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City of Alexandria

Preliminary Results of Benefits Study

February 13, 2009

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Description of the Study

- Watson Wyatt solicited data from the following five comparator jurisdictions, selected by City of Alexandria:
 - Arlington County
 - Fairfax County
 - Montgomery County
 - Prince George's County
 - Prince William County
- Watson Wyatt received benefits information from Arlington, Fairfax, Prince William and Montgomery Counties for all groups
- For the General Employees report, Watson Wyatt is using Prince George's County data from data submitted previous to this study

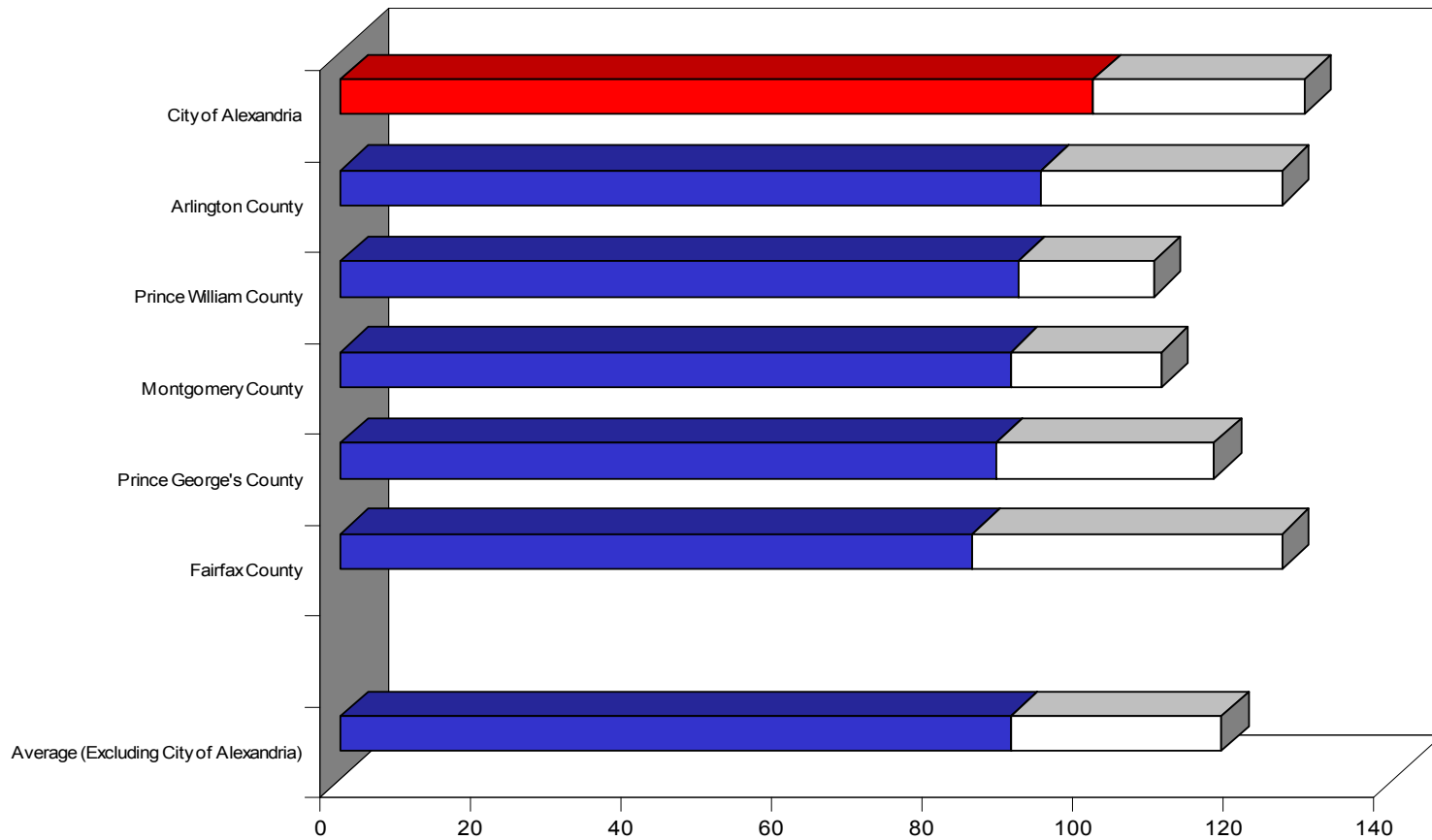
Description of Reports

- Watson Wyatt has produced four comprehensive COMPARISON™ reports based on the valuation of benefits for four subgroups of employees, as follows:
 - Sworn Police
 - Sworn Fire/ERT
 - Sheriff
 - General Employees
- Each of the four reports values benefits for medical, dental, life insurance, paid sick leave and disability, vacation and holiday, defined benefit, defined contribution, postretirement medical and postretirement life plans
- For each benefit subsidized by City of Alexandria, the employer-provided value of the benefit is set to 100. The comparative value of each other employer's program is then established, using City of Alexandria as a baseline. For example, if another employer's employer-provided health insurance is 2 percent more valuable than City of Alexandria's program, it will receive a score of 102
- This presentation provides summary data from each of the four reports

Methodology

- The cost of providing each benefit is calculated for every employee in the City of Alexandria workforce. The total cost of each benefit is the sum of the costs calculated for each employee. Employee costs based on actual employee contributions are subtracted from the total cost to produce an employer cost. The exception to this is defined contribution plans, where the employee contribution is the amount that the employee has contributed, and the employer match is calculated based on that contribution.
- This calculation is repeated for each of the comparison employers, using City of Alexandria's workforce. That is, we are calculating the cost of the benefit plans of the comparison employers as if City of Alexandria had adopted the benefit provisions of each of the comparison employers. The costs calculated reflect the demographics and the assumptions of City of Alexandria. These values reflect the cost of the benefit, not the value "perceived" by employees.
- The values are "normalized" to City of Alexandria's cost by dividing the cost calculated for each comparison employer by the cost calculated for City of Alexandria's benefit plans. The results are thus presented relative to City of Alexandria's results. If there is no employer cost for some of City of Alexandria's benefits, then those benefits are presented as relative to the average employer-provided value.

Overall Benefits Ranking – General Employees



Summary of Results for Retirement Plans – General Employees

The retirement plans group consists of the defined benefit plan, defined contribution plan, retiree medical plan and retiree life insurance plan for each employer.

| Benefit | City of Alexandria's Value | Comparison Group Average Benefit Value | City of Alexandria's Ranking in Comparison Group | Benefit Value as a Percentage of City of Alexandria's Total Program |
|----------------------|----------------------------|--|--|---|
| Retirement | 100 | 73 | 1st | 38 |
| Defined Benefit | 100 | 47 | 1st | 35 |
| Defined Contribution | 0 | 100 | Tied for 4th | 0 |
| Retiree Medical | 100 | 195 | 4th | 2 |
| Retiree Life | 100 | 40 | 1st | 1 |

Summary of Results for Health Plans - General Employees

The health plans group consists of the medical plan and dental plan for each employer

| Benefit | City of Alexandria's Value | Comparison Group Average Benefit Value | City of Alexandria's Ranking in Comparison Group | Benefit Value as a Percentage of City of Alexandria's Total Program |
|---------|----------------------------|--|--|---|
| Health | 100 | 95 | Tied for 2nd | 24 |
| Medical | 100 | 89 | 1st | 24 |
| Dental | 0 | 100 | Tied for 5th | 0 |

Summary of Results for Paid Time Off Plans – General Employees

The paid time off plans group (PTO) consists of the vacation plan, the holiday plan and the sick leave plan for each employer

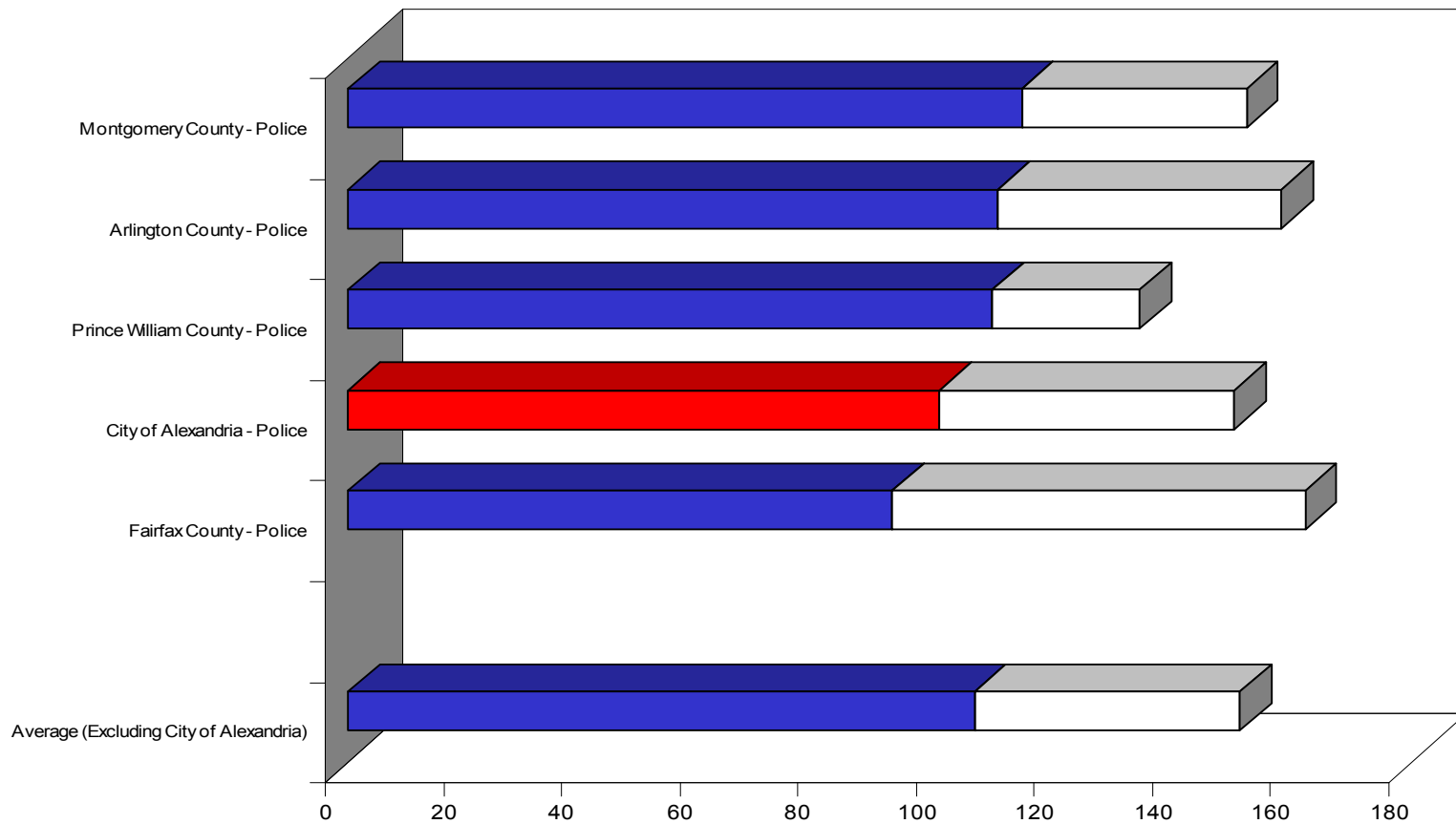
| Benefit | City of Alexandria's Value | Comparison Group Average Benefit Value | City of Alexandria's Ranking in Comparison Group | Benefit Value as a Percentage of City of Alexandria's Total Program |
|---------------|----------------------------|--|--|---|
| Paid Time Off | 100 | 107 | 6th | 33 |
| Vacation | 100 | 104 | 6th | 20 |
| Holiday | 100 | 112 | 6th | 11 |
| Sick | 100 | 107 | 6th | 3 |

Summary of Results for Insurance and Disability Plans – General Employees

The security plans group consists of the life insurance plan, short term disability plan (STD) and long term disability plan (LTD) for each employer

| Benefit | City of Alexandria's Value | Comparison Group Average Benefit Value | City of Alexandria's Ranking in Comparison Group | Benefit Value as a Percentage of City of Alexandria's Total Program |
|------------------------|----------------------------|--|--|---|
| Insurance & Disability | 100 | 49 | 1st | 5 |
| Life Insurance | 100 | 64 | 2nd | 3 |
| STD | 100 | 170 | 6th | 0 |
| LTD | 100 | 2 | 1st | 2 |

Overall Benefits Ranking - Police



Summary of Results for Retirement Plans - Police

The retirement plans group consists of the defined benefit plan, defined contribution plan, retiree medical plan and retiree life insurance plan for each employer.

| Benefit | City of Alexandria's Value | Comparison Group Average Benefit Value | City of Alexandria's Ranking in Comparison Group | Benefit Value as a Percentage of City of Alexandria's Total Program |
|----------------------|----------------------------|--|--|---|
| Retirement | 100 | 118 | 4th | 32 |
| Defined Benefit | 100 | 107 | 4th | 30 |
| Defined Contribution | 0 | 100 | Tied for 3rd | 0 |
| Retiree Medical | 100 | 331 | 3rd | 1 |
| Retiree Life | 100 | 36 | 1st | 1 |

Summary of Results for Health Plans - Police

The health plans group consists of the medical plan and dental plan for each employer

| Benefit | City of Alexandria's Value | Comparison Group Average Benefit Value | City of Alexandria's Ranking in Comparison Group | Benefit Value as a Percentage of City of Alexandria's Total Program |
|---------|----------------------------|--|--|---|
| Health | 100 | 99 | 3rd | 24 |
| Medical | 100 | 91 | 1st | 24 |
| Dental | 0 | 100 | 5th | 0 |

Summary of Results for Paid Time Off Plans - Police

The paid time off plans group (PTO) consists of the vacation plan, the holiday plan and the sick leave plan for each employer

| Benefit | City of Alexandria's Value | Comparison Group Average Benefit Value | City of Alexandria's Ranking in Comparison Group | Benefit Value as a Percentage of City of Alexandria's Total Program |
|---------------|----------------------------|--|--|---|
| Paid Time Off | 100 | 106 | 5th | 41 |
| Vacation | 100 | 106 | 5th | 24 |
| Holiday | 100 | 108 | 5th | 13 |
| Sick | 100 | 106 | 5th | 3 |

Explanation of Disability Calculations

- Values for all disability benefit programs (sick leave, STD and LTD) are calculated together and then allocated to individual benefit areas based on the definitions in the chart below:
- Sick leave results are included in the Paid Time Off group. This breakdown is used in order to eliminate differences in plan values that result from terminology. For example, Employer A might have up to six months of sick leave, but not have an STD program. Employer B might have two weeks of sick leave, but offer an STD benefit after the expiration of sick leave. Applying the employer definitions of disability would show Employer A with a generous sick leave plan, but the STD value would be zero. Employer B would have a substantially lower sick leave value, but would have an STD value. Applying the functional definitions listed above eliminates this variance in values that is solely due to the terminology a particular employer uses to describe benefits.
- The one-year term cost for disability values is calculated based on a Society of Actuaries table that provides rates based on the age and sex of each employee. The benefit value is reduced by the value of the individual or family Social Security benefit starting at 26 weeks. Plans offset by individual Social Security typically rank higher than plans offset by family Social Security since the employer must pay a greater share of the allowed benefit.

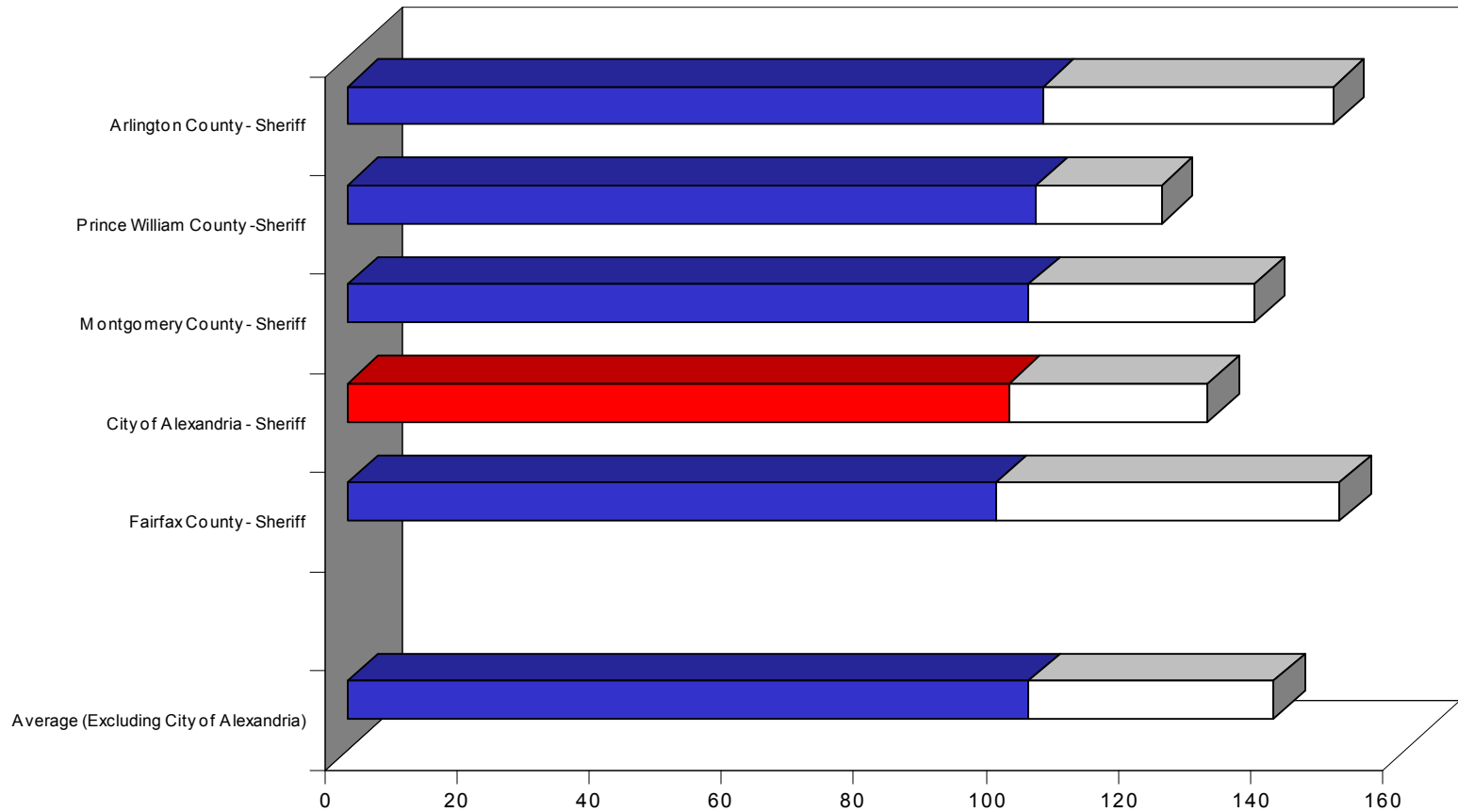
| Type of Disability | Duration |
|--------------------|-------------------------------------|
| Sick Leave | First 10 working days |
| STD | From day 11 through the sixth month |
| LTD | After the sixth month |

Summary of Results for Insurance and Disability - Police

The security plans group consists of the life insurance plan, short term disability plan (STD) and long term disability plan (LTD) for each employer

| Benefit | City of Alexandria's Value | Comparison Group Average Benefit Value | City of Alexandria's Ranking in Comparison Group | Benefit Value as a Percentage of City of Alexandria's Total Program |
|------------------------|----------------------------|--|--|---|
| Insurance & Disability | 100 | 53 | 1st | 4 |
| Life Insurance | 100 | 69 | 2nd | 2 |
| STD | 100 | 197 | 5th | 0 |
| LTD | 100 | 11 | 1st | 1 |

Overall Benefits Ranking - Sheriff



Summary of Results for Retirement Plans - Sheriff

The retirement plans group consists of the defined benefit plan, defined contribution plan, retiree medical plan and retiree life insurance plan for each employer

| Benefit | City of Alexandria's Value | Comparison Group Average Benefit Value | City of Alexandria's Ranking in Comparison Group | Benefit Value as a Percentage of City of Alexandria's Total Program |
|----------------------|----------------------------|--|--|---|
| Retirement | 100 | 107 | Tied for 3rd | 37 |
| Defined Benefit | 100 | 100 | 4th | 34 |
| Defined Contribution | 0 | 100 | Tied for 3rd | 0 |
| Retiree Medical | 100 | 226 | 3rd | 2 |
| Retiree Life | 100 | 36 | 1st | 1 |

Summary of Results for Health Plans - Sheriff

The health plans group consists of the medical plan and dental plan for each employer

| Benefit | City of Alexandria's Value | Comparison Group Average Benefit Value | City of Alexandria's Ranking in Comparison Group | Benefit Value as a Percentage of City of Alexandria's Total Program |
|---------|----------------------------|--|--|---|
| Health | 100 | 99 | Tied for 2nd | 24 |
| Medical | 100 | 90 | 1st | 24 |
| Dental | 0 | 100 | 5th | 0 |

Summary of Results for Paid Time Off - Sheriff

The paid time off plans group (PTO) consists of the vacation plan, the holiday plan and the sick leave plan for each employer

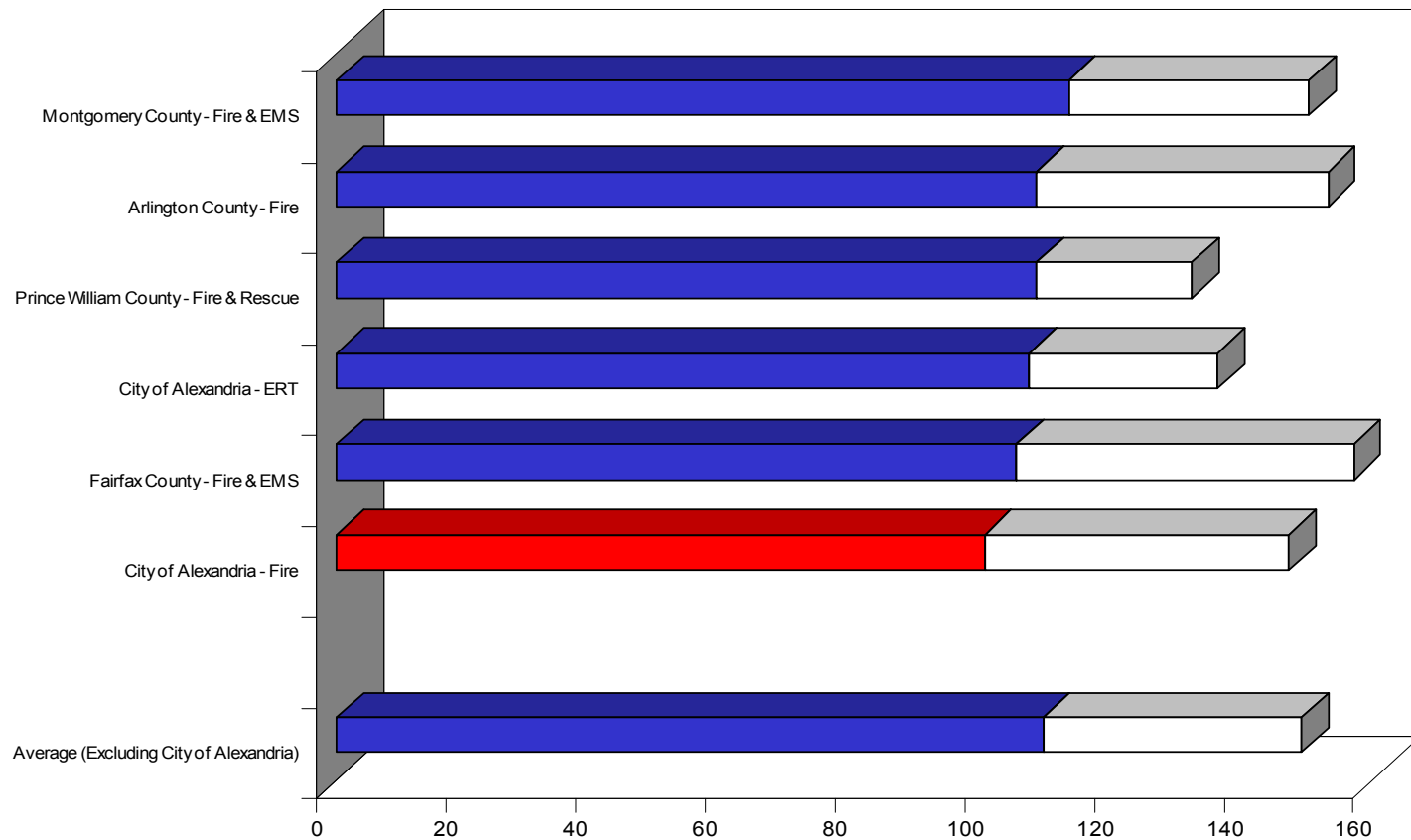
| Benefit | City of Alexandria's Value | Comparison Group Average Benefit Value | City of Alexandria's Ranking in Comparison Group | Benefit Value as a Percentage of City of Alexandria's Total Program |
|---------------|----------------------------|--|--|---|
| Paid Time Off | 100 | 106 | 5th | 35 |
| Vacation | 100 | 105 | 5th | 22 |
| Holiday | 100 | 108 | 5th | 11 |
| Sick | 100 | 106 | 5th | 3 |

Summary of Results for Insurance and Disability - Sheriff

The insurance and disability plans group consists of the life insurance plan, short term disability plan (STD) and long term disability plan (LTD) for each employer

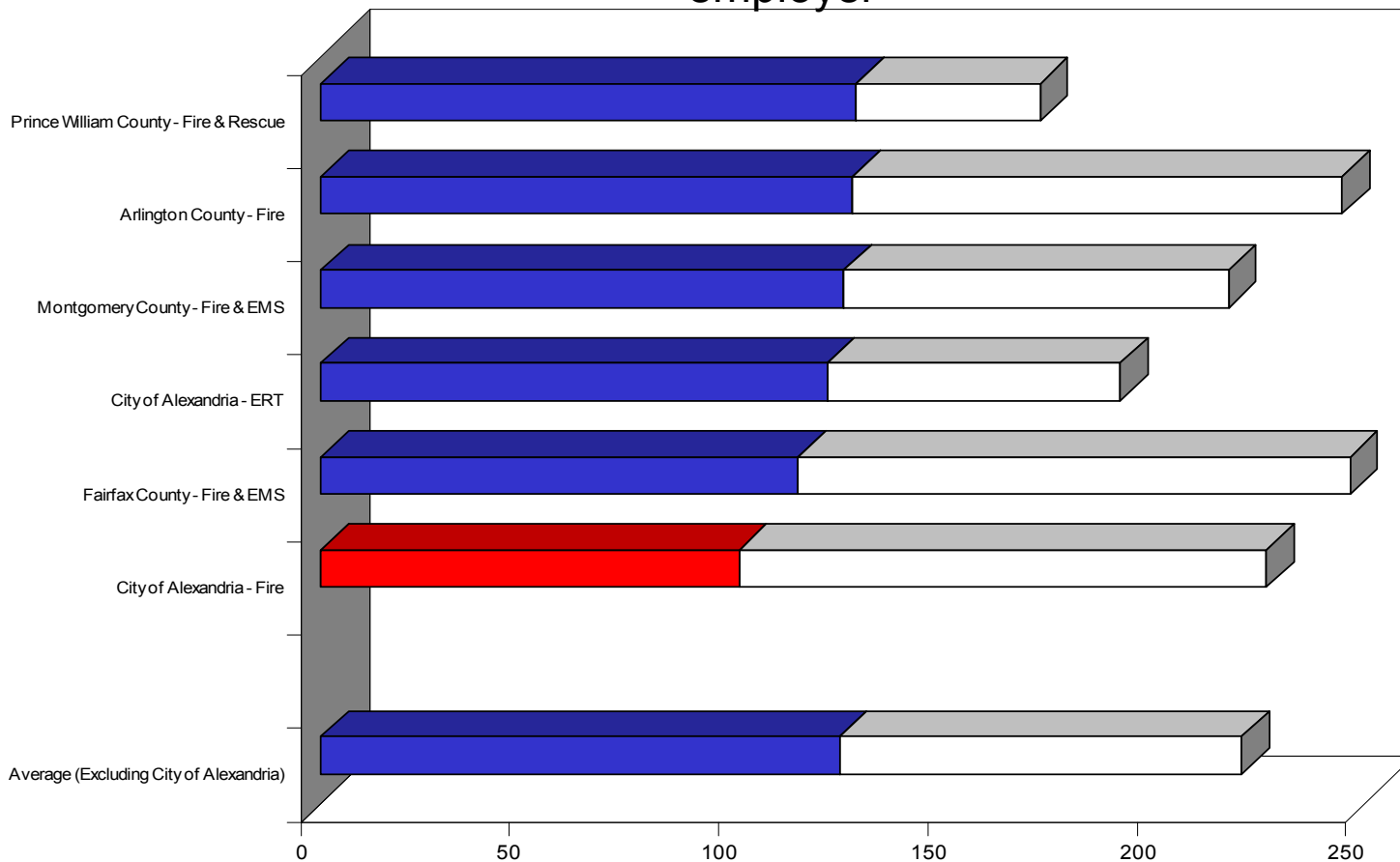
| Benefit | City of Alexandria's Value | Comparison Group Average Benefit Value | City of Alexandria's Ranking in Comparison Group | Benefit Value as a Percentage of City of Alexandria's Total Program |
|------------------------|----------------------------|--|--|---|
| Insurance & Disability | 100 | 53 | 1st | 4 |
| Life Insurance | 100 | 68 | 2nd | 2 |
| STD | 100 | 188 | 5th | 0 |
| LTD | 100 | 11 | 1st | 1 |

Overall Benefits Ranking – Fire and ERT



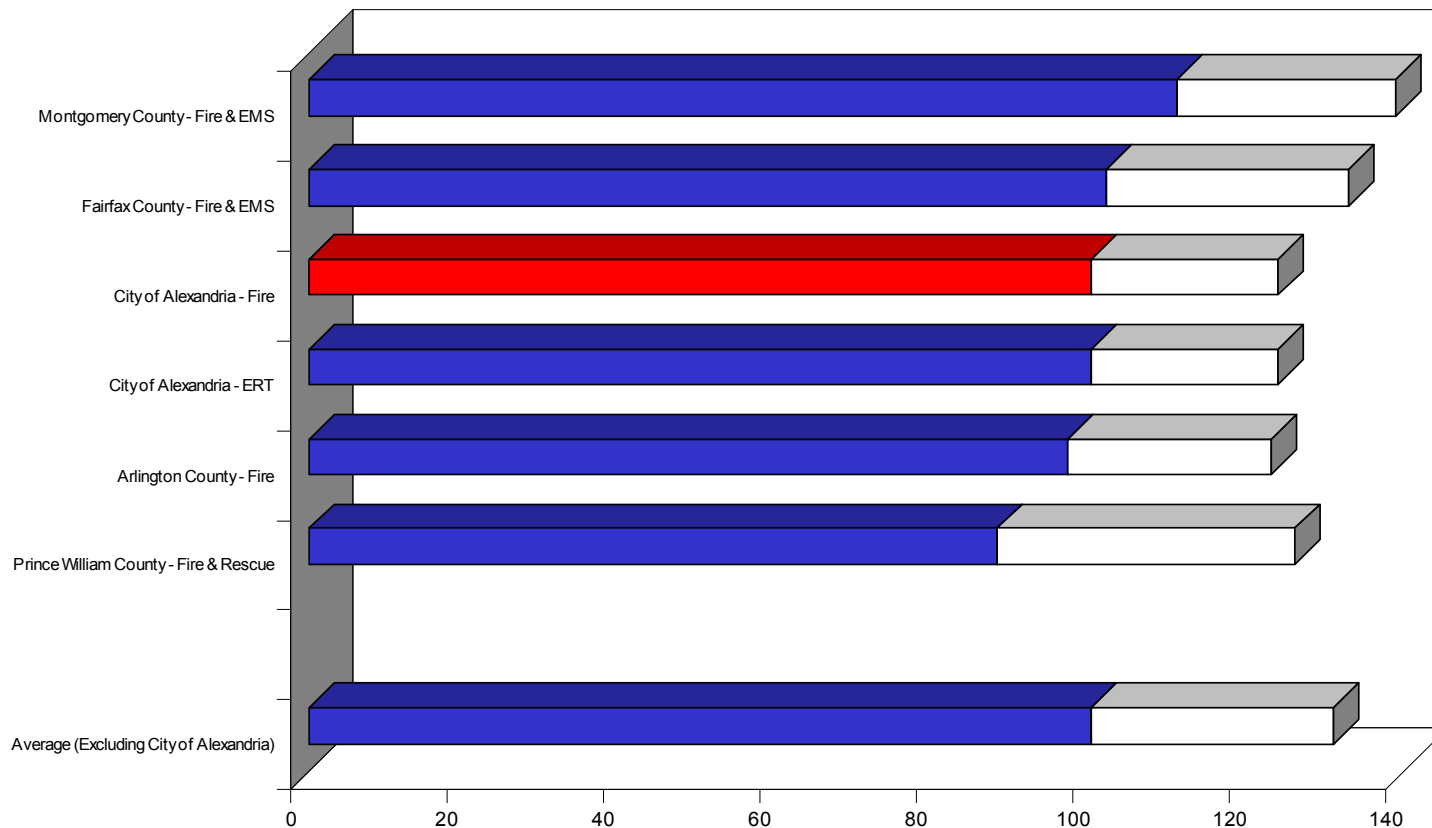
Summary of Results for Retirement Plans – Fire / ERT

The retirement plans group consists of the defined benefit plan, defined contribution plan, retiree medical plan and retiree life insurance plan for each employer



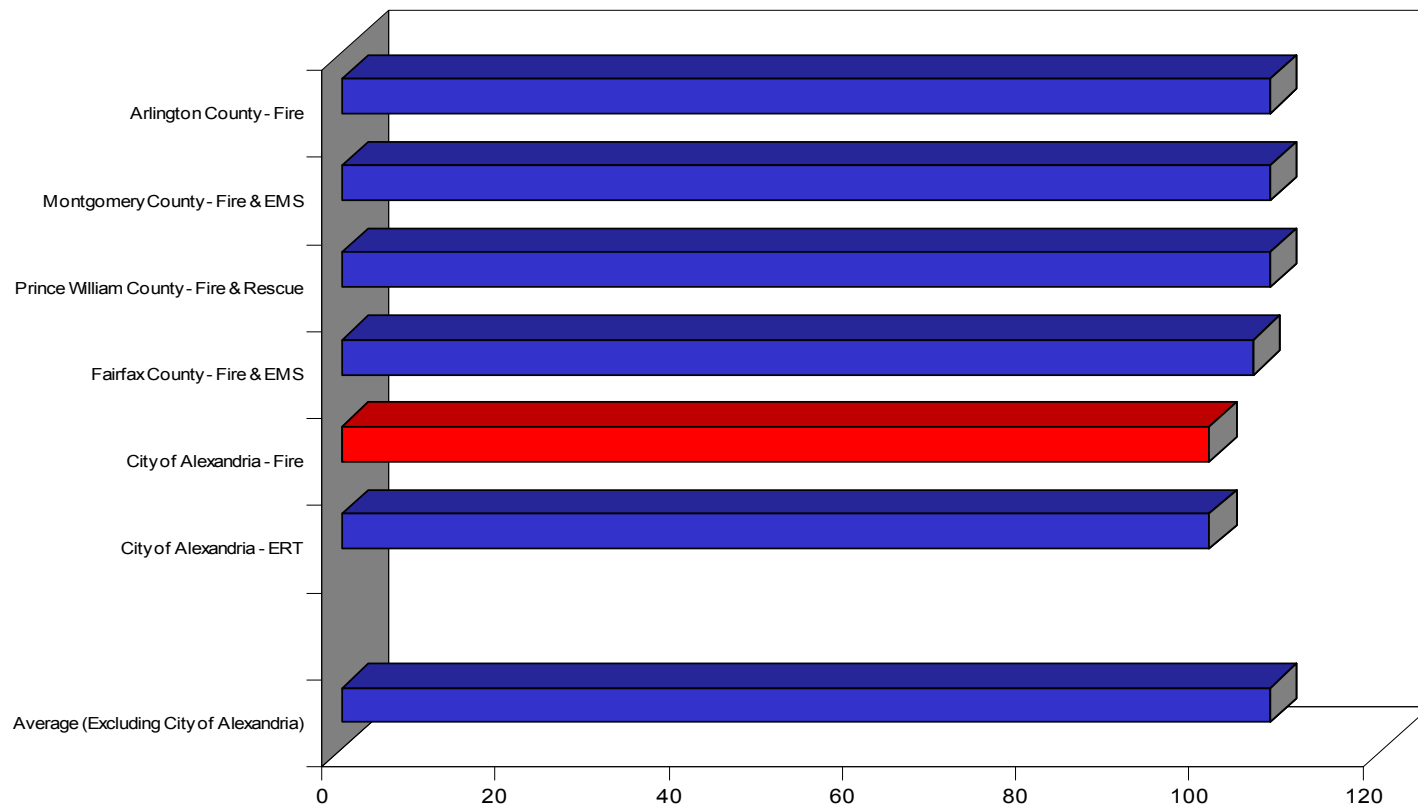
Summary of Results for Health Plans – Fire / ERT

The health plans group consists of the medical plan and dental plan for each employer



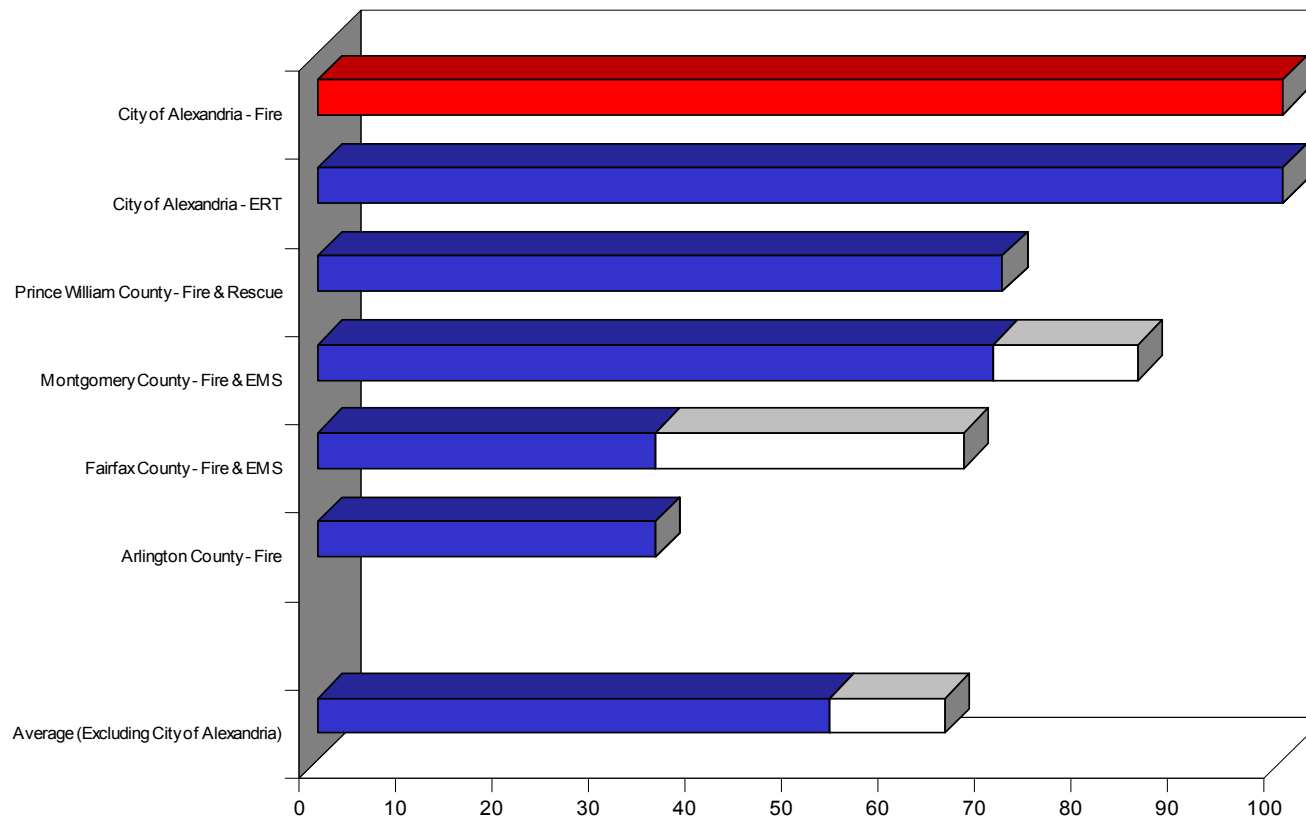
Summary of Results for Paid Time Off – Fire / ERT

The paid time off plans group (PTO) consists of the vacation plan, the holiday plan and the sick leave plan for each employer



Summary of Results for Insurance & Disability – Fire / ERT

The security plans group consists of the life insurance plan, short term disability plan (STD) and long term disability plan (LTD) for each employer



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