

## Virginia Retirement System 2007 Fiscal Impact Statement

**1. Bill Number** HB2984

**House of Origin**  Introduced     Substitute     Engrossed

**Second House**     In Committee     Substitute     Enrolled

**2. Patron**        Ingram

**3. Committee**    Appropriations

**4. Title**            Virginia Retirement System; retirement benefits for state and local employees.

**Summary/Purpose:** Virginia Retirement System; retirement benefits for state and local employees.

Provides that state police officers hired on or after July 1, 2007, shall have a retirement multiplier of 2.1 percent and shall not be eligible for the additional annual supplement. State police officers hired prior to July 1, 2007 shall have a retirement multiplier of 1.85 percent and continue to be eligible for the annual supplement.

The bill also provides that all other employees covered under the Virginia Retirement System (VRS) who currently have a retirement multiplier of 1.7 percent shall have a retirement multiplier of 1.75 percent. Moreover, the bill provides that employees hired on or after July 1, 2007, into a position covered under the State Police Officers' Retirement System (SPORS), the Virginia Law Officers' Retirement System (VaLORS), or a local law-enforcement position with retirement coverage comparable to that of SPORS, who already were vested under either of the other two of these three retirement programs, may choose to maintain coverage under the vested program.

Provisions in the bill also require that for all employees hired into a position in VRS, VaLORS, or SPORS on or after July 1, 2007; the age and creditable service requirement for an unreduced early retirement allowance is established at 55 years of age and 30 years of service. Finally, for local law enforcement employees hired on or after July 1, 2007, localities may provide retirement benefits comparable to that provided under VaLORS.

In addition, the bill provides that the Compensation Board shall reimburse localities, based on the local fiscal stress index, for a portion of the additional cost to the localities of providing enhanced benefits to sheriffs' deputies. The bill requires that the amount of reimbursement be established in the appropriations act.

**6. Fiscal Impact Estimates are:**

**6a. Expenditure Impact:**

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
State-GF	24,983,000	25,982,000	27,021,000	28,102,000	29,226,000	30,395,000
SPORS-GF	1,948,000	2,026,000	2,107,000	2,191,000	2,279,000	2,370,000
VaLORS-GF	1,989,000	2,069,000	2,152,000	2,238,000	2,328,000	2,421,000
JRS-GF	-	-	-	-	-	-
Teacher-GF	24,926,000	25,923,000	26,960,000	28,038,000	29,160,000	30,326,000
Total GF	<u>53,846,000</u>	<u>56,000,000</u>	<u>58,240,000</u>	<u>60,569,000</u>	<u>62,993,000</u>	<u>65,512,000</u>
State-NGF	31,045,000	32,287,000	33,578,000	34,921,000	36,318,000	37,771,000
SPORS-NGF	443,000	461,000	479,000	498,000	518,000	539,000
VaLORS-NGF	154,000	160,000	166,000	173,000	180,000	187,000
Total NGF	<u>31,642,000</u>	<u>32,908,000</u>	<u>34,223,000</u>	<u>35,592,000</u>	<u>37,016,000</u>	<u>38,497,000</u>
Teacher-Local	38,483,000	40,022,000	41,623,000	43,288,000	45,020,000	46,821,000
Local Agregate	31,962,000	33,240,000	34,569,000	35,952,000	37,391,000	38,887,000
Total Local	<u>70,445,000</u>	<u>73,262,000</u>	<u>76,192,000</u>	<u>79,240,000</u>	<u>82,411,000</u>	<u>85,708,000</u>
Grand Total	<u>155,933,000</u>	<u>162,170,000</u>	<u>168,655,000</u>	<u>175,401,000</u>	<u>182,420,000</u>	<u>189,717,000</u>

**7. Budget amendment necessary:** Yes. The Compensation Board would need an appropriation in FY08 for the costs of state reimbursement as determined in the appropriations act as provided in § 55.1-138 D of this proposed bill.

**8. Fiscal implications:** There will be additional costs as a result of the following:

- Costs associated with the Commonwealth sponsored deputy sheriffs whose improved retirement benefits would be paid through the state Compensation Board.
- Cost of the improved State Police, VaLORS and state employee benefits.
- In addition, the Virginia Retirement System will require a NGF appropriation in the amount of \$300,000 to cover system's modifications, one FTE, communication and education.

**9. Specific agency or political subdivisions affected:** VRS, SPORS, VaLORS, local governments and Compensation Board.

**10. Technical amendment necessary:**

**11. Other comments:** Clarification is needed as to whether provisions governing early, unreduced retirement apply to employees who are re-employed on or after July 1, 2007.

The legislation as written does not provide additional benefits to those members of VaLORS who elected or who were required to choose the 2.0% multiplier.

**Date:** 01/17/07/pas

**Document:** HB2984