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5-22-12

City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 16, 2012

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: RASHAD M. YOUNG, CITY MANAGER 

SUBJECT: CONSIDERATION OF RESOLUTIONS ESTABLISHING THE CITY'S
FY 2013 VIRGINIA RETIREMENT SYSTEM CONTRIBUTION RATES

ISSUE: Consideration of a resolution to use the employer contribution rate certified by the Virginia Retirement System (VRS) Board of Trustees for the 2012-2014 biennium and a resolution to set the employee contribution (and offsetting salary increases) at one percent for Plan 1 members, five percent for Plan 2 members, and five percent for employees hired on or after July 1, 2012.

RECOMMENDATION: That City Council approve the resolution entitled "Employer Contribution Rates for Counties, Cities, Towns, School Divisions and Other Political Subdivisions" (Attachment I) and the resolution entitled "Member Contributions by Salary Reduction for Counties, Cities, Towns, and Other Political Subdivisions."

DISCUSSION: As has been discussed in previous City Council meetings and budget sessions, the 2012 Appropriation Act mandated that localities' governing bodies certify their FY 2013 employer and employee VRS contribution rates by July 1, 2012. For the employer contribution, the City may choose between the 10.30 percent rate certified by the VRS Board of Trustees (the "Board") for the 2012-2014 biennium and the alternate rate, which is the higher of the Board-certified rate for FY 2011-2012 or 70 percent of the FY 2012-2014 rate. For the employee or member contribution, the legislation requires:

1. That all employees hired on or after July 1, 2012, begin immediately paying the five percent member contribution;
2. That City Council opt between requiring current employees, those hired before July 1, 2012, to pay the five percent contribution immediately and allowing the five percent member contribution to be phased in for current employees over the next five years; and
3. That the increased contribution for current employees be offset by an equivalent increase in salary.

As discussed previously and as was announced with the release of the FY 2013 Approved Budget, City Council has:

1. Opted to pay the VRS Board-certified employer contribution rate of 10.30 percent; and
2. Opted to phase in the mandated employee contributions at a rate of one percent per year.

Plan 1 employees will begin paying one percent of their salaries toward VRS benefits on July 1. Since Plan 2 employees already pay four percent of their salaries to VRS, they will begin paying five percent on July 1. All employees hired on or after July 1 will pay five percent. In accordance with the legislation, these changes will require that City Council grant affected General Schedule employees hired prior to July 1, 2012, a one percent increase in salary effective July 1. The resolutions attached are in accordance with the directions provided by the Virginia Retirement System.

The School Board will also be required to pass a resolution and to determine the employer rate they will use and the employee contribution rate they will require. That vote is expected to take place on May 24. City Council may be required to affirm that decision at a legislative meeting in June.

FISCAL IMPACT: The FY 2013 Approved Budget reflects the savings from the higher-than-previously-anticipated contributions paid by employees hired on or after July 1, 2012. The salary increase for current employees will be offset by the increased member contributions for current employees and will be cost neutral to that extent. However, the increase in employee compensation will lead to the City paying higher Social Security, FICA, and unemployment taxes and employees paying higher Social Security and FICA taxes at a cost of \$0.6 million in FY 2013.

ATTACHMENTS:

Attachment I: Employer Contribution Rate Resolution
Attachment II: Employee Contribution Rate Resolution

STAFF:

Laura Triggs, Acting Chief Financial Officer
Morgan Routt, Acting Director, OMB
Steven Bland, Retirement Administrator
Christina Zechman-Brown, Assistant City Attorney

RESOLUTION NO. _____

BE IT RESOLVED, that the City of Alexandria 55200 does hereby acknowledge that its contribution rates effective July 1, 2012 shall be based on the higher of a) the contribution rate in effect for FY 2012, or b) seventy percent of the results of the June 30, 2011 actuarial valuation of assets and liabilities as approved by the Virginia Retirement System Board of Trustees for the 2012-14 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, 2011 actuarial value of assets and liabilities (the "Certified Rate"); and

BE IT ALSO RESOLVED, that the City of Alexandria 55200 does hereby certify to the Virginia Retirement System Board of Trustees that it elects to pay the following contribution rate effective July 1, 2012:

(Check only one box)

X The Certified Rate of 10.30% The Alternate Rate of 7.78%; and

BE IT ALSO RESOLVED, that the City of Alexandria 55200 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; and

NOW, THEREFORE, the officers of City of Alexandria 55200 are hereby authorized and directed in the name of the City of Alexandria to carry out the provisions of this resolution, and said officers of the City of Alexandria 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 City of Alexandria for this purpose.

Governing Body/School Division Chairman

CERTIFICATE

I, _____, Clerk of the City of Alexandria, certify that the foregoing is a true and correct copy of a resolution passed at a lawfully organized meeting of the City of Alexandria held at _____, Virginia at _____ o'clock on _____, 2012.

Clerk

This resolution must be passed prior to July 1, 2012 and received by VRS no later than July 10, 2012.

RESOLUTION NO. _____

WHEREAS, the City of Alexandria 55200 employees who are Virginia Retirement System members who commence or recommence employment on or after July 1, 2012 (“FY2013 Employees” for purposes of this resolution), shall be required to contribute five percent of their creditable compensation by salary reduction pursuant to Internal Revenue Code § 414(h) on a pre-tax basis upon commencing or recommencing employment; and

WHEREAS, the City of Alexandria 55200 employees who are Virginia Retirement System members and in service on June 30, 2012, shall be required to contribute five percent of their creditable compensation by salary reduction pursuant to Internal Revenue Code § 414(h) on a pre-tax basis no later than July 1, 2016; and

WHEREAS, such employees in service on June 30, 2012, shall contribute a minimum of an additional one percent of their creditable compensation beginning on each July 1 of 2012, 2013, 2014, 2015, and 2016, or until the employees’ contributions equal five percent of creditable compensation; and

WHEREAS, the City of Alexandria 55200 may elect to require such employees in service on June 30, 2012, to contribute more than an additional one percent each year, in whole percentages, until the employees’ contributions equal five percent of creditable compensation; and

WHEREAS, the second enactment clause of Chapter 822 of the 2012 Acts of Assembly (SB497) requires an increase in total creditable compensation, effective July 1, 2012, to each such employee in service on June 30, 2012, to offset the cost of the member contributions, such increase in total creditable compensation to be equal to the difference between five percent of the employee’s total creditable compensation and the percentage of the member contribution paid by such employee on January 1, 2012.

BE IT THEREFORE RESOLVED, that the City of Alexandria 55200 does hereby certify to the Virginia Retirement System Board of Trustees that it shall effect the implementation of the member contribution requirements of Chapter 822 of the 2012 Acts of Assembly (SB497) according to the following schedule for the fiscal year beginning July 1, 2012 (i.e., FY2013):

Type of Employee	Employer Paid Member Contribution	Employee Paid Member Contribution
Plan 1	4%	1%
Plan 2	0%	5%
FY2013 Employees	0%	5%

(NOTE: Each row must add up to 5 percent.); and

BE IT FURTHER RESOLVED, that such contributions, although designated as member contributions, are to be made by the City of Alexandria in lieu of member contributions; and

BE IT FURTHER RESOLVED, that pick-up member contributions shall be paid from the same source of funds as used in paying the wages to affected employees; and

BE IT FURTHER RESOLVED, that member contributions made by the City of Alexandria under the pick-up arrangement shall be treated for all purposes other than income taxation, including but not limited to VRS benefits, in the same manner and to the same extent as member contributions made prior to the pick-up arrangement; and

BE IT FURTHER RESOLVED, that nothing herein shall be construed so as to permit or extend an option to VRS members to receive the pick-up contributions made by the City of Alexandria directly instead of having them paid to VRS; and

BE IT FURTHER RESOLVED, that notwithstanding any contractual or other provisions, the wages of each member of VRS who is an employee of the City of Alexandria shall be reduced by the amount of member contributions picked up by the City of Alexandria on behalf of such employee pursuant to the foregoing resolutions.

NOW, THEREFORE, the officers of City of Alexandria 55200 are hereby authorized and directed in the name of the City of Alexandria to carry out the provisions of this resolution, and said officers of the City of Alexandria 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 City of Alexandria for this purpose.

Governing Body Chairman

CERTIFICATE

I, _____, Clerk of the City of Alexandria, certify that the foregoing is a true and correct copy of a resolution passed at a lawfully organized meeting of the City of Alexandria held at _____, Virginia at _____ o'clock on _____, 2012. Given under my hand and seal of the City of Alexandria this _____ day of _____, 2012.

Clerk

This resolution must be passed prior to July 1, 2012 and received by VRS no later than July 10, 2012.

RESOLUTION NO. 2502

BE IT RESOLVED, that the City of Alexandria 55200 does hereby acknowledge that its contribution rates effective July 1, 2012 shall be based on the higher of a) the contribution rate in effect for FY 2012, or b) seventy percent of the results of the June 30, 2011 actuarial valuation of assets and liabilities as approved by the Virginia Retirement System Board of Trustees for the 2012-14 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, 2011 actuarial value of assets and liabilities (the "Certified Rate"); and

BE IT ALSO RESOLVED, that the City of Alexandria 55200 does hereby certify to the Virginia Retirement System Board of Trustees that it elects to pay the following contribution rate effective July 1, 2012:

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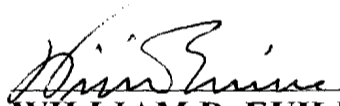
X The Certified Rate of 10.30%

The Alternate Rate of 7.78%; and

BE IT ALSO RESOLVED, that the City of Alexandria 55200 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; and

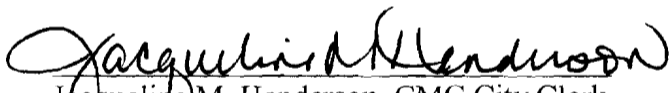
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Adopted: May 22, 2012



WILLIAM D. EULLE MAYOR

ATTEST:



Jacqueline M. Henderson, CMC City Clerk

RESOLUTION NO. 2503

WHEREAS, the City of Alexandria 55200 employees who are Virginia Retirement System members who commence or recommence employment on or after July 1, 2012 (“FY2013 Employees” for purposes of this resolution), shall be required to contribute five percent of their creditable compensation by salary reduction pursuant to Internal Revenue Code § 414(h) on a pre-tax basis upon commencing or recommencing employment; and

WHEREAS, the City of Alexandria 55200 employees who are Virginia Retirement System members and in service on June 30, 2012, shall be required to contribute five percent of their creditable compensation by salary reduction pursuant to Internal Revenue Code § 414(h) on a pre-tax basis no later than July 1, 2016; and

WHEREAS, such employees in service on June 30, 2012, shall contribute a minimum of an additional one percent of their creditable compensation beginning on each July 1 of 2012, 2013, 2014, 2015, and 2016, or until the employees’ contributions equal five percent of creditable compensation; and

WHEREAS, the City of Alexandria 55200 may elect to require such employees in service on June 30, 2012, to contribute more than an additional one percent each year, in whole percentages, until the employees’ contributions equal five percent of creditable compensation; and

WHEREAS, the second enactment clause of Chapter 822 of the 2012 Acts of Assembly (SB497) requires an increase in total creditable compensation, effective July 1, 2012, to each such employee in service on June 30, 2012, to offset the cost of the member contributions, such increase in total creditable compensation to be equal to the difference between five percent of the employee’s total creditable compensation and the percentage of the member contribution paid by such employee on January 1, 2012.

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(NOTE: Each row must add up to 5 percent.); and

BE IT FURTHER RESOLVED, that such contributions, although designated as member contributions, are to be made by the City of Alexandria in lieu of member contributions; and

BE IT FURTHER RESOLVED, that pick-up member contributions shall be paid from the same source of funds as used in paying the wages to affected employees; and

BE IT FURTHER RESOLVED, that member contributions made by the City of Alexandria under the pick-up arrangement shall be treated for all purposes other than income taxation, including but not limited to VRS benefits, in the same manner and to the same extent as member contributions made prior to the pick-up arrangement; and

BE IT FURTHER RESOLVED, that nothing herein shall be construed so as to permit or extend an option to VRS members to receive the pick-up contributions made by the City of Alexandria directly instead of having them paid to VRS; and

BE IT FURTHER RESOLVED, that notwithstanding any contractual or other provisions, the wages of each member of VRS who is an employee of the City of Alexandria

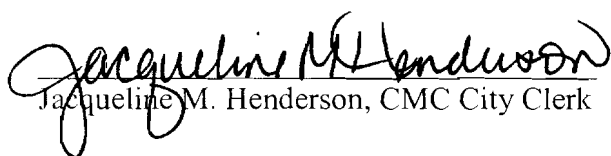
shall be reduced by the amount of member contributions picked up by the City of Alexandria on behalf of such employee pursuant to the foregoing resolutions.

NOW, THEREFORE, the officers of City of Alexandria 55200 are hereby authorized and directed in the name of the City of Alexandria to carry out the provisions of this resolution, and said officers of the City of Alexandria 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 City of Alexandria for this purpose.

Adopted: May 22, 2012


WILLIAM D. EULLE MAYOR

ATTEST:


Jacqueline M. Henderson, CMC City Clerk