

## Virginia Retirement System 2011 Fiscal Impact Statement

**1. Bill Number:** HB2152

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:** Cline

**3. Committee:** Appropriations

**4. Title:** Virginia Retirement System; purchase of prior service credit by certain retirees.

**5. Summary:** Virginia Retirement System; purchase of prior service credit by certain retirees. Permits a retiree to purchase one additional year of prior service credit as a law-enforcement officer with a locality that does not have a retirement plan administered by the Virginia Retirement System.

**6. Budget Amendment Necessary:** No

**7. Fiscal Impact Estimates:** Fiscal impact indeterminate. See Fiscal Implications

**8. Fiscal Implications:** Because the VRS does not know how many retirees have a year of hazardous duty service that they could purchase, the VRS cannot calculate the potential cost to the fund of the provisions of this legislation.

**9. Specific Agency or Political Subdivisions Affected:** VRS, state agencies and participating political subdivisions

**10. Technical Amendment Necessary:** No

**11. Other Comments:**

In 2001, the General Assembly passed legislation modifying the conditions under which a person could purchase prior service credit. These changes were made in order to encourage employees to purchase service early in their careers. The purchase reforms were also put in place to limit the purchase of public service that was earned with a non-VRS participating employer to 48 months. These changes were intended to allow the person to consolidate service for retirement purposes under VRS. As the employer the person worked for at the time of the purchase is responsible for funding the portion of the person's benefit attributable to the purchased service, the reforms were a means to limit the employer's cost for the increase in the retirement benefit.

In addition, the cost to purchase service was changed last year for Plan 2 members to approximate the normal actuarial cost of each year of service. The change resulted in the cost to purchase closely approximating actual impact to the system.

Allowing a retiree to purchase additional prior service once retirement occurs, sets precedent. The VRS believes that there may be a significant number of retirees who would be eligible for this provision especially if it was broadened to include more retirees. Allowing purchases after retirement limits our ability to accurately determine the future cost of retirement benefits as this would always be subject to adjustment.

The bill does not stipulate whether the person is to be unretired using a new retirement date to coincide with the adjustment or the benefit is adjusted prospectively keeping the same retirement date. Further, the bill is silent with respect to when or for how long after the bill becomes effective the member would be eligible to purchase the service.

**Date:** 01.24.2011

**Document:** HB2152.doc