

**City of Alexandria, Virginia
FY 2023 Proposed Operating Budget & CIP
Budget Questions & Answers**

April 5, 2022

Question: What would be the estimated one-time costs to buy-out the remaining obligations of the Old Public Safety Pension Plan? What on-going administrative costs would the elimination of this liability potentially save?

Response:

The Pension Plan for Firefighters and Police Officer Plan (the Old Public Safety Plan, or the “Plan”) was closed to new participants in 1979. The plan currently has 76 retired participants receiving benefits. There are no active participants in this plan.

The City has a contract with benefits administrator that was put in place many years ago essentially purchasing annuities that guarantee the initial benefit payment amounts. This means a significant portion of the plan liabilities are insured, and at retirement, most plan participants were given a certificate guaranteeing this initial payment. Benefits payable to any participant retiring after the contracts were issued or any cost-of-living increase are not included in the guarantee.

The premium to sell the existing benefits to our vendor as of February 28, 2022, would be \$16.7 million. The fund currently has approximately \$18.3 million in assets. Note this premium only covers existing benefits and does not include the obligation of future COLA payments; the City would still be liable for paying the additional benefits. The City has continued to provide some funding to this plan with a goal of having plan assets that are sufficient to pay the future obligations. Staff will continue to review these additional costs with the City’s actuaries over the next few months to determine the cost benefit of buying out these costs compared to using plan assets to cover the additional benefits.

From a policy perspective, closing out this plan would reduce the number of plans that staff currently administers, but since it is already a closed plan, the administrative burden is very small since there is no enrollment responsibility. The administrative costs for this plan averages less than \$50,000 per year.