

Virginia Retirement System 2006 Fiscal Impact Statement

1. Bill Number HB473

House of Origin ☐ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☒ Enrolled

2. Patron Ingram

3. Committee Passed the House and the Senate

4. Title Virginia Retirement System; local retirement plans not participating in the VRS.

5. Summary/Purpose:

Virginia Retirement System; local retirement plans not participating in the Virginia Retirement System. Deletes the requirement that the Virginia Retirement System determine if the retirement plans of localities not participating in the Virginia Retirement System are fulfilling the statutory requirement of providing a service retirement allowance to each employee who retires at age 65 or older that equals or exceeds two-thirds of the service retirement allowance to which the employee would have been entitled had the allowance been computed under the provisions of the Virginia Retirement System.

6. No Fiscal Impact (or)

Fiscal Impact Estimates are: There is no fiscal impact.

7. Budget amendment necessary: No

8. Fiscal implications: None

9. Specific agency or political subdivisions affected: VRS and local retirement plans that do not participate with the VRS

10. Technical amendment necessary: No

11. Other comments: Funding for this study is problematic. The Virginia Retirement System is governed by the Internal Revenue Service Exclusive Benefit Rule that requires that the VRS Trust Funds must be used exclusively for the benefits of its participating members. Failure to comply with this Internal Revenue Service rule could place the VRS plan tax qualification in jeopardy. This requirement imposes a potential unfunded mandate on local governments who administer their own retirement plans for their employees should the plan not meet the statutory standard. The *Code* requires that the plan increase benefits or bring their participants under VRS if the standard is not met.

The Virginia Retirement System Board of Trustees requested this legislation.

Date: 03/15/06/pas

Document: HB473ER