

Virginia Retirement System

2022 Fiscal Impact Statement

1. Bill Number: HB 162

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

2. Patron: Runion

3. Committee: pending

4. Title: Virginia Retirement System; enhanced retirement benefits for animal control officers

5. Summary: Adds animal control officers to the list of local employees eligible to receive enhanced retirement benefits for hazardous duty service. Under current law, localities may provide such benefits to first responders, including firefighters and emergency medical technicians, and certain other hazardous duty positions.

6. Summary of Impacts

Benefit(s) impacted: Individual local plans. The bill allows localities to elect enhanced hazardous duty benefits for animal control officers.

Impact to unfunded liability (see Item 9 for details): Indeterminate. Will vary by employer for those that elect the benefits for animal control officers.

Impact to contribution rate(s) (see Item 9 for details): Indeterminate. Will vary by employer for those that elect the benefits for animal control officers.

Specific Agency or Political Subdivisions Affected (see Item 10): VRS and local employers with animal control officers.

VRS cost to implement (see Item 7 and Item 8 for details): Approximately \$136,000 for FY 2022.

Employer cost to implement (see Item 7 and Item 8 for details): Indeterminate.

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

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

NGF budget impacts (see Item 8 for details): \$136,000 NGF in FY 2022 for implementation.

7. Budget Amendment Necessary: Yes. In Item 494, VRS would need a NGF appropriation of approximately \$136,000 for FY 2022 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:** The provisions of the bill would make animal control officers eligible to receive enhanced hazardous duty benefits if local employers opt to provide the enhanced coverage. The cost of the benefits would be borne by the local political subdivision. If the benefit was elected by the locality, the enhanced benefits would apply to the animal control officers' past and prospective service in these positions.

Data provided by the Office of Veterinary Services indicates that there are currently 487 active animal control officers servicing 142 localities. This information does not distinguish between full- and part-time employees.

The bill will provide localities with the option to provide enhanced hazardous duty coverage to animal control officers. Under § 51.1-138, localities can make an irrevocable election to provide enhanced hazardous duty benefits to any or all of the various categories of employees listed. The election involves choosing between a 1.7% multiplier and a 1.85% multiplier for the retirement benefit, as well as the option to elect a hazardous duty supplement currently equal to \$1,222 per month and continuing until Social Security normal retirement age. The supplement is increased every two years based on Social Security cost of living adjustments. The VRS normal retirement age for employees eligible for enhanced hazardous duty coverage becomes age 60 rather than 65, and employees are eligible for an unreduced benefit at age 60 with at least five years of service credit or at age 50 with at least 25 years of service credit.

Therefore, even if a locality is already providing enhanced hazardous duty coverage to other eligible job classifications, it would need to follow the standard election procedures of requesting an actuarial study and then passing a new resolution to add the benefit for animal control officers. If the employer chooses to do nothing, their animal control officers would not receive the benefit.

As this bill is permissive in nature and political subdivision plans each have the ability to elect these benefits and have their own actuarially determined contribution rates based on their individual plan experience, the increases in liabilities and contribution rates associated with this benefit enhancement will vary by employer and depend upon such elements as the number of animal control officers, their years of service, and other demographic data and information.

- 10. Specific Agency or Political Subdivisions Affected:** VRS, participating local employers, and VRS members who would become eligible for hazardous duty benefits.
- 11. Technical Amendment Necessary:** Yes. VRS is requesting that the effective date of this legislation be delayed until July 1, 2023 to allow for necessary systems adaptations along with necessary system validation testing. A delayed effective date will also allow for communications and outreach to affected employees and employers and updating web and

handbook content. As a large number of VRS-related pieces of legislation are being proposed this year, additional time is needed in order to provide for the effective implementation of concurrent legislative initiatives.

Line 85, insert

2. That the provisions of this act providing enhanced retirement benefits to positions as full-time animal control officers shall take effect July 1, 2023.

12. Other Comments: This bill would add full-time animal control officers, as defined in § 3.2-6500, to the categories of local employees who are eligible for enhanced hazardous duty benefits, at the election of their employer, under § 51.1-138. Under the legislation as drafted, a currently employed animal control officer could receive the higher benefits in a locality that has elected them for all prior service in the position.

Local employers that participate in VRS may make an irrevocable election to provide categories of hazardous duty employees specified in § 51.1-138 with benefits equivalent to those provided under the State Police Officers' Retirement System (SPORS). Benefits for SPORS members include a supplement payable from retirement until the retiree's normal Social Security retirement age, as well as a higher multiplier of 1.85, instead of 1.7. Age and service requirements for an unreduced retirement benefit also differ for those with enhanced hazardous duty benefits. Normal retirement age is age 60. Eligibility for an unreduced benefit is age 60 with at least five years of service credit or at age 50 with at least 25 years of service credit.

Local elections to provide hazardous duty benefits to other eligible categories of employees are retroactive, so that any active employee in the eligible category will receive the enhanced benefits, which will also be applied to any past hazardous duty service. If the benefit is elected by the employing locality, this bill would apply to all current animal control officers and apply to prior service as well as prospective service.

Local employees who are not eligible for enhanced hazardous duty benefits under § 51.1-138, and who were hired for the first time on or after January 1, 2014, are in the Hybrid Retirement Plan. Under this legislation, animal control officers hired after January 1, 2014 (except for those with prior service) whose employers elect enhanced benefits for this category of employees would be moved to Plan 2 instead of the Hybrid Plan. Animal control officers hired prior to January 1, 2014 who are in Plan 1 or Plan 2 would remain in the same plan.

Whether to provide these enhanced benefits is a local election funded by each separately actuarially rated locality that participates in VRS. If the bill is enacted, any locality that wishes to provide enhanced hazardous duty benefits to its full-time animal control officers must adopt a resolution adding animal control officers to the locality's list of covered employees under § 51.1-138. Adding benefits for these employees would be an individual decision by each participating locality and would not be mandatory. In general, electing these benefits would increase the locality's contribution rate and its liabilities.

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. While the report focused more specifically on roles within state government agencies and evaluating such roles for potential membership in VaLORS, JLARC's guidelines could be applied when reviewing the inclusion of new employee groups for coverage with enhanced hazardous duty 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...”

Date: 1/14/2022

Document: HB162.DOC/VRS