

Virginia Retirement System 2001 Fiscal Impact Statement

1. Bill Number SB1077

House of Origin	<input checked="" type="checkbox"/> Introduced	<input checked="" type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Miller, K.G.

3. Committee Finance

4. Title Virginia Retirement System; purchase of prior service credit.

5. Summary/Purpose:

This bill makes several changes to the current law concerning the purchase of prior service credit including technical amendments by eliminating obsolete language and clarifying other language. The purchase of retirement credit for certain prior military service is permitted even when the prior military service is creditable to another retirement system, if such is required by federal statutes governing military retirement. The bill also provides that if a person becomes a member of the retirement system on or after July 1, 2001, and elects to purchase prior service within three years from the date of his hire, he must pay an amount equal to five percent of his present annual compensation or five percent of his average annual compensation during his 36 highest consecutive months of creditable service, whichever is greater. At any other time, such member must pay an amount equal to actuarial equivalent cost. The substitute contains technical amendments, clarifies the treatment of purchases of service for refunded periods and allows purchases of service for full time wage employment. **This bill is requested by the VRS Board of Trustees.**

6. There is no significant actuarial impact associated with this bill.

7. Budget amendment necessary: None

8. Fiscal implications: This bill should have a positive long range actuarial impact by encouraging the purchase of service early in a member's career so that the cost to the member more nearly approximates the true cost of the service. Employees who elect to postpone the purchase to later in their careers will be charged the full actuarial cost of the service, thereby not requiring employers to subsidize such purchases.

9. Specific agency or political subdivisions affected: VRS and all employers participating in the retirement system.

10. Technical amendment necessary: None

11. Other comments: This bill is similar to HB2293.

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