

City of Alexandria, Virginia

MEMORANDUM

DATE: DECEMBER 9, 2004

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*

SUBJECT: CONSIDERATION OF A PROPOSED CHANGE TO THE SUPPLEMENTAL RETIREMENT PROGRAM FOR THE DEPUTY SHERIFFS, EMERGENCY MEDICAL TECHNICIANS AND FIRE MARSHALS

ISSUE: Consideration of a proposed change in the supplemental retirement program for Alexandria Deputy Sheriffs, Emergency Medical Technicians (EMT) and Fire Marshals.

RECOMMENDATION: That City Council:

- A. Approve in concept the proposed changes to the supplemental retirement program for deputy sheriffs and EMTs, authorize the City Manager and the City Attorney to proceed to prepare the amendments to the City of Alexandria Supplemental Retirement Plan (Supplemental Retirement Plan) documents and present the proposed plan to Council for final adoption in early 2005. The proposed amendments accomplish the following:
1. Create a separate category within the Supplemental Plan for the Deputy Sheriffs, EMTs and Fire Marshals;
 2. Allow normal retirement for the Deputy Sheriffs, EMTs and Fire Marshals at age 50 with 25 years of service instead of the current age 55 with 30 years of service; and
 3. Base the benefit multiplier used to calculate the pension benefits to the following:
 - 0.6 percent of the Average Final Compensation for each of the first 5 years of service,
 - 0.9 percent of the Average Final Compensation for each of the next 10 years of service, and
 - 1.0 percent of the Average Final Compensation for the next 15 years of service and each year of service thereafter.
- B. Approve in concept the proposed change to permit the Fire Marshals to participate in the Retirement Income Plan for Deputy Sheriffs and Emergency Rescue Technicians, authorize the City Manager and the City Attorney to proceed to prepare the amendment

to the plan documents and present the proposed plan to Council for final adoption in early 2005.

DISCUSSION: The Deputy Sheriffs and EMTs participate in three pension plans: 1) the Virginia Retirement System (VRS), 2) the City of Alexandria Supplemental Plan and 3) the Retirement Income Plan for Deputy Sheriffs and Emergency Rescue Technicians which was approved by Council in the 1990's. Currently, VRS and the Supplemental Plan provide the same benefit to all City employees except sworn police officers, firefighters, deputy sheriffs and EMTs who have different benefits. The Retirement Income Plan for Deputy Sheriffs and Emergency Rescue Technicians is a defined contribution plan in which the City's contribution equals the amount of the City's contribution to the police and firefighters pension plan minus the City's contribution to the VRS and Supplemental Plan for the Deputy Sheriffs and EMTs.

Last year in order to meet the request from the majority of sworn police officers and firefighters, the City changed their pension plan from a defined contribution program to a defined benefit program. The Deputy Sheriffs and EMTs requested that the City review the benefits of their defined benefit program to see if it could more closely resemble those of the police and firefighters. After reviewing many options and their associated costs, representatives of the Deputy Sheriffs, EMTs and City management agreed in concept to the following proposed amendments to the pension program. As a result of these amendments, 5.5 percent of funds currently paid by the City to the deferred contribution plan will be shifted to the defined benefit plan.

Separate Category within Supplemental Retirement Plan. The Deputy Sheriffs and EMTs would like their defined benefit to be improved. VRS, which is a primary retirement benefit for the Deputy Sheriff and EMTs, provides benefits that can only be amended by the General Assembly through a lengthy process. The State provides a pension program for sworn public safety employees but EMTs are not eligible to participate in that program. The City can amend its Supplemental Retirement Plan to provide a different benefit for both of these public safety employee groups.

1. Decrease Normal Retirement Age. Due to the stress and unique physical requirements of the Deputy Sheriff and EMT jobs, which are similar to other public safety employees, many employees have difficulty performing the physical requirements after being in these jobs for a long period of time. Police and firefighters can retire without a reduced benefit once they have 25 years of service. The Deputy Sheriffs and EMTs have asked to be able to retire earlier without a reduction in benefits. The proposed amendment allows them to retire without a reduction in their Supplemental Retirement Plan benefits at age 50 with 25 years of service instead of the current age 55 with 30 years of service. (Their VRS benefit would continue to have a requirement of age 50 and 30 years of service for full retirement.)
2. Change in the Benefit Multiplier. Police officers and firefighters, who retire with thirty years of service, receive a defined benefit equal to 82 percent of their Average Final Compensation. Currently, Deputy Sheriffs and EMTs receive a defined benefit of less than 75 percent of their Average Final Compensation. This proposed amendment will provide them with a 78 percent income replacement with 30 years of service. The 78 percent was the actuarially calculated maximum benefit that was economically possible

without effectively eliminating the defined contribution program.

There are nine Fire Marshals, who are uniformed public safety officials and currently do not participate in either the Firefighters and Police Officers Pension Plan or the Retirement Income Plan for Deputy Sheriffs and Emergency Rescue Technicians. These employees do participate in VRS and the Supplemental Retirement Plan. The City contributes less to the retirement program for the Fire Marshals than all other uniformed public safety employees, yet their job duties and responsibilities are similar to other public safety employees, such as Deputy Sheriffs and EMTs. By permitting the Fire Marshals to participate in the defined contribution plan and the enhanced Supplemental Plan, the City will be making the same contribution to all uniformed public safety employees.

FISCAL IMPACT: The proposed changes in the Deputy Sheriff and EMT pension program, other than adding the Fire Marshals to the defined contribution program, will have **no** fiscal impact on the City. The City's policy is to contribute the same percentage of payroll to all public safety pension plans. The City currently pays 20 percent of the police and fire payroll for pension program costs and 2.35 percent to disability program costs for a total of 22.35 percent. The same percentage applies to the Deputy Sheriff and EMTs. As the VRS or Supplemental Plan increases or decreases the amount of the increase or decrease in City contributions would be made to the Retirement Income Plan for Deputy Sheriffs and Emergency Rescue Technicians. The following chart shows the difference in the cost to the City between the current arrangement and the proposed changes for fiscal year 2006. In both cases, the final cost to the City remains at 22.35 percent of payroll.

Payments made to:	Current Arrangement (percentage of payroll)	Proposed Changes (percentage of payroll)
VRS	6.50 %	6.50 %
Supplemental Plan	5.25 %	10.75 %
Defined Contribution Plan	10.60 %	5.10 %
Total Payment	22.35 %	22.35 %

There are approximately 230 active participants in the Deputy Sheriff and EMT pension plans, and a total of nine Fire Marshals.

The cost of having the Fire Marshals participate in the defined contribution program is estimated to be approximately \$25,000 a year. If Council approves this change effective this fiscal year, the cost for the remainder of the year will be absorbed in the City's FY 2005 budget. For Fiscal Year 2006, the cost will be added to the Fire Department's budget.

STAFF:

- Mark Jinks, Assistant City Manager
- Michele Evans, Assistant City Manager
- D. A. Neckel, Director of Finance
- Caterina Tarver, Pension Administrator