

Department of Planning and Budget 2020 Fiscal Impact Statement

1. Bill Number: SB338

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

2. Patron: Stuart

3. Committee: Finance and Appropriations

4. Title: State Police Officers' Retirement System; exception to mandatory retirement requirement.

5. Summary: Allows an exception from compulsory retirement at age 70 for any member of the State Police Officers' Retirement System (SPORS) who receives written approval from his supervisor. Current law provides an exception from the compulsory retirement age only for members appointed by the Governor, member selected by the people, or certain jail superintendents.

6. Budget Amendment Necessary: No. As stand-alone legislation, the Virginia Retirement System (VRS) considers implementation of this bill as “routine,” and does not require additional funding. As a matter of course, the agency will review all legislation likely to be enacted prior to the passage by each chamber. If the aggregate number of “routine” bills likely to pass either chamber is unusually large or complex, it is possible that the agency will require authorization to expend additional non-general fund resources. If so, VRS will identify the costs and request such resources at that time. This does not include impact to current or future contribution rates or to the funded status of the plans, which are discussed below.

7. Fiscal Impact Estimates: Indeterminate – see Item 8.

8. Fiscal Implications: Because the proposed legislation may extend the retirement age for only a small group of people, VRS believes the fiscal impact of this bill would be minimal with respect to the SPORS retirement plan and the individually funded political subdivision plans that offer enhanced benefits under § 51.1-138. Historical data shows that on average, the SPORS plan has roughly one member retire each year at age 70. Across all political subdivision plans that offer enhanced hazardous duty benefits, approximately five members per year retire at age 70.

The fiscal impacts to other post-employment benefits such as Group Life, Health Insurance credit, and Virginia Sickness and Disability Program (VSDP) are also expected to be minimal.

In most cases, postponing retirement to a later date will generally mean that VRS will pay benefits for a shorter period of time, which in turn will result in a potential actuarial gain to the respective retirement plan.

- 9. Specific Agency or Political Subdivisions Affected:** VRS, Virginia State Police and political subdivisions that provide enhanced benefits to law enforcement officers under § 51.1-138 (these benefits are equivalent to those under SPORS).

- 10. Technical Amendment Necessary:** No.

- 11. Other Comments:** The proposed legislation allows an exception from the compulsory retirement at age 70 that is required under the State Police Officers' Retirement System (SPORS). State police officers are members of SPORS, and political subdivisions may elect enhanced benefits for public safety officers that are equivalent to those under SPORS (the SPORS benefits are incorporated into § 51.1-138 by reference). Current law provides an exception from the compulsory retirement age only for members appointed by the Governor, members elected by the people (e.g., a sheriff) or certain jail superintendents. The exception in the proposed legislation would be granted to any other member receiving SPORS or equivalent benefits who receives written approval from his supervisor. The proposed legislation requires the member to submit such approval to the Virginia Retirement System within 60 days of his 70th birthday.

There is language in the affected Code section (§ 51.1-205(A)) that is unchanged by the proposed legislation:

Any employer, subsequent to the employee's normal retirement date (which for SPORS is the member's 60th birthday), may provide for compulsory service retirement upon a determination that age is a bona fide occupational qualification reasonably necessary to the normal operation of the particular business or that the employee is incapable of performing his duties in a safe and efficient manner. Any such determination shall be made by the employer.

Based on this language, any affected employer retains the right to make decisions and determinations regarding the compulsory service retirement of its employees who are receiving SPORS or equivalent benefits. The proposed legislation permits, but does not require, the employer to allow eligible employees to work beyond age 70.