

**City of Alexandria, Virginia
FY 2025 Proposed Operating Budget & CIP
Budget Questions & Answers**

April 4, 2024

Question:

How many participants remain in the old public safety pension plan and what would it cost to close it out?

Response:

Provided below is the cost to fully fund the City's remaining obligations to the Pension Plan for Firefighters and Police Officers ("Plan") that was closed to new participants in 1979. The Plan currently has 61 retired participants receiving benefits. There are no active participants in this Plan.

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

The Total Premium to sell the existing benefits to our vendor as of March 31, 2024 would be \$12.4 million. The fund currently has approximately \$17.5 million in assets. Thus, the sale of the liabilities would leave the Plan with a \$5.1 million surplus. Note this premium only covers existing benefits and does not include the obligation of future COLA payments. The City's current vendor is not willing to accept or to estimate the cost of this future liability. This means that if we were to sell off the Plan's liability the City would still need to continue to pay for the future COLAs or find a separate vendor to take responsibility for that liability.

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 average less than \$50,000 per year.