

Virginia Retirement System 2013 Fiscal Impact Statement

1. Bill Number: SB 854

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

2. Patron: Patron: Petersen

3. Committee: Finance

4. Title: Virginia Retirement System; benefits for certain local employees.

5. Summary: Virginia Retirement System; benefits for certain local employees. Allows that a political subdivision may by resolution irrevocably declare that persons employed as firefighters, emergency medical technicians, or law-enforcement officers who are otherwise considered Plan 1 non-vested employees as of January 1, 2013, and converted to Plan 2 employees, shall be treated as Plan 1 members for purposes of retirement eligibility and therefore subject to unreduced retirement at 50/30 rather than under the Rule of 90, and subject to reduced retirement at 55/5 or 50/10. In addition, such employees hired on or after January 1, 2014, will not be enrolled in the new hybrid retirement plan, but will instead be enrolled in Plan 2 and also subject to unreduced retirement at 50/30 and reduced retirement at 55/5 or 50/10.

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 this bill are based on the data and actuarial assumptions and methods used in the June 30, 2012 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).

SB854 applies to Plan 1 members who were not vested as of January 1, 2013, Plan 2 members and members hired on or after January 1, 2014 who would otherwise be covered by the hybrid retirement plan. 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. The impact for each locality may vary based on the size and demographics of the locality.

Long-term aggregate contribution rate change as a percent of payroll for localities with Plan 1 non-vested hazardous duty employees without enhanced benefits coverage	0.03%

Under the 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, Plan 1 members who were not vested as of January 1, 2013, and members hired on or after January 1, 2014, will also have an impact on the cost of the Health Insurance Program and the Group Life Insurance Program.

In addition to the above cost for current plan members, localities electing the provisions of SB854 will also see an increase in costs associated with future hazardous duty employees who will be covered by the benefit provisions of Plan 2 rather than the provisions of the VRS hybrid retirement plan. The estimated impact on employer costs is shown below:

Estimated impact on projected contribution rates for localities with hazardous duty employees without LEOS coverage												
Future hazardous duty employees remain in Plan 2 versus becoming Hybrid Plan members												
TABLE 1												
Effect Assuming 80% Contribute Minimum and 20% Contribute Maximum Contribution to DC												
Fiscal Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Local Hazardous Duty	0.52%	0.42%	0.46%	0.37%	1.09%	1.02%	1.67%	1.59%	2.12%	2.07%	2.55%	2.51%

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 bill amends legislation passed during the 2012 session (SB171), to include one age and service category (50 years of age with 10 years of service) that was inadvertently omitted. In addition, due to the simultaneous passage in 2012 of SB498 and HB1130, which changed benefits for Plan 1 employees who were not vested as of January 1, 2013 and created the hybrid retirement plan, the impact of SB171 was significantly diminished for employees who were intended to be covered by the provisions of SB171 in 2012.

SB854 applies to any firefighter, EMT or law enforcement officer, as those terms are defined in §15.2-1512.2, who is not covered by enhanced hazardous duty coverage in a political subdivision that elects to implement these provisions. This legislation provides that all Plan 1 age and service retirement provisions apply not only to Plan 2 eligible employees of localities that elect this provision, but also to eligible Plan 1 employees who were not vested as of January 1, 2013.

SB854 adds retirement at age 50 with at least 10 years of service to the Plan 1 age and service retirement categories that are available to affected employees that would otherwise be subject to Plan 2 age and service provisions, as was the original intent of SB171.

In addition, the bill provides that any firefighter, EMT or law enforcement officer not covered by enhanced hazardous duty coverage who is hired on or after January 1, 2014 in a political subdivision that elects to implement these provisions will not be eligible to participate in the

hybrid retirement plan and will be a Plan 2 member eligible for the Plan 1 age and service provisions.

The Plan 2 employees, Plan 1 employees not vested as of January 1, 2013, and employees hired on or after January 1, 2014 affected by this bill would still be subject to all of the other benefit provisions of Plan 2 for nonhazardous duty employees (average final compensation based on highest consecutive 60 months of creditable compensation, 1.65% multiplier, and the Plan 2 COLA formula).

SB854 is identical to HB1532 with the exception of minor drafting differences.

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Document: SB854.DOC