

Virginia Retirement System 2012 Fiscal Impact Statement

1. Bill Number: SB 171

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

2. Patron: Patron Prior to Substitute: Petersen

3. Committee: Appropriations

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

5. Summary as Introduced: 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. This bill relates to local employees who are covered under individual political subdivision plans.

7. Fiscal Impact Estimates: See Fiscal Implications.

8. Fiscal Implications: The calculations for the substitute bill are based on the data and actuarial assumptions and methods used in the June 30, 2011 actuarial valuation of the political subdivision retirement systems, supplemented by data VRS provided for the VRS members in political subdivisions who are employed in hazardous duty positions, but who do not have enhanced benefits coverage (LEOS). The data included approximately 650 members who would be affected and who are also in June 30, 2011 actuarial valuation data.

SB171H1 applies to Plan 2 members only. Therefore, the changes in the normal cost rates shown below will only be fully realized many years in the future (about 30 years) when all active members are then covered under the new benefit structure.

Long-term Aggregate Contribution Rate Change SB171H1 As a Percent of Employees' Covered Payroll as of June 30, 2011 For Localities with Hazardous Duty Employees without LEOS Coverage	
	Localities with Hazardous Duty Employees without LEOS Coverage
Long-term aggregate contribution rate change as a percent of June 30, 2011 payroll for affected localities	0.03%

Under the substitute bill, the change in contribution rate would be applied to the local plans that have hazardous duty employees, but that have not elected enhanced hazardous duty coverage (LEOS). The change in retirement eligibility for the affected Plan 2 members will also have an impact on the cost of the Health Insurance Program and the Group Life Insurance Program.

- 9. Specific Agency or Political Subdivisions Affected:** VRS and participating political subdivisions that elect to implement this provision for their firefighters, emergency medical technicians, or law-enforcement officers not covered by enhanced hazardous duty coverage.

10. Technical Amendment Necessary: No

- 11. Other Comments:** The substitute bill applies to any firefighter, EMT or law enforcement officer not covered by enhanced hazardous duty coverage in a political subdivision that elects to implement these provisions. SB171H1 allows a political subdivision to make an irrevocable election to treat firefighters, emergency medical technicians, or law-enforcement officers (as defined in § 15.2-1512.2 of the *Code of Virginia*) hired on or after July 1, 2010 (Plan 2 employees) as Plan 1 employees with regard to the following provisions that would otherwise be applicable to them as Plan 2 employees:

Plan 1 Age and Service Provisions applicable to Plan 2 hazardous duty employees in political subdivisions that have not elected LEOS and that elect to apply SB171H1	Plan 2 Age and Service Provisions applicable to Plan 2 hazardous duty employees in political subdivisions that have not elected LEOS and that do not elect to apply SB171H1
Normal retirement at age 65 with at least 5 years of service (unreduced)	Normal retirement at Social Security "normal retirement" age with at least 5 years of service (unreduced)
Early unreduced retirement at age 50 with at least 30 years of service	Early unreduced retirement when sum of age and years of creditable service equal 90
Early reduced retirement at age 50 with at least 10 years of service, or	Early reduced retirement at age 60 with at least 5 years of service

age 55 with at least 5 years of service	
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These employees would still be subject to the same benefit provisions of Plan 2 for nonhazardous duty employees (average final compensation based on highest consecutive 60 months of creditable compensation and the Plan 2 COLA formula).

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