

# Virginia Retirement System 2003 Fiscal Impact Statement

**1. Bill Number** HB2172

**House of Origin** ☒ Introduced ☐ Substitute ☐ Engrossed

**Second House** ☐ In Committee ☐ Substitute ☐ Enrolled

**2. Patron** Phillips

**3. Committee** Appropriations

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

**5. Summary/Purpose:**

Virginia Retirement System; purchase of prior service credit. Permits any member of the Virginia Retirement System in service who is an employee with the Dickenson County Public Service Authority and who was an employee with the Big Caney Water Corporation at the time it merged with the Dickenson County Public Service Authority to purchase 1 year of creditable service for each year of service as a full-time employee with the Big Caney Water Corporation, up to a maximum of 4 years. The cost of service credit purchased under this subsection shall be the actuarial equivalent cost of such service.

6. Because of the limited applicability of this bill, the actuarial impact is insignificant. See fiscal implications below.

**7. Budget amendment necessary:** No

**8. Fiscal implications:** IRC section 415(n) allows for the purchase of up to 5 years of non-qualified service if the plan permits such service. VRS currently allows for the purchase of certain public service, but not non-qualified service. Allowing the purchase of service in a private corporation would set a precedent for other non-qualified service. As other non-qualified service is added, the cost to the employer will increase. Opening the door to non-qualified service purchases without a thorough examination of the fiscal ramifications of such an action may not be prudent given the current economic environment.

**9. Specific agency or political subdivisions affected:** VRS and the Dickenson County Public Service Authority.

**10. Technical amendment necessary:** No

**11. Other comments:** This bill provides a special benefit for a narrowly defined group of employees, or possibly one employee. As such, it is not prudent plan design. If it is intended to apply to only one employee, there may be Constitutional issues involved.

**Date:** 01/14/03/ wgh

**Document:** h2172