

Virginia Retirement System
2006 Fiscal Impact Statement
Revised

1. Bill Number HB595

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

2. Patron McClellan

3. Committee Appropriations

4. Title Virginia Retirement System; prior service credit.

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 on the staff of a Center for Independent Living located within the Commonwealth.

6. No Fiscal Impact: 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 (or) Fiscal Impact Estimates are: This bill would allow members to purchase service towards retirement with Centers for Independent Living (CILs). CILs provide services and advocacy to promote the leadership, independence, and productivity of people with disabilities. The Statewide Independent Living Council which is a separate entity working collaboratively with the Department of Rehabilitative Services and the Department of the Blind and Vision Impaired provide direction for the independent network of Centers for Independent Living. These Centers are not governmental entities and the purchase of service earned with these Centers would be classified as “non-qualified” service under the Internal Revenue Code (IRC). This bill would create a precedent as current law only allows “qualified” service (i.e. government service) to be purchased by an eligible member.

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 members who have been employed by Centers for Independent Living

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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