

Virginia Retirement System

2001 Fiscal Impact Statement

1. Bill Number SB843

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

2. Patron Stolle

3. Committee Finance

4. Title Retirement System; partial lump-sum payment option.

5. Summary/Purpose:

This bill establishes lump-sum payment options for the payment of retirement allowances to eligible retiring members. A member who has satisfied the requirements for normal retirement or who has remained in service for at least three years after the date he was first eligible for an unreduced service retirement allowance may elect to receive a lump-sum distribution up to thirty-six times the monthly amount of his service retirement allowance. A member who has remained in service for at least two years after the date he was first eligible for an unreduced service retirement allowance may elect to receive a lump-sum distribution up to twenty-four times the monthly amount of his service retirement allowance. A member who has remained in service for at least one year after the date he was first eligible for an unreduced service retirement allowance may elect to receive a lump-sum distribution equal to twelve times the monthly amount of his service retirement allowance. If an eligible retiring member elects to receive a lump-sum distribution, his retirement allowance shall be reduced on an actuarially equivalent basis. This bill also eliminates the leveling option.

6. No Fiscal Impact

7. Budget amendment necessary: \$250,000 (NGF) in FY01 for systems development and communications related to the program.

8. Fiscal implications: This bill will provide an incentive for members who would have ordinarily retired on an unreduced benefit when first eligible to continue to work.

9. Specific agency or political subdivisions affected: All VRS covered employers.

10. Technical amendment necessary: None

11. Other comments: Following is a description of the PLOP with examples:

The partial lump-sum option (PLOP) is a benefit option to the basic benefit that may be selected by members at retirement. It is a mechanism for encouraging individuals to continue working after they

have attained eligibility for unreduced retirement benefits. As with all benefit options, it is actuarially equivalent to the basic benefit and the selection of the PLOP must be acknowledged by the member's spouse.

Under the PLOP, a member who elects to continue employment in a covered position for at least one year beyond the date that he first is eligible for an unreduced service retirement may, at the time of his retirement, elect to take a portion of his retirement benefit in a lump sum equivalent to up to three years of retirement benefits. The maximum amount of the lump sum is dependent upon the number of additional years that the member remains in employment. For example, a member who remains in employment for one year may receive up to one year's retirement benefit in a lump sum; two years of additional service qualifies for up to two years of retirement benefits; and three or more years of additional service results in up to three years of benefits that a member can take in a lump sum. Regardless of the amount of the lump sum benefit, the member's monthly benefit into retirement will be reduced actuarially.

An illustration of how the PLOP works follows based upon the average new member retiring in 2000.

State/Political Subdivision Employee

Assume that at age 50 a state or political subdivision employee has 30 years of VRS service and is eligible to retire with an unreduced benefit. The following table shows the benefit if the employee retires at ages 50 through 53 assuming that the PLOP is elected for retirements after age 50:

Age	Monthly Avg. Final Comp.	Service Credit (Yrs.)	Monthly Benefit w/o PLOP	Max. PLOP Amount	Monthly Benefit w/ PLOP	Add'l. Salary Earned
50	\$3,048	30	\$1,554	N/A	N/A	N/A
51	\$3,170	31	\$1,671	\$20,047	\$1,561	\$38,040
52	\$3,297	32	\$1,793	\$43,042	\$1,556	\$79,128
53	\$3,429	33	\$1,923	\$69,244	\$1,535	\$123,444

Teacher

Assume that at age 52 a teacher has 30 years of VRS service and is eligible to retire with an unreduced benefit. The following table shows the benefit if the teacher retires at ages 52 through 55 assuming that the PLOP is elected for retirements after age 52:

Age	Monthly Avg. Final Comp.	Service Credit (Yrs.)	Monthly Benefit w/o PLOP	Max. PLOP Amount	Monthly Benefit w/ PLOP	Add'l. Salary Earned
52	\$3,817	30	\$1,947	N/A	N/A	N/A
53	\$3,970	31	\$2,092	\$25,106	\$1,951	\$47,640
54	\$4,129	32	\$2,246	\$53,905	\$1,939	\$99,096
55	\$4,294	33	\$2,409	\$86,719	\$1,906	\$152,964

State Police and State and Local Law Enforcement and Firefighters with Special Benefits (SPORS, VaLORS, LEOS, FIRE)

Assume that at age 50 a an eligible state or political subdivision employee has 25 years of VRS service and is eligible to retire with an unreduced benefit. The following table shows the benefit if the employee retires at ages 50 through 53 assuming that the PLOP is elected for retirements after age 50:

Age	Monthly Avg. Final Comp.	Service Credit (Yrs.)	Monthly Benefit w/o PLOP*	Max. PLOP Amount	Monthly Benefit w/ PLOP*	Add'l. Salary Earned
50	\$4,475	25	\$1,902	N/A	N/A	N/A
51	\$4,654	26	\$2,057	\$24,686	\$1,923	\$55,848
52	\$4,840	27	\$2,222	\$53,323	\$1,927	\$116,184
53	\$5,034	29	\$2,396	\$86,264	\$1,912	\$181,224

***Does not include monthly supplement of \$772 per month until age 65.**

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