

Virginia Retirement System

2003 Fiscal Impact Statement (Revised)

1. **Bill Number** HB1507

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

2. **Patron** Callahan

3. **Committee** Appropriations

4. **Title** Virginia Retirement System.

5. **Summary/Purpose:**

Virginia Retirement System. Increases the retirement allowance for state and local members of the Virginia Retirement System who retire on or after July 1, 2003, by increasing the percentage of average final compensation that is multiplied by the amount of creditable service (i) from 2 percent to 2.75 percent for certain members of the Virginia Law Officers' Retirement System who retire with 25 or more years of creditable service and who are not eligible for the supplemental allowance; (ii) from 2 percent to 2.5 percent for members of the Virginia Law Officers' Retirement System who retire with 25 or more years of creditable service and who are eligible for the supplemental allowance; and (iii) from 1.7 percent to 2 percent for all others who retire with 25 or more years of creditable service.

6. **Fiscal Impact Estimates are:**

6a. Expenditure Impact:

State (GF)	\$51.1 Million in FY05
State (NGF)	\$51.1 Million in FY05
Teacher (State)	\$53.1 Million in FY05
Teacher (Local)	\$53.1 Million in FY05
State Police (GF)	\$4.7 Million in FY05
State Police (NGF)	\$0.5 Million in FY05
VaLORS (GF)	\$14.0 Million in FY05
VaLORS (NGF)	\$2.5 Million in FY05
Judges (GF)	\$1.1 Million in FY05
Political Subdivisions (Aggregate)	\$65.2 Million in FY05

7. **Budget amendment necessary:** \$150,000 (NGF) in FY03 to cover the cost of systems changes and communications.

8. **Fiscal implications:** This bill enhances benefits and results in a fiscal impact. The Commonwealth is currently contributing below the level recommended by the VRS actuary. In addition, VRS investment returns are currently below the actuarial investment assumption.

and deferred investment losses exist. In the absence of this benefit enhancement, VRS expects future required contributions to increase and approval of this enhancement will increase contributions even more. VRS is also concerned that a review of the overall objectives and benefits of the system has not taken place in many years and recommends that, prior to significant enhancements to benefits being approved, a major study of the system be initiated by the General Assembly similar to that recommended during the 2002 Session in HJR49. Note that benefit enhancements approved this year will be considered in the June 30, 2003 actuarial valuations and first reflected in contribution rates on July 1, 2004.

9. Specific agency or political subdivisions affected: VRS and participating employers.

10. Technical amendment necessary: No

11. Other comments: None

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