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**HOUSE BILL NO. 178**

Offered January 8, 2014

Prefiled December 23, 2013

*A BILL to amend and reenact § 51.1-145 of the Code of Virginia, relating to the assumed rate of return on investments for employer contributions to the Virginia Retirement System.*

Patron—Farrell

Referred to Committee on Appropriations

**Be it enacted by the General Assembly of Virginia:****1. That § 51.1-145 of the Code of Virginia is amended and reenacted as follows:****§ 51.1-145. Employer contributions.**

A. 1. The total annual employer contribution for each employer, expressed as a percentage of the annual membership payroll, shall be determined in a manner so as to remain relatively level from year to year. Each employer shall contribute an amount equal to the sum of the normal contribution, any accrued liability contribution, and any supplementary contribution. The contribution rates for each employer shall be determined after each valuation and shall remain in effect until a new valuation is made. All contribution rates shall be computed in accordance with recognized actuarial principles on the basis of methods and assumptions approved by the Board.

2. If the General Assembly adopts an assumed rate of return on investments for any biennium that is different from the assumed rate of return used by the Board for the purpose of determining employer contribution rates for contributions to defined benefit retirement plans administered by the Virginia Retirement System, then the Board shall, as soon as practicable, recalculate the employer contribution rate for each employer contributing to a Virginia Retirement System defined benefit retirement plan to incorporate the assumed rate of return adopted by the General Assembly. The Board shall provide to each such employer its adjusted employer contribution rate for the biennium as soon as possible.

B. The normal employer contribution for any period shall be determined as a percentage, equal to the normal contribution rate, of the total covered compensation of the members employed during the period.

C. The normal contribution rate for any employer shall be determined as the percentage represented by the ratio of (i) the annual normal cost to provide the benefits of the retirement system with respect to members employed by the employer in excess of the members' contributions to (ii) the total annual compensation of the members.

D. The accrued liability contribution for any employer for any period shall be determined as a percentage, equal to the accrued liability contribution rate, of the total compensation of the members during the period.

E. The accrued liability contribution rate for any employer shall be a percentage of the total annual compensation of the members, determined so that a continuation of annual contributions by the employer at the same percentage of total annual compensation over a period of 40 years will be sufficient to amortize the unfunded accrued liability with respect to the employer.

F. The unfunded accrued liability with respect to any employer as of any valuation date shall be determined as the excess of (i) the then present value of the benefits to be provided under the retirement system in the future to members and former members over (ii) the sum of the assets of the retirement system then currently in the members' contribution account and in the employer's retirement allowance account, plus the then present value of the stipulated contributions to be made in the future by the members, plus the then present value of the normal contributions expected to be made in the future by the employer.

G. The supplementary contribution for any employer for any period shall be determined as a percentage, equal to the supplementary contribution rate, of the total compensation of the members employed during the period.

H. Until July 1, 1997, the supplementary contribution rate for any employer shall be determined as the percentage represented by the ratio of (i) the average annual amount of post-retirement supplements, as provided for in this chapter, which is anticipated to become payable during the period to which the rate will be applicable with respect to former members to (ii) the total annual compensation of the members.

I. The Board shall certify to each employer the applicable contribution rate and any changes in the rate.

J. The employer contribution for the year shall be increased to the extent necessary to overcome any insufficiency if the contributions for any employer, when combined with the amount of the retirement

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59 allowance account of the employer, are insufficient to provide the benefits payable during the year.

60 K. The appropriation bill which is submitted to the General Assembly by the Governor prior to each  
61 regular session that begins in an even-numbered year shall include the contributions which will become  
62 due and payable to the retirement allowance account from the state treasury during the following  
63 biennium. The amount of the contributions shall be based on the contribution rates certified by the  
64 Board pursuant to subsection I of this section that are applicable to the Commonwealth as an employer  
65 and the anticipated compensation during the biennium of the members of the retirement system on  
66 behalf of whom the Commonwealth is the employer.

67 K1. The General Assembly shall set contribution rates that are at least equal to the following  
68 percentage of the contribution rates certified by the Board pursuant to subsection I:

69 1. For members who are state employees as defined in § 51.1-124.3 and who are participating in a  
70 retirement plan established pursuant to Chapter 1 (§ 51.1-124.1 et seq.), (i) 67.02 percent for fiscal years  
71 beginning July 1, 2012, and July 1, 2013, (ii) 78.02 percent for fiscal years beginning July 1, 2014, and  
72 July 1, 2015, (iii) 89.01 percent for fiscal years beginning July 1, 2016, and July 1, 2017, and (iv) 100  
73 percent for fiscal years beginning on or after July 1, 2018;

74 2. For members who are teachers as defined in § 51.1-124.3 and who are participating in a retirement  
75 plan established pursuant to Chapter 1 (§ 51.1-124.1 et seq.), (i) 69.53 percent for fiscal years  
76 beginning July 1, 2012, and July 1, 2013, (ii) 79.69 percent for fiscal years beginning July 1, 2014, and  
77 July 1, 2015, (iii) 89.84 percent for fiscal years beginning July 1, 2016, and July 1, 2017, and (iv) 100  
78 percent for fiscal years beginning on or after July 1, 2018;

79 3. For members participating in a retirement plan established pursuant to Chapter 2 (§ 51.1-200 et  
80 seq.), (i) 75.84 percent for fiscal years beginning July 1, 2012, and July 1, 2013, (ii) 83.90 percent for  
81 fiscal years beginning July 1, 2014, and July 1, 2015, (iii) 91.95 percent for fiscal years beginning July  
82 1, 2016, and July 1, 2017, and (iv) 100 percent for fiscal years beginning on or after July 1, 2018;

83 4. For members participating in a retirement plan established pursuant to Chapter 2.1 (§ 51.1-211 et  
84 seq.), (i) 75.82 percent for fiscal years beginning July 1, 2012, and July 1, 2013, (ii) 83.88 percent for  
85 fiscal years beginning July 1, 2014, and July 1, 2015, (iii) 91.94 percent for fiscal years beginning July  
86 1, 2016, and July 1, 2017, and (iv) 100 percent for fiscal years beginning on or after July 1, 2018; and

87 5. For members participating in a retirement plan established pursuant to Chapter 3 (§ 51.1-300 et  
88 seq.), (i) 83.98 percent for fiscal years beginning July 1, 2012, and July 1, 2013, (ii) 89.32 percent for  
89 fiscal years beginning July 1, 2014, and July 1, 2015, (iii) 94.66 percent for fiscal years beginning July  
90 1, 2016, and July 1, 2017, and (iv) 100 percent for fiscal years beginning on or after July 1, 2018.

91 L. In the case of all teachers whose compensation is paid exclusively out of funds derived from local  
92 revenues and appropriations from the general fund of the state treasury, the Commonwealth shall  
93 contribute to the extent specified in the appropriations act. In the case of any teacher whose  
94 compensation is paid out of funds derived in whole or in part from any special fund or from a  
95 contributor other than the Commonwealth or a political subdivision thereof, contributions shall be paid  
96 out of the special fund or by the other contributor in proportion to that part of the compensation derived  
97 therefrom. In the case of all state employees whose compensation is paid exclusively by the  
98 Commonwealth out of the general fund of the state treasury, the Commonwealth shall be the sole  
99 contributor, and all contributions shall be paid out of the general fund. In the case of a state employee  
100 whose compensation is paid in whole or in part out of any special fund or by any contributor other than  
101 the Commonwealth, contributions on behalf of the employee shall be paid out of the special fund or by  
102 the other contributor in proportion to that part of the employee's compensation derived therefrom. The  
103 governing body of each political subdivision is hereby authorized to make appropriations from the funds  
104 of the political subdivision necessary to pay its proportionate share of contributions on behalf of every  
105 state employee whose compensation is paid in part by the political subdivision. In the case of each  
106 person who has elected to remain a member of a local retirement system, the Commonwealth shall  
107 reimburse the local employer an amount equal to the product of the compensation of the person and the  
108 employer contribution rate as used to determine the employer contribution for state employees under this  
109 section. Each employer shall keep such records and periodically furnish such information as the Board  
110 may require and shall inform new employees of their duties and obligations in connection with the  
111 retirement system.

112 M. The employer contribution rate established for each employer may include the cost to administer  
113 any defined contribution plan administered by the Virginia Retirement System and available to the  
114 employer. The portion of such contribution designated to cover administrative costs of the defined  
115 contribution plans shall not be deposited into the trust fund established for the defined benefit plans but  
116 shall be separately accounted for and used solely to defray the administrative costs associated with the  
117 various defined contributions plans. This provision shall supplement the authority of the Board under  
118 §§ 51.1-124.22 and 51.1-602 to charge and collect administrative fees to employers whose employees  
119 have available the various defined contribution plans administered by the Virginia Retirement System.

120 N. Notwithstanding the foregoing, the total employer contribution for each employer authorized to

121 participate in the hybrid retirement program described in § 51.1-169 for any period, expressed as a  
122 percentage of the employer's payroll for such period, shall be established as the contribution rate payable  
123 by such employer with respect to its employees enrolled in the defined benefit plan established under  
124 this chapter. The employer's contribution shall be first applied to the defined contribution component of  
125 the hybrid retirement program described in § 51.1-169, and the remainder shall be deposited in the  
126 employer's retirement allowance account. Institutions of higher education shall also pay contributions to  
127 the employer's retirement allowance account in amounts representing the difference between the  
128 contribution rate payable with respect to employees enrolled in the defined benefit plan under this  
129 chapter and the employer contributions paid to any optional retirement plan it offers on behalf of any of  
130 its nonfaculty Covered Employees, as described in Article 6 (§ 23-38.114 et seq.) of Chapter 4.10 of  
131 Title 23. The employer contribution rate established for each employer may include the annual rate of  
132 contribution payable by such employer with respect to employees enrolled in the optional defined  
133 contribution retirement plans established under §§ 51.1-126, 51.1-126.1, 51.1-126.3, and 51.1-126.4.