

## VIRGINIA ACTS OF ASSEMBLY — CHAPTER

*An Act to amend and reenact § 51.1-145 of the Code of Virginia, relating to Virginia Retirement System; employer contributions.*

[S 70]

Approved

**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. The total annual *defined benefit* 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 *for the defined benefit plans, including the defined benefit component of the hybrid retirement program under § 51.1-169*, an amount equal to the sum of the normal contribution, any accrued liability contribution, and any supplementary contribution, *as well as amounts required for the defined contribution component of the hybrid retirement program under § 51.1-169*. The *defined benefit* contribution rates for each employer shall be determined ~~after each valuation~~ *biennially* and shall remain in effect until a new *biennial* valuation is made. All *defined benefit* contribution rates shall be computed in accordance with recognized actuarial principles on the basis of methods and assumptions approved by the Board *and as described in the Retirement System funding policy*.

B. The normal employer *defined benefit* 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 *defined benefit* 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~~ *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 *defined benefit* 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 *defined benefit* 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 *determined by the Board consistent with recognized actuarial principles and the Retirement System funding policy* will be sufficient to amortize the unfunded accrued liability with respect to the employer.

F. The unfunded *defined benefit* accrued liability with respect to any employer as of any valuation date shall be determined as the excess of *the actuarial accrued liability over the sum of assets of the Retirement System as of the valuation date, as follows*: (i) the then present value of the benefits to be provided under the ~~retirement system~~ *Retirement System* in the future to members and former members over (ii) the sum of the assets of the ~~retirement system~~ *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 *defined benefit* 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 *defined benefit* contribution rate and any changes in the rate. *The Board shall also provide the applicable estimated defined contribution amounts to each employer.*

J. The *defined benefit* 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 allowance account of the employer, are insufficient to provide the benefits payable during

the year.

K. The appropriation bill ~~which~~ *that* is submitted to the General Assembly by the Governor prior to each regular session that begins in an even-numbered year shall include the *defined benefit employer* contributions ~~which~~ *that* will become due and payable to the retirement allowance account from the state treasury during the following biennium, *an estimate of all state employer defined contribution amounts required by § 51.1-169, and amounts for contributions to applicable ancillary benefits as otherwise required by this title.* The amount of the *defined benefit* contributions shall be based on the contribution rates certified by the Board pursuant to subsection I ~~of this section~~ that are applicable to the Commonwealth as an employer and the anticipated compensation during the biennium of the members of the ~~retirement system~~ *Retirement System* on behalf of whom the Commonwealth is the employer.

~~K1.~~ L. The General Assembly shall set *defined benefit* contribution rates that are at least equal to the following percentage of the contribution rates certified by the Board pursuant to subsection I:

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

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

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

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

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

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

~~M.~~ N. The ~~employer~~ *defined benefit* contribution rate established for each employer may include the cost to administer any defined contribution plan administered by the ~~Virginia~~ Retirement System and available to the employer. The portion of such contribution designated to cover administrative costs of the defined contribution plans shall not be deposited into the trust fund established for the defined benefit plans but shall be separately accounted for and used solely to defray the administrative costs associated with the various defined ~~contributions~~ *contribution* plans. This provision shall supplement the

119 authority of the Board under §§ 51.1-124.22 and 51.1-602 to charge and collect administrative fees to  
120 employers whose employees have available the various defined contribution plans administered by the  
121 Virginia Retirement System.

122 N. Notwithstanding the foregoing, the total employer contribution for each employer authorized to  
123 participate in the hybrid retirement program described in § 51.1-169 for any period, expressed as a  
124 percentage of the employer's payroll for such period, shall be established as the contribution rate payable  
125 by such employer with respect to its employees enrolled in the defined benefit plan established under  
126 this chapter. The employer's contribution shall be first applied to the defined contribution component of  
127 the hybrid retirement program described in § 51.1-169, and the remainder shall be deposited in the  
128 employer's retirement allowance account.

129 O. Institutions of higher education shall also pay contributions to the employer's retirement allowance  
130 account in amounts representing the difference between the contribution rate payable with respect to  
131 employees enrolled in the defined benefit plan under this chapter and the employer contributions paid to  
132 any optional retirement plan it offers on behalf of any of its nonfaculty Covered Employees, as  
133 described in §§ 23.1-1020 through 23.1-1026. The employer contribution rate established for each  
134 employer may include the annual rate of contribution payable by such employer with respect to  
135 employees enrolled in the optional defined contribution retirement plans established under §§ 51.1-126,  
136 51.1-126.1, 51.1-126.3, and 51.1-126.4.

137 P. Employer contributions may be returned to the employer only as determined in accordance  
138 with § 401(a) of the Internal Revenue Code, as amended or renumbered, and the regulations thereunder  
139 applicable to governmental plans.

140 Q. Additionally, employers shall pay contributions as determined by the Retirement System for  
141 applicable ancillary benefits as otherwise required by this title.

142 2. That the provisions of the first enactment of this act shall become effective on July 1, 2024.

143 3. That, notwithstanding the provisions of the second enactment of this act, beginning July 1, 2022,  
144 the Virginia Retirement System is authorized to communicate the forthcoming changes, update  
145 data systems, and train Virginia Retirement System employers to ensure a coordinated and  
146 seamless transition upon implementation of the provisions of the first enactment of this act and to  
147 develop procedures for the separation of defined benefit and defined contribution amounts prior to  
148 the implementation of the provisions of the first enactment of this act.