

Virginia Retirement System 2013 Fiscal Impact Statement

1. Bill Number: SB995

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

2. Patron: Watkins

3. Committee: Finance

4. Title: VRS; technical changes regarding retirement plans.

5. Summary: Virginia Retirement System. Makes technical changes to carry out provisions enacted by the General Assembly in 2012 regarding retirement plans administered by the Virginia Retirement System.

6. Budget Amendment Necessary: No

7. Fiscal Impact Estimates: There is no fiscal impact.

8. Fiscal Implications: There are no fiscal implications as this bill includes technical clarifications relating to the administration of previously passed legislation.

9. Specific Agency or Political Subdivisions Affected: VRS and all participating VRS employers.

10. Technical Amendment Necessary: Yes. Bill as engrossed includes minor technical amendments to clarify that the employer does not have to provide health insurance coverage to hybrid participants if it does not offer this coverage for non-hybrid participants and to remove references to the state health insurance plan.

11. Other Comments: The Board of Trustees of the Virginia Retirement System requested this legislation.

This is an omnibus technical corrections bill that makes the following adjustments to 2012 pension reform legislation:

§ 51.1-124.30 - Adapts standard of care to default investment options. Clarifies that if a member fails to select an investment option, the failure to act is deemed an exercise of discretion by the employee.

§ 51.1-126.6 - Adds the Optional Retirement Plan for School Superintendents citation to show that this group is included in those members who have to pay the 5% member contribution.

§ 51.1-144 - Clarifies that employees of UVA Medical Center and VCU Health Systems who remained in the legacy VRS retirement plan must pay the 5% member contribution. This change conforms the Code to current practice.

§ 51.1-145 - Clarifies that the first sentence of 51.1-145(N) refers to employer contributions for employees in the hybrid plan on or after January 1, 2014 and corrects an error in the last sentence: “annual rate of contribution payable ~~to~~ **by** such employer.”

§ 51.1-166(D) - Clarifies that persons who transition from long term disability benefits to service retirement under the Virginia Local Disability Program (VLDP) (for local employees in the hybrid retirement plan whose employers choose this disability option) are eligible for their first COLA after receiving a service retirement allowance for one calendar year.

§ 51.1-306(A)(1) - Under the current legislation if a Plan 1 employee becomes a judge for the first time on or after January 1, 2013, the 1.65% multiplier will be applied to all of the service, including the Plan 1 non-judicial service. This legislative change would provide that service prior to January 1, 2013 will have the 1.70 multiplier applied.

§ 51.1-601.1 and § 51.1-603.1 - Clarifies that persons who are covered by the hybrid retirement program beginning January 1, 2014 are not subject to automatic enrollment in the 457 deferred compensation plan. This is because these individuals will automatically participate in the 457 and 401(a) plans through the defined contribution component of the hybrid retirement program, so automatic enrollment will be unnecessary.

§ 51.1-609 and §51.1-610 - Clarifies that no person who participates in the hybrid retirement program can have contributions made on his behalf to a cash match plan until he has made the maximum voluntary contribution to the defined contribution component of the hybrid retirement program.

§ 51.1-1100 and § 51.1-1103 Clarifies that (i) state employees who had previously opted out of Virginia Sickness and Disability Program (VSDP) coverage and who elect to transfer to the hybrid retirement program and (ii) new judges as of January 1, 2014, who will be in the hybrid retirement program, must participate in VSDP.

§ 51.1-1155, § 51.1-1156, § 51.1-1163 and § 51.1-1164 - Adds several references to “major chronic condition” to the VLDP provided for in the hybrid program to be consistent with coverage provided by the existing VSDP plan.

§ 51.1-1173 – Deletes language related to VLDP for local hybrid program participants that erroneously references the state health insurance plan under § 2.2-2818. Local employees are not covered under the states’ health plan and therefore the reference is unnecessary and

potentially misleading. Technical amendment included in the engrossed bill to delete the reference to long-term disability and additional references to state health insurance.

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