

Virginia Retirement System
2006 Fiscal Impact Statement
(Revised)

1. Bill Number HB1313

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Amundson

3. Committee Appropriations

4. Title Virginia Retirement System; certain Fairfax County employees.

5. Summary/Purpose: Virginia Retirement System; certain Fairfax County employees. Provides certain retirement benefits for Fairfax County employees who were transferred from their employment with the Commonwealth to Fairfax County in 1995.

6. No Fiscal Impact (or)

Fiscal Impact Estimates are: There is no fiscal impact to this bill.

7. Budget amendment necessary: No

8. Fiscal implications: Allowing individuals to retire and continue employment with the same employer without a bona fide break in service could jeopardize the VRS plan qualification under Internal Revenue Service rules.

9. Specific agency or political subdivisions affected: VRS and Fairfax County

10. Technical amendment necessary: No

11. Other comments: This bill allows employees of the Fairfax County Health Department to retire from the Virginia Retirement System with an immediate annuity and continue employment with Fairfax County as participants in the County's Retirement System. Allowing an employee to retire from a position and continue working for the same employer violates the "In-Service Distribution Rules" of the Internal Revenue Service (IRS) because there is no bona fide break in service following retirement from that employer. In addition to the bona fide break in service, IRS requires that there be no prearrangement to return to work prior to the person's retirement. Non-compliance could jeopardize the tax-qualified status of the VRS plan. Any such retiree may also be subject to a significant federal tax penalty applied to the retirement benefits received if it is found that an in-service distribution occurred. The legislation, if approved, should only be effective after the VRS receives a favorable private letter ruling from IRS confirming that there will be no adverse impact to the VRS plans qualification.

Date: 01/25/06/pas

Document: HB1313