

## Virginia Retirement System 2012 Fiscal Impact Statement

**1. Bill Number:** SB 171

House of Origin	X	Introduced	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Engrossed
Second House	<input type="checkbox"/>	In Committee	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Enrolled

**2. Patron:** Petersen

**3. Committee:** Finance

**4. Title:** Virginia Retirement System; benefits for local law enforcement, correctional, and emergency response employees in certain localities.

**5. Summary:** Permits any locality that participates in VRS and that provides a local retirement supplement for local law enforcement, correctional, and emergency response employees that exceeds the statutory annual supplement under VRS to elect to provide only the enhanced age and service provisions under VRS (i) to all employees eligible for such benefits or (ii) only to eligible employees hired on or after July 1, 2010. The additional costs of providing the benefits would be borne by the locality making the election.

**6. Budget Amendment Necessary:** No

**7. Fiscal Impact Estimates:** Below we present a summary comparing the current benefits and the proposed enhancements for these members.

	CURRENT PLAN 1 PROVISIONS	CURRENT PLAN 2 PROVISIONS	PROPOSED BY SB 171
Normal retirement eligibility	Age <u>65</u> with at least 5 years of service	<u>Social Security</u> “normal retirement” age with at least 5 years of service	Age <u>60</u> with at least 5 years of service
Early retirement eligibility	Age 50 with at least <u>10</u> years of service, or age 55 with at least 5 years of service	Age 60 with at least <u>5</u> years of service.	Age 50 with at least <u>5</u> years of service
Unreduced early retirement benefits eligibility	Age 50 with at least <u>30</u> years of service	Sum of age and years of creditable service equal 90	Age 50 with at least <u>25</u> years of service
Early retirement reduction	Benefit reduced for each year retirement age is before age <u>65</u> or for each year service at retirement is less than <u>30</u> , whichever provides greater benefit	Benefit reduction takes into account, and depends on, number of years of service at retirement and number of years prior to normal retirement date	Benefit reduced for each year retirement age is before age <u>60</u> or for each year service at retirement is less than <u>25</u> , whichever provides greater benefit
Annual supplement from date of retirement to Social Security normal retirement age	No (Provided by locality)	No (Provided by locality)	No (Provided by locality)

**7a. Expenditure Impact:** In the tables below VRS presents the estimated cost increase of the benefits provided by this bill under two scenarios: (1) if a 1.70% multiplier is elected; and (2) if a 1.85% multiplier is elected. The increases shown are based upon the City of Fairfax’s payroll. The City’s current contribution rate to VRS (including the 5% member contribution) if no benefit changes are made is 17.55% of the total City covered payroll. The increase in the contribution rate would be 2.92% of payroll for a 1.70% multiplier and 3.85% of payroll if the 1.85% multiplier were elected.

	Assuming 1.70% Multiplier					
	FY13 Cost	FY14 Cost	FY15 Cost	FY16 Cost	FY17 Cost	FY18 Cost
Payroll Growth Assumption (includes promotion, COLA, etc.):		0.00%	0.00%	0.00%	0.00%	0.00%
City of Fairfax (55316)	\$ 770,400	\$ 770,400	\$ 770,400	\$ 770,400	\$ 770,400	\$ 770,400
	Assuming 1.85% Multiplier					
	FY13 Cost	FY14 Cost	FY15 Cost	FY16 Cost	FY17 Cost	FY18 Cost
Payroll Growth Assumption (includes promotion, COLA, etc.):		0.00%	0.00%	0.00%	0.00%	0.00%
City of Fairfax (55316)	\$ 1,015,800	\$ 1,015,800	\$ 1,015,800	\$ 1,015,800	\$ 1,015,800	\$ 1,015,800

**8. Fiscal Implications:** See expenditure impact above.

**9. Specific Agency or Political Subdivisions Affected:** VRS, State Compensation Board, and the City of Fairfax

**10. Technical Amendment Necessary:** No

**11. Other Comments:** SB 171 would allow the City of Fairfax to elect to enroll all its hazardous duty employees, or just those hired on or after July 1, 2010, in a version of hazardous duty benefits that provides for unreduced retirement at age 50 with 25 years of service, but without the hazardous duty supplement normally provided to hazardous duty retirees. The City could then allow these employees to retire from VRS potentially five years earlier at age 50 with 25 years of service and still furnish its locally provided supplement. (The City of Fairfax already provides a supplement to these employees which exceeds that which is provided through VRS.)

The bill would also allow the City to elect a retirement multiplier for the affected employees at the rate of either 1.70% or 1.85% as is available under special benefits for hazardous duty positions to all other localities.

VRS believes that only the City of Fairfax would be eligible for the provisions of this bill. The bill is optional, leaving the new benefit structure to be triggered only when the City notifies VRS of its intent to enroll its hazardous duty employees in the new benefit structure.

The VRS has determined that the added costs of SB 171 would be borne by the City of Fairfax. The Compensation Board would incur no increase in costs as a result of this legislation. The City of Fairfax already receives reimbursements from the Compensation Board at the maximum rate allowed. Consequently, while increased retirement costs for deputies would normally impose new costs on the Compensation Board, they won't in this case.

HB 428 is identical to this bill.

**Date:** 01.23.2012

**Document:** SB171.DOC