



Date of Council Meeting: May 13, 2014

**TOWN OF LEESBURG
TOWN COUNCIL MEETING**

Subject: Establishing a VRS Contribution Rate for FY 2015

Staff Contact: Karen Dilley, human resources manager
Norm Butts, director of finance

Recommendation: Town Council should adopt the VRS resolution entitled “Employer Contribution Rates for Counties, Cities, Towns, School Divisions and Other Political Subdivisions”

Background: As you may recall in 2012 the State enacted pension reform legislation. In its simplest form this legislation required the Town to increase employees’ compensation over time by 5% in exchange for employees being required to contribute 5% of their salary toward their retirement (This employee contribution had previously been paid by the Town on behalf of its employees). Another provision of the State law allowed the Town to adopt a contribution rate lower than the VRS certified rate (the “certified rate” is also known as the “actuarial rate”). The Town elected to adopt this alternative rate.

Currently the alternative rate for the Town is 8.48% (80% of the certified rate of 10.60%). In the next State biennium this alternative rate will increase to 90% of the certified rate. In the biennium after that the 100% threshold will be reached and the Town’s rate going forward will be the certified or actuarial rate.

The Town may at any time before the start of a fiscal year adopt the VRS certified rate or a higher rate.

Fiscal Impact: If the Town were to adopt the VRS certified rate for FY 2015 the budget would need to be amended to add \$525,000 to personnel accounts. So, by adopting the alternative rate the Town is “saving” \$520,000 in FY 2015. However, as is pointed out in the attached VRS memorandum, adopting the alternative rate will reduce contributions to the Town’s VRS account and the investment earnings they would have generated; result in a lower funded ratio when the next actuarial valuation is performed; and require a disclosure in the Town’s financial statements.

Attachments: Resolution
VRS Information

PRESENTED May 13, 2014

RESOLUTION NO. _____

ADOPTED May 13, 2014

A RESOLUTION: VIRGINIA RETIREMENT SYSTEM EMPLOYER CONTRIBUTION RATE EFFECTIVE JULY 1, 2014.

BE IT RESOLVED, that the Town of Leesburg (55329) does hereby acknowledge that its contribution rates effective July 1, 2014 shall be based on the higher of a) the contribution rate in effect for FY 2014, or b) eighty percent of the results of the June 30, 2013 actuarial valuation of assets and liabilities as approved by the Virginia Retirement System Board of Trustees for the 2014-16 biennium (the "Alternate Rate") provided that, at its option, the contribution rate may be based on the employer contribution rates certified by the Virginia Retirement System Board of Trustees pursuant to Virginia Code §51.1-145(I) resulting from the June 30, 2013 actuarial value of assets and liabilities (the "Certified Rate"); and

BE IT ALSO RESOLVED, that the Town of Leesburg (55329) does hereby certify to the Virginia Retirement System Board of Trustees that it elects to pay the following contribution rate effective July 1, 2014: **the alternate rate of 8.48%**; and

BE IT ALSO RESOLVED, that the Town of Leesburg (55329) does hereby certify to the Virginia Retirement System Board of Trustees that it has reviewed and understands the information provided by the Virginia Retirement System outlining the potential future fiscal implications of any election made under the provisions of this resolution.

NOW, THEREFORE, the officers of the Town of Leesburg (55329) are hereby authorized and directed in the name of the Town of Leesburg to carry out the provisions of this resolution, and said officers of the Town of Leesburg are authorized and directed to pay over to the Treasurer of Virginia from time to time such sums as are due to be paid by Town of Leesburg for this purpose.

A RESOLUTION: VIRGINIA RETIREMENT SYSTEM EMPLOYER CONTRIBUTION
RATE EFFECTIVE JULY 1, 2014.

PASSED this 13th day of May 2014.

Kristen C. Umstattd, Mayor
Town of Leesburg

ATTEST:

Clerk of Council