



AGENDA ITEM FORM

TYPE OF AGENDA ITEM:

- CONSENT AGENDA
- PRESENTATION
- ACTION ITEM
- TOWN MANAGER & STAFF COMMENTS
- PUBLIC HEARING
 - Duly Advertised

PURPOSE OF ITEM:

- INFORMATION ONLY
- DISCUSSION ONLY
- DISCUSSION AND/OR DECISION
 - Introduction Resolution
 - Ordinance Grant/MOU
 - By Motion Bylaws
 - Certificate

PRESENTER: Dan Taber

PRESENTER TITLE: Town Manager

AGENDA ITEM:

Authorize the Mayor to sign a Letter to Governor McDonnell asking that Amendments be Considered to Senate Bill 497 Dealing with Contributions to the Virginia Retirement System

BACKGROUND / SUMMARY:

During the 2012 Session, the General Assembly passed legislation (Senate Bill 497) requiring the employee to pay the five percent contribution to the Virginia Retirement System and the locality in turn is to increase the employee's salary by the same. This is essentially an unfunded mandate that will result in additional costs to the Town.

ATTACHMENTS:

Letter to Governor McDonnell
Senate Bill 497

REQUESTED ACTION:

NO ACTION REQUESTED

Authorize the Mayor to sign the Letter

FOR MORE INFORMATION, CONTACT:

Name: Dan Taber

Phone#: 703-221-3400

E-mail: dtaber@dumfriesva.gov

FOR USE DURING MEETING

VOTE:

PASSED

NOT PASSED

Y	N	
<input type="checkbox"/>	<input type="checkbox"/>	Barr
<input type="checkbox"/>	<input type="checkbox"/>	Jurgensen
<input type="checkbox"/>	<input type="checkbox"/>	West

Y	N	
<input type="checkbox"/>	<input type="checkbox"/>	Foreman
<input type="checkbox"/>	<input type="checkbox"/>	Toney

Y	N	
<input type="checkbox"/>	<input type="checkbox"/>	Forrester
<input type="checkbox"/>	<input type="checkbox"/>	Washington



DUMFRIES, VIRGINIA

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Dumfries, Virginia 22026-2386
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www.dumfriesva.gov

April 3, 2012

The Honorable Robert McDonnell
Office of the Governor
Patrick Henry Building, Third Floor
1111 East Broad Street
Richmond, Virginia 23219

Dear Governor McDonnell:

On behalf of the Town of Dumfries, I am writing to you regarding the legislation passed by the Virginia General Assembly requiring Dumfries and other local governments in the Virginia Retirement System to raise their employees' salaries by five percent and then in turn require our employees to contribute five percent into the VRS system.

We do not support this requirement and strongly voice our opposition to this new, unfunded mandate. The Town of Dumfries saw hope in your outreach to governments in Virginia at the beginning of this legislative session, when you asked us to present to you our list of current unfunded mandates. We believe that the requirements of SB 497 increases, not decreases, our burden of unfunded mandates.

Senate Bill 497 would result in a significant financial impact to the Town of Dumfries and with no input from us and other jurisdictions that would be affected. It also arrives very late in our budgetary process, as our budget for the 2013 fiscal year is mostly set.

This legislation was erroneously deemed cost neutral. The General Assembly overlooked the costs that the Town of Dumfries bears each time our wages increase. Our workers compensation rates are based on a percentage of payroll. By mandating that we increase our employees' wages by five percent, the General Assembly has also raised our workers compensation premium costs.

The Town's overtime costs will also increase as our baseline salaries will be increasing by five percent. Overtime is at one and one-half time the regular rate and we do not have the luxury of scheduling or limiting overtime hours. Our public safety responsibilities in police and public works require that we respond to events for as long as necessary to insure that our community and its residents are safe.

There have been indications that your office will propose an amendment to allow the change to be phased-in over five years. On behalf of the Town of Dumfries, we respectfully request that you consider these additional amendments:

- Place a reenactment clause on the bill so that the entire bill can be reconsidered in the 2013 session. This would allow a more judicious approach to this complicated issue and allow jurisdictions the opportunities to educate their legislators on the effects of this legislation.
- Should a reenactment clause not be included as an amendment, that you submit an amendment to make optional the requirement that employees of political subdivisions pay the five percent member contribution in return for the five percent salary increase. Without an overriding state purpose, the governing bodies of the political subdivisions should be making this decision.

The Town of Dumfries stands with the Virginia Municipal League, the Virginia Association of Counties, the Virginia Associations of School Superintendents, and the Virginia School Board Association in respectfully requesting that you give every consideration to these changes.

Most sincerely,

Nancy West
Mayor

CC: Town Council
Town Manager
Town Attorney
Town Clerk

VIRGINIA ACTS OF ASSEMBLY — CHAPTER

An Act to amend and reenact § 51.1-144 of the Code of Virginia, relating to Virginia Retirement System employee contributions; local employees; school board employees.

[S 497]

Approved

Be it enacted by the General Assembly of Virginia:

1. That § 51.1-144 of the Code of Virginia is amended and reenacted as follows:

§ 51.1-144. Member contributions.

A. Each member shall contribute five percent of his creditable compensation for each pay period for which he receives compensation.

The employer shall deduct the contribution payable by the member. Every employee accepting employment shall be deemed to consent and agree to any deductions from his compensation required by this chapter. No deduction shall be taken from the compensation of a member after his normal retirement date if the member elects not to contribute.

B. In determining the creditable compensation of a member in a payroll period, the Board may consider the rate of compensation payable to the member on the date of entry or removal of his name from the payroll as having been received throughout the month if service for the month is creditable. If service for the month is not creditable, the Board may consider any compensation payable during the month as not being creditable compensation.

C. The minimum compensation provided by law for any member shall be reduced by the deduction required by this section. Except for any benefits provided by this chapter, payment of compensation minus the deductions shall be a full and complete discharge of all claims for services rendered by the member during the period covered by the payment.

D. No deduction shall be made from any member's compensation if the employer's contribution is in default.

E. The Board may modify the method of collecting the contributions of members so that the employer may retain the amounts deducted from members' salaries and have a corresponding amount deducted from state funds otherwise payable to the employer.

F. 1. Except as provided in subdivisions 2, 3, and 4, any employer may elect to pay an equivalent amount in lieu of all member contributions required of its employees. Such payments shall be credited to the members' contribution account. These contributions shall not be considered wages for purposes of Chapter 7 (§ 51.1-700 et seq.) of this title, nor shall they be considered to be salary for purposes of this chapter.

2. A person who becomes a member on or after July 1, 2010, shall be required to pay member contributions on a salary reduction basis in accordance with § 414(h) of the Internal Revenue Code in the amount of five percent of creditable compensation if the person is (i) a member covered by the defined benefit plan established under this chapter, (ii) a member of the State Police Officers' Retirement System under Chapter 2 (§ 51.1-200 et seq.), (iii) a member of the Virginia Law Officers' Retirement System under Chapter 2.1 (§ 51.1-211 et seq.), (iv) a member of the Judicial Retirement System under Chapter 3 (§ 51.1-300 et seq.), or (v) earning the benefits permitted by § 51.1-138.

Each county, city, town, local public school board, or other local employer may elect to pay an equivalent amount in lieu of the member contributions required of its employees described in this subdivision. The county, city, town, local public school board, or other local employer may pay, in whole percentages, up to five percent of the creditable compensation otherwise required of such employees, provided that the employer pays the same percentage of creditable compensation for all such employees, and is paying all member contributions required under this section for all of its other member employees not described in this subdivision. Any portion of the five percent of creditable compensation required of a person who becomes a member on or after July 1, 2010, that is not paid by the county, city, town, local public school board, or other local employer, shall be paid by such person.

No employer other than a county, city, town, local public school board, or other local employer shall be allowed to elect to pay any amount of the member contributions required of a person who becomes a member on or after July 1, 2010.

3. A person who became a member before July 1, 2010, who is an employee of a county, city, town, or other local employer other than a local public school board shall be required to pay member contributions on a salary reduction basis in accordance with § 414(h) of the Internal Revenue Code in the amount of five percent of creditable compensation. No county, city, town, or other local employer

57 shall be allowed to elect to pay any amount of member contributions required pursuant to this
58 subdivision.

59 4. A member who is an employee of a local public school board, regardless of whether the member
60 is a person who became a member on or after July 1, 2010, shall be required to pay member
61 contributions on a salary reduction basis in accordance with § 414(h) of the Internal Revenue Code in
62 the amount of five percent of creditable compensation as follows: (i) any member who commences or
63 recommences employment on or after July 1, 2012, shall be required to contribute five percent of his
64 creditable compensation upon commencing or recommencing employment and (ii) members in service on
65 June 30, 2012, shall be required to contribute five percent of their creditable compensation no later
66 than July 1, 2016. Such member described in subdivision (ii) shall contribute a minimum of an
67 additional one percent of his creditable compensation beginning on each July 1 of 2012, 2013, 2014,
68 2015, and 2016, or until the member's contribution equals five percent of creditable compensation, but
69 the local public school board employer may elect to require members to contribute more than an
70 additional one percent each year, in whole percentages. In no case shall a member be required to
71 contribute more than five percent of his creditable compensation for each pay period for which he
72 receives compensation. No local public school board employer shall be allowed to elect to pay any
73 amount of member contributions except to pay the difference between five percent and the employee
74 contribution during the phase-in period described in this subsection for a member who was in service
75 on June 30, 2012.

76 3. 5. Notwithstanding any other provision of this section or other law, only those employers who
77 were paying member contributions as of February 1, 2010, may pay member contributions. The
78 provisions of this subdivision shall not apply to a county, city, town, local public school board, or other
79 local employer.

80 G. Subject to the provisions of subsection F, any employer whose employees are paying member
81 contributions to the retirement system on a salary reduction basis in accordance with ~~§ 414(h)~~ of the
82 Internal Revenue Code may phase in the payment of the member contributions on behalf of its
83 employees upon notification to the Board of the employer's intent to make such payments. The Board
84 shall approve the period of time by which the phase-in shall be completed not to exceed six years from
85 the commencement of the phased-in payments.

86 H. Any employer that, by resolution of its governing body, elects to provide retirement coverage for
87 its employees in accordance with ~~§ 51.1-130~~ on or after September 1, 1998, shall allow its employees to
88 pay member contributions to the retirement system on a salary reduction basis in accordance with §
89 414(h) of the Internal Revenue Code in lieu of paying the member contribution on behalf of its
90 employees in accordance with the provisions of subsection F.

91 I. The Board may develop procedures to effect the transfer of member contributions paid by
92 employers on or after July 1, 1980, and accrued interest on those contributions, to the member
93 contribution account of the member, if such contributions have been previously deposited into the
94 retirement allowance account of the employer.

95 2. That any county, city, town, local public school board, or other local employer that currently
96 pays member contributions to the Virginia Retirement System that the member will be responsible
97 for paying pursuant to the provisions of this act shall provide an increase in total creditable
98 compensation, effective July 1, 2012, to each affected member to offset the cost of the member
99 contributions. Such increase in total creditable compensation shall be equal to the difference
100 between five percent of an employee's total creditable compensation and the percentage of the
101 member contribution paid by the local member on January 1, 2012. If a local public school board
102 elects to phase in the member contributions pursuant to subdivision F 4 of § 51.1-144 of the Code
103 of Virginia, the increase in total creditable compensation may also be phased in at the same rate.