

RECIPROCAL ASSET TRANSFER AND PENSION PORTABILITY AGREEMENT

THIS AGREEMENT made this 1st day of 12 2004, by and between the Board of Trustees of the Virginia Retirement System (the "VRS") and the City of Charlottesville, acting in behalf of the Retirement Plan Commission of the Supplemental Retirement or Pension Plan of the City of Charlottesville (the "CHV") (sometimes collectively referred to as the "Plans"):

WHEREAS, the VRS is a contributory defined benefit pension plan maintained by the Commonwealth of Virginia and participating employers defined in Va. Code 51.1-124.3. It is intended to qualify under Internal Revenue Code 401(a) as applicable to governmental plans as defined in IRC 414(d). The VRS provides benefits to members based on compensation and "creditable service", as defined in the Plan, with any participating employer.

WHEREAS, CHV is a non-contributory defined benefit pension plan maintained by the City of Charlottesville. It is intended to qualify under Internal Revenue Code 401(a) as applicable to governmental plans as defined in IRC 414(d). CHV provides benefits to members based on compensation and "creditable service", as defined in the Plan.

WHEREAS, neither of the Plans currently counts service with the other in determining benefits and as a result an employee who transfers employment between entities covered by the Plans will experience an erosion of retirement benefits due to the fact that all service is not taken into account at the final and usually higher compensation levels.

WHEREAS, pension portability and preservation are needed to enhance each employer's ability to attract a quality workforce; encourage greater regional cooperation; improve employer-employee relations; improve job opportunities and mobility; and reduce retirement income loss due to job mobility for a greater number of Virginia workers.

NOW THEREFORE, it is mutually agreed as follows:

1. **Definitions**. Except as otherwise provided herein or unless the context otherwise requires, the definitions of capitalized terms herein shall have the meanings provided below.

(a) "Accepting Plan": The Plan in which an employee has become a Member subsequent to service with an employer sponsoring or participating in the Transferring Plan.

(b) "Code": The Internal Revenue Code of 1986 as the same may be amended from time to time or the corresponding section of any subsequent Internal Revenue

Code.

- c) “Member”: An individual entitled to earn or accrue a Retirement Allowance under the Plan for which a determination is being made.
- (d) “Plan”: One of the parties to this Agreement.
- (e) “Present Value”: The lump sum equivalent of the Retirement Allowance to which the Member would be entitled under the Transferring Plan determined using the actuarial factors and assumptions stated in the Plan for determining lump sum benefit payments, if any. If no such factors are stated in the Plan, the actuarial factors and assumptions stated in Appendix A shall apply. If no such factors are stated in the Plan or in Appendix A, the following Interest Rate and Mortality factors shall apply:
 - (I) “Interest Rate” means the annual rate of interest on 30-year Treasury securities, as published by the Secretary of the Treasury for purposes of determining present values pursuant to Section 417(e)(3)(A) of the Code as in effect for the calendar month immediately preceding the first day of the Plan Year in which the Actuarial Equivalent or Value is determined.
 - (II) “Mortality Table” means the mortality table in effect as of the date on which an Actuarial Equivalent or Value is determined, as prescribed by the Secretary of the Treasury for purposes of determining present values pursuant to Section 417(e)(3)(A) of the Code.
- (f) “Retirement Allowance”: The retirement payments to which a Member is entitled under the Transferring Plan based on relevant factors (e.g. compensation, service etc.) As of the last day of employment with the sponsor or a participating employer.
- (g) “Transferring Plan”: The Plan under which the Member earned or accrued a Retirement Allowance prior to becoming a Member of the Accepting Plan.
- (H) “Transfer Effective Date”: The transfer effective date is the date the assets are transferred to the Accepting Plan.

2. **Communication of Transfer Rights to Members.** It shall be the responsibility of the Accepting Plan to fully and accurately communicate to Members the rights provided hereunder, including the potential that an election to transfer assets in accordance with this portability program may, under some circumstances result in a reduced retirement benefit.

3. **Transfer of Assets Upon Request of Member.** At the request of a Member who is 100% vested under the terms of the Transferring Plan, cash equal to the greater of 1) the Present Value (determined as of the Transfer Effective Date) of such Member's Retirement Allowance under the Transferring Plan, or 2) such Member's accumulated contributions (and interest thereon as determined by the Transferring Plan determined as of the Transfer Effective Date), if any, shall be transferred to the Accepting Plan. If CHV is the Accepting Plan, such a request may only be made if the Member is 100% vested in the Accepting Plan. The member will have 18 months from the date of becoming 100% vested in the CHV plan to make a portability election. If the member fails to make an election during this time period, then they will lose their opportunity to participate in portability. If VRS is the Accepting Plan, the request must be made within 18 months of becoming a Member of VRS without the restriction that the Member must be vested.

4. **Service Credit Granted.** Upon receipt of the assets transferred from the Transferring Plan, the Accepting Plan shall grant service credit to the Member with respect to whom assets are transferred for the purposes set forth in Appendix A to this Agreement. The amount of service credit granted shall be determined based on the procedures and actuarial assumptions set forth in Appendix A to this Agreement. Service credit to be granted for purposes of determining whether the Member shall be vested under the Accepting Plan shall also be determined in the manner set forth in Appendix A.

5. **Circumstances under Which Portability Not Available.** The transfer of the Present Value of the Retirement Allowance (or, if applicable, the Member's accumulated contributions) shall not be permitted if such Retirement Allowance (or, if applicable, accumulated contribution account) is subject to any liens, levies, garnishments or other attachments of any nature including a domestic relations order that has been determined to be qualified by the Transferring Plan.

6. **Revocation of Member's Request to Transfer Assets.** In no event shall assets be transferred prior to the expiration of a fourteen (14) day period beginning on the date the member first requests that assets be transferred to the Accepting Plan on his behalf. During such fourteen (14) day period, the Member's request may be revoked. Upon the expiration of such fourteen (14) day period, the Member's request shall become irrevocable.

7. **Termination of Participant and Beneficiary Rights.** The transfer of the Present Value of the Retirement Allowance (or, if applicable, the Member's accumulated contributions) terminates the member's membership and all rights and benefits in the Transferring Plan. The distribution, beneficiary designation and other benefit payment provisions of the Transferring Plan

shall cease to apply effective as of the date the assets are released by the Transferring Plan. Thereafter, the Transferring Plan shall have no continuing duty or responsibility to the Member.

8. **Transition Provisions Applicable to the Adoption of this Agreement** If a request is made within eighteen (18) months following the execution of this Agreement, the Plans shall permit existing Members who would have been eligible to request such a transfer of assets had this Agreement been in effect at the time they became a Member in the Accepting Plan to transfer assets in accordance with the provisions of this Agreement.

9. **Amendment and Termination of This Agreement** This Agreement may be terminated at any time upon the written notice from either party to the other. This Agreement, including the terms of Appendix A, may be modified at any time with the written consent of the parties hereto. At least thirty (30) days prior to the effective date of such modification or termination, written notice must be provided to members who may be affected by such modification or termination. No such modification or termination shall affect any transfer request made prior to the effective date of such modification or termination.

IN WITNESS WHEREOF, the Virginia Retirement System and the City of Charlottesville have caused their names to be signed and their seals affixed hereto by their duly authorized representatives on the date(s) indicate below.

VIRGINIA RETIREMENT SYSTEM

Date: December 1, 2004

By: W Forest Matthews J
Its DIRECTOR

ATTEST:

Annora Salubey
Its Deputy Director

CITY OF CHARLOTTESVILLE

Date: _____

By: Aubrey W. [Signature]
Its CEO / CFO

ATTEST:

Jeanne Cox
Its Clerk

Approved as to form:

by J. Craig Brown
City Attorney

PROSPECTIVE RETIREMENT FUND
VIRGINIA RETIREMENT SYSTEM (VRS)

**RECIPROCAL ASSET TRANSFER AND
PENSION PORTABILITY AGREEMENT**

Appendix A

**Purpose and Determination of
Service Credit to be Granted**

A. PURPOSES FOR WHICH SERVICE CREDIT GRANTED:

Service credits determined under the Accepting Plan as equivalent to the value of assets transferred from the Transferring Plan will be counted for all purposes under the Accepting Plan.

B. DETERMINATION OF SERVICE CREDIT:

1. AS TRANSFERRING PLAN:

The Transferring Plan will transfer an amount of assets equal to the actuarial present value of the service retirement allowance which has been earned by the member. Such actuarial present value shall be calculated as of the first of the month nearest to the transfer effective date using the following actuarial assumptions:

Interest:

CHV: The assumed rate of interest used in the most recent actuarial valuation.

VRS: The investment return assumption determined under the experience study last approved before the beginning of the fiscal year in which the transfer effective date occurs.

Mortality:

CHV: The assumed mortality table used in the most recent actuarial valuation blended to a unisex table based upon the following percentages of males and females:

| | |
|-------------------------|------------------------|
| Public Safety Employees | 90% male 10% female |
| All Others | 50% male 50% female |

VRS: The mortality table assumed for non-disabled members determined under the experience study last approved before the beginning of the fiscal year in which the transfer effective date occurs, with the sex-distinct rates blended to a unisex basis using the following percentages:

| | |
|--|------------|
| VRS and Participating Political Subdivisions | 50% male |
| | 50% female |
| SPORS | 80% male |
| | 20% female |

Benefit Commencement Age:

CHV: Public Safety Employees Age 60
All Others Age 65

VRS: Normal retirement date (VRS age 65; SPORS/LEO age 60; JRS age 65)

Cost of Living:

CHV Not applicable.

VRS: A COLA will not be included in calculations for transfer effective dates prior to July 1, 2001. A COLA will be included in calculations with transfer effective dates after July 1, 2001, provided the accepting plan guarantees a COLA as part of the plan's provisions at the transfer effective date. If a COLA is to be included, it will be assumed at the rate of increase determined under the experience study last approved before the beginning of the fiscal year in which the transfer effective date occurs.

Assets Transferred:

CHV & VRS: The value of the assets to be transferred shall never exceed the greater of the present value of the benefit based on the service credit to be converted by the accepting plan, based on the actuarial assumptions and methods used by the accepting plan and described in 2. below, and the transferring member's accumulated member contributions.

2. AS ACCEPTING PLAN

The Accepting Plan will grant service credit based upon the assets being transferred using the following formula:

CHV: (Assets transferred) / (unit benefit X actuarial equivalent factor)

VRS: (Assets transferred) / (unit benefit X actuarial equivalent factor)

The actuarial equivalent factors will be based on the assumptions with respect to investment return, mortality, benefit commencement age, salary increases, and cost of living increases described below.

The following actuarial assumptions will be used to compute the service credit:

Unit benefit:

CHV: The percentage of average final salary for each year of service as defined by **CHV** in determining the amount of service retirement allowance.

VRS: The percentage of current salary, projected to Benefit Commencement Age based on the assumptions described below and averaged in accordance with the statute, for each year of service as defined by **VRS** in determining the amount of service retirement allowance with respect to periods of service before any service-related change in the accrual rate.

Interest:

CHV: The assumed rate of interest used in the most recent actuarial valuation.

VRS: The investment return assumption determined under the experience study last approved before the beginning of the fiscal year in which the transfer effective date occurs.

Mortality:

CHV: The assumed mortality table used in the most recent actuarial valuation blended to a unisex table based upon the following percentages of males and females:

| | |
|-------------------------|------------------------|
| Public Safety Employees | 90% male 10% female |
| All Others | 50% male 50% female |

VRS: The mortality table assumed for non-disabled members determined under the experience study last approved before the beginning of the fiscal year in which the transfer effective date occurs, with the sex-distinct rates blended to a unisex basis using the following percentages:

| | |
|--|------------|
| VRS and Participating Political Subdivisions | 50% male |
| | 50% female |
| SPORS | 80% male |
| | 20% female |

Benefit Commencement Age:

| | | |
|-------------|-------------------------|--------|
| CHV: | Public Safety Employees | Age 60 |
| | All others | Age 65 |

VRS: Earliest age eligible for unreduced retirement benefit

Cost of Living:

CHV: Not applicable.

VRS: The cost of the COLA will be reflected at the assumed rate of increase determined under the experience study last approved before the beginning of the fiscal year in which the transfer effective date occurs.

Salary:

CHV: The current annual salary of the member will be projected at the rate assumed in the most recent actuarial valuation to determine average final salary at the assumed benefit commencement age.

VRS: Average final salary as defined by VRS projected at the ultimate rate determined under the experience study last approved before the beginning of the fiscal year in which the transfer effective date occurs

Purpose of Converted Service For Future Benefits:

CHV: Converted service credit will be included in the definition of creditable service for all purposes, unless prohibited by statute or law.

VRS: Members transferring assets to VRS may use the converted service toward Vesting under VRS. However, the member will not be considered vested until he or she has met the VRS vesting requirements, taking into account

the converted service

Converted service credit will be considered in establishing eligibility for the health credit program and the amount of the credit determined under that program, where permitted by statute;

Converted service, if rendered in a hazardous duty position, will be considered in establishing eligibility for the SPORS/LEOS supplement, based on the assumption that all service with the transferring plan is converted. The actuarial cost will be considered in determining the amount of converted service for this type of member;

Converted service credit will be included in the definition of creditable service for all purposes, unless prohibited by statute.

3. SERVICE CREDIT FOR VESTING PURPOSES:

The Service Credits determined by the Accepting Plan using the assumptions described above shall be used toward vesting. **IN NO CASE SHALL THE SERVICE CREDIT GRANTED UNDER THE ACCEPTING PLAN BE GREATER THAN SERVICE CREDITED UNDER THE TRANSFERRING PLAN.**

4. ADDITIONAL ADMINISTRATIVE CONSIDERATIONS:

Comparison of Membership Data: CHV will provide VRS with an electronic file of inactive, vested members in order that VRS might identify VRS members with CHV service.

Cost for additional calculations: VRS and the CHV plans will provide an initial calculation, based on information provided by the respective plans. The cost of any additional calculations that must be made because of incomplete or incorrect data will be charged to the plan that provided the incorrect or incomplete information.

Correction of Errors: In the event that an error is discovered in the application of this agreement to a particular Member, adjustments and/or recalculations may be made by the Accepting and/or Transferring Plans and applied to that particular Member. Upon mutual agreement between the Accepting and Transferring Plans, the 18 month period specified in Section 3 of this Agreement may be extended indefinitely to allow for the correction of an error.