military service under the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended, shall be treated as having died while actively employed as an Employee and shall receive additional death benefits (other than benefit accruals), if any.

IN WITNESS WHEREOF, the City has caused this Fourth Amendment to be executed by its City Manager on this ____ day of _____, 2012.

CITY OF ALEXANDRIA

By: _____
Rashad M. Young, City Manager

SECOND 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 (or such later date as specified herein) as follows:

FIRST CHANGE

All defined terms in Article I (Definitions) shall be capitalized when used in the body of the plan document.

SECOND CHANGE

Paragraph 27 of Article I (definition of Remuneration) is hereby deleted in its entirety and substituted with the following:

27. "REMUNERATION" means a participant's wages as defined in Code Section 3401(a) and all other payments of compensation to the Participant from the City for which the City is required to furnish the Participant a written statement under 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 City 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 with respect to any Limitation Year shall in no event exceed the dollar limit specified in Code Section 401(a)(17) (as adjusted from time to time by the Secretary of the 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.

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 Code Section 414(u)(5)) 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 Code Section 415 or exceed the dollar limit specified in Code Section 401(a)(17) applicable for the Plan Year, as adjusted from time to time by the Secretary of Treasury. For plan years beginning on or after January 1, 2009, to the extent permitted by Code Section 3401(h), differential wage payments for an employee performing qualified military service as defined in Code Section 414(u)(5) shall be treated as compensation pursuant to Code Section 414(u)(12)."

THIRD CHANGE

Article VIII (Death Benefits) is hereby amended to add the following Section E at the end thereof:

"Section E. Death Benefits During Qualified Military Service

To the extent required by Code Section 401(a)(37), a participant who dies on or after January 1, 2007 while performing qualified military service as defined in Chapter 43, Title 38 of the United States Code and Code Section 414(u)(5), shall receive any additional benefits (other than benefit accruals) that the Plan provides for any Participant who resumes employment after completing qualified military service and then dies, including any death benefits that are contingent on a Participant's death while employed and thus shall be treated as having died while an active Employee."

FOURTH CHANGE

Section G of Article IX (Normal And Optional Forms of Pension), is hereby amended to read as follows:

"Section G. Direct Rollover Option

1. This Section G applies to distributions made on or after January 1, 2008. Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this part, a "qualified distributee" may elect in writing, in accordance with rules prescribed by the Administrator, to have any portion or all of such payment that is an "eligible rollover distribution" paid directly by the Plan to the "eligible retirement plan" designated by the "qualified distributee"; provided, however, that this provision shall not apply if the total distribution is less than \$200 and that a "qualified distributee" may not elect this provision with respect to any partial distribution that is less than \$500. Any such payment by the Plan to another "eligible retirement plan" shall be a direct rollover. For purposes of this Section, the following terms have the following meanings:

(a) An "eligible retirement plan" is:

(i) An individual retirement account described in Code Section 408(a), including a Roth IRA described in Code Section 408A;

(ii) An individual retirement annuity described in Code Section 408(b), including a Roth IRA described in Code Section 408A;

(iii) A qualified trust described in Code Section 401(a) or an annuity plan described in Code Section 403(a), that accepts the distributee's eligible rollover distribution;

(iv) An annuity contract described in Code Section 403(b) that accepts the distributee's eligible rollover distribution; and

(v) An eligible plan described in Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state, that accepts the distributee's eligible rollover distribution and agrees to account separately for amounts transferred into such plan from this plan.

The foregoing definition of eligible retirement plan shall also apply in the case of a distribution to a surviving Spouse, or to a Spouse or former Spouse who is the alternate payee under a domestic relations order as defined in Code Section 414(p).

(b) An "eligible rollover distribution" is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of 10 years or more; and any distribution to the extent such distribution is required under Code Section 401(a)(9).

A portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be paid only to an individual retirement account or annuity described in Code Section 408(a) or (b) or to a qualified trust or annuity plan described in Code Section 401(a) or 403(a) or an annuity contract described in Code Section 403(b) if such trust or annuity plan or contract provides for separate accounting for amounts so transferred (and earnings thereon), including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible. Effective for plan years after January 1, 2006, distributions under the Plan shall not be paid until at least 30 days (or shorter period as may be permitted by law) but not more than 180 days after a Participant's received of all required distribution notice and election forms pursuant to Code Section 402(f).

(c) A "qualified distributee" means a Participant, his surviving Spouse, or his Spouse or former Spouse who is an alternate payee

under a domestic relations order, as defined in Code Section 414(p). A nonspouse beneficiary of a deceased participant is also a qualified distributee for purposes of this Section, provided, however, in the case of a nonspouse beneficiary, the direct rollover may be made only to an individual retirement account or annuity under Code Section 408 that is established on behalf of the nonspouse beneficiary and that will be treated as an inherited IRA pursuant to the provisions of Code Section 402(c)(11). The determination of the extent to which a distribution to a nonspouse beneficiary is required under Code Section 401(a)(9) shall be made in accordance with IRS Notice 2007-7, Q&A 17 and 18, 2007-5 C.B 395.”

FIFTH CHANGE

ARTICLE IX (Normal And Optional Forms Of Pension), is hereby amended to add the following Section H at the end thereof effective as of the date of adoption:

“Section H. Qualified Health Insurance Premium Distributions

1. A Participant who is an Eligible Retired Public Safety Officer and is receiving monthly annuity benefits from the Plan may elect to have Qualified Health Insurance Premium Distributions made in accordance with procedures established by the Administrator.
2. Qualified Health Insurance Premium Distributions may be excluded from the gross income of the Eligible Retired Public Safety Officer under Code Section 402(l), subject to the annual dollar limitation contained in Code Section 402(l)(2).
3. The following definitions apply for purposes of this Section H:
 - (a) An “Eligible Retired Public Safety Officer” is a Participant who separated from service with the City as a sworn police officer or firefighter (1) by reason of Disability or (2) at or after his or her Normal Retirement Date.
 - (b) A “Qualified Health Insurance Premium Distribution” is an amount deducted from an Eligible Retired Public Safety Officer's benefit payment and paid directly to the insurer providing coverage for which Qualified Health Insurance Premiums are paid. Such amount may not exceed the amount of the Qualified Health Insurance Premiums.
 - (c) “Qualified Health Insurance Premiums” means premiums for coverage for the Eligible Retired Public Safety Officer (and

his or her spouse and dependents, if applicable) under accident and health insurance (including an accident or health plan within the meaning of Code Section 105(e)) or a qualified long-term care insurance contract as defined in Code Section 7702B(b).”

IN WITNESS WHEREOF, the City of Alexandria has caused this Second Amendment to be executed by its City Manager on this ____ day of _____, 2012.

THE CITY OF ALEXANDRIA

By: _____
Rashad M. Young, City Manager

RESOLUTION NO. 2509

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 Supplemental Retirement Plan” (the “Supplemental Plan”); and the “City of Alexandria Pension Plan for Firefighters and Police Officers” (the “Old Plan”);

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

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 Supplemental Plan, and the Old 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: June 26, 2012



WILLIAM D. EULLE MAYOR

ATTEST:



Jacqueline M. Henderson, MMC City Clerk