



Date of Council Meeting: April 26, 2016

**TOWN OF LEESBURG
TOWN COUNCIL MEETING**

Subject: Virginia Retirement System Alternate Contribution Election

Staff Contact: Clark G. Case, Director of Finance and Administrative Services

Council Action Requested: Approval of resolution electing the Virginia Retirement System Alternate Contribution

Staff Recommendation: I recommend that Town Council approve the attached resolution electing the lower alternate Virginia Retirement System Contribution Rate.

Commission Recommendation: N/A Not applicable.

Fiscal Impact: The full Virginia Retirement System (VRS) board-certified Town share contribution rate to the VRS pension is 10.45% of covered payroll. The alternate contribution rate is 90% of the full contribution rate or 9.41% of covered payroll. The Fiscal Year 2017 Proposed Budget includes the alternate contribution rate for VRS. The difference in the contribution rates yields a savings of \$261,350 in Fiscal Year 2017 or equivalent to a real estate property tax rate of 0.4¢ per \$100 assessed valuation.

The savings from using the alternate contribution rate breaks out as follows:

		Certified Rate	Alternated Rate	
Regular Full-Time Salary	FY 17 Proposed	10.45%	9.41%	Variance
General Fund	\$ 19,775,485	\$ 2,066,538	\$ 1,860,873	\$ 205,665
Utilities Fund	\$ 5,354,281	\$ 559,522	\$ 503,838	\$ 55,685
All Funds	\$ 25,129,766	\$ 2,626,061	\$ 2,364,711	\$ 261,350

Electing the alternate rate means there will be fewer assets in the pension plan and less investment earnings. The differential must be made up on an actuarial basis over the succeeding 30 years.

Work Plan Impact: None.

Executive Summary: The Town has the right to elect the alternate 90% contribution rate to the Virginia Retirement System (VRS) for Fiscal Years 2017 and 2018. The full VRS board-certified Town share contribution rate to the VRS pension is 10.45% of covered payroll. The alternate contribution rate is 90% of the full contribution rate or 9.41% of covered payroll. The difference in the rates creates a savings for the Town in the amount of \$261,350 in Fiscal Year 2017.

The discounted contribution is only available for Fiscal Years 2017 and 2018, and then the Town will have to contribute 100% of the certified actuarially required contribution as a percentage of covered payroll. While the 100% rate will be slightly higher starting in Fiscal Year 2019 than it would be if the Town contributed 100% in the next two years, the savings in the earlier years are much more valuable on a net present value basis than the slightly higher cost in future years.

The budget for Fiscal Year 2017 was prepared assuming the Council would elect to use the Alternate Contribution Rate. If the Town Council wants to contribute 100% of the actuarially required contribution instead, the Fiscal Year 2107 budget will have to be increased by \$261,350. The Town has elected the alternative contribution rate since Fiscal Year 2012, and the Leesburg pensions in the VRS are 86.4% fully funded which is regarded as a sustainable funding level.

Background: In 2012, the Commonwealth of Virginia required employees to start contributing 5% of pay towards their Virginia Retirement System (VRS) pensions. The legislation offered local governments the option of giving employees a 5% pay raise that offset the pension contribution in exchange for the option of making lower employer contributions to VRS from Fiscal Years 2012 through 2019.

The Town has elected the alternate contribution rate since 2012. The percentage has been increased from 70% the first year up to 90% for Fiscal Years 2017 and 2018. Starting in Fiscal Year 2019 and in all succeeding years, the Town must contribute 100% of the board-certified, actuarial employer contribution. The legislature changed the enabling statute in the 2016 Appropriation Act, Item 475(I), to require the local governing body to pass a resolution stating its election of the alternate rate beginning July 1, 2016, and acknowledging the potential impact of paying the alternate rate. The alternate rate is the board-certified rate for Fiscal Year 2012, or 90 percent of the Fiscal Year 2017-18 board-certified rate whichever is higher.

If the alternate rate is elected, the governing board should approve by resolution on or before July 1, 2016, and send the original signed resolution to VRS postmarked no later than July 5, 2016. The attached resolution is in the form and format required by VRS.

Attachments:

Resolution to Elect the Alternate Rate for Virginia Retirement System (VRS) Contributions

PRESENTED April 12, 2016

RESOLUTION NO. 2016-

ADOPTED April 12, 2016

A RESOLUTION: ELECTING THE ALTERNATE RATE FOR VIRGINIA RETIREMENT SYSTEM EMPLOYER CONTRIBUTION

WHEREAS, the 2016 Appropriation Act Item 475(I)(1) requires that an employer pay the contribution rate certified by the VRS Board of Trustees (“Certified Rate”), unless the employer elects to pay an alternate rate as described in Item 475(I)(2) (“Alternate Rate”); and

WHEREAS, if an employer wishes to pay the Certified Rate, then the employer need not take action on this resolution; and

WHEREAS, if an employer wishes to pay the Alternate Rate established in the 2016 Appropriation Act, then the employer must pass this resolution on or before July 1, 2016, to elect the Alternate Rate; and

WHEREAS, any local public school division that elects to pay the Alternate Rate must receive a concurrence of its local governing body documented by a resolution of the governing body on or before July 1, 2016;

NOW, THEREFORE, BE IT RESOLVED, that the Town of Leesburg (“the Employer”) 55329, does hereby elect to pay the Alternate Rate and acknowledges that its contribution rate effective July 1, 2016 shall be based on the higher of a) the contribution rate in effect for FY 2012, or b) ninety percent of the results of the June 30, 2015 actuarial valuation of assets and liabilities as approved by the Virginia Retirement System Board of Trustees for the 2016-18 biennium; and

BE IT FURTHER RESOLVED, that the Employer does hereby certify to the Virginia Retirement System Board of Trustees that it agrees to pay the Alternate Rate of 9.41% effective July 1, 2016; and

A RESOLUTION: ELECTING THE ALTERNATE RATE FOR VIRGINIA RETIREMENT SYSTEM EMPLOYER CONTRIBUTION

BE IT FURTHER RESOLVED, that the Employer does hereby acknowledge that, if it is a school division, this resolution shall not become effective unless the Virginia Retirement System receives a concurrence of its local governing body documented by a resolution of the local governing body dated on or before July 1, 2016; and

BE IT FURTHER RESOLVED, that the Employer 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 Employer are hereby authorized and directed in the name of the Employer to carry out the provisions of this resolution, and said officers of the Employer 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 the Employer for this purpose.

Governing Body/School Division Chairman

CERTIFICATE

I, David S. Butler, Mayor of the Employer, certify that the foregoing is a true and correct copy of a resolution passed at a lawfully organized meeting of the Employer held at Leesburg, Virginia at 7:30 PM on April 12, 2016. Given under my hand and seal of the Employer this ____ day of _____, 2016.

(signature)

A RESOLUTION: ELECTING THE ALTERNATE RATE FOR VIRGINIA RETIREMENT
SYSTEM EMPLOYER CONTRIBUTION

**This resolution must be passed on or before July 1, 2016 and
mailed to VRS postmarked no later than July 5, 2016.**

David S. Butler, Mayor
Town of Leesburg

ATTEST:

Clerk of Council