

Virginia Retirement System 2015 Fiscal Impact Statement

1. Bill Number: HB1546

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

2. Patron: Fariss

3. Committee: Appropriations

4. Title: Virginia Law Officers' Retirement System.

5. Summary: Adds sworn members of the enforcement division of the Department of Motor Vehicles to the membership of the Virginia Law Officers' Retirement System.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: The annual cost to the Plan to include the DMV enforcement officers as members of VaLORS would be \$416,000. This is based on an increased annual cost of 0.1625% percent of payroll for VaLORS and a 0.0041% reduction in annual cost as a percent of payroll for the State Plan. Currently, the DMV enforcement officers are 100% funded by non-general funds. The annual costs shown below assume that the DMV enforcement officers will continue to be 100% funded by non-general funds.

Since this bill implies that all prior service for eligible members of DMV would apply towards the accrued benefit in the VaLORS plan, VRS assumed there would be a transfer of assets equal to the present value of accrued benefits for the affected members from the State pension plan to VaLORS. By transferring assets equal to the present value of benefits, there would be no impact on the unfunded actuarial accrued liability for the State plan. The estimated transfer of assets from the State plan to the VaLORS plan would be \$7.8 million. The unfunded actuarial accrued liability for the VaLORS plan would increase by \$4.0 million due to an increase in liability of \$11.8 million to include the DMV sworn members of the enforcement division.

	<u>FY15 Cost</u>	<u>FY16 Cost</u>	<u>FY17 Cost</u>	<u>FY18 Cost</u>	<u>FY19 Cost</u>	<u>FY20 Cost</u>
State - General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SPORS - General Fund	-	-	-	-	-	-
VaLORS - General Fund	-	200,000	200,000	200,000	200,000	200,000
JRS - General Fund	-	-	-	-	-	-
Teacher - General Fund	-	-	-	-	-	-
TOTAL General Fund	\$ -	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
State - Non-General Funds	\$ -	\$ (157,000)	\$ (157,000)	\$ (157,000)	\$ (157,000)	\$ (157,000)
SPORS - Non-General Funds	-	-	-	-	-	-
VaLORS - Non-General Funds	-	373,000	373,000	373,000	373,000	373,000
TOTAL - Non-General Funds	\$ -	\$ 216,000	\$ 216,000	\$ 216,000	\$ 216,000	\$ 216,000
Teacher - Local Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Political Subdivisions - Local Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL Local Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grand Totals	\$ -	\$ 416,000	\$ 416,000	\$ 416,000	\$ 416,000	\$ 416,000

Estimated projections based on employee data and valuation results as of June 30, 2014 and assume a level population throughout projection period.

Payroll projections are assumed to remain level throughout projection period.

In addition to the impact on pension funding, we would also expect a small increase in OPEB plan liabilities for HIC, Group Life, and VSDP due to the retirement eligibility changes created by inclusion in the VaLORS plan.

- 8. Fiscal Implications:** As of June 30, 2014, the funded status of the VaLORS plan stood at 58.1%, with \$762 million of unfunded liability. Because this bill allows pre-VaLORS service credit to count towards VaLORS retirement benefits, it increases the unfunded liability of the VaLORS plan an additional \$4 million. As of June 30, 2014, there were approximately 64 DMV enforcement officers who would be affected by this change. Seven additional law enforcement positions that would be covered under this legislation are currently in the process of being filled and have not been included in the above costs. The additional cost to cover all seven members under the VaLORS plan rather than the State plan would be approximately \$14,500 more per year, bringing the annual cost impact to \$430,500.
- 9. Specific Agency or Political Subdivisions Affected:** VRS and any DMV enforcement officers vested with the powers of sheriffs to enforce the laws pursuant to § 46.2-217. In addition, employers that have VaLORS-covered employees would be impacted by the increased contribution rate.
- 10. Technical Amendment Necessary:** No.
- 11. Other Comments:** HB 1546 proposes to add members of the DMV enforcement division to the Virginia Law Officers' Retirement System (Chapter 2.1 of title 51.1, §§ 51.1-211 et seq.). Specifically, eligibility requires that a member of the DMV enforcement division be vested with the powers of sheriffs in the enforcement of all laws pursuant to § 46.2-217.

This bill would allow service credit earned by an eligible DMV enforcement officer prior to the effective date of HB 1546 to count towards VaLORS retirement benefits. If passed, HB 1546 will allow eligible DMV enforcement officers to apply all previously earned service credit in these positions to VaLORS retirement benefits, increasing the plan's unfunded liability.

Because DMV enforcement officers are not currently in VaLORS, any DMV enforcement officer without prior VRS service who is hired on or after January 1, 2014, will be covered by the Hybrid Retirement Program. If this bill were to pass, these members, as well as any DMV enforcement officers hired on or after the effective date of this legislation, would go into VaLORS and not be covered by the Hybrid Retirement Program.

In 1999, the General Assembly and Governor approved the establishment of VaLORS to provide benefits generally equivalent to state police officers to certain other law enforcement and corrections positions. There have been numerous bills introduced since that time to allow additional groups to become eligible to participate in VaLORS that have not been enacted.

In its 2008 report, *Review of State Employee Total Compensation*, <http://jlarc.virginia.gov/reports/Rpt378.pdf>, the Joint Legislative Audit and Review Commission (JLARC) developed an assessment of several occupational groups, including DMV enforcement officers, and rated these groups based on level of risk and responsibility (See Appendix D, Pages 156 – 157). In addition, JLARC developed a set of guidelines that could be used in conjunction with its risk and responsibility assessment to ascertain if a given occupation merits consideration for inclusion in enhanced benefits.

Revised apportionment of GF and NGF annual cost based on agency funding for impacted employees.

Date: 2-5-15

Document: HB1546.DOC