

Virginia Retirement System

2024 Fiscal Impact Statement

1. **Bill Number:** SB 458

House of Origin ☐ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☒ Enrolled

2. **Patron:** Marsden

3. **Committee:** Passed both chambers

4. **Title:** Virginia Retirement System; plan credits and accounts

5. **Summary:** In addition to the listed branches, clarifies that other branches of armed services can purchase active duty military service for VRS credit. Allows VRS deferred compensation accounts to be escheated to Virginia Treasury at VRS' discretion.

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

8. **Fiscal Impact Estimates:** More detail on the fiscal impact is explained in Item 9 below.

9. **Fiscal Implications:**

Purchase of Prior Service- Active-Duty Military Service

Allowing members of the U.S. Space Force or any other new branches of the armed services to purchase active-duty military service will increase VRS Trust Fund liabilities to a certain extent. However, it would be inequitable to allow members of some branches to purchase the service but not allow members of new branches the same benefit.

Escheat Defined Contribution Accounts

Allowing VRS defined contribution plan (DCP) accounts to escheat to the state is not expected to have a fiscal impact to VRS or Treasury. It may lessen VRS' administrative burden and cost of maintaining and tracking these funds. Treasury indicated no administrative impact is expected.

10. **Specific Agency or Political Subdivisions Affected:** VRS and Treasury, Division of Unclaimed Property

11. **Technical Amendment Necessary:** No.

12. **Other Comments:** The VRS Board of Trustees requested this bill. This bill amends purchase of prior service for prior military service in Title 51.1 and adds a section in Title 55.1 to allow VRS defined contribution and deferred compensation accounts to be escheated to the Virginia Department of the Treasury's Division of Unclaimed Property.

Purchase of Prior Service- Active-Duty Military Service

The *Code of Virginia* currently specifies that members of the United States Army, Navy, Air Force, Marines, and Coast Guard may purchase eligible active-duty military service. Since the Space Force was established in 2019, a technical amendment is needed in § 51.1-142.2(A) so that active-duty service with this branch can be purchased. To eliminate the need for future amendments, this bill allows purchase of service credit for any other branches of the armed services as established by the federal government, rather than specifying a specific branch.

Escheat Defined Contribution Accounts

The *Code of Virginia* currently specifies that no VRS accounts may be escheated to the Department of the Treasury, Division of Unclaimed Property under the current exemption in § 55.1-2544 for any property held or payable pursuant to Title 51.1. VRS must hold Defined Contribution (DC) Plan (DCP) accounts with relatively low balances indefinitely if the participant cannot be found. VRS is an outlier in the DC plan industry in that most plans escheat DC accounts. The average unclaimed check for a DC Plan participant is \$119.50 and the median is \$66.23. More than 80% of these checks fall between the amounts of \$10 and \$250. The bill preserves the Defined Benefit (DB) account exemption and only amends § 55.1-2544 to allow DC accounts to be escheated after five years at VRS' discretion if the participant cannot be located using all available means. Unclaimed Property has higher visibility and escheating these accounts to Unclaimed Property will make it easier for participants to locate and claim these funds.

The bill is identical to HB 70.

Date: 2/27/2024

Document: SB458ER.DOC/VRS