

## Virginia Retirement System 2013 Fiscal Impact Statement

**1. Bill Number:** SB1244

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

**2. Patron:** Colgan

**3. Committee:** Finance

**4. Title:** Virginia Retirement System benefits.

**5. Summary:** Provides for an increase, beginning July 1, 2013, of the monthly retirement allowance payable to any person who retired with at least 15 years of creditable service before January 1, 1990, under the Virginia Retirement System or the State Police Officers' Retirement System (or predecessor retirement systems).

**6. Budget Amendment Necessary:** No.

**7. Fiscal Impact Estimates:**

Participants who retired with at least 15 years of creditable service before January 1, 1980 were given a similar benefit increase in 2001. This bill would provide an additional increase for members who retired prior to 1980 by providing an additional \$4 times 10 years of service for years in retirement from January 1, 1980 through December 31, 1989. The following exhibit shows the increase in unfunded liability associated with these retirees.

Employer	Number of Retirees Impacted	Increase in Unfunded Liability
State	389	\$ 991,300
SPORS	35	\$ 100,100
Teachers	585	\$ 1,175,900
Political Subdivision - Schools	11	\$ 23,400
Political Subdivision - Non-Schools	126	\$ 364,100
Total	1,146	\$ 2,654,800

The exhibit below shows the number of additional retired members who would be impacted by this proposed bill, along with the corresponding increase in unfunded liability as of July 1, 2013.

Employer	Number of Additional Retirees Impacted	Increase in Unfunded Liability
State	3,105	\$ 28,201,800
SPORS	108	\$ 1,396,300
Teachers	4,770	\$ 42,268,000
Political Subdivision - Schools	270	\$ 1,993,000
Political Subdivision - Non-Schools	958	\$ 9,805,300
<b>Total</b>	<b>9,211</b>	<b>\$ 83,664,400</b>

The additional unfunded accrued liability would become part of each respective employer's annual required contribution as a component of the unfunded amortization charge. The exhibit below shows estimated impact on plan costs.

	<u>FY13 Cost</u>	<u>FY14 Cost</u>	<u>FY15 Cost</u>	<u>FY16 Cost</u>	<u>FY17 Cost</u>	<u>FY18 Cost</u>
<b>Payroll Growth Assumption</b> (includes promotion, COLA, etc.):	<b>Member contributions / corresponding payroll increases</b>	<b>2.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
State - General Fund	\$ 753,000	\$ 768,000	\$ 768,000	\$ 768,000	\$ 768,000	\$ 768,000
SPORS - General Fund	73,000	75,000	75,000	75,000	75,000	75,000
VaLORS - General Fund	-	-	-	-	-	-
JRS - General Fund	-	-	-	-	-	-
Teacher - General Fund	960,000	985,000	991,000	996,000	999,000	999,000
<b>TOTAL General Fund</b>	<b>\$ 1,786,000</b>	<b>\$ 1,828,000</b>	<b>\$ 1,834,000</b>	<b>\$ 1,839,000</b>	<b>\$ 1,842,000</b>	<b>\$ 1,842,000</b>
State - Non-General Funds	\$ 910,000	\$ 928,000	\$ 928,000	\$ 928,000	\$ 928,000	\$ 928,000
SPORS - Non-General Funds	12,000	12,000	12,000	12,000	12,000	12,000
VaLORS - Non-General Funds	-	-	-	-	-	-
<b>TOTAL - Non-General Funds</b>	<b>\$ 922,000</b>	<b>\$ 940,000</b>	<b>\$ 940,000</b>	<b>\$ 940,000</b>	<b>\$ 940,000</b>	<b>\$ 940,000</b>
Teacher - Local Funds	\$ 1,593,000	\$ 1,593,000	\$ 1,593,000	\$ 1,593,000	\$ 1,593,000	\$ 1,593,000
Political Subs - Schools	40,000	42,000	42,000	42,000	42,000	42,000
Political Subs - Non Schools	605,000	617,000	618,000	619,000	619,000	619,000
<b>TOTAL Local Funds</b>	<b>\$ 2,238,000</b>	<b>\$ 2,252,000</b>	<b>\$ 2,253,000</b>	<b>\$ 2,254,000</b>	<b>\$ 2,254,000</b>	<b>\$ 2,254,000</b>
<b>Grand Totals</b>	<b>\$ 4,946,000</b>	<b>\$ 5,020,000</b>	<b>\$ 5,027,000</b>	<b>\$ 5,033,000</b>	<b>\$ 5,036,000</b>	<b>\$ 5,036,000</b>

Estimated projections based on employee data and valuations results as of June 30, 2012 and assume a level population throughout projection period.

**8. Fiscal Implications:** Benefit payments from the fund would increase by \$14.1 million per year or a 0.05% increase in total payments payable from the fund each year.

**9. Specific Agency or Political Subdivisions Affected:** Retired members, contingent annuitants, and survivors of State, SPORS, Teachers, and retired members of participating local subdivisions could be impacted.

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** This bill amends current law to include an additional 9,211 retirees, contingent annuitants or survivors of these members in the group that is eligible for an additional retirement benefit. In addition, 1,146 retirees who are currently receiving an increased benefit under this provision will receive an additional \$40 per month under the second part of the benefit formula.

Current law applies to Virginia Retirement System and SPORS retirees, or their contingent annuitants or survivors, with at least 15 years of service who retired prior to January 1, 1980. This bill includes all Virginia Retirement System and SPORS members, or their contingent annuitants and survivors, with at least 15 years of service who retired prior to January 1, 1990. VaLORS was not established until 1999 and therefore there are no VaLORS retirees prior to January 1, 1990. Eligible retirees shall have their monthly benefit increased beginning July 1, 2013. The benefit increase would be the sum of (1) \$4 per year of service credit the member had at date of retirement plus (2) \$4 per year for each year of retirement prior to January 1, 1990.

**Date:** 01.21.13

**Document:** SB1244.DOC