

## Virginia Retirement System

### 2022 Fiscal Impact Statement

**1. Bill Number:** SB 83

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

**2. Patron:** Stanley

**3. Committee:** Judiciary

**4. Title:** Judicial retirement: Increases mandatory judicial retirement age from 73 to 75.

**5. Summary:** Increases the mandatory judicial retirement age from 73 to 75. This increase in mandatory retirement age includes judges subject to mandatory retirement during the 2022 Regular Session of the General Assembly and allows any sitting judge who has attained age 73 and has submitted a notice of retirement but not yet retired to revoke the notice of retirement by written request. The bill requires the revocation of any certification of need to fill the vacancy determined by the Judicial Council or Committee on District Courts based on the original notice of retirement if a written request to revoke the notice of retirement is submitted by the judge. The bill contains an emergency clause.

**6. Summary of Impacts**

**Benefit(s) impacted:** Retirement benefits under the Judicial Retirement System (JRS).

**Impact to unfunded liability (see Item 9 for details):** Decreases the unfunded liability of the Judicial Retirement System (JRS), dependent on actual experience.

**Impact to contribution rate(s) (see Item 9 for details):** JRS employer contribution rates are expected to decrease as a result of this legislation.

**Specific Agency or Political Subdivisions Affected (see Item 10):** VRS, JRS, and the Judicial Branch.

**VRS cost to implement (see Item 7 and Item 8 for details):** \$14,000 in FY 2022.

**Employer cost to implement (see Item 7 and Item 8 for details):** Indeterminate. The Office of the Executive Secretary (OES) indicates no fiscal impact on the Judicial Branch.

**Other VRS and employer impacts (see Item 7, Item 9, Item 11, and Item 12 for details):** None.

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

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

**7. Budget Amendment Necessary:** Yes. Item 483. JRS rates are anticipated to decrease in FY 2023 as a result of this legislation and the emergency enactment clause.

## 8. Fiscal Impact Estimates:

The proposed legislation would increase the mandatory retirement age from 73 to 75 for judges in the VRS judicial plan.

In order to evaluate the impact of extending the mandatory retirement age we have adjusted the assumed rates of retirement used in the valuation. The current retirement rates are 25% from ages 70-72. Once a judge reaches age 73, they are assumed to retire. To estimate the cost of the proposed legislation, we extended the 25% retirement rate to ages 73 and 74. We also assumed 100% of judges would retire by age 75.

Under this scenario we would expect decreases in the actuarial accrued liability of approximately \$7,372,000 for the retirement plan, \$151,000 for the Health Insurance Credit plan, and \$60,000 for the Group Life plan. The impacts would lower the employer rate for the JRS retirement plan by 0.99%. While there were reductions in the liability for the State health insurance credit plan and the group life insurance plan there was no immediate impact to those employer rates due to the relatively small impact to those plans.

Due to the language in the bill that made these changes effective in FY 2022, the costs below assume that a corresponding reduction in the JRS contribution rates will occur in the FY 2023-24 Appropriation Act, and the savings would be immediately realized in FY 2023. If an adjustment to the rates is not provided in the FY 2023-2024 Appropriation Act, then any reduction in rates would be realized in the next rate-setting valuation and any savings would not be realized until FY 2025. Exhibit 1 assumes a 25% retirement rate for ages 73 and 74 and shows the reduction in employer contributions for the pension and OPEB plans, assuming that an immediate reduction is enacted in the Appropriation Act.

### Exhibit 1 – Assume 25% Retire at Age 73 and 74

	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
State - General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SPORS - General Fund	-	-	-	-	-	-
VaLORS - General Fund	-	-	-	-	-	-
JRS - General Fund	(823,000)	(864,000)	(864,000)	(864,000)	(864,000)	(864,000)
ORP/UVA - General Funds	-	-	-	-	-	-
<b>TOTAL General Fund</b>	<b>\$ (823,000)</b>	<b>\$ (864,000)</b>	<b>\$ (864,000)</b>	<b>\$ (864,000)</b>	<b>\$ (864,000)</b>	<b>\$ (864,000)</b>
State - Non-General Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SPORS - Non-General Funds	-	-	-	-	-	-
VaLORS - Non-General Funds	-	-	-	-	-	-
ORP/UVA - Non-General Funds	-	-	-	-	-	-
<b>TOTAL - Non-General Funds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Grand Totals</b>	<b>\$ (823,000)</b>	<b>\$ (864,000)</b>	<b>\$ (864,000)</b>	<b>\$ (864,000)</b>	<b>\$ (864,000)</b>	<b>\$ (864,000)</b>

Estimated projections are based on employee data and valuation results as of June 30, 2021 and assume a level population throughout the projection period. Payrolls include proposed pay increases included in the Governor's proposed budget for FY 2023 and 2024. Payrolls are assumed to remain level beyond 2024 through the remainder of the projection period.

However, it is important to keep in mind that it is not possible to predict how many members will continue to work beyond age 73. The actual impact will depend on how many judges elect to retire after age 73. If only a few judges work past age 73, any savings would be correspondingly reduced and likely minimal. To provide a range of potential savings we have also evaluated the impact of the proposal assuming retirement rates of 90% at ages 73 and 74. The higher retirement rates anticipate fewer judges will elect to continue working beyond age 73.

Under this alternate scenario where only a few judges work past age 73, we would expect a decrease in the actuarial accrued liability of approximately \$1,786,000 for the retirement plan, a decrease of \$43,000 for the Health Insurance Credit plan, and a \$10,000 increase in liability associated with the Group Life plan. The impacts would lower the employer contribution rate for the JRS retirement plan by 0.22% under the alternate scenario with fewer judges working past age 73. Similar to the scenario above there is no immediate change to the State health insurance plan or group life insurance plan due to the relatively small impact of this group. While there was a reduction in the liability for the State health insurance credit plan and a slight increase in the liability for the group life insurance plan, there was no immediate impact to those employer rates due to the relatively small impact to those plans.

As discussed above, these costs also assume that a corresponding reduction in the JRS contribution rates would occur in the FY 2023-24 Appropriation Act, and the savings would be immediately realized in FY 2023. If an adjustment to the rates is not set out in the FY 2023-24 Appropriation Act, then any reduction in rates would be realized in the next rate-setting valuation and any savings would not be realized until FY 2025. Exhibit 2 assumes a 90% retirement rate for ages 73 and 74; meaning most Judges will not work to 75, and shows the reduction in employer contributions for the pension and OPEB plans, assuming that an immediate reduction is enacted in the Appropriation Act.

## Exhibit 2 Assume 90% Retire at Age 73 and 74

	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
State - General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SPORS - General Fund	-	-	-	-	-	-
VaLORS - General Fund	-	-	-	-	-	-
JRS - General Fund	(183,000)	(192,000)	(192,000)	(192,000)	(192,000)	(192,000)
ORP/UVA - General Funds	-	-	-	-	-	-
<b>TOTAL General Fund</b>	<b>\$ (183,000)</b>	<b>\$ (192,000)</b>	<b>\$ (192,000)</b>	<b>\$ (192,000)</b>	<b>\$ (192,000)</b>	<b>\$ (192,000)</b>
State - Non-General Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SPORS - Non-General Funds	-	-	-	-	-	-
VaLORS - Non-General Funds	-	-	-	-	-	-
ORP/UVA - Non-General Funds	-	-	-	-	-	-
<b>TOTAL - Non-General Funds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Grand Totals</b>	<b>\$ (183,000)</b>	<b>\$ (192,000)</b>	<b>\$ (192,000)</b>	<b>\$ (192,000)</b>	<b>\$ (192,000)</b>	<b>\$ (192,000)</b>

Estimated projections are based on employee data and valuation results as of June 30, 2021 and assume a level population throughout the projection period. Payrolls include proposed pay increases included in the Governor's proposed budget for FY 2023 and 2024. Payrolls are assumed to remain level beyond 2024 through the remainder of the projection period.

The cost estimates above reflect the cumulative changes to the JRS pension plan, the State health insurance credit program, and the group life insurance plan.

- 9. Fiscal Implications:** Included in Fiscal Impact Estimate. Currently, the judicial retirement plan provides for the mandatory retirement of judges once they attain age 73. The proposed bill would extend the mandatory retirement age to 75. It includes judges subject to mandatory retirement during the 2022 Regular Session of the General Assembly, and it allows any sitting judge who has attained age 73 and has submitted a notice of retirement but not yet retired to revoke the notice of retirement by written request. The data in Item 8 includes the reduction in costs for the retiree health insurance credit program and group life insurance program.
- 10. Specific Agency or Political Subdivisions Affected:** VRS, JRS, and the Judicial Branch.
- 11. Technical Amendment Necessary:** No.
- 12. Other Comments:** This bill proposes to increase the mandatory retirement age for judges from age 73 to age 75. It includes judges subject to mandatory retirement during the 2022 Regular Session of the General Assembly, and it allows any sitting judge who has attained age 73 and has submitted a notice of retirement but not yet retired to revoke the notice of retirement by written request. The bill contains an emergency clause.

The mandatory retirement age was increased from 70 to 73 in 2015 for judges of the Supreme Court and Court of Appeals effective July 1, 2015, and to judges of the circuit, general district, and juvenile and domestic relations district courts who were elected or

appointed to an original or subsequent term commencing on or after July 1, 2015. In 2016, the mandatory retirement age was increased for all judges.

According to the National Center for State Courts and by way of background, mandatory retirement ages for state judges across the country range from age 70 (several states) to 90 (Vermont). Eighteen states do not impose a mandatory retirement age. Also, with the exception of Vermont's mandatory age of 90, age 75 is the highest mandatory retirement age for state judges. If this bill is enacted, Virginia would mirror six states by mandating judicial retirement at age 75. Each of the aforementioned groups of states may contain some overlap due to nuances in the specific laws that govern mandatory judicial retirement.

The bill also provides that any certification of need to fill the vacancy previously determined by the Judicial Council or Committee on District Courts based on the original notice of retirement is to be revoked.

**Date:** 1/14/2022

**Document:** SB83.DOC/VRS