

Virginia Retirement System 2016 Fiscal Impact Statement

1. Bill Number: SB 617

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

2. Patron: McDougale

3. Committee: Finance

4. Title: Virginia Law Officers' Retirement System; certain members of the enforcement division of the Department of Motor Vehicles.

5. Summary: Adds full-time sworn employees of the enforcement division of the Department of Motor Vehicles who have the powers of sheriffs for enforcing laws of the Commonwealth as members of the Virginia Law Officers' Retirement System. Such employees would accrue retirement benefits under the Virginia Law Officers' Retirement System only for creditable service on or after July 1, 2016.

6. Budget Amendment Necessary: Yes. VRS implementation costs are estimated at approximately \$33,500. Similar legislation has been proposed for certain members of the Department of Conservation and Recreation which would require similar programming to implement. If these bills were to be enacted (HB299, SB353 & SB617), VRS implementation costs would likely be less than the sum of individual implementation costs provided for each bill.

The Department of Motor Vehicles would require a budget amendment of \$334,800 for FY 2017 and FY 2018 to cover the additional employer cost for the increased contribution rate for VaLORS associated with moving these employees from the State plan to the VaLORS plan, as shown in Exhibit 1 below. The difference in plan rates between the State plan and VaLORS is 7.75% of payroll for FY 2017 and FY 2018.

Exhibit 1

DMV Enforcement Officers

Plan	Number of Enforcement Officers	Expected Payroll	Retirement Contribution Rates *		Expected Employer Contributions	
			FY 2017	FY 2018	FY 2017	FY 2018
As Member of State Plan	73	\$ 4,320,000	14.46%	14.46%	\$ 624,670	\$ 624,670
As Member of VaLORS Plan	73	\$ 4,320,000	22.21%	22.21%	\$ 959,470	\$ 959,470
Additional Funds Needed					\$ 334,800	\$ 334,800

* Employer contribution rates are based on Governor's proposed budget.

7. Fiscal Impact Estimates: In addition to the direct agency costs (effective July 1, 2016) that DMV would incur for moving these members to the VaLORS retirement plan for these

employees, which are discussed above, DMV would also share in the expected future cost increases to the VaLORS plan normal cost that would be created with the inclusion of these enforcement officers.

The proposed addition of the enforcement officers in the VaLORS plan is expected to increase the cost of the VaLORS plan by 0.17% of payroll. The increase in cost is due to the change in demographics associated with the 73 enforcement officers. On average, the DMV enforcement officers are eight years older than current members in the VaLORS plan. DMV enforcement officers also have a higher average salary than current VaLORS members, \$59,160 versus \$37,460. These changes cause the normal cost rate for the whole VaLORS plan to increase by the stated 0.17%. Similarly, we expect a decrease in the State plan normal cost rate of approximately 0.01% of payroll due to the DMV enforcement officers moving out of the State plan and into VaLORS. The net change in annual costs for both plans would be an estimated \$67,000 per year.

Currently, DMV enforcement officers are 100% funded by non-general funds. When developing the expected change in costs to the State and VaLORS plans shown below, we assumed DMV enforcement officers would continue to be totally funded by non-general funds. Currently the VaLORS plan is 91.45% funded by general funds and 8.55% by non-general funds. If this bill were enacted, 90.29% of the VaLORS plan would become funded by general funds and 9.71% would become funded by non-general funds. Exhibit 2 below shows the expected impacts on the State and VaLORS plans.

Exhibit 2

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
State - General Fund	\$ (218,000)	\$ (218,000)	\$ (218,000)	\$ (218,000)	\$ (218,000)	\$ (218,000)
SPORS - General Fund	-	-	-	-	-	-
VaLORS - General Fund	521,000	521,000	521,000	521,000	521,000	521,000
JRS - General Fund	-	-	-	-	-	-
Teacher - General Fund	-	-	-	-	-	-
TOTAL General Fund	\$ 303,000	\$ 303,000	\$ 303,000	\$ 303,000	\$ 303,000	\$ 303,000
State - Non-General Funds	\$ (292,000)	\$ (292,000)	\$ (292,000)	\$ (292,000)	\$ (292,000)	\$ (292,000)
SPORS - Non-General Funds	-	-	-	-	-	-
VaLORS - Non-General Funds	56,000	56,000	56,000	56,000	56,000	56,000
TOTAL - Non-General Funds	\$ (236,000)	\$ (236,000)	\$ (236,000)	\$ (236,000)	\$ (236,000)	\$ (236,000)
Teacher - Local Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Political Subdivisions - Local Funds	-	-	-	-	-	-
TOTAL Local Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grand Totals	\$ 67,000	\$ 67,000	\$ 67,000	\$ 67,000	\$ 67,000	\$ 67,000

Estimated projections based on employee data and valuation results as of June 30, 2015 and assume a level population throughout projection period.

Payroll projections are assumed to remain level throughout projection period.

- 8. Fiscal Implications:** As of June 30, 2015, the funded status of the VaLORS plan stood at 60.6%. As this bill applies benefits prospectively, it would not increase the unfunded liability of the plan. As of June 30, 2015, there were 73 DMV enforcement officers who would be

affected by SB 617. In addition there appear to be 10 unfilled DMV enforcement officer positions that would be covered under this legislation. Should these positions be filled, additional costs would be incurred.

- 9. Specific Agency or Political Subdivisions Affected:** VRS, DMV and any DMV enforcement officers vested with the powers of sheriffs to enforce the laws pursuant to § 46.2-217. In addition, all employers that have VaLORS-covered employees would be impacted by the increased contribution rate.

- 10. Technical Amendment Necessary:** No.

- 11. Other Comments:** SB 617 would add any full-time sworn member of the enforcement division of the Department of Motor Vehicles vested with the power of sheriffs for the purpose of enforcing laws of the Commonwealth pursuant to § 46.2-217 to the definition of “employee” for purposes of membership in the Virginia Law Officers’ Retirement System (Chapter 2.1 of Title 51.1, §§ 51.1-211 et seq.).

The bill does not transfer all of the members’ prior VRS service into VaLORS. Only creditable service earned on or after July 1, 2016, may be used to accrue VaLORS retirement benefits for this proposed group of members. As a result, the member would not immediately vest to the VaLORS hazardous duty provisions.

This bill also provides that no DMV enforcement officer who becomes a member of VaLORS under this provision will be eligible to retire under VaLORS unless the officer has five or more years of creditable service as a member of VaLORS, as a member of the State Police Officers’ Retirement System (SPORS), or as a local employee covered by enhanced hazardous duty benefits under § 51.1-138.

The enactment clause provides that any person who becomes a member of VaLORS pursuant to this provision will be eligible only for those VaLORS retirement benefits that are provided to employees who commence employment or reemployment on or after July 1, 2016. This means that any officer who becomes eligible for VaLORS coverage under this provision will be eligible for the 2% multiplier for hazardous duty service and will not be eligible for the 1.7% multiplier and the supplement provided in § 51.1-217(B).

Under current law, 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.

Date: 01-18-2016

Document: SB617.DOC/VRS