

Virginia Retirement System 2010 Fiscal Impact Statement

1. Bill Number: SB232

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

2. Patron: Watkins

3. Committee: Finance

4. Title: **Virginia Retirement System; early and normal retirement age.**

5. Summary: Changes the early and normal retirement ages for a person who first commences employment on or after July 1, 2010, to coincide with the person's early and normal retirement ages as provided under the Social Security Act, 42 U.S.C. § 416 et seq.

6. Fiscal Impact Estimates:

6a. Expenditure Impact: The provisions of this bill apply only to new hires. Therefore, the reductions outlined by the VRS actuary in the table below will not be fully realized until well into the future (20-30 years) when all active members are covered under the new benefit structure. According to the VRS actuary, the initial impact on the employer contribution rate in the first couple of years will be minimal. However, long term savings are estimated as follows:

Long-term Change in Gross Normal Cost Rate for Plan Design Changes in SB 232			
	State	Teachers	Locals (nonhazardous duty)
Change in Gross Normal Cost Rate	-0.20%	-0.62%	-0.25%
Normal cost for a new plan for new members hired beginning July 1, 2010, would include the following plan provisions: <ul style="list-style-type: none"> • Normal retirement is Social Security normal retirement age with at least 5 years of service • Unreduced early retirement is Social Security early retirement (62) with at least 30 years of service • Early retirement with reduced benefits is Social Security early retirement age (62) with at least 5 years of service • Elimination of age 50 with 10 years of service provision 			

7. Budget Amendment Necessary: No

8. Fiscal Implications: See Expenditure Impact.

9. Specific Agency or Political Subdivisions Affected: VRS, State employees, teachers, and non-hazardous duty local employees. This bill does not apply to VALORS, SPORS, and JRS.

10. Technical Amendment Necessary: In order to clarify that the definition of “early retirement age” would apply only to VRS members (state employees, teachers, nonhazardous duty local employees), the definition of “early retirement age” might be better placed in §51.1-153. In addition, language should be inserted to clarify that the new plan provisions apply to new hires and those without prior service credit. Specific line amendments to accomplish this are provided below.

Technical Amendments to SB232

1. Delete lines 53-55
2. At line 69, delete the word “first”
3. At line 70, delete the phrase “in a covered position” and replace it with the phrase “with no prior service credit”
4. At line 110, before the word “Any” insert the phrase “Subject to the provisions of subdivision 3,”
5. At lines 112-116, delete the entire sentence beginning with the word “However” at line 112
6. At line 117, before the word “Any” insert the phrase “Subject to the provisions of subdivision 3,”
7. At lines 120-124, delete the entire sentence beginning with the word “However” at line 120
8. After line 124 and before line 125 insert the following:

3. No member in service, commencing employment with no prior service credit on or after July 1, 2010, shall be allowed to retire prior to his normal retirement date unless the member has attained his early retirement age and is credited with at least five years of creditable service. For the purposes of this subdivision, "early retirement age" means a member's early retirement age for an old-age insurance benefit, as defined and provided under the Social Security Act (42 U.S.C. § 416 et seq., as now or hereafter amended).

11. Other Comments: This bill will also eliminate the reduced retirement provision where one can retire at age fifty with ten years of service (commonly referred to as 50/10).

In its 2008 report, *Review of State Employee Total Compensation*, JLARC discussed increasing the minimum retirement age for nonhazardous duty VRS covered employees. The report states that:

“... the General Assembly could consider increasing the minimum age at which non-vested and newly-hired regular VRS members become eligible for full retirement benefits from age 50 to age 60. This change would be consistent with increasing life expectancies and the fact that employees currently retire with full benefits at an average age of 62.”

Further discussion is provided on pages 93-94 of the JLARC report.

Date: 1/27/2010 pas
Document: SB232.DOC