Virginia Retirement System
2019 Fiscal Impact Statement

1. **Bill Number:** SB 1480

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

2. **Patron:** Deeds

3. **Committee:** Finance

4. **Title:** Virginia Law Officers Retirement System; Add Conservation Officers

5. **Summary:** Virginia Law Officers' Retirement System; conservation officers. Adds conservation officers of the Department of Conservation and Recreation as members of the Virginia Law Officers' Retirement System (VaLORS). The bill makes conservation officers eligible to accrue retirement benefits under VaLORS only for creditable service on and after July 1, 2019.

6. **Budget Amendment Necessary**: Yes.

   Item 488. VRS implementation costs are estimated at approximately $27,974. The estimated costs take into account that, in order to comply with Chapter 10 of Title 51.1, VRS handbooks and other benefit materials would need to be reprinted, and system changes would need to be made upon the effective date of this legislation to accurately reflect benefits for a new population of VaLORS members. Additionally, the cost of reprinting VRS handbooks and other benefit materials will be allocated across any bills that require materials to be reprinted out of cycle.

   Item 364. The Department of Conservation and Recreation (DCR) would require a budget amendment of $373,600 to cover the additional employer cost for the increased contribution rate for VaLORS associated with moving conservation officers 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 8.09% of payroll for FY 2020.

Exhibit 1
Conservation Officers - Department of Conservation and Recreation

Plan	Number of Conservation Officers as of 6/30/18	Expected Payroll	Retirement Contribution Rates	Expected Employer Contributions
			FY 2020	FY 2020
As Member of State Plan	94	$ 4,618,136	13.52%	$ 624,400
As Member of VaLORS Plan	94	$ 4,618,136	21.61%	$ 998,000
Additional Funds Needed				$ 373,600

7. **Fiscal Impact Estimates:** In addition to the direct agency costs (effective July 1, 2019) that DCR would incur for moving these members to the VaLORS retirement plan, which are discussed in item 6, DCR would also share in the expected future cost increases to the VaLORS plan normal cost that would be created with the inclusion of the conservation officers. See item 8.

8. **Fiscal Implications:** The proposed addition of the conservation officers in the VaLORS plan is expected to increase the cost of the VaLORS plan by an estimated 0.20% of payroll. The increase in cost is due to the change in demographics associated with the 94 conservation officers. On average, the current group of conservation officers are 38.6 years old, which is approximately 7 years older than the current VaLORS plan members at hire date. Conservation officers also have a higher average salary than current VaLORS members, $49,130 versus $39,700. These two differences cause the normal cost rate for the whole VaLORS plan to increase by the stated 0.20%. Similarly, we expect a decrease in the State plan normal cost rate of approximately 0.01% of payroll due to the conservation officers moving out of the State plan and into VaLORS. The net change in annual costs for both plans would be an estimated $233,000 per year as developed in Exhibit 2 below.

Exhibit 2

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Plan	Rate Change	Payroll	General Fund Percentage	Non-General Fund Percentage	General Fund Dollars = (1)x(2)x(3)	Non-General Fund Dollars = (1)x(2)x(4)	Total Funding = (5)+(6)
State	-0.0110%	$4,306,952,000	42.10%	57.90%	($200,000)	($275,000)	($475,000)
VaLORS	0.1951%	$362,647,000	91.85%	8.15%	$650,000	$58,000	$708,000
Net Change					$450,000	($217,000)	$233,000

Currently, conservation officers are 100% funded by the general fund. When developing the expected change in costs to the State and VaLORS plans shown below, VRS assumed conservation officers would continue to be totally funded by the general fund. Currently, the VaLORS plan is 91.74% funded by general funds. If this bill were enacted, 91.85% of the

VaLORS plan would become funded by general funds. Exhibit 3 below shows the expected impacts on the State and VaLORS plan funding. The cost impacts are the net impact on retirement funding due to moving the 94 conservation officers to the VaLORS plan effective July 1, 2019. This assumes that contribution rates would be adjusted effective July 1, 2019 to reflect the plan experience related to moving conservation officers into VaLORS.

Exhibit 3

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
State - General Fund	$ (200,000)	$ (200,000)	$ (200,000)	$ (200,000)	$ (200,000)	$ (200,000)
SPORS - General Fund	-	-	-	-	-	-
VaLORS - General Fund	650,000	650,000	650,000	650,000	650,000	650,000
JRS - General Fund	-	-	-	-	-	-
Teacher - General Fund	-	-	-	-	-	-
TOTAL General Fund	$ 450,000	$ 450,000	$ 450,000	$ 450,000	$ 450,000	$ 450,000
State - Non-General Funds	$ (275,000)	$ (275,000)	$ (275,000)	$ (275,000)	$ (275,000)	$ (275,000)
SPORS - Non-General Funds	-	-	-	-	-	-
VaLORS - Non-General Funds	58,000	58,000	58,000	58,000	58,000	58,000
TOTAL - Non-General Funds	$ (217,000)	$ (217,000)	$ (217,000)	$ (217,000)	$ (217,000)	$ (217,000)
Teacher - Local Funds	$ -	$ -	$ -	$ -	$ -	$ -
Political Subs - Schools w/ HIC	-	-	-	-	-	-
Political Subs - Schools w/o HIC	-	-	-	-	-	-
Political Subs - Non School	-	-	-	-	-	-
TOTAL Local Funds	$ -	$ -	$ -	$ -	$ -	$ -
Grand Totals	$ 233,000	$ 233,000	$ 233,000	$ 233,000	$ 233,000	$ 233,000

Estimated projections based on employee data and valuation results as of June 30, 2018 and assume a level population throughout projection period.

Payroll projections include a 2% increase for State and VaLORS effective July 1, 2019 as well as additional 2% for members with three or more years of service. Payroll beyond 2020 is assumed to remain level throughout projection period.

As of June 30, 2018, the actuarial funded status of the VaLORS plan stood at 68.7%. As this bill applies benefits prospectively, it would not increase the existing unfunded liability of the plan. As of June 30, 2018, there were 94 conservation officers who would be affected by SB 1480.

9. **Specific Agency or Political Subdivisions Affected:** VRS, DCR, and any DCR conservation officers commissioned pursuant to § 10.1-115. 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:** This bill would add any DCR conservation officer commissioned pursuant to § 10.1-115 to the definition of "employee" for purposes of membership in VaLORS (Chapter 2.1 of Title 51.1). In order to be commissioned under § 10.1-115, an individual must be at least 21 years of age and have graduated from high school or obtained an equivalent diploma. The individuals must be recommended by the DCR Director and

approved by the Governor prior to being commissioned by the Secretary of the Commonwealth.

The bill does not transfer all of the members' prior VRS service into VaLORS. Only creditable service earned on or after July 1, 2019, 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 conservation 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 legislation provides that any person who becomes a member of VaLORS pursuant to this provision shall accrue the applicable VaLORS retirement benefits only for creditable service on or after July 1, 2019. 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 conservation 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 conservation officers hired on or after the effective date of this legislation, would go into VaLORS as Plan 2 members 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/pdfs/reports/Rpt378.pdf, the Joint Legislative Audit and Review Commission (JLARC) developed an assessment of several occupational groups, including special and regular conservation officers with DCR, and rated these groups based on level of risk and responsibility (See Appendix D, Pages 156-57). 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.

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