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SENATE BILL NO. 70

Offered January 12, 2022

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A *BILL to amend and reenact § 51.1-145 of the Code of Virginia, relating to Virginia Retirement System; employer contributions.*

Patron—Newman

Referred to Committee on Finance and 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 *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 ~~after each valuation~~ *biennially* 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 Retirement System funding policy*.

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~~ *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 Retirement System funding policy* will be sufficient to amortize the unfunded accrued liability with respect to the employer.

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~~ *Retirement System* in the future to members and former members over (ii) the sum of the assets of the ~~retirement system~~ *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.*

J. The *defined benefit* employer contribution for the year shall be increased to the extent necessary to

59 overcome any insufficiency if the contributions for any employer, when combined with the amount of
60 the retirement allowance account of the employer, are insufficient to provide the benefits payable during
61 the year.

62 K. The appropriation bill ~~which~~ *that* is submitted to the General Assembly by the Governor prior to
63 each regular session that begins in an even-numbered year shall include the *defined benefit employer*
64 contributions ~~which~~ *that* will become due and payable to the retirement allowance account from the state
65 treasury during the following biennium, *an estimate of all state employer defined contribution amounts*
66 *required by § 51.1-169, and amounts for contributions to applicable ancillary benefits as otherwise*
67 *required by this title.* The amount of the *defined benefit* contributions shall be based on the contribution
68 rates certified by the Board pursuant to subsection I of ~~this section~~ that are applicable to the
69 Commonwealth as an employer and the anticipated compensation during the biennium of the members
70 of the ~~retirement system~~ *Retirement System* on behalf of whom the Commonwealth is the employer.

71 ~~K1.~~ L. The General Assembly shall set *defined benefit* contribution rates that are at least equal to the
72 following percentage of the contribution rates certified by the Board pursuant to subsection I:

73 1. For members who are state employees as defined in § 51.1-124.3 and who are participating in a
74 retirement plan established pursuant to Chapter 1 (§ 51.1-124.1 et seq.), (i) 67.02 percent for fiscal years
75 beginning July 1, 2012, and July 1, 2013, (ii) 78.02 percent for fiscal years beginning July 1, 2014, and
76 July 1, 2015, (iii) 89.01 percent for fiscal years beginning July 1, 2016, and July 1, 2017, and (iv) 100
77 percent for fiscal years beginning on or after July 1, 2018;

78 2. For members who are teachers as defined in § 51.1-124.3 and who are participating in a retirement
79 plan established pursuant to Chapter 1 (§ 51.1-124.1 et seq.), (i) 69.53 percent for fiscal years
80 beginning July 1, 2012, and July 1, 2013, (ii) 79.69 percent for fiscal years beginning July 1, 2014, and
81 July 1, 2015, (iii) 89.84 percent for fiscal years beginning July 1, 2016, and July 1, 2017, and (iv) 100
82 percent for fiscal years beginning on or after July 1, 2018;

83 3. For members participating in a retirement plan established pursuant to Chapter 2 (§ 51.1-200 et
84 seq.), (i) 75.84 percent for fiscal years beginning July 1, 2012, and July 1, 2013, (ii) 83.90 percent for
85 fiscal years beginning July 1, 2014, and July 1, 2015, (iii) 91.95 percent for fiscal years beginning July
86 1, 2016, and July 1, 2017, and (iv) 100 percent for fiscal years beginning on or after July 1, 2018;

87 4. For members participating in a retirement plan established pursuant to Chapter 2.1 (§ 51.1-211 et
88 seq.), (i) 75.82 percent for fiscal years beginning July 1, 2012, and July 1, 2013, (ii) 83.88 percent for
89 fiscal years beginning July 1, 2014, and July 1, 2015, (iii) 91.94 percent for fiscal years beginning July
90 1, 2016, and July 1, 2017, and (iv) 100 percent for fiscal years beginning on or after July 1, 2018; and

91 5. For members participating in a retirement plan established pursuant to Chapter 3 (§ 51.1-300 et
92 seq.), (i) 83.98 percent for fiscal years beginning July 1, 2012, and July 1, 2013, (ii) 89.32 percent for
93 fiscal years beginning July 1, 2014, and July 1, 2015, (iii) 94.66 percent for fiscal years beginning July
94 1, 2016, and July 1, 2017, and (iv) 100 percent for fiscal years beginning on or after July 1, 2018.

95 ~~L.~~ M. In the case of all teachers whose compensation is paid exclusively out of funds derived from
96 local revenues and appropriations from the general fund of the state treasury, the Commonwealth shall
97 contribute to the extent specified in the ~~appropriations~~ *appropriation* act. In the case of any teacher
98 whose compensation is paid out of funds derived in whole or in part from any special fund or from a
99 contributor other than the Commonwealth or a political subdivision thereof, contributions shall be paid
100 out of the special fund or by the other contributor in proportion to that part of the compensation derived
101 therefrom. In the case of all state employees whose compensation is paid exclusively by the
102 Commonwealth out of the general fund of the state treasury, the Commonwealth shall be the sole
103 contributor, and all contributions shall be paid out of the general fund. In the case of a state employee
104 whose compensation is paid in whole or in part out of any special fund or by any contributor other than
105 the Commonwealth, contributions on behalf of the employee shall be paid out of the special fund or by
106 the other contributor in proportion to that part of the employee's compensation derived therefrom. The
107 governing body of each political subdivision is hereby authorized to make appropriations from the funds
108 of the political subdivision necessary to pay its proportionate share of contributions on behalf of every
109 state employee whose compensation is paid in part by the political subdivision. In the case of each
110 person who has elected to remain a member of a local ~~retirement system~~ *Retirement System*, the
111 Commonwealth shall reimburse the local employer an amount equal to the product of the compensation
112 of the person and the employer contribution rate as used to determine the employer contribution for state
113 employees under this section. Each employer shall keep such records and periodically furnish such
114 information as the Board may require and shall inform new employees of their duties and obligations in
115 connection with the ~~retirement system~~ *Retirement System*.

116 M. N. The ~~employer~~ *defined benefit* contribution rate established for each employer may include the
117 cost to administer any defined contribution plan administered by the ~~Virginia~~ Retirement System and
118 available to the employer. The portion of such contribution designated to cover administrative costs of
119 the defined contribution plans shall not be deposited into the trust fund established for the defined
120 benefit plans but shall be separately accounted for and used solely to defray the administrative costs

121 associated with the various defined ~~contributions~~ *contribution* plans. This provision shall supplement the
122 authority of the Board under §§ 51.1-124.22 and 51.1-602 to charge and collect administrative fees to
123 employers whose employees have available the various defined contribution plans administered by the
124 Virginia Retirement System.

125 N. Notwithstanding the foregoing, the total employer contribution for each employer authorized to
126 participate in the hybrid retirement program described in ~~§ 51.1-169~~ for any period, expressed as a
127 percentage of the employer's payroll for such period, shall be established as the contribution rate payable
128 by such employer with respect to its employees enrolled in the defined benefit plan established under
129 this chapter. The employer's contribution shall be first applied to the defined contribution component of
130 the hybrid retirement program described in ~~§ 51.1-169~~, and the remainder shall be deposited in the
131 employer's retirement allowance account.

132 O. Institutions of higher education shall also pay contributions to the employer's retirement allowance
133 account in amounts representing the difference between the contribution rate payable with respect to
134 employees enrolled in the defined benefit plan under this chapter and the employer contributions paid to
135 any optional retirement plan it offers on behalf of any of its nonfaculty Covered Employees, as
136 described in §§ 23.1-1020 through 23.1-1026. The employer contribution rate established for each
137 employer may include the annual rate of contribution payable by such employer with respect to
138 employees enrolled in the optional defined contribution retirement plans established under §§ 51.1-126,
139 51.1-126.1, 51.1-126.3, and 51.1-126.4.

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

143 Q. *Additionally, employers shall pay contributions as determined by the Retirement System for
144 applicable ancillary benefits as otherwise required by this title.*

145 **2. That the provisions of the first enactment of this act shall become effective on July 1, 2024.**

146 **3. That, notwithstanding the provisions of the second enactment of this act, beginning July 1, 2022,**
147 **the Virginia Retirement System is authorized to communicate the forthcoming changes, update**
148 **data systems, and train Virginia Retirement System employers to ensure a coordinated and**
149 **seamless transition upon implementation of the provisions of the first enactment of this act and to**
150 **develop procedures for the separation of defined benefit and defined contribution amounts prior to**
151 **the implementation of the provisions of the first enactment of this act.**