

Virginia Retirement System 2012 Fiscal Impact Statement

1. Bill Number: SB 497

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

2. Patron: Patron Prior to Conference -- Watkins

3. Committee: Conference

4. Title: Virginia Retirement System employee contributions; local employees; school board employees.

5. Summary as Passed Senate: Virginia Retirement System employee contributions; local employees; school board employees. Requires that persons employed by local government or school board employers be required to pay the five percent employee contribution to the Virginia Retirement System. School boards would be authorized to phase in the five percent contribution over a maximum of five years. Local employers and school boards would be required to provide employees with a raise to offset the employee contributions.

6. Budget Amendment Necessary: Yes. Item 468(K) of HB 1301 as introduced would override the provisions of this bill as it precludes local employers from imposing member contributions upon Plan 1 employees if such employers had previously elected to pick them up on behalf of their employees. Item 468(K), unless removed, would frustrate the intent of this bill.

7. Fiscal Impact Estimates: None

8. Fiscal Implications: There will be no impact on the VRS trust fund from this bill, because it causes a change to the source of funds, not the amount of such funds. SB 497 requires local employers and school boards to shift the source of employee contributions from employer to member and offset any increased contributions by the member as the result of this legislation with a raise in the same amount.

If every school board and every locality imposed the full 5% contribution on their Plan 1 and Plan 2 employees, savings for the school boards and localities could total approximately \$539 million annually when fully phased-in. The requirement for the offsetting raises, however, negates this savings.

9. Specific Agency or Political Subdivisions Affected: Local governments, political subdivisions, and school boards and their employees

10. Technical Amendment Necessary: No

11. Other Comments: Among the over 570 local employers in VRS, only 38 require Plan 1 employees (those hired prior to 7/1/10) to pay the 5% member contribution. No school boards require member contributions from Plan 1 teachers. However, 122 local employers and 8 school boards require their Plan 2 employees to pay all or a portion of the 5% member contribution.

The enrolled bill provides that:

- All local members must pay the member contribution as of 7/1/12. Localities and school boards shall provide an increase in compensation as of 7/1/12 to offset the member contributions for members whose employer is currently paying all or part of the member contributions (Plan 1 and Plan 2 employees).
- The increase shall equal the difference between five percent of creditable compensation and the percentage of the member contribution paid by the local member on 1/1/12.
- Only school boards are authorized to phase in the member contributions required by this legislation. The phase-in period may be up to five years. Any phase-in by school boards must be in whole percentages.
- The offsetting raise is to be effective 7/1/12 (unless a school board is phasing in the member contribution).
- If a school board elects to phase in the member contributions, the increase may also be phased in at the same rate.
- Plan 1 or Plan 2 employees who were paying the member contribution or some portion of it as of 1/1/12 do NOT get an offsetting raise for the amount they were already paying as of 1/1/12.

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