



Legislation Text

File #: 14-5339, Version: 1

City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 18, 2016

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: MARK B. JINKS, CITY MANAGER /s/

DOCKET TITLE:

Consideration of a Resolution Establishing the City's FY 2017 Virginia Retirement System Contribution Rates.
[ROLL-CALL VOTE]

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 1) increasing the employee Virginia Retirement System (VRS) contribution rate for applicable General Schedule, Sheriff, and Fire Marshal/Medic salary scale employees from 4% to 5% for FY 2017.

DISCUSSION: As has been discussed in previous City Council meetings and budget work sessions, the Commonwealth of Virginia's 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 2012 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.

In 2012, City Council opted to phase in the mandated employee contributions at a rate of one percent per year

starting in FY 2013. VRS Plan 1 employees who now pay four percent will just pay an additional one percent beginning on July 1, 2016, for a total employee contribution to VRS of five percent. VRS 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 attached resolution is in accordance with the directions provided by the Virginia Retirement System.

FISCAL IMPACT: The FY 2017 Approved Budget includes the 1% salary increase for current employees on the General Schedule, Sheriff and Fire Marshal/Medic pay schedules, which is offset by the increased member contributions for current employees and will be cost neutral for salaries. 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 approximately \$0.6 million in FY 2017. The salary increase amount of \$1.2 million (which applies to all employees who are in VRS regardless of their hire date) plus \$0.3 million in additional salary-driven benefit costs totals \$1.5 million in additional costs. These costs have been included in the FY 2017 Approved Budget and have been partially offset by savings of \$0.9 million in the VRS employer contribution, which drops by the 1% that is being shifted to employees as mandated by the 2012 Virginia State law change.

As Police and Fire uniformed employees are not in VRS (but a City-managed retirement system) this added 1% salary and 1% added VRS contribution does not apply to those two public safety employee classes.

ATTACHMENT: Employee Contribution Rate Resolution

STAFF:

Laura Triggs, Deputy City Manager
Kendel Taylor, Director, Finance Department
Morgan Routt, Director, OMB
Kadira Coley, Retirement Administrator
Christina Zechman-Brown, Assistant City Attorney