


City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 7, 2007

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: CONSIDERATION OF A RESOLUTION TO AMEND THE CITY OF ALEXANDRIA FIREFIGHTERS AND POLICE OFFICERS PENSION PLAN TO INCLUDE A SERVICE BUY BACK PROVISION FOR POLICE OFFICERS AND FIREFIGHTERS WITH A BREAK IN CITY SERVICE ON A COST SHARING BASIS

ISSUE: Consideration of a proposed buy back option to the City of Alexandria Firefighters and Police Officers Pension Plan.

RECOMMENDATION: That City Council adopt the attached resolution (Attachment) which amends the City of Alexandria Firefighters and Police Officers Pension Plan to provide current firefighters and police officers with a one-time opportunity to buy back prior refunded service as a firefighter or police officer on a cost-sharing basis with the City.

DISCUSSION: The Firefighters and Police Officers Pension Plan (the "New Plan"), which is a defined benefit or DB 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, a defined contribution or DC plan. The DC plan allowed a participant to receive a cash refund of the participant contributions plus interest to "cash out" their defined contribution account balance when leaving City employment. Subsequently, the participant did not have the ability to restore those cashed-out balances in the DC plan when he or she rejoined the fire or police force. When the City converted to the New DB Plan in 2004, the New Plan gave no service credit for any service earned prior to a break in service, or service earned in another City plan. During the negotiations for the New Plan, employee group representatives and City administration decided to defer discussion on how to treat prior service buy back to a future date.

The New DB Plan has a Pension Plan Board (the "Board") that serves as the fiduciary of the plan in connection with the management of the plan assets. The Board consists of two members from sworn Fire employees, two members from sworn Police employees, and four members appointed by the City Manager. Last year, the Board formed a subcommittee to look into the issue of the buy back of prior service. The subcommittee, with the concurrence of the Board, decided to first address the issue of prior service as a firefighter or police officer. The Board decided to consider in the future prior City service in other positions after the completion of this review of prior

service in a sworn position. When this buy back issue was first reviewed there were 15 employees with prior service as a sworn officer. For various reasons three employees are no longer eligible, leaving 12 eligible employees with prior service as a sworn officer.

On March 14, 2007, the Council Pension Committee (composed of Mayor Euille and Councilman Smedberg) approved the proposal to amend the New DB Plan to provide the one-time opportunity for eligible employees to:

- 1) Buy back up to four years of prior service by firefighters or police officers who had a break in service prior to January 1, 2004, and who received a distribution from the Retirement Income Plan for that service. This four year buy back is composed of:
 - a) A buy back of the first three years of prior service at 50 percent of the actuarial cost (the City pays the other 50 percent of the cost) provided the employee continues to work for the City (for Fire or Police) three years after adoption of this amendment;
 - b) A buy back of the fourth year of prior service by the employee at 100 percent of the full actuarial cost; and
- 2) Pay for the buy back of prior service cost through a lump sum payment and/or through payroll deductions not to exceed 36 months.

The Board initially did not vote in favor of a buyback. After receiving the survey results of this buy back proposal where the increased costs of benefits caused by the buy back would be shared between the City and the employee on a 50/50 basis, and after discussing the issue with the Council Pension Committee, a number of Board members have changed their position to one favoring a buy back proposal. However, the Board did not take a new vote on this issue.

As required by the New Plan, participants had a 60-day comment period and the opportunity to participate in several meetings where the City's pension office explained this proposed amendment and entertained questions. As part of its consideration the Council Pension Committee asked that the twelve employees who would be eligible under this plan amendment be surveyed as to their intent if this plan amendment is adopted. Of the 12 surveyed, seven indicated their intent to buy back service credit. Five of these intend to purchase all four years of service credits if they can afford to do so. In order to buy back this service, many of those employees will likely use their prior "cashed out" funds which they have had invested since the time they left City employment.

FISCAL IMPACT: The actuarial cost of the service credit buy back for up to three years is to be shared 50% by the employee and 50% the City with the City paying 100% of residual costs (see below). The employee will pay the cost of the fourth year of benefits. This will result in an increased annual City payment of \$21,000 per year. The cost the employee will pay for the seven persons who indicated intent to buy back service credit ranges from \$4,000 a year to \$37,000 a year per employee with an average cost of approximately \$12,000 for the first three

years and \$22,000 for the fourth year. The total employee upfront contribution to buy back this service is estimated at \$378,000. The total City commitment for these seven employees is \$321,000. This \$321,000 commitment will be funded by annual payments by the City of approximately \$21,000 per year.

Costs for Seven Participants Who Expressed Intent to Buy Back Service Credits				
	Total Member Cost	City of Alexandria Cost		
		Match	Residual	Total
Years 1-3	\$222,000	\$222,000	\$56,000	\$278,000
Year 4	\$156,000	\$ 0	\$43,000	\$ 43,000
Total	\$378,000	\$222,000	\$99,000	\$321,000
Note: These costs would increase by 60% if all 12 eligible employees were to buy back service credits.				

In proposing this option, the City selected a method in which the member’s portion would include 50% of the costs of increased benefits and the City providing a 50% match. The City would absorb the “residual costs” which are those defined as the actuarial costs related to the member having a shorter working period and fewer contributions as a result of the buy back.

ATTACHMENT: Resolution to Amend City of Alexandria Firefighters and Police Officers Pension Plan

STAFF:
 Mark Jinks, Deputy City Manager
 Michele Evans, Deputy City Manager
 Laura Triggs, Acting Director of Finance
 Steven Bland, Retirement Administrator

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 (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, 2007, as follows:

FIRST CHANGE

The following definitions shall be added to Section 1.6:

Pre-2004 Break-In-Service means a termination of an Employee's status as a Covered Employee that occurred prior to January 1, 2004.

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.

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

SECOND CHANGE

The definition of Year of Credited Service in Section 1.6 shall be revised to read as follows:

Year of Credited Service

A Participant shall be credited with 1/12th of a Year of Credited Service for each full calendar month of service as a Covered Employee commencing on or after the Effective Date and ending with the Participant's Termination

Date. A Covered Employee shall not be credited with Years of Credited Service (or 1/12th increments thereof) for any calendar month during which he or she is not a Covered Employee for the entire month or for any calendar month commencing after the Covered Employee's Termination Date. In addition, except as otherwise provided in Section 3.4 or 3.5, a Participant shall not be credited with Years of Credited Service (or 1/12th increments thereof) for any calendar month prior to the Effective Date.

THIRD CHANGE

The following new section 3.5 shall be added following Section 3.4:

3.5 Pre-2004 Credited Service Buy-Back

- (a) Each Covered Employee who:
- (1) is a Participant in the Plan on July 1, 2007;
 - (2) was a Participant in the Retirement Income Plan prior to January 1, 2004;
 - (3) experienced a Pre-2004 Break in Service; and
 - (4) was partially or fully vested in his or her Retirement Income Account at the time of the Pre-2004 Break in Service and received a distribution of his or her vested Retirement Income Account following such Pre-2004 Date Break-In-Service,

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 3.5. 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 3.5(f).

- (b) In order to be effective, an election to purchase credit for Purchasable Service under this Section 3.5 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 _____, 2007; and
 - (3) include full amount due for the Purchased Period of Credited Service (as determined under Section 3.5(c)) and/or be

accompanied by an irrevocable 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:
 - (1) 50% of the actuarial cost of the additional benefit provided under the Plan with respect to the Purchased Period of Credited Service (up to a maximum of three (3) years).
 - (2) 100% of the actuarial cost of the additional benefit provided under the Plan with respect to the remaining Purchased Period of Credited Service (i.e., the fourth year).

The cost of Purchased Period of Credited Service shall be determined by 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 any eligible deferred compensation plan (within the meaning of Section 457(b) of the Internal Revenue Code) maintained by the City; (iii) a direct lump sum payment to the Plan; (iv) 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 3.5(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. 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 3.5(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. In the case of a Participant who has elected to pay for a portion of the Purchased Period of Credited Service in a lump sum under Section 3.5(d) and to pay for the remaining portion through additional Employee Retirement Contributions under this Section 3.5(e), such payroll deduction authorization must be effective as of the payroll period containing the date the partial payment is made under Section 3.5(d).

- (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) One month shall be taken into account for each two completed months of Credited Service following the date payment is made under Section 3.5 (d) or commences under Section 3.5(e). However, the number of months credited under this Section 3.5(f)(1) shall be limited to one-half of the Purchased Period of Credited Service under Section 3.5(c)(1). This provision is designed to provide that a Participant earns the portion of Credited Service that is subsidized under Section 3.5(c)(1) based on the performance of future service, with the result that a Participant who purchases the full three years permitted under Section 3.5(c)(1) will fully earn the subsidized portion of such Purchased Period of Credited Service upon the completion of thirty-six (36) months of Credited Service following the date payment is made or commences.
 - (2) In addition, upon payment under Section 3.5(d), or as payment is made under Section 3.5(e), the Participant shall be credited with the number of months of the Purchased Period of Credited Service for which the Participant has paid the appropriate portion of the actuarial cost (i.e., one-half of the Purchased Period of Credited Service under Section 3.5(c)(1), and the entire Purchased Period of Credited Service under Section 3.5(c)(2)). For this purpose,
 - (i) In the case of a Participant that pays for the Purchased Period of Credited Service under Section 3.5(d), the Purchased Period of Credited Service for which the Participant has paid all of the actuarial cost shall be credited upon payment under Section 3.5(d).
 - (ii) In the case of a Participant that is paying for part of the Purchased Period of Credited Service under Section 3.5(d) and part under Section 3.5(e), the amount credited upon payment under Section 3.5(d) shall be determined by multiplying the total number of months in the Purchased Period of Credited Service for which the Participant is required to pay the actuarial cost by a fraction, the numerator of which is the amount of the payment actually made under Section 3.5(d), and the denominator of which is the total amount due from the Participant under Section 3.5(d) and (e) with respect to the entire Purchased Period of Credited Service. The remaining portion of the Purchased Period of Credited Service for which

the Participant is required to pay the actuarial cost shall be credited in accordance with Section 3.5(f)(2)(iii).

- (iii) To the extent that full or partial payment is being made under Section 3.5(e), the determination of the extent to which payment has been made shall be made by multiplying the total number of months in the Purchased Period of Credited Service that the Participant is purchasing through additional Employee Retirement Contributions by a fraction, the numerator of which is the total number of payments that have been made by the Participant as of the date the determination is being made, and the denominator of which is the total number of payments that are (or were) to be made by the Participant under Section 3.5(e).
- (3) Only full months shall be credited to a Participant. No credit shall be given for partial months.
- (4) 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 3.5(f), the portion of the Purchased Period of Credited Service which has not been earned by the Participant shall be forfeited.

FOURTH CHANGE

Section 4.2(b)(1) of the Plan is hereby deleted, and the following is substituted in lieu thereof:

- (1) On and after the Date of Adoption, each Participant who is classified as a Covered Employee shall make Employee Retirement Contributions to the Plan in an amount equal to (i) 7.5% of the Participant's Compensation, as reflected in the paycheck the Participant receives from the City, and (ii) the amount of any additional Employee Retirement Contributions that the Participant is obligated to make under Section 3.5(e) with respect to the Purchased Period of Credited Service. Such Employee Retirement Contributions shall continue until the earlier of the Participant's (1) Termination Date, or (2) DROP Effective Date, and shall be

made in accordance with rules established by the Administrator.

The City of Alexandria Firefighters and Police Officers Pension Plan, as in effect on January 1, 2004, and as previously amended by a First, Second and Third Amendment, and as amended by the foregoing changes, is hereby ratified and confirmed in all other respects.

IN WITNESS WHEREOF, the City has caused this Amendment to be executed by its City Manager on this ____ day of _____ 2007.

CITY OF ALEXANDRIA

By: _____
James K. Hartmann, City Manager

33

6-12-07



Michael Cross/Alex
06/12/2007 04:59 PM

To Jackie Henderson/Alex@Alex
cc
bcc

Subject Additional Opposition to Subsidy for Buy Back Proposal (Docket
Item #33 for 6/12/2007)

Please forward these comments to the Mayor, Vice Mayor and City Council for tonight's meeting.

I have submitted comments as a Pension Board member, now I must submit comments as a participant to the Pension plan.

I have always been grateful of the City Council's fairness in applying benefits to employees over my twenty years of service. However, I am floored by the amazing amount of benefit a very small segment of public safety employees will be receiving for separating service.

If the subsidy is passed, 12 people will be able to receive almost \$513,600 in benefits, which is on average about \$42,800 per person. One employee will stand to gain about \$111,000 in additional benefits.

These employees have actually separated from employment, received their full benefit, and are now being offered an opportunity to receive another full benefit from the pension plan. I am aware that one of the pleas from these 12 people is that they were not included in the subsidy that was generated in the conversion from a defined contribution plan to a defined benefit plan.

There is a significant difference between those who separated, and those who did not. The loyal employees that did not separate employment have not received any benefit from the pension plan. however, those who have separated, have received 100% of their benefit (including the 20% City contribution).

This is an unfair benefit being offered to a select group of employees, and I ask; no urge; no beg you to reconsider.

Michael Cross, Fire Captain
Fire Station 208 - C Shift
175 N. Paxton Street
Alexandria, Virginia 22304
FS208 - (703) 838-4658
Cell - (240) 508-6097
Email - Michael.Cross@AlexandriaVA.gov

33
6-12-07



<jrenner777@yahoo.com>

06/12/2007 03:20 PM

Please respond to
<jrenner777@yahoo.com>

To <alexvamayor@aol.com>, <timothylovain@aol.com>, <councilmangaines@aol.com>, <council@krupicka.com>, <delpepper@aol.com>, <paulcsmedberg@aol.com>

cc

bcc

Subject COA Contact Us: NO to the Buy Back Subsidy



Time: [Tue Jun 12, 2007 15:20:50] IP Address: [206.113.148.2]

Response requested: []

First Name: Jodi
Last Name: Renner
Street Address: 89 Apple Jack Circle
City: Linden
State: VA
Zip: 22642
Phone: 703-244-0337
Email Address: jrenner777@yahoo.com
Subject: NO to the Buy Back Subsidy
City of Alexandria Mayor and the City Council,

I am an active participant from the fire department that is covered by the Firefighter's and Police Officer's Pension Plan. I want you to know that I am opposed to the subsidy provision that is included in the service buy back amendment to the Firefighter and Police Officer's Pension Plan (Fourth Amendment) that you will be considering at the June 12, 2007 City Council meeting.

Comments: The 13 participants that are eligible for the buy back provisions have already received a lump sum distribution (or rollover) of the City's 20% contributions made on their behalf to their pension plan at the time they separated service. With the proposed 50% subsidy, they will only be contributing back half of the cost to purchase the service to which they have already received benefits. The estimated cost to subsidize all eligible years of service is almost \$385,000 (1) , which could average almost \$30,000 in additional benefits to each buy back participant.

The participants eligible for the buy back proposal make up less than three percent of the active employees (13 people eligible out of 468 active employees in the pension plan). Although it may be well intentioned, subsidizing the buy back proposal gives a significant additional benefit to a small group of employees that have already received their full pension benefits from the pension plan.

I ask, and urge, you to reconsider offering a subsidy as part of the buy back proposal.

33
6-12-07



<sargejenn@aol.com>

06/12/2007 03:44 PM

Please respond to
<sargejenn@aol.com>

To <alexvamayor@aol.com>, <timothylovain@aol.com>,
<councilmangaines@aol.com>, <council@krupicka.com>,
<delpepper@aol.com>, <paulcsmedberg@aol.com>,

cc

bcc

Subject COA Contact Us: Police Buy Back

Time: [Tue Jun 12, 2007 15:44:12] IP Address: [67.103.27.74]

Response requested: []

First Name: Jennifer
Last Name: Adcock
Street Address: 6007 Ricketts Walk
City: Alexandria
State: Va
Zip: 22312
Phone: 703-658-7002
Email Address: sargejenn@aol.com
Subject: Police Buy Back

I am a City resident and a 21 year veteran of the Alexandria Police Department. Prior to that, I had nearly two years of service with the Alexandria Office of the Sheriff.

Comments: I strongly support the "Buy Back" plan and hope that you will support it as well. Allow me to be a 23 year veteran of the City in my retirement; provide me with the opportunity to take credit for all of my law enforcement service to the City.

33
6-12-07



<t_mucci@comcast.net>

06/12/2007 04:08 PM

Please respond to
<t_mucci@comcast.net>

To <alexvamayor@aol.com>, <timothylovain@aol.com>, <councilmangaines@aol.com>, <council@krupicka.com>, <delpepper@aol.com>, <paulcsmedberg@aol.com>

cc

bcc

Subject COA Contact Us: amendment to the police/fire retirement package



Time: [Tue Jun 12, 2007 16:08:39] IP Address: [69.143.44.107]

Response requested:

First Name: Terri
Last Name: Mucci
Street Address: 037 S. Reynolds St
P-201
City: Alexandria
State: Virginia
Zip: 22304
Phone: 703-823-8228
Email Address: t_mucci@comcast.net
Subject: amendment to the police/fire retirement package
I'd like to extend my support for the buy-back option for City Police and Firefighters. The plan will allow us older Police and Firefighters to retire, paying our portion of the retirement debt and allow the City the opportunity to seek younger...and cheaper employees.
Comments: Please consider this as an opportunity to provide more qualified residents with employment and support the amendment.
Thanks for your time.

Terri Mucci

RESOLUTION NO. 2234

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 (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, 2007, as follows:

FIRST CHANGE

The following definitions shall be added to Section 1.6:

Pre-2004 Break-In-Service means a termination of an Employee's status as a Covered Employee that occurred prior to January 1, 2004.

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.

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

SECOND CHANGE

The definition of Year of Credited Service in Section 1.6 shall be revised to read as follows:

Year of Credited Service

A Participant shall be credited with 1/12th of a Year of Credited Service for each full calendar month of service as a Covered Employee commencing on or after the Effective Date and ending with the Participant's Termination Date. A Covered Employee shall not be credited with Years of Credited Service (or 1/12th increments thereof) for any calendar month during which he or she is not a Covered Employee for the entire month or for any calendar month commencing after the Covered Employee's Termination Date. In addition, except as otherwise provided in Section 3.4 or 3.5, a Participant shall not be credited with Years of Credited Service (or 1/12th increments thereof) for any calendar month prior to the Effective Date.

THIRD CHANGE

The following new section 3.5 shall be added following Section 3.4:

3.5 Pre-2004 Credited Service Buy-Back

- (a) Each Covered Employee who:
- (1) is a Participant in the Plan on July 1, 2007;
 - (2) was a Participant in the Retirement Income Plan prior to January 1, 2004;
 - (3) experienced a Pre-2004 Break in Service; and

(4) was partially or fully vested in his or her Retirement Income Account at the time of the Pre-2004 Break in Service and received a distribution of his or her vested Retirement Income Account following such Pre-2004 Date Break-In-Service,

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 3.5. 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 3.5(f).

(b) In order to be effective, an election to purchase credit for Purchasable Service under this Section 3.5 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 October 10, 2007; and

(3) include full amount due for the Purchased Period of Credited Service (as determined under Section 3.5(c)) and/or be accompanied by an irrevocable 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:

(1) 50% of the actuarial cost of the additional benefit provided under the Plan with respect to the Purchased Period of Credited Service (up to a maximum of three (3) years).

(2) 100% of the actuarial cost of the additional benefit provided under the Plan with respect to the remaining Purchased Period of Credited Service (i.e., the fourth year).

The cost of Purchased Period of Credited Service shall be determined by 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 any eligible deferred compensation plan (within the meaning of Section 457(b) of the Internal Revenue Code) maintained by the City; (iii) a direct lump sum payment to the Plan; (iv) 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 3.5(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. 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 3.5(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. In the case of a Participant who has elected to pay for a portion of the Purchased Period of Credited Service in a lump sum under Section 3.5(d) and to pay for the remaining portion through additional Employee Retirement Contributions under this Section 3.5(e), such payroll deduction authorization must be effective as of the payroll period containing the date the partial payment is made under Section 3.5(d).

(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) One month shall be taken into account for each two completed months of Credited Service following the date payment is made under Section 3.5 (d) or commences under Section 3.5(e). However, the number of months credited under this Section 3.5(f)(1) shall be limited to one-half of the Purchased Period of Credited Service under Section 3.5(c)(1). This provision is designed to provide that a Participant earns the portion of Credited Service that is subsidized under Section 3.5(c)(1) based on the performance of future service, with the result that a Participant who purchases the full three years permitted under Section 3.5(c)(1) will fully earn the subsidized portion of such Purchased Period of Credited Service upon the completion of thirty-six (36) months of Credited Service following the date payment is made or commences.

(2) In addition, upon payment under Section 3.5(d), or as payment is made under Section 3.5(e), the Participant shall be credited with the number of months of the Purchased Period of Credited Service for which the Participant has paid the appropriate portion of the actuarial cost (i.e., one-half of the Purchased Period of Credited Service under Section 3.5(c)(1), and the entire Purchased Period of Credited Service under Section 3.5(c)(2)). For this purpose,

(i) In the case of a Participant that pays for the Purchased Period of Credited Service under Section 3.5(d), the Purchased Period of Credited Service for which the Participant has paid all of the actuarial cost shall be credited upon payment under Section 3.5(d).

(ii) In the case of a Participant that is paying for part of the Purchased Period of Credited Service under Section 3.5(d) and part under Section 3.5(e), the amount credited upon payment under Section 3.5(d) shall be determined by multiplying the total number of months in the Purchased Period of Credited Service for which the Participant is required to pay the actuarial cost by a fraction, the numerator of which is the amount of the payment

actually made under Section 3.5(d), and the denominator of which is the total amount due from the Participant under Section 3.5(d) and (e) with respect to the entire Purchased Period of Credited Service. The remaining portion of the Purchased Period of Credited Service for which the Participant is required to pay the actuarial cost shall be credited in accordance with Section 3.5(f)(2)(iii).

(iii) To the extent that full or partial payment is being made under Section 3.5(e), the determination of the extent to which payment has been made shall be made by multiplying the total number of months in the Purchased Period of Credited Service that the Participant is purchasing through additional Employee Retirement Contributions by a fraction, the numerator of which is the total number of payments that have been made by the Participant as of the date the determination is being made, and the denominator of which is the total number of payments that are (or were) to be made by the Participant under Section 3.5(e).

- (3) Only full months shall be credited to a Participant. No credit shall be given for partial months.
- (4) 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 3.5(f), the portion of the Purchased Period of Credited Service which has not been earned by the Participant shall be forfeited.

FOURTH CHANGE

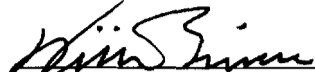
Section 4.2(b)(1) of the Plan is hereby deleted, and the following is substituted in lieu thereof:

- (1) On and after the Date of Adoption, each Participant who is classified as a Covered Employee shall make Employee Retirement Contributions to the Plan in an amount equal to (i) 7.5% of the Participant's Compensation, as reflected in the paycheck the Participant receives from the City, and (ii) the amount of any additional Employee Retirement Contributions that the Participant is obligated to make under Section 3.5(e) with respect to the Purchased Period of Credited Service. Such Employee Retirement Contributions shall continue until the earlier of the Participant's (1) Termination Date, or (2) DROP Effective Date, and shall be made in accordance with rules established by the Administrator.


The City of Alexandria Firefighters and Police Officers Pension Plan, as in effect on January 1, 2004, and as previously amended by a First, Second and Third Amendment, and as amended by the foregoing changes, is hereby ratified and confirmed in all other respects.

IN WITNESS WHEREOF, the City has caused this Amendment to be executed by its Mayor.

ADOPTED: June 12, 2007


WILLIAM D. EULLE MAYOR

ATTEST:


Jacqueline M. Henderson, CMC City Clerk