

Virginia Retirement System 2014 Fiscal Impact Statement

1. Bill Number: SB 87

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

2. Patron: Patron Prior to Substitute - Watkins

3. Committee: Finance

4. Title: VRS; technical amendments to programs administered by System.

5. Summary: Makes technical amendments to the programs 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: No.

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 VRS administered programs:

§ 2.2-3204 - Adds references to Hybrid Retirement Program and Plan 1 non-vested employees to the Workforce Transition Act.

§ 51.1-124.22(A)(13) - Revises section to add overpayments to the Disability Program for Hybrid Retirement Program Participants (Virginia Local Disability Plan) under Chapter 11.1 to the list of overpayments the Board has authority to collect from group life benefits.

§ 51.1-142.2(C) - Sets cost of refunded service in the Hybrid Retirement Program at 4%, which is consistent with member contribution amounts for the defined benefit component of the Hybrid Retirement Program.

§ 51.1-155.1 and § 51.1-155.2 - Adds references to Plan 1 non-vested employees to the involuntary separation and unreduced retirement provisions of Title 51.1.

§ 51.1-162(B) - Amends this section so that Plan 1 non-vested employees are treated the same as Plan 2 employees for death in service purposes with respect to the reduction factor and assumed age.

§ 51.1-169(B)(3) - Changes “continuous participation in the program” to “active participation” to allow prior service in VRS-administered plans to count toward vesting in employer contributions of the defined contribution component of the Hybrid Retirement Program.

§ 51.1-169(D)(1) and § 51.1-169(D)(3) - Current legislation allows Plan 1 members who switch to the Hybrid Retirement Program to retain their Plan 1 defined benefit provisions, such as average final compensation, cost-of-living adjustment formula and age/service requirements, essentially creating two Hybrid plans. This amendment provides that all members of the Hybrid Retirement Program will have the same defined benefit provisions going forward.

§ 51.1-169(F)(4) - Provides explicit authority to collect administrative fees for the Hybrid Retirement Program from employees.

§ 51.1-600 and § 51.1-607 - Revises these sections to provide for the VRS Board’s approval of a local employer’s definition regarding which employees are eligible to participate in the state’s supplemental 457 plan, so as to ensure that VRS systems can accommodate the employee groups designated.

§ 51.1-1153(B) - Clarifies the effective date of participation in the Hybrid Retirement Program for Plan 1 and Plan 2 employees who transfer to the Hybrid plan to avoid a new one-year waiting period in the Virginia Local Disability Program or a comparable plan for non-work related disability benefits.

§ 51.1-1153(C) - Changes “continuous participation” to “continuous service.” “Continuous service” is a defined term and it clarifies that in order for service to count toward various eligibility waiting periods, the service must have been with the same employer.

§ 51.1-1155(B) - Changes “continuous participation” to “continuous service.” “Continuous service” is a defined term and it clarifies that service must have been with the same employer in order to count toward various eligibility waiting periods.

The technical amendment adds language to §§ 51.1-124.3, 51.1-166, 51.1-169, 51.1-302, 51.1-304, and a new § 51.1-306.1. This change clarifies that judges appointed on or after January 1, 2014 will remain in the Judicial Retirement System (JRS), but that their service retirement allowance, member contributions, employer contributions, average final compensation and cost of living increases will be calculated according to the Hybrid Retirement Program provisions. This amendment corrects language in § 51.1-302 that

removes judges appointed to an original term on or after January 1, 2014 from JRS and provides direction on the calculation of other benefits for judges in the Hybrid Retirement Program.

The second technical amendment provides an additional provision that amends § 51.1-124.7 to clarify that upon termination of the Retirement System, each affected member shall become fully vested as of the termination date of the system. This provision is already a requirement of federal law, but for plan qualification purposes should be restated in Title 51.1.

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