

## Virginia Retirement System 2014 Fiscal Impact Statement

**1. Bill Number:** SB 566

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

**2. Patron:** Colgan

**3. Committee:** Finance

**4. Title:** Virginia Retirement System; benefits.

**5. Summary:** Provides for an increase, beginning July 1, 2014, of the monthly retirement allowance payable to any person who retired with at least 15 years of creditable service before January 1, 1990, under the Virginia Retirement System or the State Police Officers' Retirement System (or predecessor retirement systems).

**6. Budget Amendment Necessary:** No.

**7. Fiscal Impact Estimates:** Participants who retired with at least 15 years of creditable service before January 1, 1980 were given a similar benefit increase in 2001. This bill would provide an additional increase for members who retired prior to 1980 by providing an additional \$4 times 10 years of service for years in retirement from January 1, 1980 through December 31, 1989. Exhibit 1 shows the increase in unfunded liability associated with these retirees.

**Exhibit 1**

<b>Employer</b>	<b>Number of Retirees Impacted</b>	<b>Increase in Unfunded Liability</b>
<b>State</b>	338	964,147
<b>SPORS</b>	28	87,270
<b>Teachers</b>	502	1,228,153
<b>Political Subdivision - Schools</b>	11	24,474
<b>Political Subdivision - Non-Schools</b>	113	357,901
<b>Total</b>	992	\$ 2,661,946

Exhibit 2 shows the number of additional retired members who would be affected by this proposed bill, along with the corresponding increase in unfunded liability as of July 1, 2014. These members would receive a monthly increase equal to \$4 times years of service at retirement plus an additional \$4 times number of years and months from date of retirement until January 1, 1990.

### Exhibit 2

<b>Employer</b>	<b>Number of Additional Retirees Impacted</b>	<b>Increase in Unfunded Liability</b>
<b>State</b>	2,810	26,320,152
<b>SPORS</b>	103	1,365,582
<b>Teachers</b>	4,372	42,372,128
<b>Political Subdivision - Schools</b>	233	1,793,923
<b>Political Subdivision - Non-Schools</b>	881	9,338,836
<b>Total</b>	8,399	\$ 81,190,621

The additional unfunded accrued liability would become part of each respective employer's annual required contribution as a component of the unfunded amortization charge. The exhibit below shows estimated impact on plan costs.

### Exhibit 3

	<u><b>FY15 Cost</b></u>	<u><b>FY16 Cost</b></u>	<u><b>FY17 Cost</b></u>	<u><b>FY18 Cost</b></u>	<u><b>FY19 Cost</b></u>	<u><b>FY20 Cost</b></u>
<b>State - General Fund</b>	\$ 645,000	\$ 645,000	\$ 645,000	\$ 645,000	\$ 645,000	\$ 645,000
<b>SPORS - General Fund</b>	68,000	68,000	68,000	68,000	68,000	68,000
<b>VaLORS - General Fund</b>	-	-	-	-	-	-
<b>JRS - General Fund</b>	-	-	-	-	-	-
<b>Teacher - General Fund</b>	957,000	962,000	962,000	962,000	962,000	962,000
<b>TOTAL General Fund</b>	<u>\$ 1,670,000</u>	<u>\$ 1,675,000</u>	<u>\$ 1,675,000</u>	<u>\$ 1,675,000</u>	<u>\$ 1,675,000</u>	<u>\$ 1,675,000</u>
<b>State - Non-General Funds</b>	\$ 841,000	\$ 841,000	\$ 841,000	\$ 841,000	\$ 841,000	\$ 841,000
<b>SPORS - Non-General Funds</b>	12,000	12,000	12,000	12,000	12,000	12,000
<b>VaLORS - Non-General Funds</b>	-	-	-	-	-	-
<b>TOTAL - Non-General Funds</b>	<u>\$ 853,000</u>	<u>\$ 853,000</u>	<u>\$ 853,000</u>	<u>\$ 853,000</u>	<u>\$ 853,000</u>	<u>\$ 853,000</u>
<b>Teacher - Local Funds</b>	\$ 1,453,000	\$ 1,462,000	\$ 1,462,000	\$ 1,462,000	\$ 1,462,000	\$ 1,462,000
<b>Political Subdivisions - Local Funds</b>	\$ 633,000	\$ 644,000	\$ 649,000	\$ 649,000	\$ 650,000	\$ 651,000
<b>TOTAL Local Funds</b>	<u>\$ 2,086,000</u>	<u>\$ 2,106,000</u>	<u>\$ 2,111,000</u>	<u>\$ 2,111,000</u>	<u>\$ 2,112,000</u>	<u>\$ 2,113,000</u>
<b>Grand Totals</b>	<u>\$ 4,609,000</u>	<u>\$ 4,634,000</u>	<u>\$ 4,639,000</u>	<u>\$ 4,639,000</u>	<u>\$ 4,640,000</u>	<u>\$ 4,641,000</u>

Estimated projections based on employee data and valuations results as of June 30, 2013 and assume a level population throughout projection period.

Payroll projections include only known payroll increases; including FY 2014 across the board merit increase and increases for compression for State employees and payroll increases for Teachers & Locals employees transitioning member contribution requirements effective July 1, 2012.

**8. Fiscal Implications:** Benefit payments from the fund would increase by \$12.8 million per year.

**9. Specific Agency or Political Subdivisions Affected:** VRS, retired members, contingent annuitants, and survivors of State, SPORS, Teachers and retired members of participating local subdivisions could be impacted.

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** This bill amends current law to include an additional 8,399 retirees, contingent annuitants or survivors of these members in the group that is eligible for an additional retirement benefit. In addition, 992 retirees who are currently receiving an increased benefit under this provision would receive an additional \$40 per month under the second part of the benefit formula.

Current law applies to Virginia Retirement System and SPORS retirees, or their contingent annuitants or survivors, with at least 15 years of service who retired prior to January 1, 1980. This bill includes all Virginia Retirement System and SPORS members, or their contingent annuitants and survivors, with at least 15 years of service who retired prior to January 1, 1990. VaLORS was not established until 1999 and, therefore, there are no VaLORS retirees prior to January 1, 1990. Eligible retirees shall have their monthly benefit increased beginning July 1, 2014. The benefit increase would be the sum of (1) \$4 per year of service credit the member had at date of retirement plus (2) \$4 per year for each year of retirement prior to January 1, 1990.

**Date:** 01.15.2014

**Document:** SB566.DOC