

VIRGINIA RETIREMENT SYSTEM

2002 Fiscal Impact Statement

1. **Bill Number** HB1137

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

2. **Patron** Dillard

3. **Committee** Finance

4. **Title** Retirement; teachers.

5. **Summary/Purpose:**

This bill changes the conditions under which retired teachers are permitted to return to teaching without interrupting their retirement benefits by (i) permitting such even if the retiree is receiving retirement benefits from an early retirement incentive program, (ii) specifying that such retirees must have been receiving retirement benefits for a period of at least 30 days before returning to a teaching position, and (iii) requiring that the teacher be hired pursuant to a contract that does not exceed one year in duration. The teacher returning to work under this provision may only work for one year after returning. Current law (i) prohibits such continuation of retirement benefits if any portion of the retirement benefits is based on an early retirement incentive program, (ii) directs the Joint Legislative and Audit Review Commission and the Board of Trustees of the Virginia Retirement System to determine the period of time for eligibility that a retiree must have received retirement benefits before returning to teach; and (iii) does not specify the duration of the teacher's contract. The period that a teacher must have been retired under current law was determined to be one year.

6. **Fiscal Impact Estimates are:**

6a. **Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2001-02			
2002-03			
2003-04	\$1.7 million		Teacher State Share
	\$2.4 million		Teacher Local Share

6b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2001-02			
2002-03			
2003-04			

7. **Budget amendment necessary:** Yes. Item 511.

8. **Fiscal implications:** The bills that were passed in the 2001 Session required the break in service to be of a time duration such that the bill be actuarially neutral in cost and that the provision not place the IRS qualification of the VRS in jeopardy. IRS has not issued specific guidelines on what constitutes an acceptable break in service. VRS sought the advice of benefits counsel relative to the latter requirement. Counsel opined that a six to twelve month break in

service was more likely to receive IRS approval than a shorter break. Shorter breaks in service will also affect retirement patterns and increase costs, however, because this bill assumes that the teacher will only return to work for one year, those costs are mitigated. Chapter 1073 of the 2000 Act of Assembly requires the VRS to conduct actuarial valuations annually. The costs associated with this bill would accrue in FY03 and FY04, but would not be recognized in the employer contribution rates until FY04.

9. Specific agency or political subdivisions affected: VRS and public school divisions.

10. Technical amendment necessary: No

11. Other comments: This bill is the same as HB 1320. The bill is effective when VRS obtains a favorable determination from IRS on the provisions of the bill.

Date: 03/12/02/wgh

Document: hb1137er