

Virginia Retirement System 2014 Fiscal Impact Statement

1. Bill Number: HB 983

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

2. Patron: Cline

3. Committee: Appropriations

4. Title: VRS; retirement credits for special forest wardens.

5. Summary: Provides retirement credits to special forest wardens of the Department of Forestry who participate directly in extinguishing forest fires. Such persons would receive eight hours of retirement credits for each day or portion of a day in which they participate directly in extinguishing a forest fire. The retirement credits could be used to reduce the years of service otherwise required for eligibility for an unreduced service retirement allowance, but not below 25 years of service. Each month of service would be eliminated at the rate of one month of service for each 173 hours of retirement credits.

6. Budget Amendment Necessary: Yes. The second enactment clause provides that the provisions of this legislation are not to become effective unless an appropriation of general funds effectuating the purposes of this bill is included in a general appropriations act passed by the 2014 Session of the General Assembly, which becomes law.

7. Fiscal Impact Estimates: Proposal would grant eight hours of retirement credit for benefit eligibility purposes only for each portion of a day a special forest warden fight forest fires. The service only may be credited toward either the 30 years of service required for Plan 1 members to be eligible for unreduced retirement, or the service component of the "Rule of 90" eligibility for unreduced retirement for Plan 2 members and members of the hybrid retirement program. The maximum service credit for eligibility will be five years. Only eligibility service will be granted, creditable service used in developing the retirement benefit will not be impacted by this proposal.

Based on information provided by the Department of Forestry, which estimates that forest wardens on average accumulate 186 hours of "fire suppression" hours each year, it is estimated that eligible members could accumulate just under 2 years of eligibility service over their career. A Plan 1 employee could therefore retire with an unreduced retirement benefit at age 50 with 28 years of service, rather than working an additional 2 years to achieve the unreduced retirement eligibility of age 50 with 30 years of service.

VRS estimates that this could increase the unfunded liability of the State plan by approximately \$400,000. Exhibit 1 details the cost projections based on an expected increase in the annual cost of 0.001% percent of State payroll.

Exhibit 1

	FY15 Cost	FY16 Cost	FY17 Cost	FY18 Cost	FY19 Cost	FY20 Cost
State - General Fund	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
SPORS - General Fund	-	-	-	-	-	-
VaLORS - General Fund	-	-	-	-	-	-
JRS - General Fund	-	-	-	-	-	-
Teacher - General Fund	-	-	-	-	-	-
TOTAL General Fund	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
State - Non-General Funds	\$ 22,000	\$ 22,000	\$ 22,000	\$ 22,000	\$ 22,000	\$ 22,000
SPORS - Non-General Funds	-	-	-	-	-	-
VaLORS - Non-General Funds	-	-	-	-	-	-
TOTAL - Non-General Funds	\$ 22,000	\$ 22,000	\$ 22,000	\$ 22,000	\$ 22,000	\$ 22,000
Teacher - Local Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Political Subdivisions - Local Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL Local Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grand Totals	\$ 39,000	\$ 39,000	\$ 39,000	\$ 39,000	\$ 39,000	\$ 39,000

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: The above costs would equate to 0.37% of payroll for the Department of Forestry. HB 983 includes language requiring a direct charge back to Department of Forestry for the actuarial cost of the proposed change.

9. Specific Agency or Political Subdivisions Affected: VRS and the Department of Forestry.

10. Technical Amendment Necessary: Yes. Section 51.1-141 of the *Code of Virginia* provides in part that “[t]he Board shall not allow more than one year of service credit for all service rendered in any period of twelve consecutive months.” If this bill were to pass, the preamble would need to be changed and § 51.1-141 would need to be amended as follows:

After line 12, insert

§ 51.1-141. Service equivalents.

The Board shall determine how much service in any month is the equivalent of a month of service or how much service in any year is the equivalent of a year of service. *Except to the*

extent provided in § 51.1-143.2, tThe Board shall not allow more than one year of service credit for all service rendered in any period of twelve consecutive months.

- 11. Other Comments:** It would be a departure from past VRS practice to allow a member to accrue more service credit than the amount of time worked. VRS' internal system has been programmed to follow that long-standing rule. The VRS reporting system would require additional programming in order to be able to credit more than 12 months in any one year to a member's record.

HB 983 specifically addresses a reduction in the 30 years of service requirement for Plan 1 employees to be able to retire with an unreduced benefit, but Plan 2 and hybrid retirement plan employees with "Rule of 90" requirement would be similarly impacted. The bill provides that the additional "retirement credits" could be applied only for service retirement eligibility, and not for purposes of creditable service. This is an important distinction since if the bill allowed these additional "retirement credits" to count toward creditable service it would increase the member's retirement benefit.

Under the proposed legislation a special forest warden could not use "retirement credits" to reach unreduced retirement eligibility unless the warden has at least 25 years of actual service credit. In addition, the bill excludes time spent on "prescribed burning" as defined in § 10.1-1150.1. The bill also requires the State Forester to provide VRS with a written certification at least annually of the individuals who fought fires as defined in the bill, the scope of employment, the total number of days or portion thereof spent fighting fires by each special forest warden.

The bill further provides in the enactment clauses that the bill is prospective in effect only, that the VRS Director is to develop procedures for using the "retirement credits" under this legislation, and that, as mentioned above, the provisions of the act shall not become effective unless a general fund appropriation is included in the final budget.

The proposed legislation could create a precedent for other VRS employers (all state agencies, local school boards, and local political subdivisions) to request similar legislation for all or specific groups of employees.

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Document: HB983.DOC