



Virginia
Beach
Vision, Inc.

"Looking Toward Tomorrow's City"

June 21, 2010

Dear Mayor Sessoms and members of City Council:

In receipt of correspondence dated June 18, 2010 from City Manager Spore to City Council, we note that Council may choose to formally reconsider their policy to require new employees hired after July 1, 2010 to make the 5% employee contribution to the VRS. As communicated previously by Virginia Beach Vision and by the Virginia Beach Business Roundtable, we believe the current pension plan must be changed to more closely reflect private sector pension programs. Requiring the employee to contribute to their retirement plan is an appropriate and needed first step.

Cities all around the nation face the "ticking time" bomb of unfunded liabilities created by the costs of defined benefit plans for employees now and in their retirement. Just for pensions alone, the city's annual contribution to VRS nearly doubled since 2002 from \$24.4 M to \$47.1 M. As a percent of payroll, the city's pension contributions have grown from about 11% of total payroll costs in 2003 to over 17% of total costs in 2009. This escalation in cost is not sustainable.

This year, the General Assembly did provide localities the flexibility to require new employees to pay the employee share of the retirement contribution to VRS. Given the fiscal challenges faced by local governments and the unusually large numbers of persons seeking employment, this is a particularly appropriate time to begin implementation of this change.

In addition to retaining the newly adopted policy of requiring new employees to contribute to their retirement plan, we urge City Council to work with other cities/counties in Hampton Roads, VML and VACCO, our delegation to the General Assembly, and the business community to lobby the legislature to further empower localities to: 1) provide defined contribution plans in lieu of defined benefit plans; 2) modify retirement service and age qualifications; and, 3) require employee participation in benefit packages as may be deemed appropriate by the local governing body.

We urge Virginia Beach City Council to help lead the way in reforming what has become an unsustainable public employee benefit program.

Respectfully,

Michael J. Barrett

President

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