

Virginia Retirement System 2011 Fiscal Impact Statement

1. Bill Number: SB1022

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

2. Patron: Puckett

3. Committee: Finance

4. Title: Virginia Retirement System; creditable compensation of teachers.

5. Summary: Virginia Retirement System. This bill provides that the creditable compensation of a teacher for retirement purposes under the Virginia Retirement System shall include all compensation payable to a teacher by his public school board, including compensation that is not pursuant to a contract for teaching.

6. Budget Amendment Necessary: Yes. The cost of this legislation will be reflected in increased employer contribution rates for FY12. This measure would also increase the unfunded liability by \$306 million which will decrease the funded ratio of the teacher plan.

7. Fiscal Impact Estimates:

7a. Expenditure Impact:

	<u>FY12 Cost</u>	<u>FY13 Cost</u>	<u>FY14 Cost</u>	<u>FY15 Cost</u>	<u>FY16 Cost</u>	<u>FY17 Cost</u>
State - General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SPORS - General Fund	-	-	-	-	-	-
VALORS - General Fund	-	-	-	-	-	-
JRS - General Fund	-	-	-	-	-	-
Teacher - General Fund	12,344,000	12,714,000	13,095,000	13,488,000	13,893,000	14,310,000
TOTAL General Fund	\$ 12,344,000	\$ 12,714,000	\$ 13,095,000	\$ 13,488,000	\$ 13,893,000	\$ 14,310,000
State - Non-General Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SPORS - Non-General Funds	-	-	-	-	-	-
VALORS - Non-General Funds	-	-	-	-	-	-
TOTAL - Non-General Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Teacher - Local Funds	\$ 24,659,000	\$ 25,399,000	\$ 26,161,000	\$ 26,946,000	\$ 27,754,000	\$ 28,587,000
Political Subs - Schools	-	-	-	-	-	-
Political Subs - Non School	-	-	-	-	-	-
TOTAL Local Funds	\$ 24,659,000	\$ 25,399,000	\$ 26,161,000	\$ 26,946,000	\$ 27,754,000	\$ 28,587,000
Grand Totals	\$ 37,003,000	\$ 38,113,000	\$ 39,256,000	\$ 40,434,000	\$ 41,647,000	\$ 42,897,000

8. Fiscal Implications: According to the Virginia Department of Education, an estimated \$114.6 million in supplemental payments are made to teachers above and beyond their annual contract salaries. Although this bill applies only to additional pay earned by school teachers, it creates a precedent for additional pay earned by all members of the system, including overtime pay, bonus pay etc. The additional pay will increase the employee's creditable compensation upon which their Average Final Compensation (AFC) is based. The higher AFC produces a larger monthly retirement benefit.

9. Specific Agency or Political Subdivisions Affected: VRS and public school divisions

10. Technical Amendment Necessary: No

11. Other Comments: None.

Date: 01.21.2011

Document: SB1022.doc