

Virginia Retirement System 2015 Fiscal Impact Statement

1. Bill Number: SB1173

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

2. Patron: Patron Prior to Substitute – Carrico

3. Committee: Passed Both Houses

4. Title: Virginia Retirement System; revocation of participation of political subdivision.

5. Summary: Permits the Town of Damascus to revoke its participation with the Virginia Retirement System prospectively. The revocation will relieve the Town of contribution obligations for creditable service rendered on or after the date of revocation.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Final; none.

8. Fiscal Implications: The enrolled bill would allow the Town of Damascus to prospectively revoke its participation in the Virginia Retirement system. The Town would not be required to make contributions for its eligible employees on or after the date of the revocation. The revocation would not relieve the Town of any liability for creditable service rendered prior to the date of revocation. The enrolled bill is only applicable to the Town of Damascus and does not apply to any other VRS-participating employer. Therefore, the fiscal implications affect only the Town of Damascus and its eligible employees.

The Town of Damascus still has obligations to at least eight former employees who have earned VRS benefits. Seven have retired and one is actively working at another VRS employer. This bill does not relieve the Town from its obligations to these members. The Town may be required to make future contributions to meet any potential shortfalls in funding, or contributions that were required prior to the date of revocation that were not made.

9. Specific Agency or Political Subdivisions Affected: VRS, the Town of Damascus, and members and beneficiaries associated with the Town of Damascus.

10. Technical Amendment Necessary: No.

11. Other Comments: SB 1173 would allow the Town of Damascus to revoke its participation with VRS prospectively. When a political subdivision elects to participate in VRS, its governing body must adopt a resolution affirming an irrevocable decision (to which SB 1173

provides an exception) to participate with VRS in accordance with Title 51.1 of the *Code of Virginia*. Adopting such a resolution requires that the employer make contributions on behalf of any employee of the political subdivision who is eligible for VRS benefits (a “covered employee”). Those employer-paid contributions are invested to help fund a member’s future retirement and other post-employment benefits (OPEBs), such as the health insurance credit and group life insurance (for eligible retirees). If the Town of Damascus elects to revoke its VRS participation pursuant to this bill, then such contributions will no longer be required for any creditable service that occurs on or after the date of revocation. However, the Town of Damascus will still be liable for all contributions associated with creditable service prior to the date of revocation, whether reported to VRS or not.

As introduced, the bill would have allowed revocation of VRS participation if an employer had not made contributions for at least 25 years. SB 1173, as amended, permits only the Town of Damascus to revoke its participation with VRS prospectively.

This enrolled bill is identical to HB 1885.

Date: 2-19-2015

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