

City of Alexandria, Virginia

# **Proposed First Amendment to the 2014 Restatement of the Firefighters and Police Officers Pension Plan**

City Council Legislative Meeting  
October 9, 2018



# Introduction



- Firefighters and Police Officers Pension Board proposed changes to their plan.
- Proposed amendment includes changes to 21 sections of the Plan document.
  - Four categories of proposed changes:
    1. Purchase of Service
    2. Active Duty Military Leave
    3. Forfeiture of Benefits
    4. Technical Corrections

No impact to current disabled or retired participants.



# Purchase of Service

- Amends the Plan to allow participants to purchase service for prior service as a public safety officer, active duty military service, and other City of Alexandria employment.
  - Must be active employee to purchase service.
  - Can purchase up to 36 months over period of up to 36 months.
  - Purchased service cannot cause total service to exceed 30 years of service for employees hired prior to October 2013.
  - Have up to 12 months from effective date of change to begin purchase.
  - Can purchase by lump sum or payroll deduction.
- This proposed change is a permanent option. Previous service purchase options were short term and have ended.
- Purchase is **cost-neutral** to the Plan because participant would pay **actuarial cost**.

# Active Duty Military Leave



- Amends the Plan to require the missed contributions be paid for participants returning from active duty military leave.
  - Currently, neither the employee nor the City are making up the missed contributions.
  - The Pension Board has recommended to have the employee make up the missed contributions upon the employee's return for leave in order to receive service credit for that time.
  - City Manager is recommending that the City make the missed contributions on the employee's behalf.

# Active Duty Military Leave



- Number of Plan participants who have gone on Active Duty Military Leave: 8
- Total number of months of Active Duty Military Leave: 226 months
- Estimated number of months of reinstated service per year: 19 months
- Total Estimated employee contribution cost per year: \$ 9,300\*
- Total Estimated employer contribution cost per year: \$43,700
- Total combined contribution cost per year: \$53,000

\* Employee share to be paid by the City

# Forfeiture of Benefits



- Amends the Plan to allow the forfeiture of pension benefits payable by the Plan when a participant is convicted of a felony that arises out of the performance of their duties for the City.
  - Adding language to Plan document that employee forfeits benefits when convicted of a felony that arises out of the performance of job duties for the City.
  - Language consistent with the Supplemental Retirement Plan.
  - Forfeiture only applies to the City portion of the benefit. Contributions paid by the employee are able to be refunded.
  - City has the option to forfeit the benefits. The forfeiture can be appealed by the participant.
- The Supplemental Plan was amended in 2017 to have identical language.

# Technical Corrections - 1 of 3



- Amends the Plan for 15 changes that are technical in nature.
- These proposed changes result in:
  - No impact on benefits.
  - No improvement or reduction of benefits.
- The proposed technical changes align the plan document with current plan administrative practices.

# Technical Correction - 2 of 3



Summary	Change No.	Section
Compensation while on active duty military leave <ul style="list-style-type: none"> <li>• Compensation will be at the rank and grade attained prior to going on military leave.</li> </ul>	1 <sup>st</sup> change	1.6
Amortization period plan uses changed to layers for future gains and losses.	5 <sup>th</sup> change	4.2(a)
Employee disability contributions can be moved up or down per actuarial recommendation.	7 <sup>th</sup> change	4.3(b)(1)
Disability benefits offset for Worker's Compensation Benefit <ul style="list-style-type: none"> <li>• Lump sum settlements will be converted to the equivalent monthly amount for purposes of an offset thus preventing "double dipping" when a settlement is reached.</li> </ul>	8 <sup>th</sup> change	5.7 & 5.9
Disability Status Change <ul style="list-style-type: none"> <li>• Clarification for disability status changes (partial disability to or from total disability).</li> </ul>	9 <sup>th</sup> change	5.11(e) & (f)
De Minimis payment from the Retirement Income Account <ul style="list-style-type: none"> <li>• Limited to disability participants</li> <li>• Ensures a timely benefit can be paid if processing is delayed</li> </ul>	10 <sup>th</sup> change	5.13



# Technical Corrections - 3 of 3



Summary	Change No.	Section
Eliminate the pop-up feature for disability annuitants. <ul style="list-style-type: none"> <li>Provide consistent treatment of payout options in disability &amp; pension components</li> </ul>	11 <sup>th</sup> Change	5.15
Renumbering	12 <sup>th</sup> Change	6.9(b)(3)
PLOP (Partial Lump Sum Option) <ul style="list-style-type: none"> <li>Update language to be consistent with current administration</li> </ul>	13 <sup>th</sup> Change	7.2(d)
Beneficiary Designation <ul style="list-style-type: none"> <li>Plan will treat adopted children and legally recognized children as children of the participant for purposes of this provision</li> </ul>	14 <sup>th</sup> Change	8.1(c)
Signature Authority <ul style="list-style-type: none"> <li>City manager can delegate signature authority</li> </ul>	15 <sup>th</sup> Change	10.6
Disability Application <ul style="list-style-type: none"> <li>Set timeframe for submission of disability claim</li> </ul>	16 <sup>th</sup> Change & 17 <sup>th</sup> Change	11.1 & 11.3
Plan amendment notice requirement <ul style="list-style-type: none"> <li>Updates notice requirements so notice is only required to be sent to affected participants rather than to all participants</li> </ul>	18 <sup>th</sup> Change	12.1
QDRO (Qualified Domestic Relations Order) Language <ul style="list-style-type: none"> <li>Updates language to be consistent with the Supplemental Retirement Plan.</li> </ul>	19 <sup>th</sup> Change	13.3(c)(5)
Defines amortization period in Appendix including the 15-year layering (Changes to an appendix changes do not require City Council approval)	21 <sup>st</sup> Change	Appendix A

# Participants: Notice and Meetings



Participant Notice was sent in early May to employees and retirees as required by plan.

- Plan requires at least a 60-day notice be given to participants prior to the amendment being brought before City Council.

Two Participant Meetings were held in late May. Pension staff and board members presented information to participants and answered their questions.

# Appendix





# Purchase of Service – Sample Costs

Purchase of Service – Sample Costs			
<u>Demographics</u>			
Age at Purchase	50	44	30
Salary	\$98,000	\$84,000	\$50,000
Current Service (years)	23	13	2
Service Purchased (years)	2	2	2
<u>Cost to Purchase Service</u>			
Total Cost to Purchase Service	\$111,000	\$56,000	\$30,000
Approximate Cost per Month	Purchased as lump sum since immediately eligible to retire	\$2,333	\$1,250

The numbers provided above are estimates that are meant to be illustrative. Actual calculations will vary based on the individual circumstance.