

Virginia Retirement System 2011 Fiscal Impact Statement

1. Bill Number: HB1795

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

2. Patron: Tata

3. Committee: Appropriations

4. Title: Virginia Retirement System; employee who becomes member on or after July 1, 2010.

5. Summary: Virginia Retirement System; employee who becomes member on or after July 1, 2010.; Amends certain provisions of the Workforce Transition Act and retirement plans administered by the Virginia Retirement System to recognize the difference in benefits accorded a person who becomes a Virginia Retirement System member before July 1, 2010, and on or after July 1, 2010.

6. Budget Amendment Necessary: No

7. Fiscal Impact Estimates: There is no fiscal impact for these technical changes.

8. Fiscal Implications: There are no fiscal implications.

9. Specific Agency or Political Subdivisions Affected: VRS, participating VRS employers and members

10. Technical Amendment Necessary: No

11. Other Comments:

This bill makes a number of technical amendments to the Workforce Transition Act and the retirement plans administered by the VRS to conform to the provisions of the pension reform legislation passed by the 2010 General Assembly (HB 1189 and SB 232). These changes are necessary to recognize the differences in benefits for a person who became a member prior to July 1, 2010 (Plan 1 members) and those whose membership date is on or after July 1, 2010 (Plan 2 members).

First, amendments are made to Section 2.2-3204 (WTA) to require Plan 2 VRS covered members to be at least age 60, if not qualified under the Rule of 90, in order to receive a benefit and state how the benefit is to be calculated.

Second, changes made to Section 51.1-142.2 allow Plan 2 eligible members to purchase at a rate of 5% of creditable compensation any service not credited by virtue of the member receiving workers' compensation payments while on short-term disability (STD) in the

Virginia Sickness and Disability Program (VSDP). This could occur when the member is receiving worker's compensation wage indemnity payments, from which the 5% member contribution to VRS cannot be withheld, resulting in no service credited to the member.

Third, amendments to Section 51.1-155.1 and 51.1-155.2 clarify that a Plan 2 member may not retire prior to age 60. For Plan 2 members, age 60 is the earliest age (outside of the Rule of 90) at which a Plan 2 member can receive a retirement benefit.

Fourth, amendments to Section 51.1-162 clarify that a Plan 2 member, for purposes of calculating the death in service benefit or retirement allowance to a beneficiary, be assumed to be age 60 at the time of death.

Fifth, changes to 51.1-512.2.1 update the optional life portion of the *Code* to address Plan 2 members and replace references in the statute to "age sixty-five" with references to "normal retirement date." These changes allow for the provision of optional life coverage for disability retirees and their dependents until the disability retiree's normal retirement date.

Sixth, amendments to the VSDP section of the Code address Plan 2 members and replace references in the statute to "age sixty-five" with references to "normal retirement date." In addition and in accordance with federal ADEA requirements, the amendments provide that the LTD benefit be paid for at least five years if the member begins receiving disability benefits five years prior to their normal retirement date.

Lastly, the amendment to Section 51.1-1128 is a companion amendment to a change in 51.1-142.2 relating to Plan 2 members and VSDP. This language stipulates that a retiree may not receive service credit for periods the member received short term disability unless the employer reported it or the member purchased it.

The Board of Trustees of the VRS requested this legislation.

Date: 01.27.2011

Document: HB1795E.DOC