



Legislation Text

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City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 6, 2019

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

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

DOCKET TITLE:

Consideration of a Resolution to Amend the City of Alexandria's Supplemental Retirement Plan. [ROLL-CALL VOTE]

ISSUE: Consideration of a resolution to amend the City of Alexandria's Supplemental Retirement Plan.

RECOMMENDATION: That City Council pass the proposed resolution (Attachment 1) to amend the Supplemental Retirement Plan.

BACKGROUND: The City of Alexandria's Supplemental Retirement Plan (the "Plan") is a defined benefit plan, established in 1970. It is intended to supplement retirees' income from the Virginia Retirement System ("VRS"). As a defined benefit plan, it is designed to provide a monthly income for life. Membership in the Supplemental Retirement Plan is provided for all full-time general schedule employees, deputy sheriffs, fire marshals, medics and part-time general schedule employees who are employed in positions that are at least the equivalent of 50 percent of a full-time position.

Currently deputy sheriffs, fire marshals and medics make no employee contributions to the City of Alexandria's Supplemental Retirement Plan. General schedule employees hired prior to July 1, 2009 also make no employee contribution to the City of Alexandria's Supplemental Retirement Plan. General Schedule employees hired after July 1, 2009 make a two percent employee contribution to the Plan. For fiscal year 2020 the City is making a 6.16 percent contribution to the City of Alexandria's Supplemental Retirement Plan on behalf of General Schedule employees hired before July 1, 2009, a 4.16 percent contribution to the City of Alexandria's Supplemental Retirement Plan for General Schedule employees after July 1, 2009, and a 10.50 percent contribution to the City of Alexandria's Supplemental Retirement Plan for all deputy sheriffs, fire marshals and medics.

All employees who participate in VRS are making a 5 percent employee contribution. The Commonwealth of Virginia dictates the employee contribution rate so there is no way to require employees to make additional

contributions to VRS.

DISCUSSION: At the City Council meeting on September 10, 2019, staff presented the initial framework for a proposal to improve retirement benefit eligibility for deputy sheriffs in the VRS beginning January 1, 2020 as approved in the FY 2020 Budget process. The \$1,316,000 annual additional cost of the VRS Hazardous Duty Plan's benefits equates to about a 10 percent increase in Sheriff's Deputy payroll costs (from 23.24 percent to 33.35 percent of payroll). Under this framework, the deputy sheriffs will increase the share of what they pay for total City retirement costs by 1.5 percent from 5 percent to 6.5 percent. This 1.5 percent employee share increase would be implemented through the City's Supplemental Retirement Plan which deputy sheriffs would remain as members.

The attached chart compares the employee and employer contributions for the various classes of City employees. By increasing what deputy sheriff's pay to 6.5% that will place their contribution rate closer to City General Scale employees who pay 7.0%.

The proposed plan amendment includes language that authorize the 1.5 percent employee contributions for deputy sheriffs beginning on January 1, 2020. If approved, this change in contributions will coincide with the commencement of the enhanced benefit eligibility for the deputy sheriffs in VRS.

FISCAL IMPACT: The savings from the employee contribution change will be achieved through contribution rate savings over the long term. The half year savings is estimated to be \$0.1 million. Based on current actuarial valuation, the long-term positive impact of the calculation change to the City is estimated to be approximately \$0.2 M per year.

ATTACHMENTS:

1. Resolution to Amend the Supplemental Retirement Plan
2. Contributions Towards Retirement Chart
3. Third Amendment to the City of Alexandria Supplemental Retirement Plan

STAFF:

Laura Triggs, Deputy City Manager

Kendel Taylor, Director of Finance

Kadira Coley, Retirement Administrator