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HOUSE BILL NO. 1406

Offered January 22, 1996

A *BILL to amend and reenact §§ 51.1-145 and 51.1-166 of the Code of Virginia, relating to the Virginia Retirement System; post-retirement supplements.*

Patrons—Putney and Heilig

Referred to Committee on Appropriations

Be it enacted by the General Assembly of Virginia:**1. That §§ 51.1-145 and 51.1-166 of the Code of Virginia are 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.

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~~ *Until June 30, 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. *Beginning July 1, 1997, the supplementary contribution rate for any employer shall be determined as provided in § 51.1-166.*

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 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 on

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60 behalf of whom the Commonwealth is the employer.

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

82 § 51.1-166. Post-retirement supplements generally.

83 A. In addition to the allowances payable under this chapter, post-retirement supplements shall be
84 payable to the recipients of such allowances. Supplements shall be subject to the same conditions of
85 payment as are allowances.

86 B. The amounts of the post-retirement supplements shall be determined as percentages of the
87 allowances supplemented hereby. The percentages shall be determined annually by reference to the
88 increase in the United States Average Consumer Price Index for all items, all urban consumers (CPI-U),
89 as published by the Bureau of Labor Statistics of the United States Department of Labor. The
90 percentages shall be based on monthly averages and shall be the difference between the average for the
91 calendar year in which the allowance initially commenced and the average for the calendar year
92 immediately prior to the calendar year in which the post-retirement supplement is paid. The annual
93 increase in the Consumer Price Index shall be considered only to the extent of three percent plus
94 one-half of such additional increase up to seven percent.

95 *Beginning July 1, 1997, supplementary contribution rates calculated pursuant to § 51.1-145 for all*
96 *employers shall include an amount not less than twenty percent of the total annual amount necessary to*
97 *fund all post-retirement supplements. Supplementary contribution rates for all employers shall increase*
98 *thereafter until, beginning July 1, 2002, such rates shall include an amount equal to 100 percent of the*
99 *total annual amount necessary to fund all post-retirement supplements. All supplementary contribution*
100 *rates shall be computed in accordance with recognized actuarial principles, over a period of forty years,*
101 *on the basis of methods and assumptions approved by the Board.*

102 *Nothing in this section shall prohibit an employer from contributing, prior to July 1, 2002, 100*
103 *percent of the total annual amount necessary to fund its post-retirement supplements.*

104 C. There shall be no change in the amount of any post-retirement supplement between determination
105 dates except as necessary to reflect changes in the amount of the allowance being supplemented. The
106 post-retirement supplement shall remain a constant percentage of the respective allowance being
107 supplemented. No new post-retirement supplement shall be commenced except as of a determination
108 date. The post-retirement supplement determined as of any determination dates shall become effective at
109 the beginning of the fiscal year and shall be in lieu of any post-retirement supplements previously
110 payable, which shall thereupon be terminated.

111 D. Any recipient of an allowance which initially commenced on or prior to January 1, 1990, shall be
112 entitled to post-retirement supplements effective July 1, 1991.