

Virginia Retirement System 2011 Fiscal Impact Statement

1. Bill Number: HB2104

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

2. Patron: Bulova

3. Committee: Appropriations

4. Title: Virginia Retirement System; retirement age for certain employees.

5. Summary: Virginia Retirement System; retirement age for certain employees; Exempts people who are hired after July 1, 2010, as local firefighters, emergency medical technicians, or law-enforcement officers from the higher retirement age and service requirements for employees hired on or after July 1, 2010.

6. Budget Amendment Necessary: No. This bill relates to local employees who are covered under individual political subdivision plans.

7. Fiscal Impact Estimates: See Fiscal Implications.

8. Fiscal Implications:

The calculations are based on the data and actuarial assumptions and methods used in the June 30, 2010 actuarial valuation of the political subdivision retirement systems, supplemented by data VRS provided for the VRS members in political subdivisions who are employed in hazardous duty positions, but who do not have enhanced benefits coverage (LEOS). The data included approximately 570 members who would be affected and who are also in June 30, 2010 actuarial valuation data.

The June 30, 2010 actuarial valuation data does not include any Plan 2 members. Therefore, for purposes of this analysis, the results are estimated by applying the Plan 2 and the HB 2104 provisions to the June 30, 2010 active employee population. The calculations are in aggregate for all the political subdivisions included in the supplemental data submitted by VRS of hazardous duty members affected by HB 2104.

HB 2104 applies to new members only. Therefore, the changes in the normal cost rates shown below will only be fully realized many years in the future (about 30 years) when all active members are then covered under the new benefit structure.

Long-term Aggregate Contribution Rate Change HB 2104 As a Percent of Employees' Covered Payroll as of June 30, 2010 For Localities with Hazardous Duty Employees without LEOS Coverage	
	Localities with Hazardous Duty Employees without LEOS Coverage
Long-term aggregate contribution rate change as a percent of June 30, 2010 payroll for affected localities	0.03%

The change in contribution rate would be applied to the local plans that have hazardous duty employees, but that have not elected enhanced hazardous duty coverage (LEOS).

The change in retirement eligibility for the affected Plan 2 members will also have an impact on the cost of the Health Insurance Credit Program and the Group Life Insurance Program.

- 9. Specific Agency or Political Subdivisions Affected:** VRS, and participating political subdivisions with local firefighters, emergency medical technicians, or law-enforcement officers not covered by enhanced hazardous duty coverage.

10. Technical Amendment Necessary: No

- 11. Other Comments:** This bill addresses retirement age and service provisions for Plan 2 employees in hazardous duty positions who work for local employers who have not elected to provide hazardous duty retirement benefits (LEOS) to their eligible employees. While these employees are covered under VRS, they are not subject to the earlier age and service requirements generally applicable to hazardous duty positions. As a result, when HB 1189 and SB 2323 were enacted last session and Plan 2 was created, these employees became subject to the higher age and service requirements applicable to all general Plan 2 VRS employees (i.e., state employees, non-hazardous duty local employees, and teachers). For example, normal retirement for Plan 2 employees is normal retirement as defined by the Social Security Act (42 U.S.C. Section 416 et seq.). A Plan 2 employee may not retire prior to normal retirement unless the person is age 60 with at least 5 years of service or attains age and service equal to 90.

Under the provisions of this bill, these local Plan 2 employees who serve as local firefighters, emergency medical technicians, or law-enforcement will not be subject to the increased age and service provisions set forth for employees hired on or after July 1, 2010 (Plan 2). Under the provisions of this bill, these employees would fall under the Plan 1 age and service provisions: (1) normal retirement at age 65 with 5 years of service (unreduced); (2) early unreduced retirement at age 50 with at least 30 years of service; (3) early reduced retirement at age 55 with 5 years of service; or (4) reduced early retirement at age 50 with 10 years of service. However, these employees would still be subject to the same benefit provisions of

Plan 2 for nonhazardous duty employees (average final compensation based on highest consecutive 60 months of creditable compensation and the Plan 2 COLA formula).

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