

Virginia Retirement System

2022 Fiscal Impact Statement

1. **Bill Number:** HB 834

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

2. **Patron:** Wilt

3. **Committee:** Appropriations

4. **Title:** Pensions; hazardous duty pay.

5. **Summary:** Provides that service in the Fire and Rescue Department of the Virginia Air National Guard shall be treated as service in a hazardous position for purposes of the hazardous duty supplement or increased retirement multiplier in the State Police Officers' Retirement System, in the Virginia Law Officers' Retirement System, or as a local law-enforcement officer eligible for similar benefits. The bill applies to creditable service earned before July 1, 2022, but only allows additional benefits to be paid prospectively (i.e., beginning with the effective date of the bill if enacted).

6. **Summary of Impacts**

Benefit(s) impacted: Service retirement benefit for affected members and retirees who have prior service in the former Fire and Rescue Department (FRD) of the Virginia Air National Guard that could qualify them for the hazardous duty supplement under this legislation. Does not provide the same benefits to other Virginia National Guard FRD employees. It is unclear in the bill as drafted whether Virginia Air National Guard is distinct from Virginia National Guard since they are reported to VRS by the same employer. Requires VRS to recalculate and apply the newly eligible hazardous duty service for benefit payments to existing and future retirees going forward from the effective date of the bill. Retroactive payments are not required under the bill.

Impact to unfunded liability (see Item 9 for details): Indeterminate. The bill will require VRS to pay benefits for which sufficient contributions were not collected at the time the service was rendered. Although this provision only applies to a closed group of members and existing retirees, the Department of Military Affairs cannot confirm the potential group of eligible active or former Virginia Air National Guard FRD employees and retirees.

Impact to contribution rate(s) (see Item 9 for details): Indeterminate. May impact future contribution rates if sufficient current and future retirees are eligible for hazardous duty benefits for which they would not otherwise qualify and for which contributions were not made.

Specific Agency or Political Subdivisions Affected (see Item 10): VRS, the Department of Military Affairs, the Department of Human Resource Management and any employers with retirees or members with prior service in the former FRD of the Virginia Air National Guard.

VRS cost to implement (see Item 7 and Item 8 for details): Approximately \$123,000 for FY 2022. Changes may be handled manually due to this applying to a closed group of members and retirees.

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

Other VRS and employer impacts (see Items 7, 9, 11, and 12 for details): Depending on the number of members who can document employment with the VA ANG Fire and Rescue Department, this legislation could increase employer contribution rates due to the additional benefits provided for which contributions weren't made. The bill would provide benefits to Virginia Air National Guard FRD employees that Virginia National Guard Fire and Rescue Department employees are not eligible for.

GF budget impacts (see Item 8 for details): Indeterminate.

NGF budget impacts (see Item 8 for details): \$123,000 NGF in FY 2022 for implementation.

7. **Budget Amendment Necessary:** Yes. In Item 494, VRS would need a NGF appropriation of approximately \$123,000 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:** At the time FRD employees earned service credit, they were not eligible for hazardous duty benefits. Therefore, employer contributions collected for these members were not sufficient to fund hazardous duty benefits. The FRD was discontinued in 2007, so additional unfunded liability and contribution rate impacts would be absorbed by other employers related to this service.

The bill would provide benefits to Virginia Air National Guard FRD employees that Virginia National Guard Fire and Rescue Department employees are not eligible for. It is possible that some Virginia National Guard FRD employees have Virginia Air National Guard FRD service, meaning that they could be eligible for hazardous duty benefits that their co-workers without Virginia Air National Guard FRD service would not receive.

10. **Specific Agency or Political Subdivisions Affected:** VRS, the Department of Military Affairs, the Department of Human Resource Management and any employers with retirees or members with prior service in the former FRD of the Virginia Air National Guard.
11. **Technical Amendment Necessary:** No.

12. Other Comments: The bill would reclassify service in the Fire and Rescue Department of the Virginia Air National Guard as service in a hazardous duty position for purposes of the hazardous duty supplement or increased retirement multiplier in the State Police Officers' Retirement System (SPORS), in the Virginia Law Officers' Retirement System (VaLORS), or as a local hazardous duty employee eligible for similar benefits. The bill applies to creditable service earned before July 1, 2022, but only requires additional benefits to be paid prospectively (i.e., beginning with the effective date of the bill if enacted).

The Fire and Rescue Department of the Virginia Air National Guard was discontinued in 2007 and, therefore, the bill affects a closed group (estimated to be 12 to 50 in total) with a finite amount of service that is subject to the bill. The challenge for VRS, presumably with the assistance of the Department of Military Affairs (the employer under which the affected individuals were reported when they worked for the Fire and Rescue Department of the Virginia Air National Guard), the Department of Human Resource Management, and local VRS-participating employers, is to identify these individuals in order to add the hazardous duty service to their benefit.

The Department of Military Affairs (DMA) advises that they are evaluating a potential request to consider hazardous duty benefits for Fire and Rescue Department and other employees. DMA explained that there are similarly situated employees in various departments, so providing different benefits among these groups could create an unnecessary disparity. DMA has not made a final decision at this time, but they have indicated that they created an internal working group to review this issue.

If the bill is enacted and an affected retiree claims any additional hazardous duty service, the second enactment clause means that VRS would recalculate a retiree's benefit with the additional hazardous duty service and pay a revised benefit effective July 1, 2022. If an affected member has not retired before July 1, 2022, the hazardous duty service would be added to the member's record.

The practical outcome of the bill as written will be to adjust/reclassify the service record of a member or retiree. If a VRS member comes forward with documentation, VRS would reclassify the service as hazardous duty service for the member or retiree.

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