

Virginia Retirement System 2015 Fiscal Impact Statement

1. Bill Number: HB1984H3

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

2. Patron: Prior to Substitute- Leftwich

3. Committee: Conference

4. Title: Mandatory judicial retirement.

5. Summary: Increases the mandatory retirement age under the Judicial Retirement System from 70 years of age to 73 years of age. Two enactment clauses provide that the changes apply to judges of the Supreme Court and Court of Appeals effective July 1, 2015, and to judges of the circuit, general district, and juvenile and domestic relations district courts who are elected or appointed to an original or subsequent term commencing on or after July 1, 2015.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: The Conference substitutes will apply to Supreme Court, Court of Appeals, Workers' Compensation Commission and State Corporation Commission judges as of July 1, 2015, but will only apply to circuit, general district, and juvenile and domestic relations district judges who are elected or appointed to an original or subsequent term commencing on or after July 1, 2015. If there are current judges in these latter categories who are not reappointed after July 1, 2015, they will not be eligible for the age 73 retirement provision and therefore we would expect no savings related to this group of judges. Since we have no assumption as to how many of the current judges in this group will be reappointed and potentially qualify for the age 73 retirement provision, we can only assume that this provision limits the upside on cost reductions for the plan.

The original impact statement for this bill provided a maximum estimated savings of \$1.396 million based on the scenario that nearly all judges would work to age 73. It was also mentioned in the impact statement that if very few judges worked to age 73, there would be little to no savings. The majority of the savings generated by the provisions of this bill were due to reductions in the unfunded liability associated with the current judges. Even though newly appointed judges are expected to fall under the new provisions and have a slightly reduced normal cost, the majority of the savings would be generated from the current active judges extending their retirement date to age 73. While it is not possible to determine how many judges will choose to delay retirement until age 73, this version of the bill could further reduce the number of current judges who would potentially work up to age 73. Savings under this version of the bill are likely to be less than were expected under the earlier versions.

Exhibit 1 below provides the original cost impacts of HB1984.

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	-	(1,396,000)	(1,396,000)	(1,396,000)	(1,396,000)	(1,396,000)
Teacher - General Fund	-	-	-	-	-	-
TOTAL General Fund	\$ -	\$ (1,396,000)	\$ (1,396,000)	\$ (1,396,000)	\$ (1,396,000)	\$ (1,396,000)
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	\$ -	\$ (1,396,000)	\$ (1,396,000)	\$ (1,396,000)	\$ (1,396,000)	\$ (1,396,000)

Estimated projections based on employee data and valuation results as of June 30, 2014 and assume a level population throughout projection period.

Payroll projections are assumed to remain level throughout projection period.

The current retirement rates were extended beyond age 70 to allow analysis on this proposed change. Currently, we assume that 50% of judges will retire when they first become eligible for unreduced retirement. The assumed rate of retirement for other ages is 15% per year with the assumption that all judges will retire by age 70. By extending the retirement rates past age 70, we assume that 15% of the eligible judges will retire at each age from 70 through 73, leaving the remaining judges to ultimately retire at age 73. **However, it is important to keep in mind that it is not possible to predict how many members will continue to work beyond age 70. If very few judges actually end up working past age 70, then the savings to the Plan would likely be minimal. Savings could be further reduced by the provisions in the conference substitute that place additional limits on the number of judges eligible to work until age 73.**

8. **Fiscal Implications:** Included in Fiscal Impact estimate. Currently, the judicial retirement plan provides for the mandatory retirement of judges once they attain age 70. The proposed bill would extend the mandatory retirement age to 73. The data in Item 7 also reflects the reduction in costs for the retiree health insurance credit program and group life insurance program. As indicated earlier, the conference substitute further limits the potential number of judges who will be eligible to work until age 73, thus limiting the anticipated savings.
9. **Specific Agency or Political Subdivisions Affected:** VRS, JRS and agencies employing judges.

10. Technical Amendment Necessary: No.

11. Other Comments: By way of background, mandatory retirement ages for state judges across the country range from age 70 to 90. Eighteen states do not impose a mandatory retirement age. Including those 18 states, at least 34 states permit a judge to serve on the bench beyond age 70. Twelve states mirror Virginia by mandating judicial retirement at age 70. In addition to those 12 states, a few other states use age 70 as a benchmark for the age beyond which a judge may not be appointed to a new term. Each of the aforementioned groups of states may contain some overlap due to nuances in the specific laws that govern mandatory judicial retirement.

This bill is identical to the conference substitute for SB1196.

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