



Legislation Text

File #: 14-2245, Version: 1

City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 8, 2014

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: RASHAD M. YOUNG, CITY MANAGER

DOCKET TITLE:

Consideration of a Resolution to Amend and Restate the Supplemental Retirement Plan. [ROLL-CALL VOTE]

ISSUE: Consideration of the proposed amendment to the City of Alexandria Supplemental Retirement Plan (the "Plan").

RECOMMENDATION: That City Council adopt the attached resolution (Attachment 1) which amends and restates the Supplement Plan. Below are the reasons these changes are necessary.

- To make technical corrections that add, delete, or modify the Plan Document language to clarify the Plan administration and to comply with Internal Revenue Service ("IRS") regulatory requirements;
- To restate the Plan Document to combine the January 1, 2009 Restatement and the subsequent amendments into one document;

These changes, which are recommended at this time, make **no change to benefits, contributions, or eligibility and are cost neutral to the City.**

BACKGROUND: The Plan provides both retirement and disability benefits in a defined benefit form to all benefited employees who are not firefighters and police officers. The Plan was originally effective on August 1, 1970. The plan was last restated at the December 9, 2008 City Council meeting and took effect on January 1, 2009. Amendment One, Two, Three, Four and Five to the January 1, 2009 Plan Restatement were adopted in 2010, 2010, 2011, 2012, and 2013 respectively.

The proposed changes in the restatement make technical corrections to ensure that the Plan Document reflects actual practice and to comply with the IRS regulatory requirement.

DISCUSSION: The attached *List of Section Changes Made for IRS Compliance* (Attachment 2) lists all of the proposed changes. The changes can be summarized as noted below.

Compliance with Federal Regulations

The Federal Government establishes pension plan rules and guidelines for both public and private pensions. Along with providing favorable tax treatment for pension plans, the government sets limits on benefits, contributions and the timing of pension payouts. Generally, these rules are designed to prevent abuses of pension plans created for small business owners or for highly paid individuals. While these rules rarely affect participants in public pension plans, the IRS requires that these provisions appear in our Plan Document to maintain favorable tax status for the Plan.

Technical Corrections

Technical changes have been made to the Plan Document to modify language in the sections for administrative purposes, to delete obsolete section and to correct typographical errors. A plan document is a formal, written instrument that establishes a retirement plan and its provisions and describes how the plan operates.

Plan Document Restatement

Typically, plan amendments do not include the entire text of the underlying Plan Document they amend. Instead, they only contain the sections of the document that they alter. As a plan evolves over time, the original plan document plus a series of plan amendments governs it, making it awkward to manage. Combining the Plan Document and all its amendments into one document will simplify plan management. The Plan Document has been restated to include all changes from amendments 1-5 as well as the changes needed for compliance with Federal Regulation and for technical corrections. The plan was last restated in 2009.

FISCAL IMPACT: There is no fiscal impact. The proposed plan amendment makes no changes to eligibility, benefits, or contributions, and are cost neutral to the plan.

ATTACHMENTS:

1. Resolution to Amend and Restate the City of Alexandria Supplemental Retirement Plan
2. List of Sections Changes Made for IRS Compliance
3. Proposed Restatement of the City of Alexandria Supplemental Retirement Plan

STAFF:

Laura Triggs, Chief Financial Officer/Director of Finance
Tom Gates, Deputy City Manager/Chief of Staff
Steven Bland, Retirement Administrator
Board of the Supplemental Retirement Plan