

Virginia Retirement System 2014 Fiscal Impact Statement

1. Bill Number: HB 279

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

2. Patron: Albo

3. Committee: Appropriations

4. Title: Mandatory Judicial Retirement

5. Summary: Increases mandatory judicial retirement to the expiration of a judge's term after the age of 70. However, the bill only becomes effective if the Judicial Performance Evaluation Program is funded and implemented.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Exhibit 1 below provides cost impacts of the proposed legislation.

Exhibit 1

	<u>FY15 Cost</u>	<u>FY16 Cost</u>	<u>FY17 Cost</u>	<u>FY18 Cost</u>	<u>FY19 Cost</u>	<u>FY20 Cost</u>
State - General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SPORS - General Fund	-	-	-	-	-	-
VaLORS - General Fund	-	-	-	-	-	-
JRS - General Fund	(738,000)	(738,000)	(738,000)	(738,000)	(738,000)	(738,000)
Teacher - General Fund	-	-	-	-	-	-
TOTAL General Fund	\$ (738,000)	\$ (738,000)	\$ (738,000)	\$ (738,000)	\$ (738,000)	\$ (738,000)
State - Non-General Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SPORS - Non-General Funds	-	-	-	-	-	-
VaLORS - Non-General Funds	-	-	-	-	-	-
TOTAL - Non-General Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Teacher - Local Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Political Subdivisions - Local Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL Local Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grand Totals	\$ (738,000)	\$ (738,000)	\$ (738,000)	\$ (738,000)	\$ (738,000)	\$ (738,000)

Estimated projections based on employee data and valuations results as of June 30, 2013 and assume a level population throughout projection period.

Payroll projections include only known payroll increases; including FY 2014 across the board merit increase and increases for compression for State employees and payroll increases for Teachers & Locals employees transitioning member contribution requirements effective July 1, 2012.

Based on the current plan membership and term expiration dates, the average age at the expiration of a judge's term is 72.25. Essentially, VRS would expect the mandatory retirement age to move toward age 72 if the provisions of this bill were enacted and term lengths and members' ages remained relatively similar to past experience.

As an example, if a judge has been appointed to an eight-year term, and he or she reaches the age of 70 during the second year of the term, the judge would be required to retire at approximately age 76, at the expiration of the eight-year term. If a judge has been appointed to an eight year term, and he or she reaches the age of 70 in the last year of that term, then the judge would be required to retire at the end of the term, or at approximately age 70 or 71.

To allow analysis of this proposed change for this impact statement, the current retirement rates were extended beyond age 70. However, it is important to keep in mind that it is not possible to predict how many members will continue to work beyond the point where they have reached age 70 until the expiration of their term. The actual impact will depend on how many judges elect to retire after the expiration of their term after they reach age 70. If only a few judges exercise this option, the savings would likely be minimal.

- 8. Fiscal Implications:** Currently, under §51.1-305, the judicial retirement plan generally provides for the mandatory retirement of judges once they attain age 70. Also set forth in §51.1-305, the mandatory retirement provisions for State Corporation Commission members vary slightly from judges. By practical implication based on an analysis of current plan membership demographics, the proposed bill would extend the mandatory retirement age to approximately age 72. The data in Item 7 also include the reduction in costs for the retiree health insurance credit program and group life insurance.
- 9. Specific Agency or Political Subdivisions Affected:** VRS, Judicial Retirement System employers, and members of the Judicial Retirement System.
- 10. Technical Amendment Necessary:** See "Other Comments" section below.
- 11. Other Comments:** HB279 contains an enactment clause that provides that the legislation will not go into effect unless the Judicial Performance Evaluation Program is funded and implemented under the provisions of § 17.1-100 of the *Code of Virginia*.

Date: 01.20.2014

Document: HB279.DOC