

Virginia Retirement System

2024 Fiscal Impact Statement

1. Bill Number: HB 687

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

2. Patron: O'Quinn

3. Committee: Appropriations

4. Title: Virginia Retirement System; additional service credit

5. Summary: Allows an individual who serves concurrently as a full-time primary or secondary school teacher and as a full-time school bus driver to receive additional service credit in the Virginia Retirement System for providing such services. The bill specifies that the amount of credit allowable shall be equivalent to the amount of credit that the individual would earn if he were employed only as a full-time school bus driver.

6. Summary of Impacts

Benefit(s) impacted: The bill amends the purchase of prior service statute to allow VRS bus driver service credit to be granted at no cost to the employee to any full-time licensed teacher who is also serving concurrently as a full-time school bus driver. The bill does not require that the additional creditable compensation earned as a bus driver be included in the member's VRS record.

Impact to unfunded liability (see Item 9 for details): As drafted, VRS would expect minimal impact to unfunded liability for the purchase of granted service. The cost of additional service credit would be paid directly by the employer at actuarially determined rates.

Impact to contribution rate(s) (see Item 9 for details): Cost of additional service credit would be paid directly by employer at actuarial cost. Cost will vary by school division for those employers that employ teachers concurrently as school bus drivers.

Specific Agency or Political Subdivisions Affected (see Item 10): VRS, local school divisions, and the political subdivisions that fund local school divisions.

VRS cost to implement (see Item 7 and Item 8 for details): As drafted, approximately \$175,000 for FY 2024, primarily for programming and communications, with minimal ongoing costs.

Employer cost to implement (see Item 7 and Item 8 for details): Will vary by school division for those employers that employ teachers concurrently as school bus drivers.

Other VRS and employer impacts (see Item 7, Item 9, Item 11, and Item 12 for details):

This would allow these members to effectively retire sooner than expected. Also, § 51.1-125(B) says that a member may not hold more than one membership (cannot have service for more than one VRS-covered position). All VRS systems are designed to prevent membership for more than one position at the same time, so the bill will impact almost all VRS systems and processes.

GF budget impacts (see Item 8 for details): None.

NGF budget impacts (see Item 8 for details): \$175,000 NGF in FY 2024 for VRS implementation.

7. **Budget Amendment Necessary:** Yes. In Item 484, VRS would need a NGF appropriation of approximately \$175,000 for FY 2024 to cover the cost of programming and testing, as well as updating employee and employer communications, with minimal ongoing costs. This does not include the potential impact to future local contribution rates or to the funded status of the local plans, which are discussed below.
8. **Fiscal Impact Estimates:** More detail on the fiscal impact is explained in Item 9 below.
9. **Fiscal Implications:** In addition to the direct costs to implement the bill and for school divisions and political subdivisions to fund the cost of providing the granted service allowed under the bill, there are potential long-term impacts. Allowing a teacher to be granted additional service credit will permit the teacher to retire sooner. VRS employer contribution rates are set based in part on assumptions and experience regarding when employees are expected to retire.

Furthermore, service would have to be requested while the member is actively employed. The school division would pay for the service in a lump-sum at the time of purchase. When the employee requests the service will impact whether the service must be paid for at normal or actuarial cost, with the costs increasing each year as the employee gets close to retirement.
10. **Specific Agency or Political Subdivisions Affected:** VRS, school divisions that hire full-time teachers to also serve in full-time school bus driver positions, and the political subdivisions that fund them.
11. **Technical Amendment Necessary:** Yes. VRS would request that implementation be delayed to July 1, 2025 to allow for extensive system programming and testing as well as communication to school divisions.

Additionally, an amendment to clarify that the bill only applies to teachers and bus drivers employed by the same school division would be required to prevent the bill from being in conflict § 51.1-125(B) of the *Code of Virginia*.
12. **Other Comments:** This bill allows full-time licensed teachers to be granted full-time service credit for service as a full-time bus driver, at no cost to the employee.

The bill does not require additional compensation to be included in the employee's VRS record. If the intent is to allow a teacher who is also working full-time as a bus driver to receive the additional creditable compensation in the member record, this can be accomplished administratively if the school division creates a new "teacher/bus driver" contract with the total salary. The school would report the teacher salary as determined by the contract and in accordance with creditable compensation rules. VRS does not allow two separate contracts to be reported for the same employee, in accordance with § 51.1-125(B). [Section 22.1-302](#), under the Education title, allows additional activities as assigned by the local school board to be included in a teacher contract. However, it also requires that a teacher also performing some school positions, such as a coach or club sponsor, have a separate contract. There do not appear to be any similar restrictions related to a bus driver position.

However, if the intent is to allow only service credit to accumulate in the member record there are additional issues to consider. Existing law, § 51.1-125(B), requires members to only hold VRS membership for one position at a time, and if they hold two covered positions to elect one position for VRS membership. There is an exception for General Assembly members whose position is part-time but granted VRS membership.

Accordingly, a member may only purchase service that is not already in the member's record or does not already provide a retirement benefit. There are certain exceptions for military service in accordance with federal Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) requirements.

This bill could result in a teacher also performing as a bus driver for their entire career, making them eligible for retirement in less time than expected. For example, for a Hybrid Retirement Plan member, retiring earlier than expected means the member will have fewer years of mandatory and variable voluntary contributions along with associated employer matches to the defined contribution plan account. The member may not have adequate time to accumulate sufficient contributions and related investment income in the DC account to provide enough income replacement in retirement even if the member is contributing the maximum voluntary match. As VRS would begin paying benefits from the Defined Benefit portion of the plan sooner and for a longer period than expected for Hybrid Plan, Plan 1, or Plan 2 members, VRS may not have an adequate time horizon to earn sufficient investment income to pay the benefits, which could lead to future cost increases to cover unfunded liabilities.

The bill is identical to SB 622.

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