

# Proposal to Provide Employee Share of Virginia Retirement System Contribution

## Background:

At the present time, the Virginia Retirement System (VRS) is funded by an employer contribution and an employee contribution. For FY 2007, the employer share will be 6.74% and the employee share will be 5%. It is mandatory that Franklin County local government employees must pay the 5% out of their salary on a monthly basis as they cannot elect to opt out of the coverage.

## Discussion:

Most local governments in Virginia pay the employee share of VRS for their employees. It is typically done in lieu of a cost of living/merit raise in the year it is done. Since most localities now pay the employee share, it has become a significant recruiting and retention barrier to attempt to hire an employee with experience from another locality and it is often a lure when employees leave us for a position in another locality.

- Currently, there are only 10 out of 95 counties in Virginia that do **not** pay the employee share and 14 out of 135 total jurisdictions including Towns and Cities.
- Of the 10 counties that do not pay the employee share, there are none larger than 30,000 in population other than Franklin County.

Municipality Type	Municipality	2005 Pop Estimates
County	Franklin	50,100
County	Carroll	29,700
County	Russell	29,100
County	Lee	25,300
County	Grayson	16,600
County	Dickenson	16,500
County	Lunenburg	13,100
County	Charles City	6,800
County	Bland	7,100
County	Highland	2,400

- The Town of Rocky Mount and our School System both pay the employee share of VRS
- All of our neighboring Counties, Cities, and Towns including Roanoke County, Botetourt County, Bedford County, Roanoke City, and Salem pay the employee share which adds to the recruitment and retention problem. Additionally, Roanoke County and Roanoke City contribute a match for all employees towards a Deferred Compensation Plan of \$650/yr.
- The County has paid the employee share for School employees for many years. It has often been said that because there was a difference in the Health Insurance premium paid by the County for School employees vs. local government employees, this balanced out. If the VRS is picked up for local government employees in lieu of a raise this coming year, it would help to balance out the inequity of the differences in salary increases for a number of years. For instance, in the current year, teachers received an average increase of 6.8 % while local government employees received 3.5%
- State employees are scheduled to receive a 4% salary increase next year (employee share of VRS is already paid by the state) plus a longevity bonus of \$50 per year of service

### **Recommendation**

Staff recommends that in lieu of a salary increase for FY 2007, the County pay the employee share of VRS for its employees.