VRS Resolution Additional Information

There is an action item on the 5/22 School Board meeting agenda regarding the VRS Resolution, so we wanted to provide some additional background information.

On **May 7,** ACPS and Local Government staff received notification from VRS that we needed to complete the Employer Contribution Rate Election Resolution. We must select one of the two following choices (beginning July 1, 2014 for the upcoming biennium):

- Pay the Certified Rate set by the VRS Board of Trustees for the 2014-2016 biennium announced in December 2013 (7.86%); or
- Pay the Alternate Rate (6.48%), which is the VRS Board-certified rate for FY2013-2014.

The School Division has two VRS classifications; Classified School Personnel and Professional School Personnel (instructional staff, to include administrators and teachers). Rates for the Professional School Personnel are set by the General Assembly, so this election only applies to classified staff.

If we elected to pay the lower alternative rate, while we would save $104,000 this year, in the future we would be paying higher rates than future certified rates in order to “catch up” to the mandated employer contribution. It is more cost effective and a better financial practice to pay the certified rate to avoid having to face more significant rate increases in the future. At the last biennium we opted to pay the full rate consistent with the Board's stated legislative priorities to fully fund the retirement funding as early as possible. Based on this, the item was included on the consent agenda.