

§ 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 biennially after each valuation 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 VRS funding policy.

**Commented [A1]:** The purpose of these amendments is to remove the language that requires DB and DC contributions to be blended (see N below), add references to DB and DC contributions, clarify that DC contributions are required by § 51.1-169, and in general try to clarify the section.

**Commented [A2]:** Distinguish between DB and DC contributions throughout and refer back to 51.1-169.

**Commented [A3]:** The VRS funding policy has been adjusted to be consistent with GASB and other regulatory provisions.

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 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 VRS funding policy will be sufficient to amortize the unfunded accrued liability with respect to the employer.

**Commented [A4]:** Remove reference to 40-year amortization and refer instead to the funding policy in lieu of a specific number of years.

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 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 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.

**Commented [A5]:** Clarifying that the Board only certifies the DB rates; the DC contributions are statutory.

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 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 that which 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, including but not limited to, those under chapters 5, 11, and 14. 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 on behalf of whom the Commonwealth is the employer.

**Commented [A6]:** Amended to clarify that the AA should include not only DB amounts for state employers, but also an estimate of the DC amounts. The DC estimates can be provided separately to DPB.

**Commented [A7]:** This section does not include any references to ancillary benefit contributions, although most of the ancillary benefit Code sections refer back to this section—example 51.1-1400 (D)(state HIC) refers to the employer contribution rate pursuant to 51.1-145, but 51.1-145 doesn't currently mention any ancillary benefits.

K1. 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. 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 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.

Commented [A8]: Technical correction

M. The ~~defined benefit~~ employer 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 plans. This provision shall supplement the authority of the Board under §§ [51.1-124.22](#) and [51.1-602](#) to charge and collect administrative fees to employers whose employees have available the various defined contribution plans administered by the Virginia Retirement System.

Commented [A9]: Technical correction

~~N. Notwithstanding the foregoing, the total employer contribution for each employer authorized to participate in the hybrid retirement program described in § [51.1-169](#) for any period, expressed as a percentage of the employer's payroll for such period, shall be established as the contribution rate payable by such employer with respect to its employees enrolled in the defined benefit plan established under this chapter. The employer's contribution shall be first applied to the defined contribution component of the hybrid retirement program described in § [51.1-169](#), and the~~

Commented [A10]: Deleting first two sentences from 2012 that created the blended contribution rates.

~~remainder shall be deposited in the employer's retirement allowance account.~~ Institutions of higher education shall also pay contributions to the employer's retirement allowance account in amounts representing the difference between the contribution rate payable with respect to employees enrolled in the defined benefit plan under this chapter and the employer contributions paid to any optional retirement plan it offers on behalf of any of its nonfaculty Covered Employees, as described in §§ [23.1-1020](#) through [23.1-1026](#). The employer contribution rate established for each employer may include the annual rate of contribution payable by such employer with respect to employees enrolled in the optional defined contribution retirement plans established under §§ [51.1-126](#), [51.1-126.1](#), [51.1-126.3](#), and [51.1-126.4](#).

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

P. In addition, employers will pay contributions as determined by VRS for applicable ancillary benefits, including, but not limited to, those under chapters 5, 11, 11.1, and 14.

2. That the provisions of this act shall take effect on July 1, 2024.

3. That, notwithstanding the provisions of the second enactment of this act, beginning July 1, 2022, the Virginia Retirement System is authorized to communicate the changes, update data systems, and train VRS employers to ensure a coordinated and seamless transition pursuant to the provisions of this act, and to develop procedures for the separation of defined benefit and defined contribution amounts prior to the full implementation of the provisions of this act on July 1, 2024.

**Commented [A11]:** Some of the OPEB sections refer back to 145 (i.e., employers shall pay contributions pursuant to 51.1-145) so this section was added

**Commented [A12]:** The intent here is to have the legislation enacted so we have authorization to move forward with the programming and communications, but not to have the changes implemented until July 1, 2024 to coincide with the new contribution rates, to give us time to communicate with employers and to give employers time to change their payroll systems.