

Virginia Retirement System

2001 Fiscal Impact Statement

1. Bill Number HB1688

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Hamilton

3. Committee Appropriations

4. Title Deferred retirement option program.

5. Summary/Purpose:

This bill establishes a deferred retirement option program for state employees, state police officers, local government employees, teachers, and judges. To participate in the program, members must be eligible to retire under VRS, SPORS, VaLORS or the JRS with unreduced benefits. The employee continues working during the period of his participation in the program, not to exceed five years, during which time a percentage of the amount of the monthly retirement benefits that he would have received if he had retired instead of enrolling in the program is deposited in an account. The percentage, determined at an amount that ensures that the program does not affect employer contribution rates, shall not exceed 100 percent. The account balance, with interest, shall be paid to the participant when he retires. The bill has a delayed effective date of July 1, 2002.

- 6. No Fiscal Impact .** This bill allows the VRS Board of Trustees in consultation with its actuary to determine the percentage of the retirement benefit that would have been paid to be placed into the DROP account in order to make the bill cost neutral. Therefore, there is no immediate fiscal impact. Because of the constraints place upon the Board's discretion in future years, there may be a long term cost to this bill that is not determinable at this time. The percentage of the retirement benefit to initially be deposited into the DROP account to keep the bill actuarially neutral for each employer group is as follows:

State	Teachers	State Police	Judges	VaLORS	Pol. Subs.
54%	66%	40%	31%	41%	54%

- 7. Budget amendment necessary:** Yes. \$560,000 (NGF) and 5 FTE's in FY02 for programming, communications and administration of the program and \$203,000 (NGF) in FY03 to continue the 5 FTE's.

- 8. Fiscal implications:** Experience in other states has indicated that DROPs are very expensive to administer. This bill may make future increases in the VRS operating budget necessary.

- 9. Specific agency or political subdivisions affected:** All employers participating in the VRS.

- 10. Technical amendment necessary:** Yes. Technical amendments will be provided to Appropriations Committee staff.

11. Other comments: This bill includes members of the Judicial Retirement System (JRS) as eligible to participate in the DROP. Because of the mandatory retirement provisions of the JRS, the weighted service credit provisions and the maximum benefit provisions, VRS feels that a DROP is not appropriate for this group and has expressed this opinion to the Executive Secretary of the Supreme Court.

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