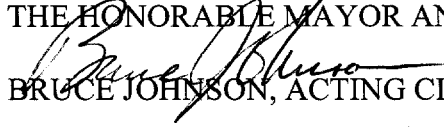


City of Alexandria, Virginia

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12-13-11

MEMORANDUM

DATE: DECEMBER 7, 2011
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM:  BRUCE JOHNSON, ACTING CITY MANAGER
SUBJECT: FOLLOW UP TO THE RECOMMENDATIONS OF THE AD HOC BENEFIT ADVISORY GROUP

ISSUE: Consideration of steps needed to follow up on the recommendations of the Ad Hoc Benefit Advisory Group (Advisory Group).

RECOMMENDATION: That City Council receive this report on the follow-up actions required in response to the Advisory Group's recommendations, which were included in their written report presented to City Council on November 9, 2011.

DISCUSSION: The steps described below describe a basic road map for following up on the Advisory Group's recommendations. They do not include a precise timeline of events or estimated completion dates, which will be addressed at a later time. The actions are divided into five categories:

1. **Primary Actions:** Staff is pursuing completion.
2. **Secondary Actions:** Staff is pursuing completion.
3. **Other Actions:** These recommendations require additional study or work to be completed.
4. **Steps to be Determined:** These recommendations require some policy choices to be developed and brought back to Council for consideration.
5. **No Action Needed:** No action is needed to implement these recommendations.

Recommendation references below refer to the recommendations provided in the Advisory Group's written report, which was presented to City Council on November 9.

PRIMARY ACTIONS

Recommendation 2: The Advisory Group recommended that Supplemental Retirement Plan (SRP) participants be given an opportunity to participate in the governance of their plan.

The Advisory Group has recommended that the employees participating in SRP participate in a joint management-employee retirement board comparable to the existing Firefighters and Police Officers Pension Plan (FPOPP) Retirement Board. The Advisory Group recommended that the governance of the two plans be coordinated, as appropriate, to minimize duplication and maximize efficiency.

Establishment of such a board will require a pension plan amendment, and City Council approval. Pension Administration staff will work with the City Attorney and/or an outside attorney to develop the draft proposed plan language for the SRP to be discussed with employees and to be presented to City Council.

Recommendation 3: The Advisory Group recommended the creation of an “Adjustment Mechanism” that would trigger cost-sharing actions in the event of significant pension cost increases.

City staff will work with the City’s actuary to develop options for such an Adjustment Mechanism. The options will be presented first to senior staff, the FPOPP Retirement Board and the SRP Retirement Board (once it is established), and employee groups to obtain their input prior to returning to Council with a recommendation.

SECONDARY ACTIONS

Recommendation 5: The Advisory Group recommended that any change in plan design of the FPOPP or SRP be considered by the relevant board prior to action by City Council.

It has been the practice for the seven years that the FPOPP Retirement Board has been in existence, that any change in FPOPP is discussed first with its Pension Board.

As soon as the action on Recommendation 2 above is implemented (establishment of a similar pension board for the Supplemental Plan), this item can be completed.

Recommendation 11: The Advisory Group recommended that the retiree health policy and retiree life insurance policy be described in a plainly written document and made readily available to all potentially eligible employees.

Human Resources and Finance Department staff have begun developing a summary plan description about these benefits, and upon completion will post it to the City’s website and AlexNet and will include it in the City Employee Handbook and as an item during New City Employee Orientation.

Recommendation 15: The Advisory Group recommended that City Council consider delaying any changes to the current City pension plans until the release and review of the upcoming report of the Virginia Joint Legislative Audit and Review Commission (JLARC).

City Legislative Director Bernard Caton is monitoring the JLARC study and will report to both City Council and former Advisory Group members once the JLARC report is released. During the upcoming session of the General Assembly he will monitor and report back to the City Manager and City Council on proposed pension legislation based on the JLARC report.

Recommendation 16: The Advisory Group recommended that City Council consider reconvening the Advisory Group following publication of the JLARC report so that the Advisory Group may assess any effects it may have on the Advisory Group's recommendations.

Staff will recommend that the Advisory Group reconvene once the JLARC report is complete and released so that they can review the report and provide City Council with their input.

OTHER ACTIONS

Recommendation 6: The Advisory Group recommended that the City initiate a review of the disparities in employee contribution rates and benefits.

We will review this issue, including disparities in VRS, the SRP, City-paid life insurance, and City-subsidized retiree medical insurance premiums, as part of the total compensation package for City employees.

Recommendation 7: The Group recommended that City Council issue a request to VRS for a calculation of the projected costs of providing full retirement benefits to Deputy Sheriffs, Medics, and Fire Marshals at age 50 with 25 years of service.

The City requested the last cost estimate from VRS in 2008. In a letter dated August 28, 2008, the VRS actuary provided a cost estimate of \$1.2 million annually. Since that time, we believe that the demographics of this group of employees would have increased this figure modestly. In addition, since that estimate was prepared, VRS changed the actuarial assumptions they use, which may increase the costs more than the changes in the demographics of the group. The City has requested an updated estimate from VRS.

It is also important to note that VRS changes to retirement eligibility for Deputy Sheriffs, Medics, and Fire Marshals will indirectly increase costs for the Supplemental Retirement Plan benefits for those employees. Once the updated VRS valuation is complete and the City's actuary can review the impact such changes would have, the City's actuary can provide a complete picture.

Recommendation 9: The Advisory Group recommended that the City undertake a study of the fiscal impact of adding a cost of living benefit increase provision to the Supplemental Retirement Plan.

Unlike the FPOPP, this plan has never had a cost of living provision. Staff will prepare cost estimate information and provide some options for ways to implement this recommendation for discussion during the FY 2013 budget.

Recommendation 12: The Advisory Group recommended that City Council review the current retiree health plan premium subsidy policy and consider increasing the longstanding maximum limit of \$260 per month as funding permits.

The Human Resources staff is reviewing the post-employment medical benefit as part of the total compensation and benefit package, and we will report back to Council on this during our FY 2013 budget discussions. There will be both an immediate budgetary impact and a possible increase in the long term liability of the other Post Employment Benefit Trust Fund if Council increases the retiree health premium.

STEPS TO BE DETERMINED

Recommendation 8: The Advisory Group recommended that the City investigate pension portability to avoid adverse effects on City employees who change jobs within the City that entail a change in pension plan coverage.

This issue will be reviewed as part of the total compensation and benefit package.

Recommendation 10: The Advisory Group recommended that the City enhance employee education regarding their pension coverage and other employee benefits.

The City has an employee pension outreach program that includes new employee orientation, several offerings throughout an employee's career with the City, and more focused seminars leading up to retirement.

Considering the importance of retirement planning to employees' long-term well-being, we will consider ways to enhance the current program and make it more widely accessible.

Recommendation 13: The Advisory Group recommended that the City strive to improve pension plan coverage and other employee benefits for part-time employees, who currently only have access to the Supplemental Retirement Plan (SRP), which provides limited benefits.

We will explore this but since there is a fiscal impact, we will need to determine whether or not the City is able to provide additional long term benefits for part-time workers in light of our current fiscal situation.

Recommendation 14: The Advisory Group recommended that the City carefully review its SRP contributions for state employees at the Virginia Department of Health to ensure that these contributions remain appropriate and necessary.

We will provide a report on this at some time in the future. Since Council's budget guidance includes a provision to assume that City employee retirement systems would not change in FY 2013, this would likely be an issue for discussion in FY 2014, if warranted.

RECOMMENDATIONS REQUIRING NO ACTION

Recommendation 1: The Advisory Group recommended that the City continue its defined benefit pension plan and that the City not create a new defined contribution plan.

Recommendation 4: The Advisory Group recommended that the City not impose additional employee contribution requirements outside of the Adjustment Mechanism discussed in Recommendation 3.

FISCAL IMPACT: Consideration and/or implementation of the recommendations listed above will require funding for staff to seek the guidance of the SRP's outside attorney and the City's actuary. The fiscal impact of possible changes to the plans will be analyzed and presented to City Council once it is available. There is no guarantee that the City Manager will propose any additional funding for city pension plan or retiree health premium changes through the annual General Fund Operating Budget.

ATTACHMENT: Benefit Advisory Group Report

STAFF:

Laura B. Triggs, Acting Chief Financial Officer

Cheryl Orr, Director of Human Resources

Steven Bland, Retirement Administrator