

Virginia Retirement System 2012 Fiscal Impact Statement

1. Bill Number: SB 497

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

2. Patron: Patron Prior to Substitute: Watkins

3. Committee: Appropriations

4. Title: Virginia Retirement System employee contributions; local employees; school board employees.

5. Summary: Virginia Retirement System employee contributions; local employees; school board employees. Allows, but does not require, local government and school board employers to elect to pay the five percent employee contribution to the Virginia Retirement System for either Plan 1 or Plan 2 employees, or both, under certain conditions.

6. Budget Amendment Necessary: Yes. Item 468(K) of SB 30 as introduced would override the provisions of this bill as it precludes local employers from imposing member contributions upon Plan 1 employees if such employers had previously elected to pick them up on behalf of their employees. Item 468(K), unless removed, would frustrate the intent of this bill.

7. Fiscal Impact Estimates: None

8. Fiscal Implications: There will be no impact on the VRS trust fund from this bill, because it causes a change to the source of funds, not the amount of such funds. SB 497 simply allows local employers and school boards to elect to shift the source of employee contributions from employer to member as long as certain conditions are met.

If every school board and every locality imposed the full 5% contribution on their Plan 1 and Plan 2 employees, savings for the school boards and localities could total approximately \$539 million annually when fully phased-in.

9. Specific Agency or Political Subdivisions Affected: Local governments, political subdivisions, and school boards and their employees

10. Technical Amendment Necessary: No

11. Other Comments: Among the over 570 local employers in VRS, only 38 require Plan 1 employees (those hired prior to 7/1/2010) to pay the 5% member contribution. No school boards require member contributions from Plan 1 teachers. However, 122 local employers and 8 school boards require their Plan 2 employees to pay all or a portion of the 5% member contribution.

The substitute bill would allow local employers and school boards to elect to pay an equivalent amount in lieu of any or all member contributions required of its employees, in whole percentages, up to five percent of the creditable compensation, and would allow them to differentiate between Plan 1 and Plan 2 employees under the following conditions:

- All employees within each group (Plan 1 and Plan 2) must be treated the same;
- No Plan 1 employees may be required to pay any member contributions unless all Plan 2 employees are required to pay the entire 5 % member contribution;
- No phase-in of the member contribution is allowed;
- No offsetting pay raise is required

Date: 03.07.2012

Document: SB497H1.DOC