

Virginia Retirement System 2015 Fiscal Impact Statement

1. Bill Number: SB813

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

2. Patron: Watkins

3. Committee: Passed Both Houses

4. Title: Virginia Retirement System; technical amendments to the 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: Final; no state fiscal impact.

8. Fiscal Implications: There are no material fiscal implications as this bill includes technical clarifications relating to the administration of previously passed legislation. The change in disability coverage for JRS Hybrid plan members does provide an enhanced benefit, but disability incidence in the JRS plan has historically been so minimal (no occurrences of disability retirement to date) that VRS does not expect any material fiscal implications due to this change. To the extent a judge in the Hybrid Retirement Plan retired on disability, any such cost would be incorporated into the contribution rate for the Judicial Retirement System at the next valuation.

9. Specific Agency or Political Subdivisions Affected: VRS and all VRS participating employers.

10. Technical Amendment Necessary: No.

11. Other Comments: This bill is an omnibus technical corrections bill requested by the VRS Board of Trustees. The legislation includes changes to the following *Code* sections:

§ 51.1-126.4 – Removes the requirement that the Virginia Port Authority (VPA) align its retirement contribution rate with that of the Virginia Retirement System. This provision is not required for other unaffiliated retirement systems, such as the Virginia Outdoors Foundation. VPA concurs with this amendment.

§ 51.1-169(A) – Clarifies that VRS members who terminate employment and take a refund of their contributions will be covered by the Hybrid Retirement Plan upon returning to work in an eligible covered position.

§ 51.1-169(D), § 51.1-308, § 51.1-1100 – Removes judges who are in the Hybrid Retirement Plan from the Virginia Sickness and Disability Program (VSDP) and provides them with disability retirement coverage. Judges appointed to an original term on or after January 1, 2014, are in the Hybrid Retirement Plan and are currently covered by VSDP. VSDP coverage began for these judges during the 2013 General Assembly Session when VRS noticed that Hybrid judges could not retire for disability but also were not provided VSDP coverage. As a result, Hybrid Plan judges were included in VSDP coverage, and the change was viewed as a technical amendment to remain consistent with the Hybrid Plan's prohibition on disability retirement. Since then, it has become apparent that VSDP benefits are not administratively practicable for judges. For example, judges typically use peer coverage instead of annual or sick leave during periods of absence and are generally provided full compensation until the end of their term. Therefore, this legislation provides Hybrid Plan judges with traditional disability retirement, calculated using the 1% multiplier from the Hybrid Retirement Plan or pursuant to the provisions of § 51.1-308, to the extent they are applicable.

§ 51.1-1153 – Clarifies that all requirements of the Virginia Local Disability Plan (VLDP) for Hybrid employees, with the exception of long-term care coverage, apply to employees of local employers that opted out of VLDP in order to offer a comparable plan.

§ 51.1-124.4, § 51.1-145, § 51.1-162, § 51.1-168, § 51.1-207, § 51.1-218 – Adds language required by the IRS as part of the Virginia Retirement System's 5-year plan qualification review. These additions deal with non-spouse-beneficiary rollovers in the event of a member's death during service. Although VRS already complies with the Internal Revenue Code § 401(a) in practice, the added language makes it explicitly clear that when a member dies in service and the surviving beneficiary is a non-spouse, (i) the only rollover option is a direct rollover to an inherited IRA, (ii) payments from the IRA will not be subject to the 10% tax on early distributions, and (iii) mandatory minimum distributions will be required.

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