

Virginia Retirement System

2003 Fiscal Impact Statement (Revised)

1. Bill Number SB1191

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Wagner

3. Committee Finance

4. Title Retirement; service credit for state employees when there is no general

5. Summary/Purpose:

Retirement; service credit for state employees when there is no general salary increase. Provides that state employees shall be credited with up to 12 months of additional retirement service credit for each fiscal year that the Commonwealth does not provide a general salary increase. The amount of service credit to be credited to each such employee shall be equal to the number of months that the person was in service as a state employee in the relevant fiscal year, rounded up to the nearest whole month. State employees covered under a defined contribution retirement plan for retirement purposes and local government employees are not eligible to receive the additional service credit.

6. Fiscal Impact Estimates are:

Assuming that the provisions apply only to the period through FY04.	
State (GF)	\$22.5 Million Annually
State (NGF)	\$22.5 Million Annually
SPORS (GF)	\$1.3 Million Annually
SPORS (NGF)	\$0.14 Million Annually
VALORS (GF)	\$4.9 Million Annually
VALORS (NGF)	\$0.9 Million Annually
JRS (GF)	\$0.4 Million Annually

Assuming at least one year with no salary increase in each seven year period and the provisions of this bill being applied.

State (GF)	\$30.4 Million Annually
State (NGF)	\$30.4 Million Annually
SPORS (GF)	\$1.8 Million Annually
SPORS (NGF)	\$0.2 Million Annually
VALORS (GF)	\$6.8 Million Annually
VALORS (NGF)	\$1.2 Million Annually
JRS (GF)	\$0.2 Million Annually

7. Budget amendment necessary: Yes. \$200,000 (NGF) to VRS for implementation.

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 state agencies

10. Technical amendment necessary: No

11. Other comments: None

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