

INTRODUCED: October 10, 2023

AN ORDINANCE No. 2023-313

To repeal City Code § 22-113, concerning assets and contributions and employer contributions; to amend ch. 12, art. V, div. 2 of the City Code by adding therein a new section numbered 12-265.1, concerning funding of the Richmond Retirement System; to amend ch. 22, art. IV, div. 1 by adding therein a new section numbered 22-113.1, concerning assets and contributions and employer contributions; to amend ch. 22, art. V by adding therein a new section numbered 22-146, concerning vesting of members who elect to or become members of a VRS Retirement Plan; to amend ch. 22, of the City Code by adding therein a new art. XIII, consisting of §§ 22-341—22-343, concerning the transition to the Virginia Retirement System; and to amend City Code §§ 2-1244 and 2-1246, concerning deferred compensation, and 22-2, 22-52, 22-112, 22-142, 22-143, 22-145, and 22-317, all concerning the Richmond Retirement System, for the purpose of facilitating the transition to the Virginia Retirement System.

Patron – Mayor Stoney

Approved as to form and legality
by the City Attorney

PUBLIC HEARING: NOV 13 2023 AT 6 P.M.

THE CITY OF RICHMOND HEREBY ORDAINS:

§ 1. That section 22-113 of the Code of the City of Richmond (2020), as amended,

be and is hereby **repealed** as follows:

AYES: 9 NOES: 0 ABSTAIN: _____

ADOPTED: NOV 13 2023 REJECTED: _____ STRICKEN: _____

~~[Sec. 22-113. Assets and contributions; employer contributions.~~

~~(a) — The participating employers in the Richmond Retirement System shall contribute annually an amount equal to the sum of the normal contribution and the accrued liability contribution.~~

~~(b) — The normal contribution for the participating employer for any fiscal year shall be determined as the product of:~~

~~(1) — The normal contribution rate as determined on July 1 one year prior to the first day of each fiscal year; and~~

~~(2) — The total creditable compensation of the members for the fiscal year.~~

~~(c) — The accrued liability contribution for the participating employer for any fiscal year shall be equal to the product of:~~

~~(1) — The accrued liability contribution rate as determined on July 1 one year prior to the first day of each fiscal year; and~~

~~(2) — The total creditable compensation of the members for the fiscal year.~~

~~(d) — The normal contribution rate shall be determined as the ratio of:~~

~~(1) — The normal cost of all benefits; and~~

~~(2) — The gross annual payroll of all active members included in the valuation.~~

~~The normal cost shall be computed in accordance with recognized actuarial principles, on the basis of methods and assumptions approved by the Board. The normal contribution rate shall be determined from the results of each annual valuation and shall continue in force until a new valuation is made.~~

~~(e) — The accrued liability contribution rate shall be determined as the sum of subsections (e)(1) and (2) of this section divided by subsection (e)(3) of this section, as follows:~~

~~(1) — The amount necessary to amortize the initial unfunded actuarial accrued liability, as a level percent of pay over a period not to exceed 30 years in accordance with the acceptable Governmental Accounting Standards Board;~~

~~(2) — The contribution necessary to amortize any increase or decrease in the unfunded actuarial accrued liability in future years due to changes in actuarial assumptions; changes in plan provisions, including the granting of cost of living increases; or actuarial gains and losses. Each year's increase or decrease in the unfunded actuarial accrued liability shall similarly be amortized as a level percent of pay over a period not to exceed 30 years in accordance with the acceptable Governmental Accounting Standards Board; and~~

~~(3) — The gross annual payroll of all active members included in the valuation.~~

~~(f) — The unfunded actuarial accrued liability as of any valuation date shall be determined by using the same actuarial cost method and assumptions used to determine the normal contribution rate.~~

~~(g) — The unfunded actuarial accrued liability, as of any valuation date, shall be equal to the excess of:~~

~~(1) — The actuarial accrued liability; over~~

~~(2) — The actuarial value of assets then held in the retirement account. The actuarial value of assets shall be determined under a method which reflects the market value of assets and which is approved by the Board.~~

~~(h) — The accrued liability contribution rate shall be determined from the results of each annual valuation and shall continue in force until a new valuation is made.~~

~~(i) — The Board shall certify to the Director of Finance the normal contribution rate and the accrued liability contribution rate and every change made, from time to time, in any of~~

~~such rates. The rates shall be adjusted for interest reflecting the actual timing of the contributions.~~

~~Such interest shall be calculated at the same rate as used to prepare the valuation on which the initial rates are based.]~~

§ 2. That Chapter 12, Article V, Division 2 of the Code of the City of Richmond (2020) be and is hereby amended and reordained by **adding therein a new section** numbered 12-265.1 as follows:

Sec. 12-265.1. Funding of Richmond Retirement System.

(a) For the purposes of this section:

(1) The actuarial liability, actuarial value of assets, and actuarially determined contribution shall be calculated by the actuary of the Board of Trustees of the Richmond Retirement System pursuant to section 22-52.

(2) The actuarial funded status shall be the actuarial value of assets as a percentage of the actuarial liability.

(b) It is the policy of the City that the actuarially defined contribution to the Richmond Retirement System shall be funded in each fiscal year.

(c) It is the policy of the City that the actuarial funded status of the Richmond Retirement System shall be at least 80 percent in each fiscal year.

(d) It is the long-term goal of the City that the actuarial funded status of the Richmond Retirement System shall be 100 percent.

(e) It is the goal of the City that benefits changes to the Richmond Retirement System:

(1) Shall be considered only if the actuarial funded status of the Richmond Retirement System is at least 85 percent,

(2) Shall be subject to a fiscal impact analysis of potential benefit changes prior to approval of the benefit, and

(3) Shall be funded in a manner that does not negatively impact the actuarial funded status of the Richmond Retirement System.

(f) There is hereby established the Richmond Retirement System Reserve Account.

There is hereby appropriated to the account the proceeds of the bonds issued pursuant to Ordinance No. 2023-_____, adopted _____, in excess of amounts necessary for the actuarial funded status of the Richmond Retirement System to reach 80 percent, and

(g) If, following an actuarial valuation pursuant to section 22-52, it is determined that the actuarial funded status is less than 80 percent, the Mayor shall, in the upcoming proposed budget for the following Fiscal Year, propose a plan to City Council to restore the actuarial funded status to 80 percent within three years of the date when the actuarial funded status was determined to be less than 80 percent, or such reasonable time as determined so as not to pose an undue financial hardship on the City.

§ 3. That Chapter 22, Article IV of the Code of the City of Richmond (2020) be and is hereby amended and reordained by **adding therein a new section** numbered 22-113.1, as follows:

Sec. 22-113.1. Assets and contributions; employer contributions.

(a) The participating employers in the Richmond Retirement System shall contribute annually an amount equal to the sum of the normal contribution and the accrued liability contribution.

(b) The normal contribution for the participating employer for any fiscal year shall be determined on July 1 one year prior to the first day of each fiscal year and shall be computed in

accordance with recognized actuarial principles, utilizing methods and assumptions approved by the Board.

(c) The accrued liability contribution for the participating employer for any fiscal year shall be determined on July 1 one year prior to the first day of each fiscal year and shall be computed in accordance with recognized actuarial principles, utilizing methods, assumptions, and amortization periods approved by the Board. It shall consist of:

(1) The amount necessary to amortize the initial unfunded actuarial accrued liability over a period not to exceed 30 years in accordance with acceptable Governmental Accounting Standards Board guidelines.

(2) The contribution necessary to amortize any increase or decrease in the unfunded actuarial accrued liability in future years due to changes in actuarial assumptions; changes in plan provisions, including the granting of cost-of-living increases; or actuarial gains and losses. Each year's increase or decrease in the unfunded actuarial accrued liability shall similarly be amortized over a period not to exceed 30 years in accordance with acceptable Governmental Accounting Standards Board guidelines.

(d) The unfunded actuarial accrued liability as of any valuation date shall be determined by using the same actuarial cost method and assumptions used to determine the normal contribution. As of any valuation date, it shall be equal to the excess of:

(1) The actuarial accrued liability; over

(2) The actuarial value of assets then held in the retirement account. The actuarial value of assets shall be determined under a method which reflects the market value of assets, and which is approved by the Board.

(e) The Board shall certify to the Director of Finance the normal contribution and the accrued liability contribution each year. The contributions will be certified as a dollar amount to be paid to the Richmond Retirement System by the City each pay period during the applicable fiscal year.

§ 4. That Chapter 22, Article V of the Code of the City of Richmond (2020) be and is hereby amended and reordained by **adding therein a new section** numbered 22-146 as follows:

Sec. 22-146. Vesting of members who elect to or become members of a VRS Retirement Plan.

(a) The provisions of this section shall apply:

(1) To any member of the defined contribution plan who elects to transition to a VRS Retirement Plan or who is rehired by a participating employer following a break of service consisting of not more than five one-year breaks in service within the meaning of section 411(a)(6)(A) of the Internal Revenue Code and is or becomes, at the time of rehire, a member of a VRS Retirement Plan, and

(2) To any other member of the system who elects to transition to a VRS Retirement Plan or who is rehired by a participating employer following a break of service consisting of not more than five one-year breaks in service within the meaning of section 411(a)(6)(A) of the Internal Revenue Code and is or becomes, at the time of rehire, a member of a VRS Retirement Plan; provided however, that if such member elects a trustee-to-trustee transfer of their Member Contribution Account to the Virginia Retirement System pursuant to sections 22-341 or 22-342, such member shall not be subject to the provisions of this section.

(b) Notwithstanding any other provision of this chapter, a member subject to the provisions of this section shall obtain vested rights in the plan when their creditable service plus

their service for a participating employer after the date of the election or date of rehire which would have counted as creditable service under this section but for the member's transition to a VRS Retirement Plan equals five years.

§ 5. That Chapter 22 of the Code of the City of Richmond (2020) be and is hereby amended and reordained by **adding therein a new article XIII** numbered 22-341 through 22-343 as follows:

ARTICLE XIII.

TRANSITION TO THE VIRGINIA RETIREMENT SYSTEM

Sec. 22-341. Effective date of transition to the Virginia Retirement System and Transition Period for City of Richmond Employees

(a) Notwithstanding any section of this chapter to the contrary, an eligible employee hired, or rehired after one full calendar month break in service, by the City of Richmond on or after January 1, 2024, and who is a person for whom "membership in the retirement system" is compulsory pursuant to section 51.1-135 of the Code of Virginia, shall not become an active member of the System but shall be enrolled in the VRS Retirement Plan for which they are qualified.

(b) Notwithstanding any section of this chapter to the contrary, an eligible employee who is hired, or rehired after one full calendar month break of service on or after January 1, 2024, who is a person for whom "membership in the retirement system" is not compulsory pursuant to section 51.1-135 of the Code of Virginia, shall not become a member of the System.

(c) Eligible employees who are members of the System as of December 31, 2023 may elect to transition to the VRS Retirement Plan for which they qualify. An employee making such an election shall be enrolled in a VRS Retirement Plan as soon as administratively possible.

(d) Eligible employees who are members of the System as of December 31, 2023, who elect to remain enrolled in the System, or who do not elect to transition to a VRS Retirement Plan by December 31, 2024, shall remain active members of the System for so long as they remain employed by a participating employer without a break of service of at least one full calendar month. A member incurring a one full calendar month break of service shall become a transition member if the member, upon rehire, is a person for whom “membership in the retirement system” is compulsory pursuant to section 51.1-135 of the Code of Virginia. The provisions of this chapter shall continue to apply to any eligible employee who remains an active member of the system.

(e) An eligible employee who is a member of the System but who is not a member of the defined contribution plan established pursuant to section 22-142 and who elects to transition to a VRS Retirement Plan or who becomes a member of a VRS Retirement System following rehire after one full calendar month break of service shall waive, as a condition of the election or of rehire, any rights to make further contributions to or accrue additional benefits in the system, and the City of Richmond shall make no further contributions to the system on the employee’s behalf but shall instead make contributions to a VRS Retirement plan on the employee’s behalf. If such employee is not vested at the time of the election, the employee shall also, as a condition of their election or of rehire, elect to either (1) a trustee-to-trustee transfer of their member contribution account to the Virginia Retirement System, or (2) continue to accrue service towards gaining vested rights to benefits pursuant to section 22-146.

(f) An eligible employee who is a member of the Defined Contribution Plan established pursuant to section 22-142 and who elects to transition to a VRS Retirement Plan or who becomes a member of a VRS Retirement Plan following a rehire after a one full calendar

month break of service shall waive, as a condition of the election or of rehire, any rights to make additional contributions to or accrue additional benefits in the system, and the City of Richmond shall make no further contributions to the system on the employee's behalf but shall instead make contributions to a VRS Retirement plan on the employee's behalf. If such employee is not vested at the time of the election, the eligible employee will continue to accrue service towards gaining vested rights to any benefits previously earned pursuant to section 22-146.

(g) The City of Richmond shall pay an equivalent amount in lieu of member contributions required under sections 51.1-144 and 51.1-169 of the Code of Virginia. Any such contribution, although designated as an employee contribution, shall be paid by the participating employer in lieu of employee contributions and shall be treated as a mandatory salary reduction from the salary otherwise payable to the member. These contributions are intended to be a salary reduction "pick-up" under section 414(h) of the Internal Revenue Code. Members of the plan may not opt out of the picked-up contribution or elect to receive the contributed amounts directly instead of having them picked up by the participating employer and paid to the Virginia Retirement System.

Sec. 22-342. Effective Date of Transition to the Virginia Retirement System and Transition Period for Richmond Behavioral Health Authority Employees

(a) For the purposes of this section, "effective date" means the date when the Richmond Behavioral Health Authority becomes a participating employer in the Virginia Retirement System.

(b) Notwithstanding any section of this chapter to the contrary, an eligible employee hired or rehired by the Richmond Behavioral Health Authority on or after the effective date, and who is a person for whom "membership in the retirement system" is compulsory pursuant to

section 51.1-135 of the Code of Virginia, shall not become a member of the System but shall be enrolled in the VRS Retirement Plan for which they are qualified.

(c) Notwithstanding any section of this chapter to the contrary, an eligible employee who is hired or rehired on or after the effective date, who is a person for whom “membership in the retirement system” is not compulsory pursuant to section 51.1-135 of the Code of Virginia, shall not become a member of the System.

(d) Eligible employees participating in the System as of the effective date, may elect to transition to the VRS Retirement Plan for which they qualify. Such election shall be made no later than 12 months after the effective date. An employee making such an election shall be enrolled in a VRS Retirement Plan as soon as administratively possible.

(e) Eligible employees who are members of the System as of the effective date who elect to remain enrolled in the System, or who do not elect to transition to a VRS Retirement Plan within 12 months of the effective date, shall remain active members of the System so long as they remain employed by a participating employer without a break of service of at least one full calendar month. A member incurring a one full calendar month break of service shall become a transition member if the member, upon rehire, is a person for whom “membership in the retirement system” is compulsory pursuant to section 51.1-135 of the Code of Virginia. The provisions of this chapter shall continue to apply to any eligible employee who remains an active member of the system.

(f) An eligible employee who is a member of the System but who is not a member of the defined contribution plan established pursuant to section 22-142 and who elects to transition to a VRS Retirement Plan or who becomes a member of a VRS Retirement System following rehire after one full calendar month break of service shall waived, as a condition of the election or of rehire, any rights to make further contributions to or accrue additional benefits in the system,

and the Richmond Behavioral Health Authority shall make no further contributions to the system on the employee's behalf but shall instead make contributions to a VRS Retirement plan on the employee's behalf but shall instead make contributions to a VRS Retirement plan on the employee's behalf. If such employee is not vested at the time of the election, the employee shall also, as a condition of their election, elect to either (1) a trustee-to-trustee transfer of their member contribution account to the Virginia Retirement System, or (2) continue to accrue service towards gaining vested rights to benefits pursuant to section 22-146.

(g) An eligible employee who is a member of the Defined Contribution Plan established pursuant to section 22-142 and who elects to transition to a VRS Retirement Plan or who becomes a member of a VRS Retirement System following rehire after a one full calendar month break of service shall waive, as a condition of the election or of rehire, any rights to make additional contributions to or accrue additional benefits in the system, and the Richmond Behavioral Health Authority shall make no further contributions to the system on the employee's behalf but shall instead make contributions to a VRS Retirement plan on the employee's behalf. If such employee is not vested at the time of the election, the employee shall also, as a condition of their election, elect to either (1) a trustee-to-trustee transfer of their member contribution account to the Virginia Retirement System, or (2) continue to accrue service towards gaining vested rights to benefits pursuant to section 22-146.

Sec. 22-343. Retirement benefits for the mayor and members of the City Council

(a) The provisions of this section apply to persons elected on and after January 1, 2024, to the positions of mayor or member of the City Council, and who are not persons for whom "membership in the retirement system" is compulsory pursuant to section 51.1-135 of the Code of Virginia during their term of office.

(b) Notwithstanding the provisions of section 2-1244, accounts shall be established for the Mayor and the members of the City Council in the deferred compensation plan established pursuant to section 2-1244.

(c) With respect to the Mayor, the City shall contribute to the mayor's account established pursuant to subsection (b) ten percent of the mayor's salary.

(d) With respect to the members of the City Council, the City shall contribute to the member's account established pursuant to subsection (b) a percentage of the member's salary based on the member's years of creditable service as follows:

- (1) Less than five years: five percent;
- (2) Five through nine years: six percent;
- (3) Ten through 14 years: eight percent;
- (4) 15 years or more: ten percent.

(e) The mayor and the members of the Council may make voluntary employee contributions to their account pursuant to the provisions of section 2-1244, except that the maximum amount that the mayor or the member of the Council may contribute shall be limited to the difference between the "applicable dollar amount" within the meaning of section 457(e)(15) of the Internal Revenue Code and the projected annual employer contribution calculated pursuant to subsections (c) or (d), as the case may be.

§ 6. That sections 2-1244, 2-1246, 22-2, 22-52, 22-112, 22-142, 22-143, 22-145, and 22-317 of the Code of the City of Richmond (2020) be and are hereby **amended** and reordained as follows:

Sec. 2-1244. Adoption, participation by employees.

The deferred compensation plan [~~of the International City Management Association Retirement Corporation,~~] as amended through the effective date of the ordinance from which this division is derived and as this division shall be amended with approval of the Internal Revenue Service of the United States, is hereby adopted as ~~[the]~~ a deferred compensation plan for the elected officials, officers and employees of the City. The deferred compensation plan shall be supplemental to any plan of the Richmond Retirement System or the Virginia Retirement System to which an employee is required to contribute under Chapter 22 of the Code of the City of Richmond (2020), as amended. The Chief Administrative Officer is authorized and directed on behalf of the City to execute two documents, one entitled "Deferred Compensation Plan," in substantially the same form as the copy attached to the draft of the ordinance adding this section to the Code; the second, entitled "Declaration of Trust of the ICMA Retirement Trust." Such documents, entitled "Deferred Compensation Plan," together with the "Declaration of Trust" appended to the "Deferred Compensation Plan," be and are hereby incorporated into and made a part of this section as fully as if set out. Eligibility of any elected official, officer or employee to participate in the plan shall be in accordance with the provisions of the plan; provided, however, no elected official, officer or employee of the City shall be required to nor directed to participate in the deferred compensation plan.

Sec. 2-1246. Reporting of certain contributions.

No bonus or similar payment in the form of a contribution by the City to any deferred compensation plan for the benefit of any elected official, officer, or employee of the City shall be authorized or made unless and until the amount of such contribution and the name and title of the elected official, officer, or employee for whose benefit such contribution is to be made has been

reported in writing to the City Council. This provision shall not apply to payments made pursuant to section 22-343 of the Code of the City of Richmond (2020), as amended.

Sec. 22-2. Definitions.

As used in this chapter, the following words shall have the meanings respectively ascribed to them by this section, unless a different meaning is plainly required by the text:

Abolished system means the ordinance approved August 10, 1944, establishing the Richmond Retirement System and all ordinances amendatory thereof, repealed by Ordinance No. 52-189-175.

Actuarial equivalent shall generally be computed based on eight percent interest and the (UP84) unisex mortality table except where different factors are specifically set forth in this chapter, or are adopted by the Board and set forth in the administrative procedures manual maintained by the Board.

Appointing authority means the agency or department within the participating employer having the power to hire the services of a member.

Average final compensation means the average annual creditable compensation of a member during the member's 36 consecutive months of creditable service in which such compensation was at its greatest amount or during the entire period of the member's creditable service if less than 36 months.

Beneficiary means any person, other than a member, entitled to receive benefits under this chapter.

Board means the Board of Trustees provided for by Section 5B.01 of the Charter and Article II of this chapter.

City means the City of Richmond, Virginia.

City Council means the Council of the City of Richmond.

Covered compensation means the average of the Social Security taxable wage bases in effect for each calendar year during the 35-year period ending with the calendar year in which Social Security retirement age is attained.

Creditable compensation means the base compensation payable to an eligible employee working the full working time for such employee's position, plus shift differentials, bonuses, severance pay, and educational incentive pay, but excluding overtime pay, imputed income under Section 79 of the Internal Revenue Code, and lump sum payment for unused sick or vacation leave. Creditable compensation shall include compensation subject to a salary reduction or deferred compensation agreement between an employee and the participating employer pursuant to Section 125, 132(f)(4) (for plan years and limitation years beginning on or after January 1, 2001), 402(g)(3) or 457(b) (both elective and non-elective) of the Internal Revenue Code (and elective deferrals or contributions under any other sections of the Internal Revenue Code covered by Section 415(c)(3)(D) of the Internal Revenue Code), which compensation is not actually or constructively received by the employee.

Creditable service means service as described in Article VI of this chapter.

Disability retirement means a retirement described in Article VIII of this chapter that is based on a member's disability and not upon a member's age and service.

Early service retirement means a retirement prior to normal retirement age that is based on age or service, or both, and not on a disability or death.

Eligible employee.

(1) The term "eligible employee" means any employee of a participating employer who is regularly employed on a full-time basis, except elected officials other than members of the City

Council and members of the judicial retirement system. Persons employed on a temporary, part-time, seasonal or provisional basis shall not by reason thereof be entitled to creditable service for such period of employment except as otherwise provided herein. In case of doubt, the Board shall decide who is an eligible employee.

(2) For purposes hereof, the term "full-time basis" generally means for periods after September 1, 1991, normally scheduled to work at least 40 hours per week, provided exceptions will be based upon the provisions of the Code in effect at the time the service was rendered.

(3) An employee of a participating employer who elects to participate in the deferred retirement option program (DROP) established pursuant to Section 22-204 shall cease to be an eligible employee upon the effective date of his participation in the DROP.

(4) An employee of a participating employer who elects to participate in the defined contribution plan established pursuant to Section 22-142 shall not become, or shall cease to be, an eligible employee for purposes of the service retirement benefits provided under this chapter and any death benefits described in Section 22-299 upon the effective date of his participation in such defined contribution plan. Notwithstanding, such an employee shall be entitled to retain the right to apply for any disability benefits provided under this chapter as though the defined contribution plan had not been elected, subject to the applicable offset.

(5) Notwithstanding the foregoing, employees, other than sworn police officers or firefighters or persons employed in the senior executive group as identified in Section 22-317(k), who are hired or rehired on or after July 1, 2006, shall not become or again become eligible employees for purposes of the service or early service retirement benefits provided under this chapter and any death benefit described in Section 22-299; provided, however, if an employee

would be an eligible employee but for his date of hire or rehire, he or she shall be entitled to apply for any disability benefits provided under this chapter as though he or she were an eligible employee in the system, subject to the applicable offset. Such employees shall only be eligible to participate in the defined contribution plan established pursuant to Section 22-142 upon meeting the eligibility criteria for such plan. A sworn police officer or firefighter or person employed in the senior executive group as identified in Section 22-317(k) hired or rehired on or after July 1, 2006, may elect to participate in the defined contribution plan in lieu of becoming a member of the system.

Employee means any person employed in any capacity by a participating employer.

General member means any member who is not classified as a sworn police officer or firefighter.

Internal Revenue Code means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder.

Member means any eligible employee or former eligible employee who is currently or shall in the future be recognized as having membership in the system.

Medical examiner means the medical examiner or examiners, as provided by Section 22-234.

Normal retirement date means the first day of the month next following:

- (1) For a general member, the 65th birthday of the member; and
- (2) For a public safety member, the 60th birthday of the member.

Participating employer means the City and any employer who with the consent of the City Council upon recommendation by the Board shall adopt the system, provided that the employer is a governmental employer as defined in Section 414(d) of the Internal Revenue Code. The current

participating employers are the City and the Richmond Behavioral Health Authority. The Board shall keep a record of the dates participation began. Employers that no longer participate in the system shall continue to be participating employers for purposes of the contribution requirement related to grandfathered members who are employed by such employers.

Public safety member means any member who is classified as a sworn police officer or firefighter.

Retirement allowance means the retirement payments to which a member is entitled, as provided in this chapter. The retirement allowance payable for the month in which the recipient dies shall be prorated through the date of death and paid to the recipient.

Service means service as an employee for which compensation is paid by a participating employer. Service as an employee shall not be recognized in more than one retirement system simultaneously for the same position.

Service retirement means a retirement that occurs at or after the member's normal retirement date.

Social Security retirement age means the age used for the participant's retirement age under Section 216(l) of the Social Security Act.

System means the Richmond Retirement System, as initially adopted November 18, 1952, by Ordinance No. 52-189-175 and subsequently amended and restated. In addition, effective July 1, 2006, the system includes all the provisions of this chapter other than Section 22-142.

Vested means that the member has five or more years of creditable service at some time on or after December 20, 1973, or had 15 years or more of creditable service prior to December 20, 1973, and have not withdrawn contributions at the time of termination.

Virginia Retirement System means the Virginia Retirement System established pursuant to Va. Code § 51.1-124.1.

VRS Retirement Plan means a “Retirement plan administered by the Virginia Retirement System” as that term is defined in section 51.1-124.3 of the Code of Virginia.

Sec. 22-52. Designation and duties of actuary; certification of contribution rates; adoption of tables.

(a) The Board shall designate any actuary or actuarial consulting firm who shall be the technical advisor of the Board on matters regarding the operation of the Richmond Retirement System and who shall perform such other duties as are required.

(b) The Board shall certify, from time to time, the rates of contribution payable under this chapter and shall adopt for the system, from time to time, such mortality, service and other actuarial tables as shall be deemed necessary. On the basis of such tables, the actuary shall make annually an actuarial valuation of the assets and liabilities of the system, which shall include, without limitation, a calculation of the actuarial liability, actuarial value of assets, and the actuarially defined contribution. At least once in each five-year period, the Board shall cause an actuarial investigation to be made into the mortality, service and compensation experience of the members and beneficiaries of the system. Such investigation shall be used as a basis for revisions to existing actuarial tables or the adoption of additional actuarial tables to be used to value the assets and liabilities of the system.

Sec. 22-112. Members’ contributions.

(a) In addition to the contributions provided for in Sections 22-177 and 22-317 or as otherwise specifically provided, effective September 1, 2006, each member of the system, including those participating in the enhanced retirement benefit pursuant to Section 22-203, who

does not elect to participate in the defined contribution plan established pursuant to Section 22-142 shall contribute [~~one~~] five percent of such member's creditable compensation in the case of a general member, and [~~1½~~] five percent in the case of a public safety member, for each pay period for which the member receives compensation. The participating employer shall deduct from the member's compensation the required contribution payable by the member. Each eligible employee who does not affirmatively elect to participate in the defined contribution plan established pursuant to Section 22-142, or who elects to transition to or otherwise becomes a member of a VRS Retirement Plan pursuant to sections 22-341 or 22-342 of the Code of the City of Richmond (2020), as amended, shall be deemed to consent and agree to any deductions from his compensation required by this section.

(b) The participating employer [~~may, by action of City Council, elect to~~] shall pay an equivalent amount in lieu of member contributions required under this chapter (including, but not limited to, those required under this section and Section 22-203). Any such [~~election~~] contribution, although designated as a member contribution, shall be paid by the participating employer [~~shall be~~] in lieu of [~~the member's required~~] employee contributions and shall be treated as a mandatory salary reduction from the salary otherwise payable to the member. These contributions [is] are intended to be a salary reduction “pick-up” under Section 414(h) of the Internal Revenue Code. [~~Such election shall be effective for contributions to be made after the later of the effective date of the election or the date of the Council action. To the extent contributions are picked up by the participating employer as a salary reduction, such contributions shall continue to be included in creditable compensation for all purposes under the system and shall be credited to the member contribution account described in Section 22-114. To the extent contributions are picked up by the participating employer as a payment in lieu of a future salary increase, such contributions shall not~~

~~be included in creditable compensation for any purpose under the system and shall not be credited to the member contribution account described in Section 22-114]~~ Members of the plan may not opt out of the picked-up contribution or elect to receive the contributed amounts directly instead having them picked-up by the participating employer and paid to the Richmond Retirement System.

Sec. 22-142. Participation in defined contribution plan.

(a) *Generally.* The Board shall maintain a defined contribution plan approved by the Internal Revenue Service as a qualified plan within the meaning of Section 401(a) of the Internal Revenue Code of 1986, as amended. The plan document for the defined contribution plan shall govern the operations of the plan. Such plan shall be maintained for the benefit of:

(1) Any eligible employee, as defined in Section 22-2, who had less than 20 years of creditable service in the system as of October 1, 2003, and who made an election effective January 1, 2004, to participate in such defined contribution plan;

(2) Any eligible employee, as defined in Section 22-2, who made an election effective September 1, 2006, to participate in such defined contribution plan;

(3) Any eligible employee hired on or after January 1, 2004 (including a sworn police officer or firefighter or person employed in the senior executive group as identified in Section 22-317(k) hired or rehired on or after July 1, 2006), who made an election effective with his or her date of hire to participate in such defined contribution plan; and

(4) Any employee of a participating employer who is regularly employed on a full-time basis and who is hired or rehired on or after July 1, 2006, except an elected official (other than a member of the City Council in office on or after July 1, 2018), member of the judicial retirement system, sworn police officer or firefighter (for whom the plan is

optional) or person employed in the senior executive group (for whom the plan is optional) as identified in Section 22-317(k).

(b) *Coordination with system.*

(1) Any member who elects to participate in the defined contribution plan or who otherwise becomes a member of such plan will waive any rights to accrue benefits or additional benefits in the system, with the exception of disability benefits.

(2) If a member who is participating in the defined contribution plan should become eligible for disability retirement benefits, the benefits shall be offset by the actuarial equivalent of his account in the defined contribution plan determined as of the date of disability. Such member's years of participation in the defined contribution plan will be added to any of the member's years of service prior to participation in the defined contribution plan for the purpose of calculating the disability retirement allowance in accordance with Section 22-241.

(3) In the case of a member who makes an election to participate in the defined contribution plan effective as of a date other than his or her date of hire, the member will be entitled to a benefit in the system determined as of the effective date of such election to the extent they are vested. Such member's service while a participant in the defined contribution plan shall continue to count toward determining vesting under the system if the member was not vested as of the effective date of the election. If the member is or becomes vested in the benefit under the system, the member will be eligible for deferred retirement upon the later of his termination of employment or reaching retirement eligibility (age 50 for public safety members and age 55 for general members). The amount of the deferred retirement allowance shall be computed in accordance with the provisions

of the City Code in effect at the time the member elected to participate in the defined contribution plan and shall be based on creditable service accrued up to the effective date of the election.

(4) In the case of a member who becomes a member of the defined contribution plan effective upon rehire, if the member was not vested in his retirement allowance upon his termination of employment, he shall not accrue additional creditable service toward vesting in the benefit attributable to his prior employment upon his rehire. If vested, the member shall continue to be entitled to any vested retirement allowance computed in accordance with the provisions of this Code in effect at his termination of employment when last treated as an eligible employee under the system and will be eligible for deferred retirement upon the later of his termination of employment or reaching retirement eligibility (age 50 for public safety members and age 55 for general members).

(c) *Provisions of the plan.* The actual provisions of the defined contribution plan shall be contained in the plan document as adopted by the Board. However, the basic provisions of the plan shall be as follows:

(1) *Eligibility.* Each of the following employees shall be eligible for participation in the defined contribution plan:

a. Any eligible employee, as defined in Section 22-2, who had less than 20 years of creditable service in the system as of October 1, 2003, and who made an election within 90 days of the establishment of the plan, effective January 1, 2004, to participate in such defined contribution plan;

b. Any regular full-time employee hired or rehired on or after January 1, 2004, but before July 1, 2006, and any sworn police officer or firefighter or

person employed in the senior executive group as identified in Section 22-317(k) hired or rehired on or after July 1, 2006, who makes an election within 90 days of such employee's date of employment to participate in such defined contribution plan;

c. Any employee of a participating employer who is regularly employed on a full-time basis and who is hired or rehired on or after July 1, 2006, except an elected official (other than a member of the City Council in office on or after July 1, 2018), member of the judicial retirement system, sworn police officer or firefighter (for whom the plan is optional) or person employed in the senior executive group (for whom the plan is optional) as identified in Section 22-317(k); and

d. Any eligible employee, as defined in Section 22-2, who did not previously elect to participate in the defined contribution plan but who subsequently elects to do so effective September 1, 2006, during the period July 1, 2006 through August 31, 2006.

(2) *Vesting.* Any member who elects to participate in the plan must have five or more years of creditable service to obtain vested rights in the plan. Creditable service for this purpose includes all service with the participating employer as more specifically defined in the plan document and shall include service while a member of the system.

(3) *Employer Contributions.* The City shall make contributions to the plan on behalf of the member based on the member's years of creditable service and a percentage of the member's creditable compensation as follows:

a. Less than [~~five~~] nine years: [~~Five~~] One percent;

- b. ~~[Five through nine years: Six percent;~~
- e.] Ten through 14 years: ~~[Eight]~~ Three percent; and
- ~~[d]~~ c. 15 years or more: ~~[Ten]~~ Five percent.

(4) Employee Contributions. Members participating in the defined contribution plan shall make contributions in the amount of five percent of the member's creditable compensation. The participating employer shall deduct from the member's compensation the required contribution payable by the member and remit to the System for the member's benefit. The participating employer shall pay an equivalent amount in lieu of member contributions required under this chapter (including, but not limited to, those required under this section). Any such contribution, although designated as an employee contribution, shall be paid by the participating employer in lieu of employee contributions and shall be treated as mandatory salary reduction from the salary otherwise payable to the member. These contributions are intended to be a salary reduction "pick-up" under section 414(h) of the Internal Revenue Code. Members of the plan may not opt out of the picked-up contribution or elect to receive the contributed amounts directly instead having them picked-up by the participating employer and paid to the Richmond Retirement System.

Vested members terminating employment prior to retirement eligibility will be entitled to their account balance. ~~[Contributions]~~ Employer contributions of nonvested members who terminate employment will be forfeited as described in the plan document. ~~[Creditable service for this purpose includes all service with the participating employer as more specifically defined in the plan document and shall include service while a member of the system.]~~

Sec. 22-143. Persons comprising.

Membership in the system as of any date shall consist of the following:

(1) All eligible employees of a participating employer at such date, as defined in Section 22-2, inclusive of those on authorized leave from service, and who have not become members of a VRS Retirement Plan either mandatorily or by election pursuant to sections 22-341 or 22-342. Such a member may be referred to as an active member.

(2) All vested former eligible employees who have not retired under the provisions of the system. Such a member may be referred to as a terminated vested member. Members who elect to participate in the defined contribution plan established pursuant to Section 22-142 shall be treated as terminated vested members, except that retirement benefits may not be paid to such member until such member ceases to be an employee of a participating employer.

(3) All retired eligible employees for so long as such former eligible employee is entitled to future benefits under the plan. Such a member may be referred to as a retired member.

(4) All vested former eligible employees who are participating in the deferred retirement option program (DROP) established pursuant to Section 22-204. Such a member may be referred to as a DROP member. Once a DROP member ceases to be employed, such member shall become a retired member.

(5) All eligible employees who elect to transition to a VRS Retirement Plan pursuant to sections 22-341 or 22-342, or who are rehired by a participating employer following a break of service consisting of not more than five one-year breaks in service within the meaning of section 411(a)(6)(A) of the Internal Revenue Code and is or becomes, at the time of rehire, a member of a VRS Retirement Plan and either (i) became vested prior to their election or (ii) remains potentially eligible to become vested in the future pursuant to section 22-146. Such a member may be referred to as a transition member.

Sec. 22-145. Reemployment of retired members.

Should a retired member be again in service at any time subsequent to such person's retirement under Section 22-197, 22-198 or former Section 23-120 (repealed February 26, 1996) and resumes the status as an active member of the system or subsequently becomes a participant in the defined contribution plan established pursuant to Section 22-142 or becomes a member of a VRS Retirement Plan while employed by a participating employer, such person's retirement allowance shall thereupon cease. If such person shall resume the status as an active member of the system, such member's previous period of creditable service shall be reestablished. Any benefits which may become payable thereafter under any of the provisions of this article upon the person's subsequent retirement or death shall be computed in accordance with the applicable provisions of this article as if such person's previous retirement had not occurred based on the total of such person's creditable service before and after such person's period of retirement. Creditable service shall not be granted for any periods of employment during which the retired member was in receipt of a retirement allowance or for periods of service when the retired member was a member of a VRS Retirement Plan while employed by a participating employer. Notwithstanding the foregoing, service while a DROP member or while a participant in the defined contribution plan established pursuant to Section 22-142 or while a member of a VRS Retirement Plan while employed by a participating employer shall not be reestablished.

Sec. 22-317. Additional retirement allowance for certain City officials.

(a) *Additional creditable service.* Any member who is employed in the senior executive group as defined in subsection (k) of this section and has been in service for at least ten years in the senior executive group, may have such member's creditable service counted as two years for each year of creditable service in these positions up to a maximum of 15 additional years of creditable service for the purpose of calculation of retirement allowance under the provisions of

this article. All such qualifying members must make the election to utilize the provisions of this subsection within 90 days of the enactment of this provision or within 30 days of the member's date of employment in said position, whichever should occur later. Any member who elects to utilize the provision of this subsection shall be required to make contributions to the system in an amount determined by the system's actuary and approved by the Board.

(b) *Options for less than ten years of service.* Any member with five or more but less than ten continuous years of service in the senior executive group who has made the contribution required for the additional creditable service but who leaves employment may elect to receive a refund of such contributions plus interest at a rate to be determined by the Board or to receive a retirement allowance based upon the member's actual creditable service plus any additional service purchased pursuant to the provisions of this subsection (b). Any member who elects to receive a retirement allowance based upon the member's actual creditable service plus any additional service purchased in accordance with this subsection (b) shall be required to pay the actuarial equivalent cost for such additional service credit. However, the City may pay such cost if authorized by the City Council. Any election by the City to pay such cost shall be in lieu of the member's payment of such cost required by this subsection and is intended to be a "pick-up" as permitted under Section 414(h) of the Internal Revenue Code.

(c) *Purchase of additional service.* Within 30 days of the date of separation from City employment, any vested member of the senior executive group may purchase up to a maximum of five years of unqualified, additional which shall be counted as creditable service to meet the requirement in subsection (a) of this section that a member be in service for ten years in the senior executive group. Such cost for the forgoing additional service purchased shall be equal to the

actuarial equivalent as determined by the retirement system's actuary and shall be paid by the member; provided, however, that the City may pay such cost if authorized by the City Council. Any election by the City to pay such cost shall be in lieu of the member's contribution required by subsection (a) of this section and is intended to be a "pick-up" as permitted under Section 414(h) of the Internal Revenue Code.

(d) *Age 65 allowance.* Any member in service who 1) has ten or more years of creditable service in the senior executive group, 2) is at the time of the member's retirement employed in the senior executive group as defined in subsection (k), 3) has attained the age of 65, and 4) retires from active service pursuant to the provisions of this article, shall be paid a supplemental allowance which, when added to the retirement allowance payable under the preceding sections of this article, shall be equal to 50 percent of such member's current salary at the time of retirement. The allowance provided for in this section shall be paid in equal monthly installments.

(e) *Disability retirement.* Any member in service who has five years or more of creditable service in the senior executive group as defined in subsection (k) of this section may, at any time before the member's normal retirement date, retire on account of permanent disability upon filing a retirement application with the board pursuant to the provisions of Section 22-238 or 22-240; provided that the Medical Examiner's certification shall be that the member has been completely incapacitated by reason of sickness or injury contracted after the member's date of employment, from performing the usual duties attendant to the member's employment and that such disability is likely to be permanent.

(f) *Disability retirement allowance.* A member retiring under the provisions of this subsection shall receive an allowance equal to five percent of the member's current salary multiplied by the number of years, not in excess of ten, that such member has served in the senior executive group as defined in subsection (k) of this section.

(g) *Worker's compensation offset (dollar for dollar).* Any of the foregoing provisions to the contrary notwithstanding, the disability retirement allowance payable to any member retiring after December 31, 1981, shall be reduced by the amount of compensation, if any, awarded to the member under the Virginia Worker's Compensation Act (Code of Virginia, § 65.2-100 et seq.) with respect to the disability giving rise to the member's retirement, so long as such compensation is payable.

(h) *Worker's compensation offset (lump sum award).* If any member in receipt of a retirement allowance pursuant to this section elects to receive a lump-sum settlement in lieu of periodic payments for disability under the Virginia Worker's Compensation Act (Code of Virginia, § 65.2-100 et seq.), the member's disability retirement allowance shall be reduced in the same amount and for the number of months equivalent to the lump sum award amount divided by the amount of the original workers' compensation award amount (i.e., the lump sum award amount divided by the original workers' compensation award amount equals the number of months of continued reduction).

(i) *Additional optional forms of payment allowance.* Each member in the senior executive group as defined in subsection (k) of this section shall have the right to elect to have the member's retirement allowance decreased during the member's lifetime and have such retirement allowance, or a designated fraction thereof, continued after the member's death to one other person,

called a contingent beneficiary. In the case of a member who retires for disability under the provisions of subsection (f) of this section and Section 22-238 or 22-240 the election of this option need not be made and shall not become effective until the member attains the date that would have been the member's normal retirement date had the member remained in service until then. The amount of any such optional retirement allowance shall be the actuarial equivalent of the amount of the retirement allowance otherwise payable to the member. The member shall make such an election by written notice to the board and such an election shall be subject to the approval of the Board. The election by a member of this option shall be null and void if the member dies prior to retirement, or prior to the date the option becomes effective, or if the designated contingent beneficiary dies before the member's retirement or before the date the option becomes effective. A member who has elected this option may revoke such election by written notice to the Board at any time prior to the later of the effective date of the member's retirement or the date the option becomes effective.

(j) *Survivor allowance.* Should any member in the senior executive group as defined in subsection (k) of this section die in service at any time before retirement and after attaining the member's normal retirement date, the member's surviving spouse, if any, shall receive a retirement allowance payable monthly for life equal to and commencing at the same date as the retirement allowance that would have been payable to such spouse in accordance with the retirement benefit formula provided for in subsection (c) of this section, had the member survived and retired on the first day of the month following the member's death after electing to have the member's allowance paid under the joint and last survivor option provided for in subsection (h) of this section, with 100

percent of the amount payable to the member continuing after the member's death to the contingent beneficiary, with the member's spouse designated as contingent beneficiary.

(k) *Makeup of senior executive group.* For purposes hereof, the senior executive group means the Mayor, Chief Administrative Officer, Deputy Chief Administrative Officer, City Attorney, Deputy City Attorney, Director of Citizen Service and Response, Director of Economic Development, Director of Housing and Community Development, Director of Planning and Development Review, City Auditor, Inspector General, City Assessor, Library Director, Director of Budget and Strategic Planning, City Clerk, Executive Director of the Richmond Retirement System, Executive Director of the Richmond Behavioral Health Authority, Director of Procurement Services, Chief Capital Projects Manager, Commissioner of Buildings, Director of the Office of Minority Business Development, Director of the Office of Animal Care and Control, Director of the Office of Community Wealth Building, Director of the Office of Strategic Communications and Civic Engagement, Director of the Office of Sustainability, Director of the Office of Intergovernmental Affairs, and Chiefs of Staff of the Mayor's Office, the City Council and the Chief Administrative Officer's Office or a head of a department of government of the City. However, no person who is a member of a VRS Retirement Plan pursuant to sections 22-341 or 22-342 and is employed by a participating employer shall be a member of the Senior Executive Group or be entitled to the benefits of this section.

§ 7. That the Chief Administrative Officer may issue such regulations consistent with this ordinance to promote uniformity in the transition to the Virginia Retirement System, but in no instance shall any such regulation be issued regarding a matter that is within the purview of the Board of Trustees of the Richmond Retirement System.

§ 8. That, notwithstanding the provisions of Ordinance 2023-074, adopted May 8, 2023, on December 30, 2023:

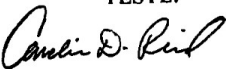
(a) The salaries of all members who are public safety members, as those terms are defined in section 22-2 of the Code of the City of Richmond (2020), as amended, who are not members of the Defined Contribution Plan established pursuant to section 22-142 of the Code of the City of Richmond (2020), as amended, as of December 29, 2023 shall increase by 4.01 percent;

(b) The salaries of all members who are not public safety members, as those terms are defined in section 22-2 of the Code of the City of Richmond (2020), as amended, who are not members of the Defined Contribution Plan established pursuant to section 22-142 of the Code of the City of Richmond (2020), as amended, as of December 29, 2023 shall increase by 4.58 percent; and

(c) The salaries of all members, as that term is defined in section 22-2 of the Code of the City of Richmond (2020), as amended, of the Defined Contribution Plan established pursuant to section 22-142 of the Code of the City of Richmond (2020), as amended, as of December 29, 2023 shall increase by 5.72 percent.

§ 9. Except as otherwise provided in this ordinance, this ordinance shall be in force and effect on January 1, 2024.

A TRUE COPY:
TESTE:


City Clerk



City of Richmond

900 East Broad Street
2nd Floor of City Hall
Richmond, VA 23219
www.rva.gov

Master

File Number: Admin-2023-1674

File ID: Admin-2023-1674 **Type:** Request for Ordinance or Resolution **Status:** Regular Agenda

Version: 2 **Reference:** **In Control:** City Clerk Waiting Room

Department: **Cost:** **File Created:** 09/29/2023

Subject: **Final Action:**

Title:

Internal Notes:

Code Sections:

Agenda Date: 10/10/2023

Indexes:

Agenda Number:

Patron(s):

Enactment Date:

Attachments: Ordinance - VRS Transition Paper 1 - Retirement Adjustments and Financial Policies_9-29-23

Enactment Number:

Contact:

Introduction Date:

Drafter: Jessica.Singer@rva.gov

Effective Date:

Related Files:

Approval History

Version	Seq #	Action Date	Approver	Action	Due Date
2	1	9/29/2023	Lincoln Saunders	Delegated	
Notes: Delegated: Out Of Office					
2	2	9/30/2023	Sabrina Joy-Hogg	Approve	10/3/2023
2	3	10/3/2023	Mayor Stoney	Approve	10/3/2023

History of Legislative File

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:

VRS was established in 1942 and exists as an independent state agency based in Richmond. It delivers retirement and other benefits to covered Virginia public sector employees. VRS is the 14th largest public or private pension fund in the U.S. and 42nd largest in the world. Its members include public school teachers, political subdivision employees (cities, towns, special authorities, and commissions), state agency employees, public college and university personnel, state police, Virginia law officers and the judiciary.

Transition to VRS

On September 25, 2023, City Council passed Resolution 2023-R050 to join the Virginia Retirement System (VRS), subject to the approval of the VRS Board of Trustees. A transmittal letter accompanying Resolution 2023-R050 outlined subsequent actions that would be taken to effect the transition. This included a recommended action to create equitable employee investment through wage and contribution adjustments.

For current employees, the transition to VRS is an individual choice. Existing employees will have support from the city and VRS to better understand how their individual retirement decision may impact them. In addition to the resources of the individual systems the administration will contract with an external retirement/financial planning communications consultant to ensure that existing employees can have the requisite resources to make an informed decision.

January 1, 2024, will be the effective date of transition. From this day forward, new qualifying employees will be automatically entered into VRS, and existing employees will have twelve months to decide to transition or not. Those existing employees who elect not to transition will remain with RRS while those who do would start in VRS. All current employees' system choices will be made and final by December 31, 2024.

Creating Equitable Employee Investment through Wage and Employee Contribution Adjustments

Under VRS, all employees, regardless of plan, contribute a mandatory five percent of their salary into their retirement plan pre-tax. RRS requires different employee contribution rates. Those in the DC Plan are required to contribute nothing while the DB plans require at least one percent.

To create investment on the part of the employee regardless of whether they choose to stay in RRS or transition to VRS, the administration will propose a one-time salary adjustment to cover the contribution increase and to mitigate the impact of FICA taxes.

Each eligible employee will be required to contribute 5.0 percent to their retirement plan whether they remain in RRS or move to VRS. These are costs that are typically borne directly by the city in employer contributions. The proposed salary increase encourages employees' investment and active participation in their retirement, whether they choose to stay in RRS or move to VRS, enhancing financial planning and literacy. It also creates a more equitable employee contribution structure in preparation for a VRS transition where employee contributions will be mandatory.

Under this legislation, the salary adjustment will depend on the current RRS plan of the employee. The table below outlines the changes to base contributions in General DB, Sworn DB, and DC plans.

Table 1: Changes to DB and DC Plan Employee (EE) and Employer (ER) Amounts

Plan	Original EE	New EE	Original ER	New ER	Percent Increase
General DB	1.0%	5.0%	ADC	ADC	4.58%
Sworn DB	1.5%	5.0%	ADC	ADC	4.01%
General/Sworn DC by years of credible service:					
<5 years*	0.0%	5.0%	5.0%	1.0%	5.72%
≥5, ≤9 years*	0.0%	5.0%	6.0%	1.0%	5.72%
≥10, ≤14 years	0.0%	5.0%	8.0%	3.0%	5.72%
≥15 years	0.0%	5.0%	10.0%	5.0%	5.72%

*The adjustment will combine the 0-5 and 5-9-year DC plan contribution brackets.

All employees will be required to contribute the additional amount to retirement. This proposed increase of employee contributions to RRS will bring all employees to the mandatory VRS employee contribution level of five percent regardless of plan.

The annual cost of the one-time FICA tax gross-up is estimated to be \$1.2 million for FY 2024.

Establishment of Financial Policies

The funded status of RRS is determined based on the annual valuation reported by the system's actuaries. According to RRS' FY 2023 valuation report, its actuarial value of assets to actuarial liability according was 67.9 percent and its ratio of fiduciary net position to total pension liability was 65.0 percent. For FY 2022, RRS' funded status was 67.7 percent and its ratio of fiduciary net position to total pension liability was 64.5 percent.

The perpetual underfunding of the RRS pension system has been a detriment to the improving city's credit rating. Without the issuance of pension obligation bonds (POBs), it is projected that RRS will meet the 80.0 percent funded status in five years; with the issuance of POBs, the funded status will reach 80.0 percent shortly after the debt is issued. In effect, this approach would trade the cost of funding future actuarially determined contribution amounts for debt service on the POBs. As this debt is not to be used for CIP projects, it will not impact the city's established debt policies.

The city's external financial advisors have tested this approach against a credit rating agency scorecard and have found that the debt issuance impact is minimal. They advise that the action would be viewed as a credit positive by the agencies if approached holistically. This paper would enact the following financial policies to fund RRS:

- Strategy 1: Increase RRS actuarial funded status
 - o Commit to always funding the Actuarially Determined Contribution (ADC).
 - o Based on the most recent valuation report for the Richmond Retirement System, reach and maintain the minimum 80 percent actuarial funded status for RRS in the current fiscal year.
 - o Commit to reaching the long-term goal of 100 percent actuarial funded status for RRS
- Strategy 2: Changes to RRS benefits
 - o Consider additions only if RRS funding ratio at or above the 85 percent level.
 - o Conduct fiscal impact analysis of potential changes prior to approval of benefits.
 - o Pay for changes upfront to not impact the actuarial funded status of RRS (i.e.: do not spread-out additional cost).
- Strategy 3: Establish reserve account
 - o Invest savings achieved from the transition and corresponding issuance of the POBs.
 - o Issue additional POBs as needed when there is a more favorable interest rate climate.
 - o Invest funds such that it allows the city to support RRS funded status when it falls below the established minimum threshold of 80 percent.

Based on the action of City Council, the administration will also seek authorization to establish the RRS Pension Obligation Reserve Trust (PORT) Fund as a part of the city's enhanced financial strategy. This fund will be kept by the city to maintain RRS' funded status at 80.0 percent minimum with future infusions to RRS from the dedicated reserve. The fund will be considered an offset to the city's unfunded accrued liability and represent a step to reaching a funding ratio of 100.0 percent. As this reserve will be dedicated, it will be set aside solely for RRS as the beneficiary and will not be considered a part of the city's assets.

The administration will seek the authorization in an amount not to exceed to ensure the most efficient use of funds. The total par amount of debt issued will be determined by the rate of return experienced by RRS in FY 2023 and the timing of a portion of the issuance of debt may be delayed ensuring a more favorable rate environment.

A companion O&R Request is being submitted to issue Pension Obligation Bonds and establish the reserve account.

FISCAL IMPLICATIONS: A one-time cost of \$1.2 million for FY 2024 to cover contribution and FICA increases.

BUDGET AMENDMENT NECESSARY: N/A

REVENUE TO CITY: N/A

DESIRED EFFECTIVE DATE: Effective immediately with VRS start date and wage and contribution adjustment as of January 1, 2024.

REQUESTED INTRODUCTION DATE: Tuesday, October 10, 2023

CITY COUNCIL PUBLIC HEARING DATE: Monday, November 13, 2023

REQUESTED AGENDA: Regular Agenda.

RECOMMENDED COUNCIL COMMITTEE: Finance and Economic Development Committee on October 19, 2023

CONSIDERATION BY OTHER GOVERNMENTAL ENTITIES: None.

AFFECTED AGENCIES: All agencies.

RELATIONSHIP TO EXISTING ORD. OR RES.: Resolution 2023-R050; legislation for issuance of Pension Obligation Bonds

REQUIRED CHANGES TO WORK PROGRAM(S): Will require changes within all agencies, Human Resources, Finance - Payroll, and RRS associated with retirement with guidance from VRS

ATTACHMENTS: None.

STAFF:

- Sabrina Joy-Hogg, Deputy Chief Administrative Officer - Finance and Administration Portfolio
- Robin Redmond, Deputy Director of Human Resources
- Louisa Meyer, Senior Policy Advisor