

## Virginia Retirement System 2020 Fiscal Impact Statement

**1. Bill Number:** HB1495-H1

House of Origin	<input type="checkbox"/>	Introduced	<input type="checkbox"/>	Substitute	<input checked="" type="checkbox"/>	Engrossed
Second House	<input type="checkbox"/>	In Committee	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Enrolled

**2. Patron:** Prior to substitute: Torian, Batten, Helmer, and Leftwich

**3. Committee:** Appropriations

**4. Title:** Virginia Retirement System; retired law-enforcement officers employed as school security officers.

**5. Summary:** Allows a retired law-enforcement officer to continue to receive his service retirement allowance during a subsequent period of employment by a local school division as a school security officer, so long as he has a break in service of at least 12 calendar months between retirement and reemployment, did not retire under an early retirement program, and did not retire under the Workforce Transition Act of 1995. The substitute removes school resource officers from the potential positions for which a retiree could return to work, requires an actuarial investigation every four years of the experience under the bill, which must be reported to the General Assembly, and provides that the bill sunsets on July 1, 2025.

**6. Budget Amendment Necessary:** Yes. Item 494. VRS estimates implementation costs for the bill at \$396,000 in FY 2020, \$47,000 in FY 2021, and minimal ongoing costs in FY 2022 and beyond. This does not include the impact to current or future contribution rates or to the funded status of the plans, which are discussed in sections 7 and 8 below.

Programming will be required for employers to be able to enroll these retirees, to ensure that their retirement benefits are not suspended, and that service is not added to their records. This is similar to the current procedure for retirees in the teacher critical shortage program. There may also be impacts on VRS' continued modernization program, which, among other initiatives, has migrated from a mainframe-based system to a client server environment, but the cost and length of any delay cannot be calculated at this time. To mitigate impacts to the modernization program's ongoing implementation schedule (continued work required to move toward online-retirement processing), a manual process for collecting employer contributions may need to be deployed until an automated solution can be fully developed, tested, and put into production. Additionally, a temporary, full-time position will be needed for accounts receivable, associated reconciliations, and other financial reporting in the VRS finance department.

**7. Fiscal Impact Estimates:**

**Fiscal Impact Estimates (based on 1% increase in retirements):**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>General Fund</i>	<i>Non-General Fund &amp; Local Funds</i>
2020				\$396,000
2021	\$821,000		\$144,000	\$724,000
2022	\$821,000		\$144,000	\$677,000
2023	\$821,000		\$144,000	\$677,000
2024	\$821,000		\$144,000	\$677,000
2025	\$821,000		\$144,000	\$677,000
2026	\$821,000		\$144,000	\$677,000

See fiscal implications in section 8 below for a detailed breakdown of estimated costs.

- 8. Fiscal Implications:** Outside benefits counsel has confirmed that Internal Revenue Service (IRS) guidance allows specifically for a bona fide break in service with no prearrangement for re-employment, and the IRS makes the determination of whether or not there is a break in service using a facts and circumstances test. The IRS has not established a safe harbor severance period. IRS regulations under Internal Revenue Code (IRC) § 410, as cited in Private Letter Ruling 201147038, suggest that a one-year period without performing service might be considered a safe harbor. VRS uses a one-year break in service for the teacher critical shortage program. In 2001, the Joint Legislative Audit and Review Commission (JLARC) adopted a resolution concurring with VRS regarding the minimum one-year separation before a retiree could be rehired into a critical shortage position without loss of retirement benefits, consistent with the recommendation of the JLARC actuarial consultant. In addition, to be eligible for this program the teaching position must be identified by the Superintendent of Public Instruction pursuant to subdivision 4 of § 22.1-23, by the relevant division superintendent, pursuant to § 22.1-70.3, or by the relevant local school board, pursuant to subdivision 9 of § 22.1-79.

Failure to meet the facts and circumstances test for a bona fide break in service could jeopardize VRS' plan qualification status, thereby affecting all members and retirees. Typically, individual retirees who return to work at more than 80% of a full-time position or are found not to have legitimately retired by completing the bona fide break in service must un-retire, with their retirement benefit ceasing, and the retirees must repay any benefit payments received since the time they returned to work. This may also affect eligibility for the State Retiree Health Plan administered by DHRM for state retirees or other retiree health insurance for local retirees.

The amended bill adopts a 12 calendar month break in service before any retiree can return to work full time as an SSO. This is consistent with VRS practice for the teacher critical shortage program and which serves to help mitigate the impact of changes to retirement patterns and the potential for impermissible prearrangements under the IRC.

Also, under the bill, employer contributions are required while the retiree works, although the retiree will not receive corresponding service credit. VRS employer contribution rates are established as a percentage of an employer's VRS-covered payroll. When a position is

removed from VRS coverage by a return-to-work exception or otherwise, there is a decrease in the funding of retirement benefits. In particular, legacy unfunded liabilities will not be paid off as expected. This bill requires that an employer include compensation paid to a retiree hired into a SSO position in its VRS-covered payroll for purposes of calculating employer retirement contributions, which helps to mitigate this impact.

The potential impact of the bill on the cost-sharing Teacher plan will depend on whether retirees fill existing SSO positions or new additional positions. Additionally, a political subdivision may have active law-enforcement officers who retire earlier than expected in order to return to work as a SSO and receive retirement income in addition to salary.

Allowing a VRS retiree to return to work and be actively employed while continuing to receive a retirement allowance would impact both retirement and other post-employment benefits (OPEB) plans.

Under the amended legislation, a member who has retired from a sworn law-enforcement officer position under Title 51.1 (SPORS, VaLORS, or local law-enforcement officers) and who, following a 12 calendar month break in service, is hired by a local school division as a SSO, as defined in § 9.1-101, may work full-time as a SSO in a school division and continue to receive a retirement benefit (i.e., an in-service distribution). The bill also provides that the retiree will not be eligible to receive any cash match contributions pursuant to Chapter 6.1 (§ 51.1-607 *et seq.*) for which active employees are eligible.

Anyone who retired from a similar hazardous duty position due to disability would lose the disability retirement benefit upon returning to work in a SSO position. Likewise, Line of Duty Act (LODA) benefits would cease for a LODA beneficiary who returns to work as a SSO.

The retiree would not receive any future benefit accruals while working and would, therefore, not be required to make member contributions to the plan. Retirees who return to work under this provision would be considered retired for retirement, group life, health insurance credit, VSDP and/or VLDP benefits, if applicable. The member would be eligible to receive cost-of-living increases on the service retirement benefit while receiving the in-service distribution.

SSOs are currently covered under the Teacher retirement plan. Preliminary results from the 2018-2019 annual school safety survey, developed by the Department of Criminal Justice Services, indicates that 476 schools statewide reported having either full- or part-time SSOs, with approximately 898 SSO positions according to the survey data.

Eighty-seven grants totaling more than \$3.47 million have been awarded to 53 localities throughout Virginia. This funding will enable local law enforcement agencies to fund new school resource officer (SRO) and SSO positions at K-12 public schools. The grants were awarded by the Criminal Justice Services Board at their May 9, 2019 meeting as well as the Executive Committee, on behalf of the Board, at a special meeting.

Funding for the grants came from the state-funded School Resource Officer/School Security Officer Incentive Grant Program. In 2019, Governor Northam approved the General Assembly's amendment to add an additional \$3 million for this program in order to increase the number of schools in the Commonwealth with SROs or SSOs.

See section 11 of this impact statement for more information on the differences between SSOs and SROs.

Return-to-work provisions have the potential to have financial impacts on VRS retirement plans due to the following implications:

- **Can incentivize members to retire earlier than originally expected.** Since members would be able to receive a retirement benefit and continue to receive compensation for working in a VRS covered position, provisions of the bill could change retirement patterns. To illustrate, if members retire earlier than anticipated, the plan pays benefits earlier than expected and for a longer period of time. In addition, the plan has less time in which to earn investment income on member and employer contributions which is necessary to fund benefits. The 12 calendar month break in service in the amendment will help to avoid prearrangements of subsequent re-employment (precluded by the Internal Revenue Code) and mitigate altering retirement patterns of current members.
- **Can impact allocation of cost-sharing if replacing current covered positions with retirees.** Employers filling positions with retirees under the provisions of the bill could impact cost-sharing allocations if the payroll of these members is exempt from inclusion in valuation pay. As an example, payroll of a school division that hires retirees as SSOs will be smaller than anticipated if these positions that were formerly filled by active employees will now be filled by retirees, for whom no employer contributions are being made. This impact can be avoided by requiring, as this bill does, that the payroll of retired members be included in the plan's covered payroll for VRS reporting, as is the case in this bill. While the member and employer would pay no normal cost since the member will not accrue additional benefit service, the covered payroll could still be used to amortize the legacy unfunded liability payment. This would protect against artificially increasing the amortization rate for other employers in the Teacher plan who may not fill VRS covered positions with retired members.

The implications of incentivized early retirement would impact individual political subdivision plans, SPORS, or VaLORS under the provisions of the bill, and the amount of impact would vary based on utilization of the provision within each of the plans. The additional costs of earlier than expected retirements would be borne by the local employers of the retiring members through additional pension and health insurance credit payments paid over longer periods of time, or in the case of a member in SPORS or VaLORS, the cost would be shared by the pool of employers in those plans.

While the costs for individual political subdivision plans are difficult to model due to each plan being separately rated, below we have shown estimated costs associated with SPORS, VaLORS, and political subdivisions in aggregate assuming that the provisions of the bill would create an increased incentive to take an in-service distribution and return to work. Determining the anticipated demand is difficult due to not knowing the number of SSO positions (current or new) that will be filled by retired law-enforcement officers in addition to the positions made available through grant funding. For illustrative purposes, we have modeled the impact of a 1% increase in assumed retirements for sworn law-enforcement officers due to the proposed changes in plan provisions. To the extent actual experience varies from that assumed, the costs will vary from the estimates provided herein.

Based on the population as of the last actuarial valuation, we would normally expect approximately 995 retirements from this population during the year. Due to adding a 12 calendar month break in service requirement, we lowered the anticipated increase in retirements due to the provisions of the amended bill. The analysis below assumes a 1% increase in retirements to show the potential impacts on retirement and OPEB plans. Increasing expected retirements by 1% would provide for approximately 10 more retirements under this illustration.

The proposed changes would have an impact on both the plan normal cost rate as well as an immediate impact on the accrued liability. Exhibit 1 below shows that the estimated total increase in unfunded liability across all retirement plans in aggregate would be approximately \$7.6 million, while the increase in unfunded liability for the OPEBs would be approximately \$38,000 if the provisions of the bill were enacted. Actual experience may vary from that which has been modeled.

**Exhibit 1 – Estimated Increase in Unfunded Liabilities  
Impact on Unfunded Liabilities of Retirement Plans**

		1% Increase in Retirements	
Plan	Unfunded Liability 6/30/2019 Valuation	Unfunded Liability with Proposed Legislation	Increase in Unfunded Liability
SPORS	\$322,488,000	\$323,284,200	\$796,200
VaLORS	\$726,243,000	\$727,037,200	\$794,200
Political Subdivisions (In Aggregate)	\$3,353,576,000	\$3,359,569,200	\$5,993,200
Total	\$4,402,307,000	\$4,409,890,600	\$7,583,600

**Impact on Unfunded Liabilities of OPEB Plans**

		1% Increase in Retirements	
Plan	Unfunded Liability 6/30/2019 Valuation	Unfunded Liability with Proposed Legislation	Increase in Unfunded Liability
HIC - State	\$917,335,000	\$917,394,400	\$59,400
HIC - Political Subdivisions (In Aggregate)	\$19,285,000	\$19,293,800	\$8,800
VSDP	(\$236,474,000)	(\$236,487,000)	(\$13,000)
Group Life	\$1,672,916,000	\$1,672,898,800	(\$17,200)
Total	\$2,373,062,000	\$2,373,100,000	\$38,000

The increase in liability modeled here is due to both anticipated retirements from current members already eligible to retire plus anticipated future retirements occurring earlier than expected.

Exhibit 2 below shows the combined cost impacts to both retirement and OPEB plans assuming the bill is enacted effective July 1, 2020 and a 1% increase in retirements. The increase in costs reflects the increase in normal cost rates as well as an additional rate to pay down the increase in the unfunded liabilities associated with this bill over the next 20 years. These costs are associated with encouraging early retirement and do not include any potential impacts to the Teacher plan discussed above.

## Exhibit 2 – Expected Increase in Annual Funding – 1% Increase in Retirements

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
State - General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SPORS - General Fund	80,000	80,000	80,000	80,000	80,000	80,000
VaLORS - General Fund	64,000	64,000	64,000	64,000	64,000	64,000
JRS - General Fund	-	-	-	-	-	-
Teacher - General Fund	-	-	-	-	-	-
<b>TOTAL General Fund</b>	<b>\$ 144,000</b>	<b>\$ 144,000</b>	<b>\$ 144,000</b>	<b>\$ 144,000</b>	<b>\$ 144,000</b>	<b>\$ 144,000</b>
State - Non-General Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SPORS - Non-General Funds	13,000	13,000	13,000	13,000	13,000	13,000
VaLORS - Non-General Funds	6,000	6,000	6,000	6,000	6,000	6,000
<b>TOTAL - Non-General Funds</b>	<b>\$ 19,000</b>	<b>\$ 19,000</b>	<b>\$ 19,000</b>	<b>\$ 19,000</b>	<b>\$ 19,000</b>	<b>\$ 19,000</b>
Teacher - Local Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Political Subdivisions - Local Funds	\$ 658,000	\$ 658,000	\$ 658,000	\$ 658,000	\$ 658,000	\$ 658,000
<b>TOTAL Local Funds</b>	<b>\$ 658,000</b>	<b>\$ 658,000</b>	<b>\$ 658,000</b>	<b>\$ 658,000</b>	<b>\$ 658,000</b>	<b>\$ 658,000</b>
<b>Grand Totals</b>	<b>\$ 821,000</b>	<b>\$ 821,000</b>	<b>\$ 821,000</b>	<b>\$ 821,000</b>	<b>\$ 821,000</b>	<b>\$ 821,000</b>

Estimated projections based on employee data and valuation results as of June 30, 2019 and assume a level population throughout projection period.

Payrolls beyond 2021 are assumed to remain level throughout projection period.

Projections are based on a 1% increase in assumed retirements for sworn law-enforcement officers due to the proposed changes in plan provisions.

**9. Specific Agency or Political Subdivisions Affected:** VRS, political subdivisions, public school divisions, and agencies employing SPORS and VaLORS members.

**10. Technical Amendment Necessary:** No.

**11. Other Comments:**

### Background

Currently, a VRS retiree cannot collect a VRS retirement benefit while simultaneously working full-time in a VRS-covered position absent specific statutory authority that is in compliance with applicable Internal Revenue Code provisions. There are limited exceptions to this rule under the *Code of Virginia*, such as retirees working in statutorily-defined critical shortage teaching positions. Most often, however, an individual working in a full-time position for a VRS-participating employer cannot simultaneously collect a VRS retirement benefit. In the case of a VRS retiree returning to work full-time in a VRS-covered position, the retiree must “unretire” and resume active VRS participation. When the individual chooses to subsequently retire again, VRS will recalculate the new retirement benefit to include the additional service credit earned.

The bill as amended would permit certain retired law enforcement officers (SPORS, VaLORS, and local law-enforcement officers) to return to otherwise VRS-covered

employment as a SSO, but without impact to the retiree's monthly benefit. Excluded from this group is any person who retired pursuant to:

1. An early retirement incentive program provided by a local school division within the Commonwealth;
2. An early retirement incentive program provided by any VRS-participating employer; or
3. The Workforce Transition Act of 1995 in certain circumstances.

Upon returning to work, a retiree would not accrue additional service credit and would not be eligible for any cash match payments that are available to similarly situated active employees under chapter 6.1 of title 51.1 (§ 51.1-607 *et seq.*). Please note that while the language of the bill refers to an election by the retiree, there is no actual election, and the provisions of the bill would automatically apply to any eligible retiree who returns to work full-time as a SSO and continues to receive his retirement benefit. The employer would be required to pay contributions for these employees.

#### Twelve Calendar Month Break in Service

The legislation as amended specifies that a retiree must have at least a 12 calendar month break in service. This is consistent with the existing teacher critical shortage provisions. As stated in the section relating to the critical shortage teaching positions, there are two primary reasons why specifying a one-year break in service before a retiree would be eligible to return to work in a position contemplated by the bill is appropriate. First, a one-year break in service mitigates any possibility of an unlawful prearrangement to return to work. Likewise, the one-year break in service reduces the likelihood that the bill will create any major shift in retirement patterns. Further, in 2001, the Joint Legislative Audit and Review Commission (JLARC) adopted a resolution concurring with VRS regarding the minimum one-year separation before a retiree could be rehired into a teacher critical shortage position without loss of retirement benefits, consistent with the recommendation of the JLARC actuarial consultant. In addition, to be eligible for this program the teaching position must be identified by the Superintendent of Public Instruction pursuant to subdivision 4 of § 22.1-23, by the relevant division superintendent, pursuant to § 22.1-70.3, or by the relevant local school board, pursuant to subdivision 9 of § 22.1-79.

#### Actuarial Investigation and Sunset

The amended legislation requires that at least once in each four-year period, in conjunction with the actuarial investigation made under subdivision A 4 of § 51.1-124.22, VRS must carry out an actuarial study of the experience under the legislation and shall submit a report to the General Assembly advising the body of the results of such investigation. In addition, the amended legislation provides that the provision will sunset on July 1, 2025.



### Current Return-to-Work Options

Retirees may currently return to work part-time without losing VRS retirement benefits following a bona fide break in service with no prearrangement. In most cases a VRS retiree may return to work on a part-time basis with a VRS-participating employer and continue receiving retirement benefits. When working in a “non-covered” (i.e., part-time, temporary, or provisional) position, a VRS retiree is not in violation of § 51.1-155(B) and may continue to work while also collecting his or her retirement benefit. To be considered working in a non-covered position on the basis of part-time employment, a retiree must work 80% or less of the hours required of the comparable full-time position. In the case of someone working under a 9-, 10-, or 11-month contract with a school division (e.g., a SSO), this 80% threshold would be based on the 9-, 10-, or 11-month full-time equivalent position. Alternatively, if a county, rather than a school division, hired personnel to provide school security services as a SRO, the 80% threshold would be based on a normal full-time work schedule (i.e., 2,080 hours per year). Under this approach (e.g., a SRO hired by a county or city), a VRS retiree would be available to work more hours per year in a part-time position compared to a SSO with a 9-, 10-, or 11-month contract hired by a school division.

The following table demonstrates the number of hours that a VRS retiree may currently work on a part-time basis depending on the number of months of the full-time equivalent position:

Contract duration for full-time equivalent position:	Part-time work limit (hours per year) based on the 80% threshold:	Approximate part-time work limit (hours per week)*
12 months	1,664	32
11 months	1,525	29
10 months	1,387	27
9 months	1,248	24

\*Part-time work in excess of 29 hours may implicate requirements of the Affordable Care Act (ACA).

### Health Insurance Impact

Health care issues related to retirees returning to work should also be considered. Each school division’s health insurance provisions likely differ, but typically if a retiree is eligible for active employee coverage, he or she would move to the active plan, if eligible. In most cases, when a retiree comes back to active employment that provides eligibility for health insurance coverage, the retiree prefers to have the employer contribution. In general, Medicare would consider that the active coverage should be primary when coverage due to current active employment is available. While the state’s policy allows for a retiree to return to the retiree health insurance program immediately upon loss of active coverage, because each school division may offer different health care insurance coverage, it is difficult to generalize about the health care impact of a retiree returning to work for a non-state employer.

The employer shared responsibility provisions of the Affordable Care Act (ACA) require that applicable large employers (generally, 50+ employees) offer affordable, minimum essential coverage to full-time (30 or more hours/week) employees and their dependents. The employee does not have to take the coverage, but in order to comply with ACA requirements, the employer would need to confirm through ACA reporting that the offer was made. A retiree health plan may or may not include provisions allowing for the retiree to leave the retiree health care program in order to receive coverage in another plan and then return to the former retiree health plan at a later date.

### Difference Between School Resource Officers and School Security Officers

SSOs perform a different role from SROs and generally receive different benefits.

Important to understanding the bill is the precise role of both. The *Code of Virginia* currently authorizes two primary positions that can provide varying levels of security services in a public school: a SRO, employed by a political subdivision, and a SSO, employed by a school division. Section 9.1-101 sets forth the statutory differences between these two positions:

	<b>School Resource Officer</b>	<b>School Security Officer</b>
<b>Employer</b>	Local law enforcement agency	Local school board
<b>Purpose</b>	Provide law enforcement and security services in Virginia public elementary and secondary schools	Maintain order and discipline, prevent crime; investigate violations of school board policies; detain students violating the law or school board policies on school property or at school-sponsored events; ensure the safety, security, and welfare of all students, faculty, staff and visitors

SRO and SSO eligibility for enhanced hazardous duty benefits as active employees also varies. A SRO, if actively employed by a sheriff's office, automatically receives enhanced hazardous duty coverage. A SRO actively employed by a local police department, however, is eligible for enhanced hazardous duty coverage only if the political subdivision has elected such coverage under § 51.1-138 (note: most political subdivisions have elected these benefits to some degree). A SSO is not currently eligible for enhanced hazardous duty coverage since it is a position employed by a local school board, which does not provide for hazardous duty benefits within the VRS Teacher Plan.

Whereas a SRO can carry a firearm by virtue of being a certified law enforcement officer, House Bill 1392 (2017) added specific requirements that govern whether a SSO may carry a firearm. These requirements became effective July 1, 2017, in § 22.1-280.2:1, as amended in 2019:

[A] school security officer may carry a firearm in the performance of his duties if (i) within 10 years immediately prior to being hired by the local school board or private or religious school he (a) was an active law-enforcement officer as defined in § [9.1-101](#) in the Commonwealth or (b) was employed by a law-enforcement agency of the United States or any state or political subdivision thereof and his duties were substantially similar to those of a law-enforcement officer as defined in § [9.1-101](#); (ii) he retired or resigned from his position as a law-enforcement officer in good standing; (iii) he meets the training and qualifications described in subsection C of § [18.2-308.016](#); (iv) he has provided proof of completion of a training course that includes training in active shooter emergency response, emergency evacuation procedure, and threat assessment to the Department of Criminal Justice Services pursuant to subdivision 42 of § [9.1-102](#), provided that if he received such training from a local law-enforcement agency he received the training in the locality in which he is employed; (v) the local school board or private or religious school solicits input from the chief law-enforcement officer of the locality regarding the qualifications of the school security officer and receives verification from such chief law-enforcement officer that the school security officer is not prohibited by state or federal law from possessing, purchasing, or transporting a firearm; and (vi) the local school board or private or religious school grants him the authority to carry a firearm in the performance of his duties.

Additional information in the following chart, which was developed by the Virginia Department of Criminal Justice Services (DCJS), demonstrates the differences between a SRO and SSO.



# Legislation

School Resource Officer	School Security Officer
1. Law enforcement agency employee	1. School employee
2. Complying with federal, state and local statutes	2. Complying with/guided by local school policies and regulations
3. Under direction of law enforcement command	3. Under direction of local school principal or designee
4. Assigned to school and community activities	4. Primarily assigned to school campus activities
5. Responsible for enforcing state law	5. Responsible for enforcing school policy
6. Responsible for custody and arrest in conformance with law	6. Responsible for detaining individuals
7. Search must be in accordance with State and Federal law	7. Can search students and others based upon reasonable suspicion
8. Laws and custody requirement procedures apply	8. May detain and question students
9. Act under the standards of law	9. Act in absence of parents ( <i>in loco parentis</i> )
10. Use of force permissible as guided by department policy	10. Use of force should be limited and only used in accordance with local school policy

## Teacher Critical Shortage Program

There is currently a limited exception in § 51.1-155(B)(3) that allows a VRS retiree to return to work full-time in a VRS-covered, critical shortage teaching position without impact to his or her retirement allowance. These provisions are set to expire July 1, 2025, and were intended to address the difficulty that some schools face in recruiting qualified teachers. In order to take advantage of this provision, however, each of the following requirements must be met:

- The VRS retiree must have been receiving a retirement allowance for a certain period of time preceding his employment as provided by law;
  - Note: VRS requires one year for the “certain period of time.” Further, the one-year break in service was established in conjunction with the Joint Legislative Audit and Review Commission (JLARC), and in 2001 consistent with the recommendation of the JLARC actuarial consultant JLARC adopted a resolution concurring with VRS regarding the minimum twelve-month separation before a retiree could be rehired into a teacher critical shortage position without loss of retirement benefits.
- The VRS retiree cannot be receiving a retirement benefit pursuant to an early retirement incentive program from any local school division within the Commonwealth; and

- At the time the VRS retiree is employed, the teaching position to which he or she is assigned must be among those identified by the Superintendent of Public Instruction pursuant to subdivision 4 of § 22.1-23, by the relevant division superintendent, pursuant to § 22.1-70.3, or by the relevant local school board, pursuant to subdivision 9 of § 22.1-79.

A key reason that the critical shortage teaching exception has not resulted in major shifts in retirement patterns is because of the requirement that an individual must have been receiving a retirement allowance for at least one full year before becoming eligible to return in the critical shortage capacity and without impact to the retirement allowance. In addition, the one-year requirement reduces the risk for abuse of the rules that might otherwise result in an unlawful prearrangement, which is contrary to provisions of the Internal Revenue Code (IRC), between an employer and retiring employee to establish post-retirement employment. Ensuring that an unlawful prearrangement to return to work does not take place is critical in pension plans, because not doing so can adversely impact both the member and VRS' qualified plan status under the IRC. In addition, the eligibility criteria for the teacher critical shortage program is narrowly tailored.

Based on information reported by school divisions to VRS, below are statistics on the number of full-time critical shortage teaching positions filled with a VRS retiree since FY 2009.

DOE Region	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Total CS Positions	% of total CS positions
Region 1	9	12	9	6	5	8	3	1		4	7	11	75	13.07%
Region 2	13	7	8	11	8	6	5	6	15	14	17	17	127	22.13%
Region 3	7	5	3	3	2	2	2	2	1	7	3	16	53	9.23%
Region 4	29	17	14	13	17	16	3	5	18	18	22	18	190	33.10%
Region 5	2	2	2	2	2	2	1	1	1	3	2	1	21	3.66%
Region 6	5	4	2	2	2	3	5	1	3	6	6	5	44	7.67%
Region 7	7	5	3	3	3					2	1	3	27	4.70%
Region 8	2	1	3	4	2	1	1	1	1	4	6	11	37	6.45%
Total	74	53	44	44	41	38	20	17	39	58	64	82	574	100.00%

**Region 1** - Charles City, Chesterfield, Dinwiddie, Goochland, Hanover, Henrico, New Kent, Powhatan, Prince George, Surry, Sussex, Colonial Heights, Hopewell, Petersburg, Richmond

**Region 2** - Accomack, Isle of Wight, James City (Williamsburg), Northampton, Southampton, York, Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, Williamsburg (James City County)

**Region 3** - Caroline, Essex, Gloucester, King George, King William, King and Queen, Lancaster, Mathews, Middlesex, Northumberland, Richmond, Spotsylvania, Stafford, Westmoreland, Colonial Beach, Fredericksburg, West Point

**Region 4** - Arlington, Clarke, Culpeper, Fairfax, Fauquier, Frederick, Loudoun, Madison, Orange, Page, Prince William, Rappahannock, Shenandoah, Warren, Alexandria, Falls Church, Manassas, Manassas Park, Winchester

**Region 5** - Albemarle, Amherst, Augusta, Bath, Bedford, Campbell, Fluvanna, Greene, Highland, Louisa, Nelson, Rockbridge, Rockingham, Buena Vista, Charlottesville, Harrisonburg, Lexington, Lynchburg, Staunton, Waynesboro

**Region 6** - Alleghany, Botetourt, Craig, Floyd, Franklin, Henry, Montgomery, Patrick, Pittsylvania, Roanoke, Covington, Danville, Martinsville, Roanoke, Salem

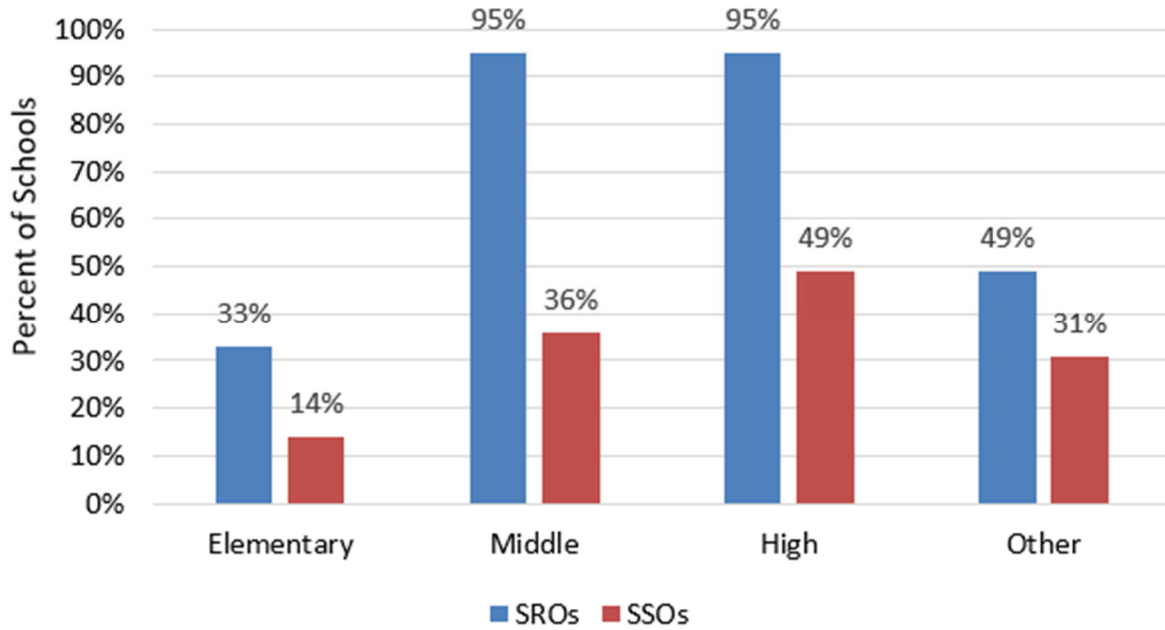
**Region 7** - Bland, Buchanan, Carroll, Dickenson, Giles, Grayson, Lee, Pulaski, Russell, Scott, Smyth, Tazewell, Washington, Wise, Wythe, Bristol, Galax, Norton, Radford

**Region 8** - Amelia, Appomattox, Brunswick, Buckingham, Charlotte, Cumberland, Greenville, Halifax, Lunenburg, Mecklenburg, Nottoway, Prince Edward

## Security Personnel Working in Public Schools

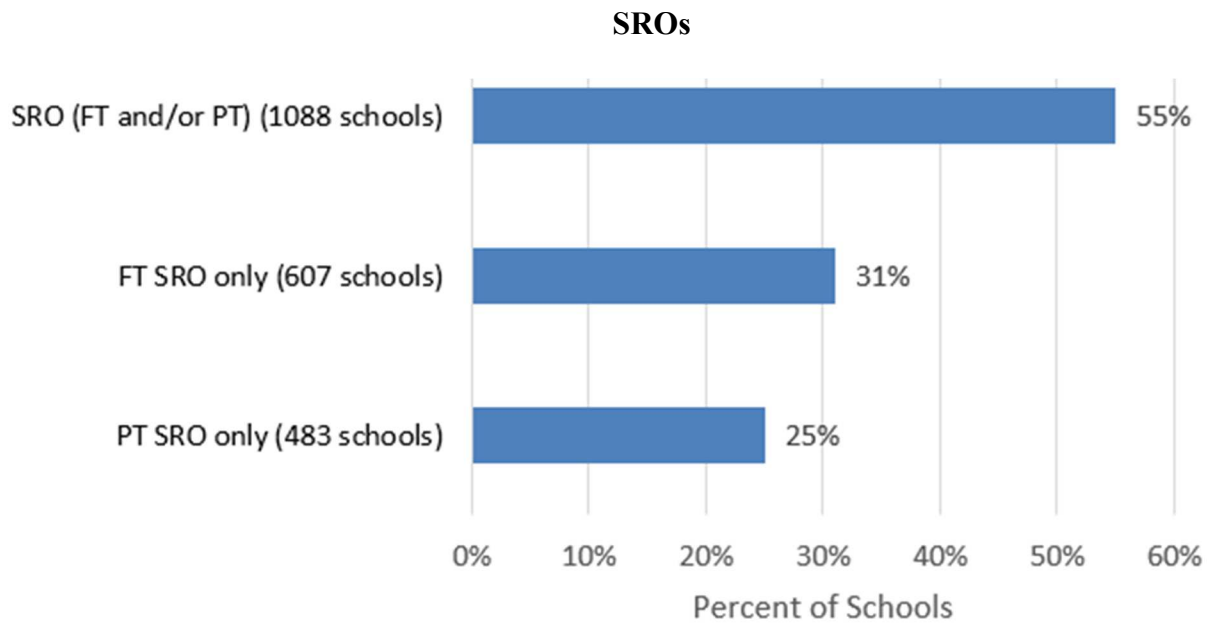
The following section discusses the potential population of retirees who could take advantage of the return-to-work exception for SSOs in the amended bill.

DCJS maintains data relating to the safety of public schools in the Commonwealth. Included in this data is the number of security personnel working in public schools, which DCJS reports annually based on school divisions' survey responses. For purposes of this fiscal impact statement, DCJS provided preliminary results from its 2018-2019 survey, which included responses from 1,961 public schools. Of these, 1,122 were elementary schools, 345 were middle schools, 316 were high schools, and 178 were others. Following are survey results relating to the employment of SROs and SSOs:

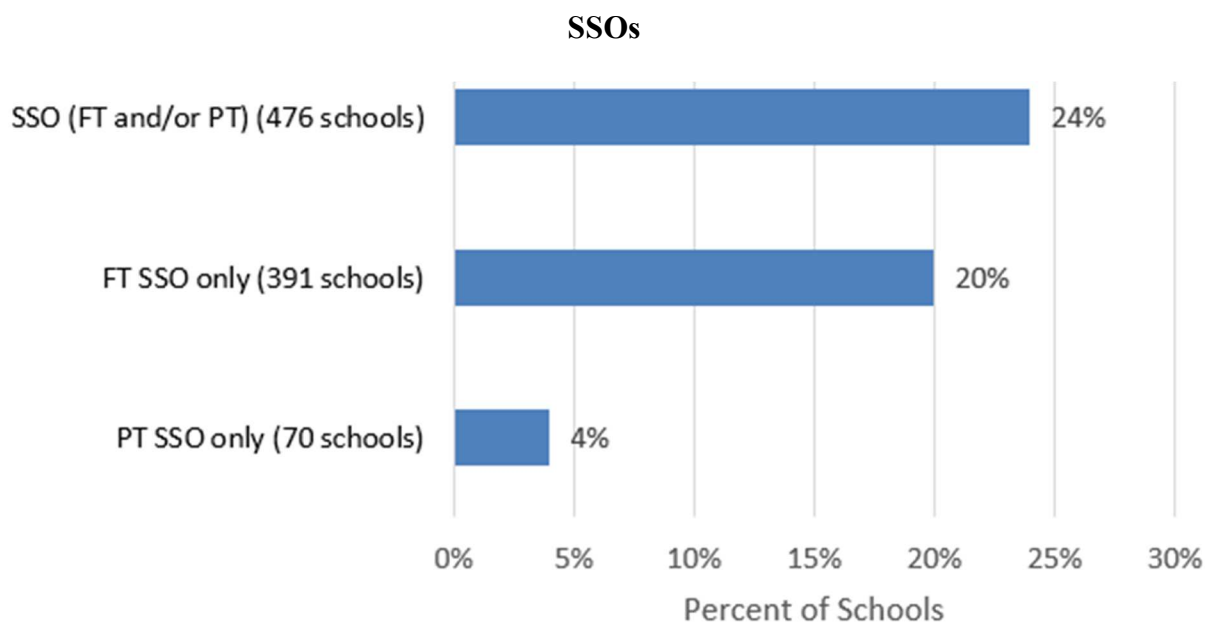


Source: Preliminary results from the 2018-2019 school safety survey provided by DCJS.

According to the DCJS survey, almost two-thirds of schools (64%) used safety/security personnel (e.g., SROs, SSOs, or other types of officers) in a full-time or part-time capacity. SROs worked in 55% of schools, SSOs worked in 24% of schools, and private security worked in 1% of schools. Additional data demonstrates the full-time/part-time breakdown of SSOs and SROs:



Source: Preliminary results from the 2018-2019 school safety survey provided by DCJS.



Source: Preliminary results from the 2018-2019 school safety survey provided by DCJS.

#### Additional Information Related to Disability Retirement and LODA Benefits Eligibility

It is possible for a retired officer's level of compensation to affect his eligibility for benefits under LODA if the current earned income equals or exceeds the salary of the position at the time of disability, indexed for inflation. (*See* Va. Code § 9.1-401(C)(4)). The majority of retired officers receiving LODA benefits are also drawing a disability retirement benefit that would make them ineligible for work as a SSO without resulting in the loss of disability retirement benefits as well as LODA benefits.

A sworn officer who is receiving a disability retirement benefit cannot return to a sworn officer position and continue to receive his disability retirement benefit. The retiree may also lose LODA eligibility as noted above if he or she returns to full duty in any position listed in the definition of "deceased person" in Va. Code § 9.1-401(C)(3).

VRS has communicated clearly and consistently through its publications and other outlets that a disability retiree cannot return to a position that requires the same or similar duties as those performed prior to disability retirement. Similarly, any retiree receiving LODA benefits must be careful to weigh the implications, if any, of the contemplated work on the retiree's continued eligibility for those LODA benefits.

In light of the recent focus on strengthening school safety, VRS developed a guide for employers that use school safety officers and school resource officers. The guide is on the VRS employers' web site at the following link:

<https://employers.varetire.org/pdf/publications/Hiring-Reporting-SROs-SSOs.pdf>



The amended bill is similar to SB 54, which also addresses returning to work only as an SSO and provides for a one-year break in service, but SB 54 does not exclude the population of retirees who retired pursuant to 1) an early retirement incentive program of a local school division, 2) an early retirement incentive program of any VRS-participating employer, and 3) certain provisions relating to the Workforce Transition Act.

**Date:** 02-10-2020

**Document:** HB1495H1.DOC/VRS