

VIRGINIA RETIREMENT SYSTEM

2002 Fiscal Impact Statement

1. **Bill Number** HB1111

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

2. **Patron** Christian

3. **Committee** Appropriations

4. **Title** Deferred retirement option program.

5. **Summary/Purpose:**

This bill establishes a deferred retirement option program for teachers eligible to retire under VRS with unreduced benefits. Under the program, a teacher will continue 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 a 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 a participating teacher when he retires. This is an optional program.

6. **No Fiscal Impact.** This bill allows the VRS Board of Trustees in consultation with its actuary to determine the percentage of retirement benefit that would have been paid to be placed into the DROP account to make the bill cost neutral. Therefore, there is no immediate fiscal impact. Because of the constraints placed 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 cost neutral for teachers is between 74.50% and 77.25%.

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 and FY04 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:** VRS and public school divisions.

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

11. **Other comments:** None

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