

Virginia Retirement System 2007 Fiscal Impact Statement

1. **Bill Number** HB1830

House of Origin ☐ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☒ Enrolled

2. **Patron** Putney

3. **Committee** Finance

4. **Title** State employees; changes participation in deferred compensation plan.

5. **Summary/Purpose:** Deferred compensation plan for state employees. Changes the method for enrolling state employees hired on or after January 1, 2008 in deferred compensation programs to an "opt-out" basis rather than an "opt-in" basis.

Currently, newly hired state employees have the option to participate in the deferred compensation plan administered by VRS or a 403(b) plan sponsored by various state-supported higher education institutions. Under the provisions of this bill, employees would be required to exercise a negative election in order to decline participation in either the VRS administered 457 plan or the higher ed institutions' 403(b) plans. Otherwise, employees will be enrolled in their respective tax deferred savings plans at the default employee contribution levels of \$20 per pay period resulting in an employer cash match contribution of \$10 per pay period.

The provisions of this bill do not take effect until January 1, 2008. In addition, VRS and the Department of Accounts have determined that a 90-day window after hiring will be provided to each new state employee to ensure sufficient time is available for processing either (1) a negative election to decline participation or (2) to change deferral amounts and investment options.

6. **Fiscal Impact Estimates are:**

6a. **Expenditure Impact:**

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
State-GF	150,000	750,000	1,350,000	1,950,000	2,539,000	3,136,000
State-NGF	150,000	750,000	1,350,000	1,950,000	2,539,000	3,136,000
Grand Total	300,000	1,500,000	2,700,000	3,900,000	5,078,000	6,272,000

6b. **Revenue Impact:** No

7. **Budget amendment necessary:** Yes. There will be an increase in the cost for the Cash Match Plan for all new employees who are auto enrolled and do not opt out.

8. **Fiscal implications:** See Expenditure Impact above.

9. Specific agency or political subdivisions affected: All state agencies and state-supported institutions of higher education.

10. Technical amendment necessary: No

11. Other comments: None

Date: 03/06/07/pas

Document: HB1830ER