

Virginia Retirement System 2003 Fiscal Impact Statement

1. Bill Number SB1207

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Newman

3. Committee Finance

4. Title Retirement Incentive Program Act of 2003.

5. Summary/Purpose:

Retirement Incentive Program Act of 2003. Creates a voluntary retirement incentive program for state employees. A state employee who is at least 50 years of age and who has at least 27 years of creditable service, if a member of the Virginia Retirement System, or 23 years of creditable service, if a member of the State Police Officers' Retirement System or the Virginia Law Officers' Retirement System, is eligible to participate. An employee must apply to participate in the program by September 15, 2003, and the employee's employer must approve the application.

6. Fiscal Impact Estimates are:

Assuming 50% utilization:

State (GF)	\$14.1 Million Annually
State (NGF)	\$14.1 Million Annually
SPORS (GF)	\$1.6 Million Annually
SPORS (NGF)	\$0.2 Million Annually
VALORS (GF)	\$1.8 Million Annually
VALORS (NGF)	\$0.3 Million Annually

Assuming 10% utilization:

State (GF)	\$2.6 Million Annually
State (NGF)	\$2.6 Million Annually
SPORS (GF)	\$0.3 Million Annually
SPORS (NGF)	\$0.03 Million Annually
VALORS (GF)	\$0.3 Million Annually
VALORS (NGF)	\$0.6 Million Annually

7. Budget amendment necessary: Yes. \$250,000 (NGF) in FY03 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 VRSAuary.

In addition, VRS investment returns are recurrently 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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