

## Virginia Retirement System 2014 Fiscal Impact Statement

**1. Bill Number:** HB 686

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

**2. Patron:** Torian

**3. Committee:** Appropriations

**4. Title:** Virginia Retirement System; retirees hired as school board security personnel.

**5. Summary:** Provides that retired law-enforcement officers may be hired as local school board security officer or security personnel without interruption of their retirement benefits under certain conditions.

**6. Budget Amendment Necessary:** No. These costs would be borne by the localities that employ hazardous duty retirees for these positions.

**7. Fiscal Impact Estimates:** Under the suggested technical amendment, localities would be required to pay the employer contribution for re-hired hazardous duty retirees for these positions.

**8. Fiscal Implications:** See comments in Fiscal Impact Estimates.

**9. Specific Agency or Political Subdivisions Affected:** VRS and local school boards that hire hazardous duty retirees for these positions.

**10. Technical Amendment Necessary:** Yes. The technical amendments set out below are recommended to: 1) consolidate subsections b and c, as local school divisions are included in the definition of “employer” under Section 51.1-124.3 and 2) to provide an exception to the prohibition on receipt of a service retirement allowance. In addition, to reduce the impact to the retirement and other ancillary programs, VRS suggests the following amendment to Line 116 which requires that the hiring school division pay employer contributions for these retirees during the period of their re-employment while in a position covered for retirement purposes.

Line 110 at the beginning of the line  
Strike all of lines 110 and 111

Line 112 at the beginning of the line  
Strike c.  
Insert b.

Line 113 at the end

Strike and

Line 114 at the beginning of the line

Strike d.

Insert c.

Line 115 at the end

Strike .

Insert ;and

Line 116 at the beginning of the line

Insert *d. The hiring school division shall include, during such person's employment as a local school board security officer or security personnel, the person's compensation in membership payroll subject to employer contributions under § 51.1-145.*

Section 51.1-206(C) should be amended as follows: C. ~~Except as provided in subdivision B 4 of § 51.1-155~~, if a beneficiary of a service retirement allowance under this chapter is at any time in service as an employee in a position covered for retirement purposes under the provisions of this or any chapter other than Chapter 7 (§ 51.1-700 et seq.) of this title, his retirement allowance shall cease while so employed.

Section 51.1-217(C) should be amended as follows: C. ~~Except as provided in subdivision B 4 of § 51.1-155~~, if a beneficiary of a service retirement allowance under this chapter is at any time in service as an employee in a position covered for retirement purposes under the provisions of this or any chapter other than Chapter 7 (§ 51.1-700 et seq.) of this title, his retirement allowance shall cease while so employed.

**11. Other Comments:** This bill allows members who have retired from the State Police Officers' Retirement System (SPORS), the Virginia Law Officers' Retirement System (VaLORS) or from a local hazardous duty position covered by enhanced benefits under § 51.1-138 to return to work for a local school board as a security officer or security personnel without interruption of their retirement benefit. Eligible retirees who return to work under the provisions of this bill may continue to receive their retirement allowance under certain conditions. The individual's additional service following re-employment under this section will not increase, decrease or otherwise affect the individual's retirement benefit.

Return-to-work bills have generally been confined to employee groups where critical shortages exist. VRS suggests that a bill of this nature only be enacted if a genuine shortage exists. However, school divisions or employers, not VRS, would likely be in a better position to determine whether and to what extent such a shortage exists. Because of the risk of changing retirement patterns, if these types of bills are not subject to restrictive criteria, they may have a cost impact as members may see this as an opportunity to retire earlier than currently expected. Changing patterns of retirement will have a financial impact on the defined benefit, health insurance credit and life insurance programs. Restrictive criteria are

also necessary to meet Internal Revenue Service guidance governing return-to-work by retirees.

Similar bills in the past have required the school divisions that hire these individuals to pay the employer contribution to the VRS for these individuals during their employment as security personnel. These payments would be made to limit any cost impact to the VRS that may occur because of changing patterns of retirement. Accordingly, VRS has recommended several technical amendments that are outlined in section 10 above, including the requirement that employer contributions be paid for these employees.

**Date:** 01.20.2014

**Document:** HB686.DOC