

## Virginia Retirement System 2014 Fiscal Impact Statement

**1. Bill Number: HB 10**

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

**2. Patron:** Jones, S. Chris

**3. Committee:** House Appropriations

**4. Title:** Judges; retirement allowance and service after retirement.

**5. Summary:** Provides that the annual retirement allowance of any person who has served as a judge, but retires under a different VRS retirement plan shall not exceed 78 percent of the person's average final compensation, unless such person after ceasing to be a judge performs five or more years of creditable service under such other retirement plan. However, in no case shall such person's annual retirement allowance exceed 100 percent of his average final compensation. The bill clarifies that only those persons who retired as a judge or justice may serve as a senior jurist on the Supreme Court or the Court of Appeals. The bill also contains technical amendments.

**6. Budget Amendment Necessary:** No

**7. Fiscal Impact Estimates:** Predicting future movement of plan members between VRS sponsored plans historically has not been measured, therefore no assumptions currently exist. This makes it extremely difficult to predict future cost savings for HB 10. However, historical data does exist for prior members of JRS who retired in another VRS-administered plan.

Under the proposed bill, any former member of JRS who subsequently goes to work for another VRS employer and retires must have at least five years of creditable service with the new employer or their benefit will be limited to 78% of their average final compensation. The 78% limit coincides with the provisions of the JRS, which provides weighted service to plan members during their tenure as a judge, but limits the retirement benefit to 78% of average final compensation. We have identified eight retirees who went on to work for other VRS employers, worked for less than five years, and retired with a benefit that exceeded 78% of their average final compensation. These eight retirees, whose benefits would have been capped under HB10, are expected to generate \$4.0 million in additional unfunded plan liability. Exhibit 1 below details the expected additional cost associated with these eight retirees.

Exhibit 1

**Former JRS Plan Members who Retired from other VRS Administered Plan  
Benefit Exceeded 78% of Average Final Compensation**

Age Group	Count	Benefits Received to Date in excess of 78% of AFC	Estimated Value of Future Benefits in Excess of 78% of AFC	Total Expected Benefits received in excess of 78% of AFC
Total	8	\$ 1,081,945	\$ 2,962,672	\$ 4,044,617

In addition to the eight retired members, we have also identified eight current active members who have JRS weighted service, but are currently covered under a retirement plan other than the JRS.

- 8. Fiscal Implications:** See Fiscal Impact Estimates above.
- 9. Specific Agency or Political Subdivisions Affected:** VRS, the Judicial Retirement System and any agencies employing former judges.
- 10. Technical Amendment Necessary:** On a recommendation by the House the following enactment clause was added to the legislation:

*That an emergency exists and this act is in force from its passage.*

- 11. Other Comments:** This bill would provide that the restriction in § 51.1-303(C) limiting a justice's or judge's retirement benefit to 78% of average final compensation would still apply if the judge were subsequently employed in another VRS-administered retirement plan and retired before performing at least five years of creditable service under such other retirement plan. Once a former justice or judge has been employed in another VRS-administered retirement plan for at least five years the 78% average final compensation cap no longer applies to the retirement benefit. The bill provides, however, that under no circumstances shall the former justice's or judge's annual retirement benefit allowance exceed 100 percent of his or her average final compensation.

The bill also amends §17.1-106 to provide that only justices and judges who have retired under the JRS may be recalled temporarily. This change would make a former justice or judge who retired under a VRS plan other than the JRS ineligible for temporary recall. In addition, § 17.1-302 is amended to reflect that only justices who are eligible for retirement under the JRS may be designated a senior justice. Likewise, § 17.1-401 is amended to provide that only judges who retire under the JRS may be designated as a senior judge.

**Date:** 02.06.14

**Document:** HB10E.DOC