VRS Legislative Fact Sheet

On April 18, 2012, the General Assembly approved a variety of changes to reform the retirement plan administered by the Virginia Retirement System (VRS). The General Assembly passed bills establishing a new hybrid retirement plan for state and local employees who are hired on or after January 1, 2014 (HB 1130 and SB 498), as well as a companion bill (SB 497) which requires local governments' and school divisions' current employees to pay a 5% contribution to VRS by no later than July 1, 2016 and for local governments and school divisions to provide employees with a salary increase to offset the cost of the employees' VRS contribution. (The "5 and 5 Requirement")

Prior to the final approval of SB 497, the Governor amended the language to provide a 5-year period in which local governments, as well as school boards, can phase-in the contributions for existing employees at the rate of 1% per year until July 1, 2016.

SB 497 mandates local governments and school divisions to:

- Require current employees who are VRS members to contribute 5% of their salaries to VRS by no later than July 1, 2016 and for local governments and school divisions to pay employees an increase in their base salaries to offset the cost of the employees' contributions to VRS.
- Require all new employees hired after July 1, 2012 to pay the 5% contribution immediately.
- Complete any phase-in option, if elected, using whole percentages by no later than July 1, 2016.