

Virginia Retirement System 2003 Fiscal Impact Statement

1. **Bill Number** HB1568

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron** Hamilton

3. **Committee** Appropriations

4. **Title** Virginia Retirement System.

5. **Summary/Purpose:**

Virginia Retirement System. Increases the retirement allowance for all state and local members of the Virginia Retirement System by gradually increasing, over a 6-year period, the percentage of average final compensation that is multiplied by the amount of creditable service (i) from 2 percent to 2.3 percent for certain members of the Virginia Law Officers' Retirement System who are not eligible for the supplemental allowance and (ii) from 1.7 percent to 2 percent for all others. The bill also gradually increases, over a 6-year period, the monthly retirement allowance paid to members of the Virginia Retirement System who retired prior to July 1, 2003, by 3 percent.

6. **Fiscal Impact Estimates are:**

6a. Expenditure Impact:

State (GF)	\$26.9 Million Annually
State (NGF)	\$26.9 Million Annually
Teacher (State)	\$26.8 Million Annually
Teacher (Local)	\$26.8 Million Annually
SPORS (GF)	\$1.6 Million Annually
SPORS (NGF)	\$0.2 Million Annually
VALORS (GF)	\$5.4 Million Annually
VALORS (NGF)	\$0.9 Million Annually
JRS (GF)	\$1.3 Million Annually
Political Subdivisions (Aggregate)	\$22.4 Million Annually

7. **Budget amendment necessary:** If approved, \$200,000 (NGF) in FY03 for implementation and communication costs.

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 benefit 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 HJR 49. 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 covered employers

10. Technical amendment necessary: No

11. Other comments: None

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