

Virginia Retirement System

2024 Fiscal Impact Statement

1. **Bill Number:** HB 1312

House of Origin Introduced Substitute Engrossed

Second House In Committee Substitute Enrolled

2. **Patron:** Orrock

3. **Committee:** Appropriations

4. **Title:** Virginia Law Enforcement Officers' Retirement System; conservation officers.

5. **Summary:** Extends membership in the Virginia Law Officers' Retirement System (VaLORS) to conservation officers of the Department of Conservation and Recreation. The bill has a delayed effective date of July 1, 2025, and provides that such membership would apply only to service earned on or after July 1, 2025.

6. **Summary of Impacts**

Benefit(s) impacted: VaLORS. The bill moves certain DCR employees (conservation officers) into VaLORS beginning July 1, 2025. Eligible covered Hybrid Plan employees' membership would be transferred to Plan 2.

Impact to unfunded liability (see Item 9 for details): Since the bill only applies to service earned on or after July 1, 2025, there is no impact to unfunded liabilities of VaLORS.

Impact to contribution rate(s) (see Item 9 for details): Increases contribution requirements for certain DCR employees beginning in FY 2026 and going forward. The total estimate increase for DCR is approximately \$610,000 for FY 2026. While the difference in contribution rates between the State plan and VaLORS plan is currently 12.08%, this difference is based on maintaining the higher VaLORS plan rate as included in the Governor's proposed budget.

Specific Agency or Political Subdivisions Affected (see Item 10): VRS, DCR, and all employers with employees participating in VaLORS.

VRS cost to implement (see Item 7 and Item 8 for details): Approximately \$58,600 in FY 2025.

Employer cost to implement (see Item 7 and Item 8 for details): DCR will need approximately \$610,000 to add additional employees covered by VaLORS in FY 2026. Any of DCR's other potential costs to implement this change have not been captured here, except for the increased VaLORS employer contribution rates required.

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

The addition of DCR conservation officers to VaLORS will impact future VaLORS contribution rates for all VaLORS employers.

GF budget impacts (see Item 8 for details): Approximately \$610,000 increase in FY 2026 for the increase in employer contribution costs for VaLORS coverage.

NGF budget impacts (see Item 8 for details): Approximately \$58,600 in FY 2025 for VRS implementation.

7. Budget Amendment Necessary: Yes. Items 361 and 486.

Item 486: VRS would need a NGF appropriation of approximately \$58,600 for FY 2025 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 State or VaLORS contribution rates for FY 2026 or to the funded status of the State or VaLORS plans, which are discussed below.

Item 361: DCR will require a budget amendment of \$610,000 for FY 2026 to cover the additional employer cost associated with the higher contribution rate for VaLORS compared to the contribution rate in the State Plan in which DCR conservation officers currently participate.

Contribution rates required under this bill will be affected by passage of SB 130. The costs estimated here do not include that impact or additional costs to perform new valuations to make the changes that would be required by SB 130.

8. Fiscal Impact Estimates:

Fiscal Impact Estimates/Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>New Positions Needed</i>	<i>General Fund</i>	<i>Non-General Fund & Local Funds</i>
2024				
2025	\$58,600			\$58,600
2026	\$610,000		\$610,000	
2027	\$615,500		\$615,500	
2028	\$615,500		\$615,500	
2029	\$615,500		\$615,500	
2030	\$615,500		\$615,500	

Please see the discussion in Item 9 for details on the amounts shown in the chart.

- 9. Fiscal Implications:** The provisions of the bill would make DCR conservation officers eligible for VaLORS for service on or after July 1, 2025.

The addition of DCR conservation officers to VaLORS would not impact the unfunded liability of VaLORS since DCR conservation officers would only earn service prospectively in the VaLORS plan. The addition of DCR conservation officers will likely not have a large impact on the normal cost rate, as we expect only about 90 additional members added to a fairly large pooled plan with approximately 7,500 active members. On average, the DCR conservation officers are two years younger, have approximately two more years of service, and receive an average salary that is approximately \$7,900 per year greater than current VaLORS members.

The DCR conservation officers leaving the State plan would maintain their accrued benefit from the State plan and earn service under the VaLORS plan effective July 1, 2025. Upon retirement, their benefit would be based on service and benefits earned at the State plan up through July 1, 2025, combined with service and benefits earned after July 1, 2025, from the VaLORS plan.

Currently, DCR conservation officers are 100% funded by general funds, and this was assumed to continue to be the case for purposes of estimating cost changes under the bill. The VaLORS plan is currently 89.10% funded by general funds and 10.90% by non-general funds. If this bill were enacted, 89.25% of the VaLORS plan would become funded by general funds and 10.75% would become funded by non-general funds.

Estimated required budget amendment amounts for DCR expected for FY 2026 are in Exhibit 1 below, based on estimated payrolls. The budget amendment for FY 2026 would cover the additional employer cost associated with the higher contribution rate for VaLORS compared to the contribution rate in the State Plan in which the DCR conservation officers currently participate. Based on the budget for the biennium, the VaLORS contribution rate that DCR will have to contribute for these officers is 12.08% of applicable payroll greater than the State Plan contribution rate that they are already paying, as reflected in Exhibit 1.

Exhibit 1

Plan	Number of Conservation Officers as of 6/30/2023	Estimated Payroll FY 2025	Retirement Contribution Rates FY 2025/2026 *	Expected Employer Contributions FY 2026 **
As Member of State Plan	91	\$ 5,677,000	12.52%	\$ 787,000
As Member of VaLORS Plan	91	\$ 5,677,000	24.60%	\$ 1,397,000
Additional Funds Needed				\$ 610,000

* Effective July 1, 2024, the Board-certified contribution rate for the State Plan no longer includes an amount for expected contributions to the defined contribution component of the Hybrid retirement plan. In addition to paying the defined benefit rate, the employer is also responsible for funding the employer contributions to the defined contribution plan on behalf of hybrid members which will be between 1.0% - 3.5% of a hybrid member's payroll depending on the match of employees' voluntary contributions.

The FY 2025/2026 contribution rate for VaLORS is held at the FY 2023/2024 level in the proposed budget.

** The expected employer contributions to the State Plan include estimated DC contributions of 1.35% of total payroll.

10. Specific Agency or Political Subdivisions Affected: VRS, DCR, and all employers with employees participating in VaLORS.

11. Technical Amendment Necessary: No.

12. Other Comments: This bill would move DCR conservation officers commissioned pursuant to § 10.1-115 of the *Code* from the State Plan to VaLORS. The bill has a delayed effective date of July 1, 2025, and provides the benefits for service earned on or after July 1, 2025.

In 1999, the General Assembly and Governor established VaLORS to provide benefits generally equivalent to those received by state police officers and other law enforcement positions. There have been numerous bills introduced, but not enacted, since then to add certain groups to the VaLORS membership.

VaLORS provides a multiplier of 2.00% on service accrued under the plan. The hazardous duty supplement is not available to most VaLORS members. VaLORS members are eligible for unreduced retirement at age 60 with at least five years of service credit, or at age 50 with at least 25 years of service credit. With the exception of certain members who were in service on June 30, 2002, and July 1, 2002, and who had five years of non-hazardous duty service at the time, all current VaLORS members must have at least five years of hazardous duty service (State Police, VaLORS, or enhanced hazardous duty service in a political subdivision) to retire under VaLORS provisions. If this legislation is enacted, any member who has at least five years of service in a hazardous duty position, including service as a DCR conservation officer, will be eligible (at the time of their retirement) to receive a retirement benefit under VaLORS.

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 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. Below is an excerpt from JLARC's report:

“...Indicators such as informal SPORS and VaLORS membership criteria and actual enhanced plan membership indicate that any employee being considered for enhanced benefits should show an elevated risk of job-related injury and be directly responsible for protecting the safety of others, especially members of the public. Based on the work conducted during this review, JLARC staff have compiled a set of guidelines that can be used in conjunction with the assessment presented Table D-2 to ascertain if a given occupation merits consideration for enhanced benefits...”

In its 2023 report, *Eligibility of Public Safety Occupations for Enhanced Retirement Benefits*, <https://jlarc.virginia.gov/pdfs/reports/Rpt578.pdf>, JLARC performed a comprehensive review of hazardous duty eligibility and benefits. The review updated the 2008 occupational risk and responsibility guidelines to encompass two general categories of the level of public safety responsibility of employees in the occupation and the physical and psychological demands of the occupation, assessed existing covered occupations using nine criteria, reviewed the appropriateness of extending enhanced benefits to additional occupations, and estimated the cost of extending enhanced benefits to additional employees. Below is an excerpt from the 2023 JLARC report:

“...Virginia has generally recognized the primary rationale for providing enhanced retirement benefits to certain public safety occupations is that the physical and psychological demands of the job make their job responsibilities more difficult to perform as individuals age.”

The 2023 JLARC report determined that conservation officers “have a moderate level of public safety responsibility and face a high level of demand compared with other public safety occupations.” The report also noted that 23 of the 50 states included state park rangers under hazardous duty coverage. The 2023 JLARC report also made no recommendation on who should be covered by enhanced hazardous duty benefits.

This bill is identical to HB 891.

Date: 1/25/2024

Document: HB1312.DOC/VRS