

Virginia Retirement System 2014 Fiscal Impact Statement

1. Bill Number: HB 299

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

2. Patron: Loupassi

3. Committee: Courts of Justice

4. Title: Judicial retirement system (JRS); weighted years of service factor.

- 5. Summary:** Eliminates the class of judicial retirees created in 2010 for whom the weighted years of service factor is dependent upon age. Under the bill's provisions, the weighted years of service factor for all judges entering the system on and after January 1, 1995, is 2.5. Judges entering the system earlier have a weighted years of service factor of 3.5. The bill does not change recent amendments to the JRS: (i) the setting of a "normal retirement date" of age 65 for judges and (ii) the reduction of the annual retirement allowance from 1.7 to 1.65 for members entering the system on and after January 1, 2013, mirroring the change made for all VRS members who enter the system on or after July 1, 2010, or who had less than 60 months of creditable service as of January 1, 2013.

6. Budget Amendment Necessary: No

- 7. Fiscal Impact Estimates:** Currently, the weighted service factor for judges appointed or elected to an original term on or after July 1, 2010 varies depending on the judge's age at the time of original appointment. For judges under age 45 the weighting factor is 1.5; for judges who are at least age 45 but less than 55 the weighting factor is 2.0; and for judges who are at least age 55 the weighting factor is 2.5. The proposed legislation would provide a weighted years of service factor of 2.5 for judges appointed or elected to an original term commencing on or after January 1, 1995 for all service regardless of the judge's age at the time he or she was appointed or elected to an original term.

As of June 30, 2013 the JRS had an unfunded liability of \$221.9 million. The proposed changes would increase the unfunded liability for JRS by \$265,000. The increase in annual cost is expected to be 0.57% of covered payroll. The impact on the health insurance credit (HIC) and Group Life programs would be minor. The changes in the HIC and Group Life programs related to this bill would increase the unfunded liability of these programs by \$4,000 and increase the annual cost as a percent of covered payroll by less than 0.01%.

Exhibit 1 below contains the estimated cost impact of the proposed change in weighted service factors for judges for JRS, the HIC program and the Group Life insurance plan.

	FY15 Cost	FY16 Cost	FY17 Cost	FY18 Cost	FY19 Cost	FY20 Cost
State - General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SPORS - General Fund	-	-	-	-	-	-
VaLORS - General Fund	-	-	-	-	-	-
JRS - General Fund	358,000	358,000	358,000	358,000	358,000	358,000
Teacher - General Fund	-	-	-	-	-	-
TOTAL General Fund	\$ 358,000	\$ 358,000	\$ 358,000	\$ 358,000	\$ 358,000	\$ 358,000
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	\$ 358,000	\$ 358,000	\$ 358,000	\$ 358,000	\$ 358,000	\$ 358,000

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.

8. Fiscal Implications: See Fiscal Impact Estimates above.

9. Specific Agency or Political Subdivisions Affected: VRS, members of the Judicial Retirement System and other agencies that employ judges.

10. Technical Amendment Necessary: No.

11. Other Comments: This bill would repeal the changes to a judge's weighted service factors that were enacted during the 2009 General Assembly session. Under this proposed legislation, all judges appointed or elected to an original term after January 1, 1995, would have a 2.5 weighted service factor. For any judge in service in JRS from the period of July 1, 2010 through the effective date of this legislation, were it to pass, their weighted service upon retirement would reflect the revised factor of 2.5. The weighted service factor for judges appointed or elected to an original term between January 1, 1995 and June 30, 2010, would remain the same (2.5).

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