



Legislation Text

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City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 19, 2017

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: MARK B. JINKS, CITY MANAGER /s/

DOCKET TITLE:

Consideration of a Resolution to Assume a Pro-Rata Share of the Peumansend Creek Regional Jail (PCRJ) Authority's Virginia Retirement System Plan Assets and Liabilities. [ROLL-CALL VOTE]

ISSUE: Resolution to Assume a Pro-rata share of the Peumansend Creek Regional Jail (PCRJ) Authority's Virginia Retirement System Plan Assets and Liabilities

RECOMMENDATION: That City Council pass the resolution to assume a pro-rata share of the Peumansend Creek Regional Jail (PCRJ) Authority's Plan Assets and Liabilities as of June 30, 2017, as one of several multiple successor employers, contingent upon concurrence of assumption of the PCRJ Authorities Plan Assets and Liabilities by the City of Richmond, Caroline County, Prince William County and Loudoun County.

BACKGROUND: In 1996, Prince William County, the City of Richmond, Loudoun County, the City of Alexandria, Arlington County and Caroline County formed the Peumansend Creek Regional Jail Authority, which provided additional jail space for the member jurisdictions to ease projected jail overcrowding. The Authority has been comprised of the City or County Managers of each jurisdiction or their designees and a Superintendent is employed to manage the day-to-day operation of the facility.

In October 2014, because PCRJ jail beds were not needed by the City, City Council adopted a resolution to withdraw membership from the Authority. Each of the member jurisdictions have adopted similar resolutions and the facility is set to close at the end of June 2017. Employees of the Authority are members of the Virginia Retirement System (VRS). The jurisdictions that comprised the Authority are responsible for either terminating the PCRJ Pension Plan, which would significantly negatively impact the current and former employers or identify a replacement employer(s) to take on the Plan's liabilities and assets. PCRJ VRS related assets exceed its VRS related liabilities. On March 28, 2017, the Authority members voted to recommend to their jurisdictions becoming replacement employers for the Plan Members.

DISCUSSION: As of June 30, 2016, the most recent available actuarial analysis, the Peumansend Creek

Regional Jail Pension Plan had a total of 260 members, including 93 active employees and 157 members who were separated from the jail, either as retirees or terminated employees. It is important to note that for pension administration purposes, replacement employer relates to the allocation of the pension liability and assets. The City of Alexandria will not be hiring any of the active employees as part of this resolution.

The proposed solution to dividing the plan assets and liabilities was determined based on utilization rates. The allocation of PCRJ liabilities and assets is based on the number of beds each jurisdiction is responsible for at the facility. Alexandria is responsible for 15.2 percent of the bedspace at the facility and would be responsible for 15.2 percent of the assets and liabilities. Arlington County does not participate in VRS and is therefore not able to be a successor employer. Without Arlington County in the allocation, Alexandria's proportional share increases to 18.6 percent. Other participating jurisdictions proportional shares will increase as well. At this time, all jurisdictions agree that it is necessary for Arlington to share in the responsibility, but no solution has been determined nor agreed to.

When the PCRJ plan is closed effective June 30, 2017, it is estimated to be approximately 125 percent funded, using the market value of assets. Several scenarios related to return on investment were modeled to estimate how long the plan would operate at a surplus and therefore not require any contribution from the successor employers. Over the past 25 years, VRS has achieved an average rate of return of 8.82 percent. Maintaining the current assumed return on investment of 7 percent, the plan is projected to maintain a surplus for the next 30 years. Reducing the assumed rate of return to 5 percent would still produce adequate funds with no additional contributions until 2041.

In addition to protecting the retirement benefit of the Plan Members of the PCRJ, due to the overfunded condition of the Plan, there is a small net benefit to funded status of the success employers. At a 18.6 percent share the City of Alexandria's share of the liabilities is \$2.0 million and the City's share of the assets is \$2.5 million. The effect of this allocation on the City's Pension Plan is a \$0.5 million increase of assets over liabilities. This results in a slight increase of 0.1 percent in the funded status of the City's share of VRS. In general, the City will benefit financially from this assumption of liabilities and assets, however there is a small down side but manageable risk in the event that future growth of assets does not perform as expected.

FISCAL IMPACT: Based on the actuarial assumptions described above, there is no increase in the City's required contribution to VRS based on this action. The current funded status of the Peumansend Creek Regional Jail Pension Plan when allocated proportionally across will result in a small positive impact on the City's funded status.

ATTACHMENT: Resolution to Assume a Pro-rate share of the Peumansend Creek Regional Jail (PCRJ) Authority's Virginia Retirement System Plan Assets and Liabilities

STAFF:

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