

BATH COUNTY SCHOOL BOARD

AGENDA ITEM: INFORMATION { } ACTION { X } CLOSED MEETING { }

SUBJECT: SUPERINTENDENT’S REPORT - ACTION

VRS Rate Resolution – Mr. Rider

BACKGROUND: Recent legislation calls for school divisions (and local governing bodies) to make certain decisions by July 1, 2012 regarding employer and member retirement contributions.

1. Certification to the Virginia Retirement System Board of Trustees of the election to pay one of the two contribution rates effective July 1, 2012 – the certified rate of 10.60% or an alternate rate of 7.42%.
2. Certification of the member contribution that current employees will be required to pay beginning July 1, 2012 and the corresponding salary increases.

RECOMMENDATION: Recommend approval of resolutions to 1) pay the VRS certified contribution rate of 10.6% (currently in the approved budget) and 2) set the VRS rate for current employees at 5% with a 6% salary increase (previously Board approved).



April 30, 2012

Bath County School Board 55508

Recent legislation calls for localities to make certain decisions by July 1, 2012 regarding employer and member retirement contributions. These include:

- Election/certification by your school board and, if applicable, your local governing body of your employer retirement contribution rate for 2012-2014, using one of the options allowed in the 2012 Appropriation Act, Item 468(H). We will keep you apprised of any amendments that would change these options.
- Election/certification by your school board of the member contribution your current employees will be required to pay beginning July 1, 2012 and the corresponding salary increase, as provided in Chapter 822 of the 2012 Acts of Assembly (Senate Bill 497).

I am pleased to provide you this resolution packet to assist you and your school board in the election process for these contributions. Your packet includes:

- Resolutions to be completed and returned to VRS
- Copy of Item 468(H)
- Copy of Chapter 822 (SB 497)

Resolution 1: Employer Retirement Contribution Rate Election

By no later than July 1, 2012, your school board must approve one of the following employer contribution rate options for the defined benefit retirement plan in the biennium beginning July 1, 2012:

- 10.60% – the rate certified by the VRS Board of Trustees for the 2012-2014 biennium; or
- 7.42% – the alternate rate, which is the higher of the current rate certified by the VRS Board for FY 2011-2012 or 70 percent of the VRS Board-certified rate for 2012-2014.

If your school board selects the VRS Board-certified rate, your local governing body must concur with this decision by signing the additional resolution enclosed with this packet.

As a reminder, effective July 1, 2012, your contribution rates for Group Life Insurance and the Health Insurance Credit are:

- 1.19% – Group Life Insurance
- 0.89% – Health Insurance Credit

Contribution Rate Resolutions

Considerations in Electing Your Contribution Rate

The intent of the language in the 2012 Appropriation Act, Item 468(H), is to offer localities and schools some budget relief for the coming fiscal year with respect to the amount of their retirement contributions. However, this does not change the Board-certified rate or the Annual Required Contribution (ARC). Therefore, if you are considering using the Alternate Rate, please be aware that doing so will:

- Reduce contributions to your employer account and the investment earnings they would have generated, which will mean there will be fewer assets available for benefits.
- Result in a lower funded ratio when the next Actuarial Valuation is performed and, thus, a higher calculated contribution rate at that time.
- Require that you include the Net Pension Obligation (NPO) under GASB Standards in the notes to your financial statements.

Resolution 2: Member Contribution Election

As provided under Chapter 822 of the 2012 Acts of Assembly (SB 497), all Plan 1 and Plan 2 school division and political subdivision employees must begin paying the 5 percent member contribution effective July 1, 2012. All employees hired on or after July 1, 2012 must pay the full 5 percent upon employment with no phase-in allowed. For current employees, the bill allows governing bodies to phase in the member contribution in each of the next five years or until current employees are paying the full 5 percent contribution, whichever is earlier. Phase-in increases must be in whole percentages of at least 1 percent of creditable compensation per year, with comparable offsetting salary increases.

By no later than July 1, 2012, your school board must approve the amount of the member contribution that professional employees and non-professional employees will pay beginning July 1. Your governing body also must certify that employees will receive a comparable offsetting salary increase effective July 1 of each year of the phase-in period.

Deadline for Resolutions

VRS must receive formal signed resolutions for the employer retirement contribution rate election and the member contribution election **by no later than July 10, 2012**.

Employer Webinar Scheduled for May 2 and May 3

To assist you with the election process, I would like to invite you to register for the “Upcoming Changes to VRS Contribution Rates” webinar. There are two sessions available:

- Wednesday, May 2, 2:00-3:00 p.m.
- Thursday, May 3, 10:00-11:00 a.m.

Online registration is available at www.varetire.org/RateChangeWebinar. The webinar also will be recorded and posted on the VRS website.

Meanwhile, if you have any questions about the information in this packet, please contact Ms. ZaeAnne Sferra, Employer Coverage Coordinator, at zsferra@varetire.org or (804) 775-3514.

Best regards.

Sincerely,



Robert P. Schultze
Director

Employer Contribution Rates for Counties, Cities,
Towns, School Divisions and Other Political Subdivisions
(In accordance with the 2012 Appropriation Act Item 468(H))

Resolution

BE IT RESOLVED, that the Bath County School Board 55508 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 Bath County School Board 55508 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)

- The Certified Rate of 10.60% The Alternate Rate of 7.42%; and

BE IT ALSO RESOLVED, that the Bath County School Board 55508 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 Bath County School Board 55508 are hereby authorized and directed in the name of the Bath County School Board to carry out the provisions of this resolution, and said officers of the Bath County School Board 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 Bath County School Board for this purpose.

Governing Body/School Division Chairman

CERTIFICATE

I, _____, Clerk of the Bath County School Board, certify that the foregoing is a true and correct copy of a resolution passed at a lawfully organized meeting of the Bath County School Board held at _____, Virginia at _____ o'clock on _____, 2012. Given under my hand seal of the Bath County School Board 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.**

Local Governing Body Concurrence with School Division
Electing to Pay the VRS Board-Certified Rate

(In accordance with the 2012 Appropriation Act Item 468(H))

Resolution

BE IT RESOLVED, that the _____[Locality Name] [employer code] does hereby acknowledge that the _____[School Division Name] has made the election for its contribution rate to 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 _____[Locality Name] [employer code] does hereby certify to the Virginia Retirement System Board of Trustees that it concurs with the election of the _____[School Division Name] to pay the Certified Rate, as required by Item 468(H) of the 2012 Appropriation Act; and

NOW, THEREFORE, the officers of _____[Locality Name] [employer code] are hereby authorized and directed in the name of the _____[Locality Name] to execute any required contract to carry out the provisions of this resolution. In execution of any such contract which may be required, the seal of the _____[Locality Name], as appropriate, shall be affixed and attested by the Clerk.

Locality Board Chairman

CERTIFICATE

I, _____, Clerk of the _____[Locality Name], certify that the foregoing is a true and correct copy of a resolution passed by the _____[Locality Name] and ratified by the _____[Locality Name] at a lawfully organized meeting of the _____[Locality Name] held at _____, Virginia at _____ o'clock on _____, 2012. Given under my hand and seal of the _____[Locality Name] 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.

VIRGINIA ACTS OF ASSEMBLY -- 2012 RECONVENED SESSION

CHAPTER 822

An Act to amend and reenact § 51.1-144 of the Code of Virginia, relating to Virginia Retirement System employee contributions; local employees; school board employees.

[S 497]

Approved April 18, 2012

Be it enacted by the General Assembly of Virginia:

1. That § 51.1-144 of the Code of Virginia is amended and reenacted as follows:

§ 51.1-144. Member contributions.

A. Each member shall contribute five percent of his creditable compensation for each pay period for which he receives compensation.

The employer shall deduct the contribution payable by the member. Every employee accepting employment shall be deemed to consent and agree to any deductions from his compensation required by this chapter. ~~No deduction shall be taken from the compensation of a member after his normal retirement date if the member elects not to contribute.~~

B. In determining the creditable compensation of a member in a payroll period, the Board may consider the rate of compensation payable to the member on the date of entry or removal of his name from the payroll as having been received throughout the month if service for the month is creditable. If service for the month is not creditable, the Board may consider any compensation payable during the month as not being creditable compensation.

C. The minimum compensation provided by law for any member shall be reduced by the deduction required by this section. Except for any benefits provided by this chapter, payment of compensation minus the deductions shall be a full and complete discharge of all claims for services rendered by the member during the period covered by the payment.

D. No deduction shall be made from any member's compensation if the employer's contribution is in default.

E. The Board may modify the method of collecting the contributions of members so that the employer may retain the amounts deducted from members' salaries and have a corresponding amount deducted from state funds otherwise payable to the employer.

F. 1. Except as provided in ~~subdivision~~ *subdivisions 2, 3 and 4*, any employer may elect to pay an equivalent amount in lieu of all member contributions required of its employees. Such payments shall be credited to the members' contribution account. These contributions shall not be considered wages for purposes of Chapter 7 (§ 51.1-700 et seq.) ~~of this title~~, nor shall they be considered to be salary for purposes of this chapter.

2. A person who becomes a member on or after July 1, 2010, shall be required to pay member contributions on a salary reduction basis in accordance with § 414(h) of the Internal Revenue Code in the amount of five percent of creditable compensation if the person is (i) a member covered by the defined benefit plan established under this chapter, (ii) a member of the State Police Officers' Retirement System under Chapter 2 (§ 51.1-200 et seq.), (iii) a member of the Virginia Law Officers' Retirement System under Chapter 2.1 (§ 51.1-211 et seq.), (iv) a member of the Judicial Retirement System under Chapter 3 (§ 51.1-300 et seq.), or (v) earning the benefits permitted by § 51.1-138.

~~Each county, city, town, local public school board, or other local employer may elect to pay an equivalent amount in lieu of the member contributions required of its employees described in this subdivision. The county, city, town, local public school board, or other local employer may pay, in whole percentages, up to five percent of the creditable compensation otherwise required of such employees, provided that the employer pays the same percentage of creditable compensation for all such employees, and is paying all member contributions required under this section for all of its other member employees not described in this subdivision. Any portion of the five percent of creditable compensation required of a person who becomes a member on or after July 1, 2010, that is not paid by the county, city, town, local public school board, or other local employer, shall be paid by such person.~~

~~No employer other than a county, city, town, local public school board, or other local employer shall be allowed to elect to pay any amount of the member contributions required of a person who becomes a member on or after July 1, 2010.~~

3. *A member who is an employee of a county, city, town, or other local employer other than a local public school board, regardless of whether the member is a person who becomes a member on or after July 1, 2010, shall be required to pay member contributions on a salary reduction basis in accordance with § 414(h) of the Internal Revenue Code in the amount of five percent of creditable compensation as follows: (i) any member who commences or recommences employment on or after July 1, 2012, shall be required to contribute five percent of his creditable compensation upon commencing or recommencing*

2012 Appropriation Act Item 468(H)

Central Appropriations Language

“H.1. Except as authorized in Paragraph H.2. of this Item, rates paid to the VRS on behalf of employees of participating (i) counties, (ii) cities, (iii) towns, (iv) local public school divisions (only to the extent that the employer contribution rate is not otherwise specified in this act), and (v) other political subdivisions 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, 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, 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, one-hundred percent of the results of the June 30, 2017 actuarial valuation of assets and liabilities as approved by the Virginia Retirement System Board of Trustees for the 2018-20 biennium.

2. Rates paid to the VRS on behalf of employees of participating (i) counties, (ii) cities, (iii) towns, (iv) local public school divisions (only to the extent that the employer contribution rate is not otherwise specified in this act), and (v) other political subdivisions may, at each participating employers option, be based on the employer contribution rates certified by the Virginia Retirement System (VRS) Board of Trustees pursuant to § 51.1-145(I), Code of Virginia.

3. Every participating employer must certify to the board of the Virginia Retirement System by resolution adopted by its local governing body that it: has reviewed and understands the information provided by the Virginia Retirement System outlining the potential future fiscal implications of electing or not electing to utilize the employer contribution rates certified by the Virginia Retirement System (VRS) Board of Trustees, as provided for in paragraph H.2.

4. Prior to electing to utilize the employer contribution rates certified by the Virginia Retirement System (VRS) Board of Trustees, as authorized in paragraph H.2, local public school divisions must receive the concurrence of the local governing body. Such concurrence must be documented by a resolution of the governing body.

5. The board of the Virginia Retirement System shall provide all employers participating in the Virginia Retirement System with a summary of the implications inherent in the use of the employer contribution rates certified by the Virginia Retirement System (VRS) Board of Trustees set out in paragraph H.2, and the alternate employer contribution rates set out in paragraph H.1.”

Explanation:

(This amendment allows for the phase-in of the VRS Board-approved employer contribution rates for local employers over three biennia.)

Member Contributions by Salary Reduction for School Divisions

(In accordance with Chapter 822 of the 2012 Acts of Assembly (SB497))

Resolution

WHEREAS, the Bath County School Board 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 Bath County School Board 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 Bath County School Board 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, 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 Bath County School Board 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):

Professional Employees 40108:

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

(Note: Each row must add up to 5 percent.)

Non-professional Employees 55508:

Type of Employee	Employer Paid Member Contribution	Employee Paid Member Contribution
Plan 1	%	%
Plan 2	%	%
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 Bath County School Board 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 Bath County School Board 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 Bath County School Board 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 Bath County School Board shall be reduced by the amount of member contributions picked up by the Bath County School Board on behalf of such employee pursuant to the foregoing resolutions.

NOW, THEREFORE, the officers of Bath County School Board are hereby authorized and directed in the name of the Bath County School Board to carry out the provisions of this resolution, and said officers of the Bath County School Board 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 Bath County School Board for this purpose.

School Division Chairman

CERTIFICATE

I, _____, Clerk of the Bath County School Board, certify that the foregoing is a true and correct copy of a resolution passed at a lawfully organized meeting of the Bath County School Board held at _____, Virginia at _____ o'clock on _____, 2012. Given under my hand and seal of the Bath County School Board 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.**