

NEWPORT NEWS EMPLOYEES' RETIREMENT FUND

SUMMARY OF PROPOSED CHANGES

Pension

Proposed Changes <i>(Effective January 1, 2010, except for Recommendation #6)</i>	Comments
1. Reduce multiplier from 2% to 1.9%, prospectively.	Credited service earned prior to January 1, 2010 will be calculated at 2%; credited service earned on or after the effective date will be calculated at 1.9%.
2. Use only time actually worked for computing eligibility for retirement, prospectively.	<p>Purchases & exchanges prior to January 1, 2010 will be applied toward meeting retirement eligibility.</p> <p>Purchases & exchanges on or after January 1, 2010 will not be applied toward meeting retirement eligibility.</p> <p>All purchases & exchanges will continue to be used in the calculation of the member's pension benefit.</p>
3. <u>New Hires</u> : Increase minimum retirement age by 5 years.	<p>Applies to employees hired on or after January 1, 2010.</p> <p>Public Safety: From age 50 to 55 All other employees: From age 60 to 65</p>
4. Eliminate non-salary earnings from calculation of Average Final Compensation (AFC), prospectively.	<p>Non-salary earnings paid prior to January 1, 2010 will be included in the calculation of AFC; non-salary earnings paid on or after January 1, 2010 will not be included in the calculation of AFC. <i>(Allowances, incentive pay, merit bonus and standby pay)</i></p>
5. Eliminate overtime from the calculation of AFC, prospectively.	<p>Overtime paid prior to January 1, 2010 will be included in the calculation of AFC; overtime paid on or after January 1, 2010 will not be included in the calculation of AFC.</p>
6. <u>New Hires</u> : Close Schools' Supplemental Plan.	Applies to VRS members hired on or after July 1, 2009 .
7. <u>City current & future retirees</u> - Increase lump sum death benefit from \$3,300 to \$10,000.	Death benefit for VRS & Non-VRS participants will remain at \$3,300.
8. Establish a funding target.	Meet Annual Required Contribution (ARC) in eight (8) years.
9. Adopt a funding policy that establishes a minimum contribution when contributions are not actuarially required.	Pension & OPEB Fund contributions will not go below the normal cost of the Plan when the actuary has determined that an annual contribution is not required.

NEWPORT NEWS EMPLOYEES' RETIREMENT FUND PROPOSED CHANGES

OTHER POST EMPLOYMENT BENEFITS (OPEB)

Proposed Changes (Effective January 1, 2010)	Comments
1. Employees hired on or after January 1, 2010 will not be members of the OPEB Fund.	A City sponsored Retirement Health Savings Plan (RHS) will be established for new hires. (Individual investment account similar to 457; employee's accumulated assets will be used to pay retirement medical benefits)
2. <u>Current retirees: Pre -65 Plan</u> No change to current medical & dental provisions.	Applies to members who retire prior to January 1, 2010.
3. <u>Current employees retiring on or after January 1, 2010: Pre-65 Plan</u> The City's maximum premium contribution will be capped January 1, 2010 with an annual COLA added thereafter. The City's capped contribution will be determined as follows: <ul style="list-style-type: none"> •Single coverage: capped at 75% of the total Dec. 31, 2009 premium •All other levels: capped at 50% of total Dec. 31, 2009 premium <u>Exception:</u> Employees eligible to retire with 25 years of actual service (Public Safety) or 30 years of actual service (General) and at retirement electing a coverage other than the single plan will receive a premium contribution as follows: <i>If effective date of retirement is between:</i> Jan. 1, 2010 - Dec. 1, 2010: 70% of premium Jan. 1, 2011 - Dec. 1, 2011: 65% of premium Jan. 1, 2012 - Dec. 1, 2012: 60% of premium Jan. 1, 2013 - Dec. 1, 2013: 55% of premium Jan. 1, 2014 - Dec. 1, 2014: 50% of premium	Applies to employees who retire on or after January 1, 2010. The City's monthly maximum premium contribution: Single Plan: from \$ 386 to \$417 Single + Child: from \$ 628 to \$453 Single + Spouse: from \$ 881 to \$634 Family: from \$1,062 to \$760 The current years of service allocation decreases from 14 levels to 4. The City's premium contribution allocated to retiree by actual years of service is proposed as follows: 25+ years = 100% of max contribution 24 - 20 years = 75% of max contribution 19 - 15 years = 50% of max contribution 14 - 10 years = 25% of max contribution Less than 10 years = 0% (Currently 10 years of service = 0 contribution).
4. <u>Future & current retirees: Post-65 Plan</u> Flat City premium contribution (not based on years of service), as follows: Retirees = \$250 Spouse = \$125	Excludes new hires. <u>Retiree</u> max City premium contribution: Decreases from \$260 to \$250 <u>Spouse</u> max City premium contribution: Decreases from \$260 to \$125
5. <u>Future Retirees: Life Insurance</u> Eliminate City paid life insurance coverage.	Applies to employees who retire on or after January 1, 2010. A lump sum death benefit of \$10,000 will be provided in the Pension Plan.

Proposed Changes (Effective January 1, 2010)	Comments
<p>6. <u>Current retirees: Life Insurance</u> Coverages \$10,000 or less: Eliminate City paid life insurance coverage.</p> <p>Coverages \$10,001 - \$40,000: Effective January 1, 2010, coverages will be reduced by 25% annually to a minimum of \$10,000. Life insurance coverage will be eliminated at \$10,000</p> <p>Coverages \$40,000 or more: Effective January 1, 2010, current retirees having life insurance coverages over \$40,000 will have their coverages reduced to \$40,000. On January 1, 2011, and annually thereafter, coverage will decrease by \$10,000 (25% of 1/1/2010 amount) to a minimum of \$10,000. Life insurance coverage will be eliminated at \$10,000.</p> <p>1/1/2010 = \$40,000 1/1/2011 = \$30,000 1/1/2012 = \$20,000 1/1/2013 = coverage will be eliminated</p>	<p>Applies to employees who retire prior to January 1, 2010.</p> <p>A lump sum death benefit of \$10,000 will be provided in the Pension Plan.</p>