

LD8807288

## HOUSE BILL NO. 503

Offered January 24, 1994

A *BILL to amend and reenact § 51.1-145 of the Code of Virginia, relating to prefunding of post-retirement benefits provided by the Virginia Retirement System.*

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Patron—Heilig

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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. 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.

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. *Beginning in the 1996-98 biennium, 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, including post-retirement supplements provided under § 51.1-166, 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 forty 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. 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 allowance account of the employer, are insufficient to provide the benefits payable during the year.

K. The appropriation bill which is submitted to the General Assembly by the Governor prior to each regular session that begins in an even-numbered year shall include the contributions which will become due and payable to the retirement allowance account from the state treasury during the following biennium. The amount of the contributions shall be based on the contribution rates certified by the

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60 Board pursuant to subsection I of this section that are applicable to the Commonwealth as an employer  
61 and the anticipated compensation during the biennium of the members of the retirement system on  
62 behalf of whom the Commonwealth is the employer.

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