

The investments of the Plan are managed by the Firefighters and Police Officers Pension Plan Board (the “Board”). The Board has eleven members: two Participant Representatives and one Alternate elected by firefighters; two Participant Representatives and one Alternate elected by police officers; and four City Representatives and one Alternate appointed by the City Manager. In addition to managing the Plan’s investments, the Board may make recommendations to the Plan Administrator (City Manager).

The Plan requires plan participants be notified of proposed changes at least 60 days prior to the proposed changes being presented to City Council. The 60-day notification was sent to participants on May 4, 2018. Staff held two meetings where participants were briefed on the proposed changes and were given an opportunity to ask questions and voice their opinions.

DISCUSSION: The twenty-one changes in the proposed First Amendment are grouped into four topics, which are described below. The attached Summary of the First Amendment to the 2014 Restatement (Attachment 2) describes the twenty-one proposed changes. The complete First Amendment (Attachment 3) is also attached.

The four types of changes in the First Amendment are listed below. The related change numbers of the Plan Amendment are noted in brackets in each of the four sections. The attached documents describe the changes in more detail.

1. Purchase of Service

These changes amend the Plan to allow participants to purchase service in the Plan for prior service as a public safety officer, active duty military personnel and other City of Alexandria employment. The service purchase is limited to 36 months of service.

This proposed change would be a permanent option within the Plan. Previous service purchase options offered by the Plan were short-term and are no longer available. Current employees would have 12 months from the amendment effective date to begin the purchase of service. All new employees will have 12 months from their date of hire to begin the purchase of eligible service. [Changes 2 and 4]

This proposed change is cost neutral to the Plan because the participant would pay the actuarial cost of the service purchase.

2. Active Duty Military Leave

This change amends the Plan to require contributions be made for participants returning from active duty military leave. The Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) was enacted to minimize the disadvantages to individuals needing to be absent from civilian employment in order to serve in the uniformed services. USERRA requires that returning service members must be treated as if they had been continuously employed for pension purposes. However, USERRA states that the missed service is only to be reinstated when any required contributions have been paid.

Historically, the City has reinstated the service, but has not required or made employee or employer contributions when participants have gone on active duty military leave. Instead the missed employee and the employer contributions have been rolled into the Plan’s liability.

The request for this proposed change came from the pension board trustees. The Board’s recommendation was to have the City continue making employer contributions for a participant while

they are on active duty military leave and to have the employee pay their missed contributions upon their return to the City.

Because of the importance of the City supporting its active duty military personnel who defend at risk of injury or death our nation, the recommendation I am proposing is for the City to pay both the employee and employer contributions for participants who are called to serve on active duty military leave while employed here at the City. [Changes 3 and 6]

Only a handful of employees of this Plan have historically been annually called to active duty military leave. To date a total of eight participants from this Plan have served a total of 226 months of service. Over the past three years the average number of months reinstated annually has been 19 months. Projecting forward the estimated total annual contribution is \$53,000 (\$9,300 for employee contributions and \$43,700 for employer contributions).

3. Forfeiture of Benefits

This change 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 job duties for the City. The Plan does not currently allow the City to forfeit a participant's benefits for any reason. It is typical for pension plans to have this type of forfeiture language. The proposed language is consistent with the language in the City of Alexandria's Supplemental Retirement Plan which was amended in 2017.

The forfeiture of benefits is only applicable to the City's portion of the benefit. If the City decides to pursue the forfeiture of the benefit the participant is still eligible to receive a refund of any contributions he or she paid into the Plan. It is also important to note that the proposed change gives the City the ability to apply the forfeiture and does not require the City to do so. Finally, the Plan also includes a process for the employee to appeal the recommended forfeiture. [Change 20]

4. Technical Corrections

These changes are made to clarify language in the Plan Document so that the Plan Document and plan administration are in agreement. All of the technical changes are described in the attached Summary of Changes Made by the First Amendment (Attachment 2). [Changes 1, 5, 7 - 19, and 21]

These technical corrections make no change to participants' benefits, contributions, or eligibility and are cost neutral to the City.

The Plan requires a 60-day notice to participants. This notice was sent in early May. The Pension Administration Division held two meetings to explain the changes to participants. Staff answered questions both from the meetings and those asked after the meetings. Participants were sent e-mail with a link to the proposed amendment, a summary explaining the proposed changes, and a list of the sections being changed by the proposed amendment. This information has also been available on the Fire and Police Pension website since the 60-day notice was sent.

The City Council Pension Committee met on October 3 and indicated its support for the recommended Pension Plan amendments including covering both the employer and employee contribution costs related to Active Duty Military Leave.

FISCAL IMPACT: Parts one, three and four (Purchase of Service, Forfeiture of Benefits and Technical Corrections) of the First Amendment are cost neutral and will not create additional costs for the City.

The second part of the First Amendment related to Active Duty Military does have a fiscal impact. The impact is estimated to be approximately \$53,000 per year. Based on past experience it is estimated that approximately 19 months of service would be payable each year. The portion of the estimated contribution attributable to the employee is \$9,300 and the portion of the estimated contribution attributable to the employer is \$43,700, at the recommended contribution rate. Anticipated vacancy savings will be used to fund any costs incurred.

Council's Pension Subcommittee received these changes on October 3 and supported the recommendations.

ATTACHMENTS:

Attachment 1: Resolution

Attachment 2: Summary of the First Amendment to the 2014 Restatement

Attachment 3: First Amendment to the City of Alexandria's Firefighters and Police Officers Pension Plan

Attachment 4: Staff presentation

STAFF:

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