

City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 18, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO #6: PENSION FUND PERFORMANCE DATA AND IMPLICATIONS FOR FY 2011

As we are all acutely aware, the negative performance of the stock market has been substantial over the last year. This is evidenced by the attached chart which shows net asset value declines for the Virginia Retirement System (VRS) and 17 other local pension funds. While changes in net assets are not a pure calculation of rates of return, it is close. While the data shows a double digit decline in all funds of as much as -26.3%, Alexandria's three pension funds appeared to have performed equivalent or better (i.e., a lower loss %) when compared to the other retirement funds in Virginia. The City's Supplemental Plan had the lowest six-month loss in the State due to its allocation in the guaranteed fixed income category.

These negative returns will result in the City's employer retirement rate increasing noticeably for FY 2011 for VRS and for the City's retirement funds. These losses will likely be tempered to some degree by the use of actuarial smoothing methodologies, as well as the probable resetting of the unfunded amortization period at 30 years.

Attachment

Net Asset Values by
Virginia Retirement System by Locality
June 30, 2008
and
December 31, 2008

Net Asset Values in Millions

Locality	06/30/08	12/31/08	Dollar Change	% Change
1 City of Alexandria				
a. Supplemental Plan - General Employees	\$ 76.3	\$ 66.0	(\$10.3)	-13.5%
b. Fire & Police	\$ 126.1	\$ 101.7	(\$24.4)	-19.3%
c. Disability	\$ 12.7	\$ 10.2	(\$2.5)	-19.7%
2 City of Arlington	\$ 1,390.0	\$ 1,074.0	(\$316.0)	-22.7%
3 City of Charlottesville	\$ 81.5	\$ 63.0	(\$18.5)	-22.7%
4 City of Dansville	\$ 197.1	\$ 147.3	(\$49.8)	-25.3%
5 City of Falls Church				
a. General Employees	\$ 58.3	\$ 46.5	(\$11.9)	-20.3%
b. Police Officers	\$ 16.4	\$ 13.0	(\$3.4)	-21.0%
6 City of Hampton	\$ 154.7	\$ 120.0	(\$34.7)	-22.4%
7 City of Newport News	\$ 767.6	\$ 600.4	(\$167.2)	-21.8%
8 City of Norfolk	\$ 855.3	\$ 657.3	(\$198.0)	-23.1%
9 City of Richmond	\$ 511.7	\$ 377.7	(\$134.0)	-26.2%
10 City of Roanoke	\$ 343.4	\$ 263.4	(\$80.0)	-23.3%
11 Fairfax Co. ERFC*	\$ 1,859.0	\$ 1,385.0	(\$474.0)	-25.5%
12 Fairfax Co. ERS	\$ 2,764.6	\$ 1,957.0	(\$807.6)	-29.2%
Fairfax Co. PORS	\$ 867.4	\$ 650.7	(\$216.7)	-25.0%
Fairfax Co. URS	\$ 1,080.0	\$ 820.5	(\$259.5)	-24.0%
13 Virginia Retirement System*	\$ 55,000.0	\$ 41,800.0	(\$13,200.0)	-24.0%

*Estimated - may exclude certain asset class final numbers