

Virginia Retirement System 2012 Fiscal Impact Statement

1. Bill Number: HB438

House of Origin	<u> X </u>	Introduced	<u> </u>	Substitute	<u> </u>	Engrossed
Second House	<u> </u>	In Committee	<u> </u>	Substitute	<u> </u>	Enrolled

2. Patron: Tata

3. Committee: Appropriations

4. Title: Retirement System; benefits for certain local law-enforcement employees.

5. Summary: Provides that if an employee who has at least five years in a position covered by the higher retirement benefits plan authorized for certain local law-enforcement employees (LEOS) becomes disabled and is unable to return to such position but eventually accepts another position with the same employer that is not covered by LEOS, he may, at the sole discretion of his employer, continue to be covered under LEOS even if the new position would not otherwise be eligible for such benefits.

6. Fiscal Impact Estimates: See fiscal implications.

7. Budget Amendment Necessary: No

8. Fiscal Implications: According to the VRS actuary, this bill is not expected to have an immediate impact on the actuarial contributions payable by the political subdivisions providing VRS benefits.

In the future, this legislation may reduce the cost of disability retirement benefits under VRS depending on the number of members who are not retired for disability because they have accepted job opportunities offered by their employer that accommodate the member's medical disability. Actuarial cost savings, if any, will be recognized in future actuarial valuations if the number of actual disability retirements declines due to this legislation. However, at this point, it is not possible for the actuary to quantify the future impact until actual disability retirement experience has been accumulated after HB 438 has been adopted. Decreases in disability retirements due to HB 438 will be reflected in the annual actuarial valuations and in the next experience study for the political subdivisions.

9. Specific Agency or Political Subdivisions Affected: VRS and participating political subdivisions

10. Technical Amendment Necessary: See Other Comments.

11. Other Comments: The bill allows eligible employees (with at least 5 years of service in a hazardous duty position) to retain hazardous duty benefits if they accept alternative work.

VRS would not receive an application for disability retirement until the employee and employer had explored the alternate job opportunities. A disability retirement application would be submitted to VRS if the employer certifies that no alternate job opportunities exist.

The bill, as written, would apply only to the “new position” offered by the employer in its sole discretion and accepted by the employee. If subsequent to accepting the “new position” the employee changes employers or accepts another position with the same employer, it does not appear that the employee would continue to accrue hazardous duty benefits with the new employer or in the next position (assuming that the position is not otherwise eligible for hazardous duty benefits).

Date: 1/23/2012

Document: HB438.DOC