Town of Christiansburg

Memo

To: All Town Employees
From: Barry Helms, Town Manager BJ OK
Date: 05/31/2012
Re: Employee Contributions to VRS and Related Salary Increase

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As a member of the Virginia Retirement System (VRS), the Town of Christiansburg and its employees will be affected by recent laws passed by the Virginia General Assembly. These laws (in Chapter 822 of the 2012 Acts of Assembly) go into effect on July 1, 2012, and will require that employees pay the member contributions to VRS.

This means the 5% contribution to VRS formerly paid for by the Town will now be paid for by the employee. This mandated shift in who pays also requires that all full-time employee salaries are increased by 5% to 'offset' the changes.

However, once other withholdings are factored in, this 5% increase and 5% decrease do not cancel each other out. Unfortunately, this means that employee paychecks will be slightly lowered by these new regulations.

For example (please note these DO NOT take into account federal or state income tax withholding or other payroll withholdings because those amounts are employee specific):

	Currently	5% pay increase and 5% deduction
Annual Salary	**50,000**	**50,000**
5% increase		52,500
5% contribution		2,625
FICA	2,100	2,205
Medicare	725	761
net to employee	47,175	46,909
Annual net pay reduction		266
Estimated per pay period		10
Annual Salary	**30,000**	**30,000**
5% increase		31,500
5% contribution		1,575
FICA	1,260	1,323
Medicare	435	457
net to employee	28,305	28,145
Annual net pay reduction		160
Estimated per pay period		6

As you can see above, this 5% increase/5% decrease will lower each paycheck by approximately $6 for an employee earning $30,000 annually; and by approximately $10 each paycheck for an employee earning $50,000 annually. If you earn less than $30,000 annually, the amount your paycheck will decrease will be slightly lower than $6/each. And if you earn more than $50,000 annually, each paycheck will decrease by more than $10.

These changes to earnings and contributions will go into effect on June 20, 2012, to ensure the Town is in compliance with the July 1 deadline. Paychecks issued on July 6, 2012, will reflect these changes.

These are tough times made more complicated by the state. I appreciate your understanding and support as we work through this together.

FAQ:

Why did the General Assembly make these changes?
Some VRS participating localities were not fully funding their contributions to VRS. The General Assembly believed it was important to make sure that all contributions were being fully funded, so they changed the system to mandate that employees pay the contribution to ensure full funding. The Town of Christiansburg has always fully funded its VRS contributions but there is nothing we can do to change this new mandate.

I heard the Town could have made these changes over the next few years. Is this true?
Yes, it is true that localities had the option to implement these new requirements incrementally for existing employees (1% each year for the next five years, until the employee is paying the full 5%). However, with the changes that have to be made in payroll to accommodate these new requirements, it would have made it complicated to make sure all employees (existing and new hires) had the correct level of withholdings and would have incurred significant costs to track. By switching to a full 5% employee contribution for all employees, it keeps everyone on the same system and the change only needs to be made once.

Do I still have to participate in VRS?
Yes, participation in VRS is still compulsory (required).

Why isn't the Town giving more than a 5% pay increase to fully cover these changes?
As many of you know, it has been another difficult budget year. Complying with this mandate is costing the Town an additional $107,000 annually (the Town will now be paying an additional amount to VRS on higher gross salaries for all employees) and economic conditions simply haven't improved enough for the Town to be able to offer more than a 5% increase.

Please contact me or Valerie Tweedie with any additional questions or concerns.