

## 10. VIRGINIA RETIREMENT SYSTEM CERTIFICATION OF MEMBER CONTRIBUTION RATE

Language in the 2013 Appropriations Act now allows localities to make an election regarding their employer contribution rate every biennium. Accordingly, the Board may elect to pay:

- **14.35%** - the rate certified by the VRS Board of Trustees for FY 2015 and 2016;  
or
- **11.48%** - the alternate rate, which is 80% of the VRS Board certified rate.

The intent of the language in the 2013 Appropriations Act was to offer localities some budget relief with respect to their retirement contributions. However, despite the option, the County's overall obligation to adequately fund its pension benefits does not change. Choosing the alternate rate will result in:

- 1) Reduced contributions and investment earnings, meaning fewer assets available for payment of retirement benefits;
- 2) A lower funded ratio when the next actuarial evaluation is completed, equating to a higher calculated rate at that time; and
- 3) A requirement that the potential short-term savings be reflected as a Net Pension Obligation (NPO) in your Comprehensive Annual Financial Report (CAFR).

With an annual payroll of approximately \$5.6 million, the potential short term savings achieved through an alternate rate are approximately \$320,000 over the next 2 years. But please keep in mind that it's the classic case of, "Pay me now or pay me later." And pay me later always costs more.

The FY 2015 annual budget includes sufficient funding for the certified rate of 14.35%.

**MOTION REQUIRED:** A motion is required to adopt the attached resolution certifying the Board's election to pay the certified rate of 14.35%.

Employer Contribution Rates for Counties, Cities,  
Towns, School Divisions and Other Political Subdivisions  
(In accordance with the 2014 Appropriation Act Item 468(H))

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**Resolution**

BE IT RESOLVED, that Southampton County,[55187] does hereby acknowledge that its contribution rates effective July 1, 2014 shall be based on the higher of a) the contribution rate in effect for FY 2014, or b) eighty percent of the results of the June 30, 2013 actuarial valuation of assets and liabilities as approved by the Virginia Retirement System Board of Trustees for the 2014-16 biennium (the "Alternate Rate") provided that, at its option, the contribution rate may be based on the employer contribution rates certified by the Virginia Retirement System Board of Trustees pursuant to Virginia Code § 51.1-145(I) resulting from the June 30, 2013 actuarial value of assets and liabilities (the "Certified Rate"); and

BE IT ALSO RESOLVED, that Southampton County [55187] does hereby certify to the Virginia Retirement System Board of Trustees that it elects to pay the following contribution rate effective July 1, 2014:

**(Check only one box)**

- The Certified Rate of 14.35%                       The Alternate Rate of 11.48%; and

BE IT ALSO RESOLVED, that Southampton County [55187] does hereby certify to the Virginia Retirement System Board of Trustees that it has reviewed and understands the information provided by the Virginia Retirement System outlining the potential future fiscal implications of any election made under the provisions of this resolution; and

NOW, THEREFORE, the officers of Southampton County [55187] are hereby authorized and directed in the name of Southampton County to carry out the provisions of this resolution, and said officers of Southampton County are authorized and directed to pay over to the Treasurer of Virginia from time to time such sums as are due to be paid by Southampton County for this purpose.

\_\_\_\_\_  
Chairman, Board of Supervisors

**CERTIFICATE**

I, \_\_\_\_\_, Clerk of the Southampton County Board of Supervisors, certify that the foregoing is a true and correct copy of a resolution passed at a lawfully organized meeting of the Southampton County Board of Supervisors held at Courtland, Virginia at six o'clock on May 27, 2014. Given under my hand and seal of Southampton County this \_\_\_\_\_ day of \_\_\_\_\_, 2014.

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Clerk

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**This resolution must be passed prior to July 1, 2014 and  
received by VRS no later than July 10, 2014.**