

Virginia Retirement System 2010 Fiscal Impact Statement

1. Bill Number: HB1339

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Gilbert

3. Committee: Appropriations

4. Title: **Virginia Retirement System; retired teachers returning to work.**

5. Summary: Removes the requirement that in order for a retired teacher to return to work and continue receiving retirement payments, the teacher must be returning to a position of which there is a critical shortage. The bill has a sunset date of July 1, 2013.

6. Fiscal Impact Estimates:

6a. Expenditure Impact:

	<u>FY 11</u>	<u>FY 12</u>	<u>FY 13</u>	<u>FY 14</u>	<u>FY 15</u>
State-GF					
SPORS-GF					
VaLORS-GF					
JRS-GF					
Teacher-GF	921,000	949,000	977,000	1,006,000	1,036,000
Total GF	921,000	949,000	977,000	1,006,000	1,036,000
State-NGF					
SPORS-NGF					
VaLORS-NGF					
Total NGF					
Teacher-Local	1,421,000	1,464,000	1,508,000	1,553,000	1,600,000
Local Aggregate	1,421,000	1,464,000	1,508,000	1,553,000	1,600,000
Total Local	1,421,000	1,464,000	1,508,000	1,553,000	1,600,000
Grand Total	2,342,000	2,413,000	2,485,000	2,559,000	2,636,000

7. Budget Amendment Necessary: Yes. This bill would require a budget amendment for the FY 2010-12 biennium. The higher teacher's contribution rate for these employees would become effective July 1, 2010.

8. Fiscal Implications: This bill may impact the financing of the unfunded accrued liability (UAL). Currently, funding of the UAL assumes payroll growth of 3% per year. The payroll for

this purpose is the payroll of active members covered by the retirement system. The retirees returning to work would no longer be active members and therefore would not be included in the covered payroll. This may impact the payroll growth for UAL funding purposes. Lower payroll growth will increase the contribution requirement to the plan. Since the provisions of this bill expire on July 1, 2013, the impact of the reduced payroll may be temporary.

9. Specific Agency or Political Subdivisions Affected: VRS and local school boards

10. Technical Amendment Necessary:

11. Other Comments: Return to work bills have generally been confined to employee groups where critical shortages exist. Because of the risk of changing retirement patterns, if these types of bills are not subject to restrictive criteria, they may have a cost impact as members may see this as an opportunity to retire earlier than currently expected. Changing patterns of retirement will have a financial impact on the defined benefit, health insurance credit and life insurance programs.

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