

# Virginia Retirement System 2003 Fiscal Impact Statement

**1. Bill Number** HB2439

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

**2. Patron** Dillard

**3. Committee** Appropriations

**4. Title** Virginia Retirement

**5. Summary/Purpose:**

Virginia Retirement System; creditable service for certain teachers. Provides that licensed instructional personnel who accept full-time employment in a public school that has been accredited with warning for 2 consecutive years, as provided in Board of Education regulations for the accreditation of public schools, and complete 3 consecutive years' satisfactory service in such school, shall be entitled to 3 additional years' creditable service.

6. The fiscal impact of this bill cannot be determined because of a lack of sufficient data. In general, the cost of a year of service, on average, is 15% of annual compensation. The minimum cost is 5% of compensation. The cost for teachers who are nearing retirement eligibility is in excess of the 15% average while the cost for teachers just beginning a career will be less than the average. In addition to the above cost, if utilization is great enough, then retirement patterns may change to result in a greater increase in cost.

**7. Budget amendment necessary:** No

**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 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 public school divisions.

**10. Technical amendment necessary:** No

**11. Othercomments:** None

**Date:** 01/17/03/wgh

**Document:**h2439