

City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 6, 2013

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: RASHAD M. YOUNG, CITY MANAGER

SUBJECT: Consideration of a Resolution Establishing the City's FY 2014 Virginia Retirement System Contribution Rates

ISSUE: Consideration of a resolution to increase the employee contribution (and offsetting salary increases) by one percentage point for Plan 1 members.

RECOMMENDATION: That City Council approve the attached resolution (Attachment I).

DISCUSSION: As has been discussed in previous City Council meetings and budget sessions, the 2012 Appropriation Act mandated that localities' governing bodies begin requiring VRS employees to contribute a portion of their salaries toward their VRS benefits. For the employee or member contribution, the legislation required:

1. That all employees hired on or after July 1, 2012, begin immediately paying the five percent member contribution;
2. That City Council opt between requiring current employees, those hired before July 1, 2012, to pay the five percent contribution immediately and allowing the five percent member contribution to be phased in for current employees over the next five years; and
3. That the increased contribution for current employees be offset by an equivalent increase in salary.

Last year, City Council opted to phase in the mandated employee contributions at a rate of one percent per year. Plan 1 employees must now pay an additional one percent beginning on July 1, 2013, for a total employee contribution of two percent. Plan 2 employees and all employees hired on or after July 1, 2012, will continue to pay five percent. VRS requires City Council to formally approve the additional one percent. The resolutions attached are in accordance with the directions provided by the Virginia Retirement System.

FISCAL IMPACT: The FY 2014 Approved Budget includes the salary increase for current employees, which is offset by the increased member contributions for current employees and will be cost neutral to that extent. However, the increase in employee compensation will lead to the

City paying higher Social Security, FICA, and unemployment taxes and employees paying higher Social Security and FICA taxes at a cost of \$0.6 million in FY 2014.

ATTACHMENT: ATTACHMENT I: Employee Contribution Rate Resolution

STAFF:

Laura Triggs, Chief Financial Officer

Nelsie Smith, Director, OMB

Steven Bland, Retirement Administrator

Christina Zechman-Brown, Assistant City Attorney