

Virginia Retirement System 2010 Fiscal Impact Statement

1. Bill Number: HB118

House of Origin	<u> X </u>	Introduced	<u> </u>	Substitute	<u> </u>	Engrossed
Second House	<u> </u>	In Committee	<u> </u>	Substitute	<u> </u>	Enrolled

2. Patron: Purkey

3. Committee: Appropriations

4. Title: Retirement System; disability retirement for local employees.

5. Summary: This bill provides that a local employee shall not be retired due to disability if he refuses his employer's offer of employment in any position whose salary and benefits are at least equal to those of the position from which he is separated.

6. Fiscal Impact Estimates: See fiscal implications.

6a. Expenditure Impact:

6b. Revenue Impact:

7. Budget Amendment Necessary: No

8. Fiscal Implications: According to the VRS actuary, this bill is not expected to have an immediate impact on the actuarial contributions payable by the political subdivisions providing VRS benefits.

In the future, this legislation may reduce the cost of disability retirement benefits under VRS depending on the number of members who are not retired for disability because they have accepted job opportunities offered by their employer that accommodate the member's medical disability or because of the member's refusal of other employment and subsequent loss of eligibility to retire for disability. Actuarial cost savings, if any, will be recognized in future actuarial valuations if the number of actual disability retirements declines due to this legislation. However, at this point, it is not possible for the actuary to quantify the future impact until actual disability retirement experience has been accumulated after HB 118 has been adopted. Decreases in disability retirements due to HB 118 will be reflected in the annual actuarial valuations and in the next experience study for the political subdivisions.

9. Specific Agency or Political Subdivisions Affected: VRS and participating political subdivisions

10. Technical Amendment Necessary: No.

11. Other Comments: The bill gives a locality the opportunity to deny disability retirement benefits when an employee refuses alternative work at the same salary. However, the bill allows eligible employees (with at least 15 years of service in a hazardous duty position) to retain hazardous duty benefits if they accept the alternative work.

VRS would not receive an application for disability retirement until the employee and employer had worked through the alternate job process. The application would be submitted to VRS with the employer certification that no alternate job opportunities exist or the employer would certify that the employee is non compliant and therefore is denied disability retirement.

The most significant cost to the VRS could be for Medical Board services. If VRS accepts applications once the alternate job process is completed, it will minimize the number of possible reviews by only sending those cases that have been certified as meeting the requirements of the statute to the Medical Board for review.

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