

Virginia Retirement System
2006 Fiscal Impact Statement
Revised

1. Bill Number HB10

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Wright

3. Committee Appropriations

4. Title Retirement System; purchase of prior service credit by teachers.

5. Summary/Purpose:

Virginia Retirement System; prior service credit. Provides that a member of the Virginia Retirement System who is in service may purchase up to four years of service credit for service as a teacher or administrator with an Overseas American-Sponsored Elementary and Secondary School Assisted by the U.S. Department of State.

6. No Fiscal Impact (or)
Fiscal Impact Estimates are:

Fiscal impact is unknown. Data is not available as to the frequency of purchases under this provision. See Fiscal Implications.

7. Budget amendment necessary: No

8. Fiscal implications: This bill would allow members to purchase service toward retirement for employment with an Overseas American-Sponsored Elementary and Secondary School assisted by the U.S. Department of State these schools are not public schools. The schools are private non-profit schools that receive grants and other subsidies. Currently, members of the VRS may only purchase prior service earned while employed with other government/public entities so long as they are not vested to a benefit in another plan for that same service.

In general, the cost to purchase a month of service within the first three years of eligibility is 5% of the employee's compensation. After the first three years of eligibility, the cost is the full actuarial cost of that service. The difference between the 5% purchase cost and the full actuarial cost for purchases occurring in the first three years is borne by the employer in the form of increased unfunded liability. Non-qualified service may only be purchased under IRC regulations after the person is vested and is capped at no more than 5 years of purchasable service.

9. Specific agency or political subdivisions affected: VRS and employers of members who have been employed by an Overseas American-Sponsored Elementary and Secondary School assisted by the U.S. Department of State.

10. Technical amendment necessary: No

11. Other comments: This would set a precedent for allowing non-qualified service that was rendered with a non-governmental employer.

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