

**Virginia Retirement System  
2025 General Assembly Session  
State Fiscal Impact Statement**

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**ORIGINAL**

**Bill Number:** SB950

**Patron:** McDougle

**Bill Title:** Virginia Retirement System; increased retirement allowance for certain judges.

**Bill Summary:** Provides that a judge appointed or elected to an original term commencing on or after July 1, 2025, who was at least 55 years old at the time he was appointed or elected to such original term, shall have his service retirement allowance determined under the provisions of the Virginia Retirement System that apply to a judge appointed or elected to an original term prior to January 1, 2013, and who was vested on or before January 1, 2013. Under current law, the service retirement allowance for judges appointed or elected to an original term commencing on or after January 1, 2014, are determined under the provisions of the hybrid retirement program.

**Budget Amendment Necessary:** Yes

**Items Impacted:** 469, 486

**Explanation:**

Item 486. VRS implementation costs are estimated at approximately \$173,500 in non-general funds in FY 2025 for programming necessary to make the changes contemplated by the legislation as well as updating handbooks and training materials.

Item 469. The contribution rate for the JRS plan would need to be increased to 31.78%. This represents an increase of 1.11% of covered payroll from the contribution rate set forth in the budget bills (30.67%), which maintained a slightly higher contribution rate.

**Fiscal Summary:**

**Benefit(s) impacted:** Judicial Retirement System (JRS). For judges appointed to an original term on or after July 1, 2025 and who are at least age 55 at the time of the original appointment, provides benefits equivalent to Plan 1 with an enhanced service weighting of 3.5 years of service for every one year worked. This change will create a new tier of JRS benefits that will exceed all other actively employed Plan 1 and Plan 2 members who were appointed or elected to an original term on or after January 1, 1995.

**Impact to unfunded liability:** There is not an immediate impact to the unfunded liabilities of the plan. However, if a newly elected or appointed judge was a current Plan 2 or Hybrid Retirement Plan member prior to appointment, unfunded liabilities could be generated in their former plans since the 1.7 multiplier will be applied to all prior service upon retirement from the JRS plan.

**Impact to contribution rate(s):** Impacts to contribution rates are dependent on the number of judges age 55 or older who are first elected or appointed on or after July 1, 2025. The proposed benefit structure of a 1.7% benefit multiplier with a 3.5 service weighting for judges appointed at age 55 or older generates a normal cost rate (the cost to fund benefits earned each year) of nearly 60.0% of pay for each of these members.

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**Specific Agency or Political Subdivisions Affected:** VRS and the Judicial Branch.

**VRS cost to implement:** Approximately \$173,500 for FY 2025. If a delayed effective date of July 1, 2026, is added to the bill, most or all costs would be moved to FY 2026.

**Employer cost to implement:** The Judicial Branch may have certain costs to implement the bill. Costs are not available at this time.

**Other VRS and employer impacts:** This change will create a new benefit tier in the JRS plan that exceeds all other active Plan 1 and Plan 2 members who were appointed or elected to an original term on or after January 1, 1995.

**GF budget impacts:** Impacts to contribution rates are estimated at \$1.1 million for FY 2026. See Exhibit 7 for additional details and assumptions.

**NGF budget impacts:** \$173,500 NGF in FY 2025 for VRS implementation.

Details regarding the specific costs can be found in the “Fiscal Analysis” section.

**General Fund Expenditure Impact:**

<u>Agency</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>
Judicial Branch		\$1,100,000	\$2,719,000	\$2,719,000	\$4,894,000	\$4,894,000
<b>TOTAL</b>						

**Nongeneral Fund Expenditure Impact:**

<u>Agency</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>
VRS	\$173,500					
<b>TOTAL</b>						

**Position Impact:**

<u>Agency</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>
<b>TOTAL</b>						

**Fiscal Analysis:** The following exhibit shows the demographics of the current JRS population by age at appointment and appointment date. While approximately 24% of the current judges in the JRS plan were first appointed at age 55 or older, nearly 30% of all new appointments that have taken place since pension reforms were enacted in 2010 have fallen into the age 55 and over category.

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**Exhibit 1**

<b>Active JRS Members by Appointment Date</b>							
Appointment Date	Age at Date of Appointment						Total
	Less than 45		45 -54		55 or Older		
	Count	Percentage of Total	Count	Percentage of Total	Count	Percentage of Total	
Prior to 7/1/2010	60	60.0%	39	39.0%	1	1.0%	100
2011	0	0.0%	0	0.0%	0	0.0%	0
2012	3	50.0%	1	16.7%	2	33.3%	6
2013	8	30.8%	10	38.5%	8	30.8%	26
2014	6	22.2%	13	48.1%	8	29.6%	27
2015	12	33.3%	15	41.7%	9	25.0%	36
2016	11	36.7%	12	40.0%	7	23.3%	30
2017	3	13.6%	8	36.4%	11	50.0%	22
2018	4	33.3%	3	25.0%	5	41.7%	12
2019	9	32.1%	13	46.4%	6	21.4%	28
2020	11	19.0%	25	43.1%	22	37.9%	58
2021	8	25.8%	12	38.7%	11	35.5%	31
2022	15	48.4%	10	32.3%	6	19.4%	31
2023	9	42.9%	8	38.1%	4	19.0%	21
2024	10	23.3%	21	48.8%	12	27.9%	43
Summary							
Prior to 7/1/2010	60	60.0%	39	39.0%	1	1.0%	100
After 7/1/2010	109	29.4%	151	40.7%	111	29.9%	371
Total Plan	169	35.9%	190	40.3%	112	23.8%	471

Historical data shows that the average age at appointment has consistently been around 44 or 45 years old since 1979, as demonstrated by the average ages contained in a 1986 legislative study<sup>1</sup> in Exhibit 2 and the earliest available VRS actuarial valuation data available from 2007<sup>2</sup> in Exhibit 3.

<sup>1</sup> HD16- The Judicial Retirement System, as required by SB 713 in the 1985 session of the General Assembly.  
<https://rga.lis.virginia.gov/Published/1986/HD16>

<sup>2</sup> Complete VRS historical data concerning the date of original appointment for inactive JRS members is not available.

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**Exhibit 2**

**Average Age at Appointment- 1986 Legislative Study**

Type of Court	Judges' Average Age at Initial Appointment or Election		
	1979	1982	1985
Circuit Court	44.53	44.32	44.40
General District Court	44.95	45.65	44.95
Juvenile & Domestic Relations Court	43.23	41.94	42.97

**Exhibit 3**

**Age at Appointment- 2007 VRS Valuation Data**

Age at Appointment	< 45 years old	45-54 years old	≥ 55 years old	Total
Number	242	174	52	468
Percentage	51.71%	37.18%	11.11%	100%

This bill would affect only new JRS members who are age 55 or older at the time of election or appointment. The exhibit below provides a breakdown of judges by age at original appointment by benefit tier within the JRS plan. As shown in Exhibit 4 below, approximately 30% of judges in the Hybrid Retirement Plan were younger than age 45 when first appointed, about 40% were ages 45-54, and approximately 30% of judges in the Hybrid Retirement Plan were first appointed at age 55 or older. As all judges elected or appointed to an original term on or after January 1, 2014, go into the JRS Hybrid Retirement Plan, that means that approximately 30% of judges elected or appointed to original terms in the past 10 years were at least age 55 when they took the bench.

**Exhibit 4**

**Active JRS Members by Benefit Tier**

Benefit Tier	Age at Date of Original Appointment			Total
	Less than 45	45 -54	55 or Older	
Plan 1	64	52	6	122
Plan 2	11	10	13	34
Hybrid	94	128	93	315
Total Plan	169	190	112	471

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Under current plan provisions, judges appointed to an original term commencing prior to January 1, 2013, and who are vested by January 1, 2013, are in Plan 1, and receive a 1.7% multiplier on all service. Judges appointed to an original term commencing on or after January 1, 2013, or who were not vested (i.e., five years of service) as of January 1, 2013, are in Plan 2, which has a 1.65% multiplier for JRS service. Judges appointed to an original term on or after January 1, 2014, are in the JRS Hybrid Retirement Plan. This plan provides a defined benefit component with a retirement multiplier of 1% for JRS service, as well as a defined contribution component with mandatory and matching employer contributions. The bill would place judges who are appointed or elected to an initial term on or after July 1, 2025, and who are at least age 55 at the time of appointment into Plan 1 rather than the Hybrid Retirement Plan and would also provide a service weighting of 3.5 rather than current 2.5. Service weighting of 3.5 means that for every year worked, a judge would receive 3.5 years of service credit for benefit purposes. To illustrate, with a service weighting of 3.5, if the judge worked 10 years, the judge would earn 35 years of service credit.

Based on the age at original election or appointment, current JRS members receive a service weighting as part of the benefit. Effective with 2010 pension reforms, the following service weightings are applicable based on age at the time of the judge’s original appointment:

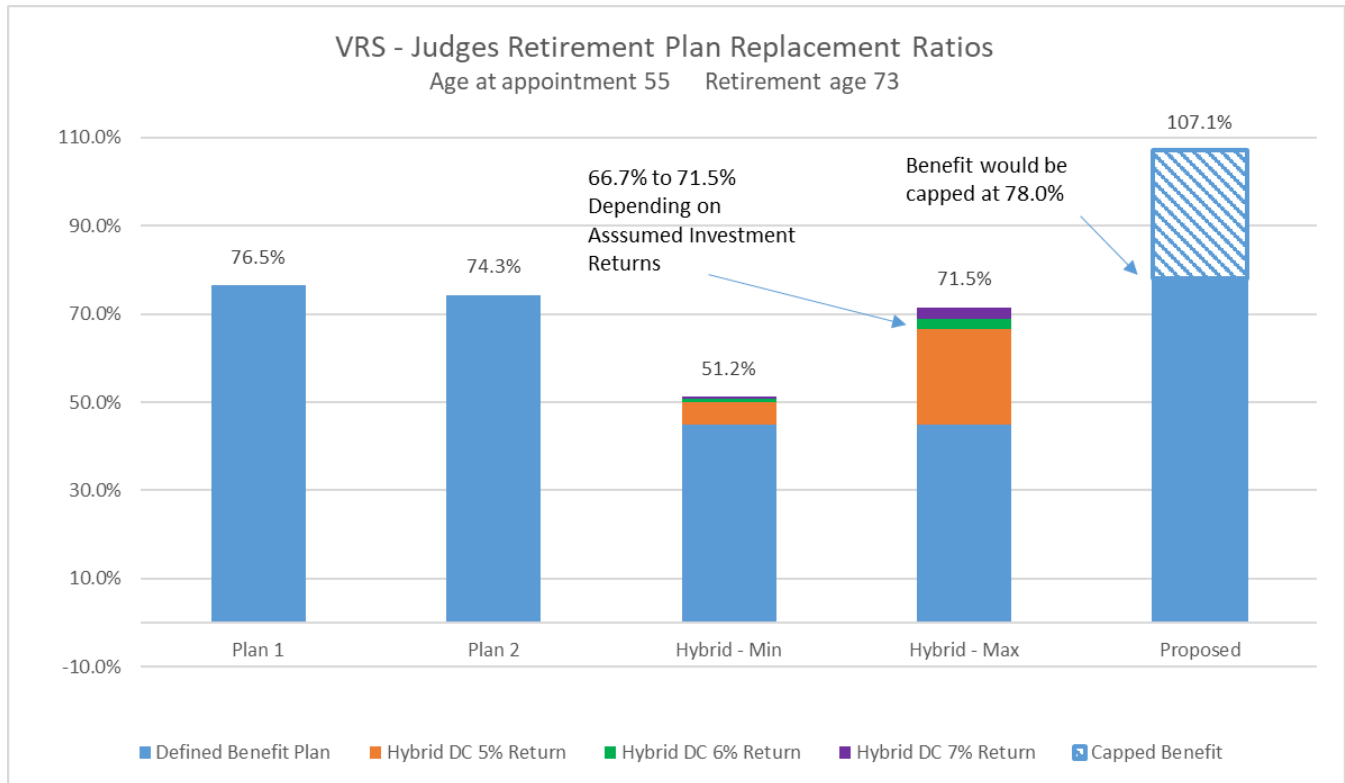
<b>JRS Service Weighting</b>		
Under Age 45	Age 45-54	Age 55 & Over
1.50	2.00	2.50

As an example, a judge appointed at age 35 would need to work 20 years to receive 30 years of benefit service credit, whereas a judge appointed at age 45 would only have to work 15 years, and a judge appointed at age 55 would need only 12 years of service to receive 30 years of benefit service credit in the current plan. Under the bill, a judge appointed at age 55 would need less than 9 years of service to receive 30 years of benefit service credit due to the service weighting of 3.5.

The exhibit below shows the replacement ratios associated with a judge who is elected or appointed at age 55 under the various benefit tiers of the current JRS plan. The changes proposed in the bill would exceed benefit levels of current Plan 1 and Plan 2 JRS participants.

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**Exhibit 5**



Replacement ratios for a judge appointed at age 55 and retiring at age 73 with 18 years of service include the respective weighting factors applied. The actual JRS benefit payable from the defined benefit plan is capped by Code at 78% of the member’s average final compensation. Under the bill, a judge would hit the 78% cap after approximately 13 years and 2 months of actual service. The defined contribution component shown above of the Hybrid plan includes estimates based on assumed investment returns of 5%, 6%, and 7% prior to retirement and conversion of accumulated balance to an annuity assuming a 4.0% discount rate and 2.5% cost-of-living component.

Exhibit 6 provides the estimated employer normal cost rate (cost to fund benefits earned each year) under the current plan provisions versus the provisions of the bill. Under the current plan provisions, normal cost rates are projected to continue to decline as newly appointed judges are enrolled in the Hybrid Retirement Plan, which has a lower cost than the legacy Plan 1 and Plan 2 benefit tiers. Under the bill, the initial impact is expected to be approximately 1.1% of covered payroll, increasing to 11.6% of covered payroll over the next 10 years and to over 21% after 20 years. Because the cost of benefits for new judges originally elected or appointed after age 55 is expected to be greater under the proposed structure, the blended JRS normal cost rates will not decline over time as was anticipated under the current structure.

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**Exhibit 6**

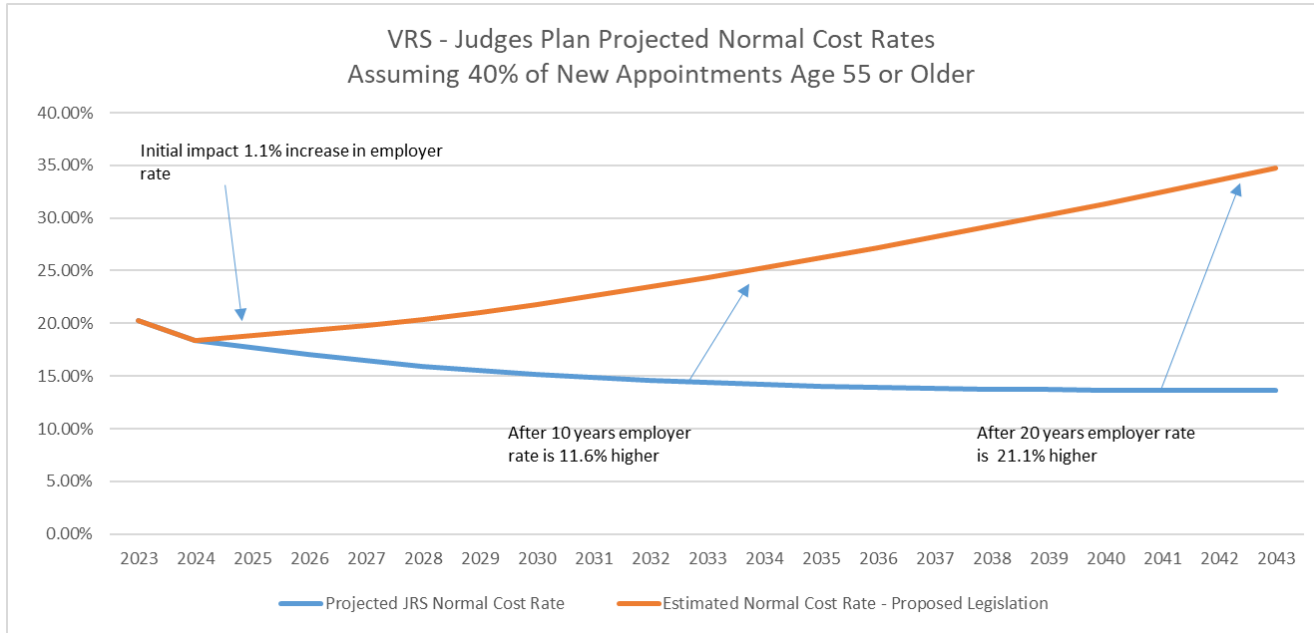


Exhibit 7 below shows the estimated future cost impacts associated with the bill. Since this bill would become effective for judges age 55 or older who are elected or appointed beginning July 1, 2025.

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**Exhibit 7**

	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
<b>State - General Fund</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>SPORS - General Fund</b>	-	-	-	-	-	-
<b>VALORS - General Fund</b>	-	-	-	-	-	-
<b>JRS - General Fund</b>	1,088,000	2,719,000	2,719,000	4,894,000	4,894,000	7,070,000
<b>Teacher - General Fund</b>	-	-	-	-	-	-
<b>TOTAL General Fund</b>	<u>\$ 1,088,000</u>	<u>\$ 2,719,000</u>	<u>\$ 2,719,000</u>	<u>\$ 4,894,000</u>	<u>\$ 4,894,000</u>	<u>\$ 7,070,000</u>
<b>State - Non-General Funds</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>SPORS - Non-General Funds</b>	-	-	-	-	-	-
<b>VALORS - Non-General Funds</b>	-	-	-	-	-	-
<b>TOTAL - Non-General Funds</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Teacher - Local Funds</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Political Subs - Schools</b>	-	-	-	-	-	-
<b>Political Subs - Non School</b>	-	-	-	-	-	-
<b>TOTAL Local Funds</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Grand Totals</b>	<u>\$ 1,088,000</u>	<u>\$ 2,719,000</u>	<u>\$ 2,719,000</u>	<u>\$ 4,894,000</u>	<u>\$ 4,894,000</u>	<u>\$ 7,070,000</u>

Estimated projections based on employee data and valuation results as of June 30, 2024 and assume a level population throughout projection period. Payrolls include proposed pay increases included in budget for 2026. Payrolls are assumed to remain level beyond 2026 through remainder of the projection period.

Assuming 40% of new appointed judges are 55 or older, the initial impact on employer contribution rates is 1.11% of covered payroll. The impact to rates under the proposed bill will grow over time as new appointments take place. The exhibit below shows the projected impacts after 7 years based on the percentage of new appointees that are 55 or older. Note that JRS costs are currently projected to decrease over time due to the increasing number of new judges entering the Hybrid Retirement Plan, which has a lower normal cost.



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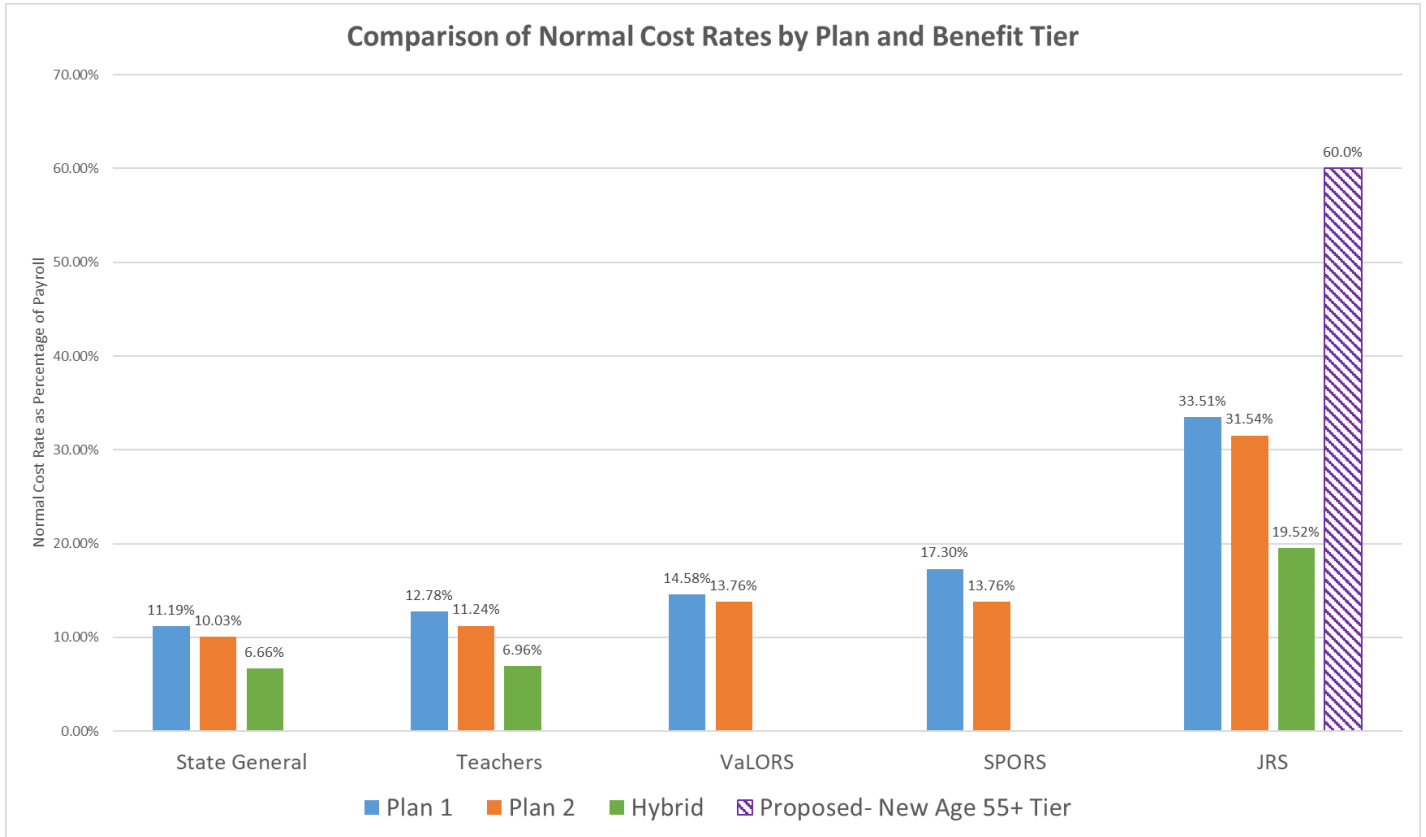
**Exhibit 8**

	JRS Employer Contribution Rate Fiscal Years 25/26	Estimated JRS Employer Contribution Rate After 7 years	Estimated Rate Change After 7 years	Estimated Additional Annual Funding Based on Projected 2026 Payroll
Current JRS Plan Structure	30.67%	23.83%	-6.84%	\$0
Estimated Employer Rate if 30% of New Appointments Over Age 55		34.41%	3.74%	\$3,441,800
Estimated Employer Rate if 40% of New Appointments Over Age 55		38.42%	7.75%	\$7,141,100
Estimated Employer Rate if 50% of New Appointments Over Age 55		42.41%	11.74%	\$10,814,200

The exhibit below shows the cost of the proposed benefit as compared to other VRS administered benefits. Further, within each plan, the normal cost by benefit tier is shown. When developing the employer contribution, the normal cost by tier is blended together based on the demographics of the employer to develop one combined normal cost rate. As you can see below, the cost for this new proposed tier of benefits for JRS members after age 55 beginning July 1, 2025, is much higher due to the members accruing the larger benefit over a much shorter period of time. The higher normal cost for this benefit tier will be blended into the overall contribution rate for the JRS Plan. This means that if a judge in the new tier is making \$200,000 per year in compensation, another \$120,000 per year is being contributed by the employer through the blended contribution rate to cover the increased pension expense for these individuals in the new tier.

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**Exhibit 9**



**Other:**

**Technical Amendment Necessary:** Yes. To allow for system programming and testing, VRS requests that the bill apply to judges newly elected or appointed on or after July 1, 2026.

In December 2024, the Virginia Retirement System (VRS) published [HD 13 - Impact of the Hybrid Retirement Plan on Judicial Appointments](#), required by Item 484 of Chapter 2 of the 2024 Special Session I Acts of Assembly. This report reviewed the impact of the hybrid retirement system on judicial appointments and contained options for modifying the current benefit structure for judges, including an analysis of the costs and impact on the unfunded liability. This report presented four options for increasing retirements benefits:

- Increase the defined contribution plan employer match for JRS hybrid plan members to 100% of the employee voluntary contributions (up to 4% rather than up to 2.5%).
- Increase the defined benefit plan multiplier for JRS hybrid plan members to 1.1% prospectively for judges who are at least 55 at the time of initial election or appointment.
- Increase the defined benefit plan service weighting for JRS hybrid plan members to 2.75 prospectively for judges who are at least 55 at the time of initial election or appointment.

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- Move judges prospectively from the hybrid plan to Plan 2.

The fiscal impact associated with each of these options, including increases to the unfunded liabilities, impact on employer contribution rates, and implementation costs, are detailed in the report.

The proposed legislation provides that judges who are at least age 55 at the time they are first elected or appointed for service earned on or after July 1, 2025, receive JRS Plan 1 benefits plus a service weighting of 3.5 for each year of service. Therefore, under the bill, judges who are at least age 55 when elected or appointed would accrue benefits more quickly and ultimately receive a benefit greater than current judges in Plan 1 or Plan 2 who were elected or appointed to initial terms on or after January 1, 1995, if they worked the same amount of time.

While judges currently receive the same benefit multiplier as all other employees in the respective benefit tiers (Plan 1, Plan 2, and Hybrid), a weighting factor of between 1.5 and 3.5 is applied to their service based on the date of the judge’s original appointment or election and, on and after July 1, 2010, the judge’s age at the time of such original appointment or election.

Appointed or Elected	Weighting Factor
Prior to 1/1/1995	3.5
After 1/1/1995 but Prior to 7/1/2010	2.5
On or after 7/1/2010 - Under Age 45 at Appointment	1.5
On or after 7/1/2010 - Age 45 -54 at Appointment	2.0
On or after 7/1/2010 - Age 55 or older at Appointment	2.5

The relevant existing *Code of Virginia* section is provided below.

§ 51.1-303. Creditable service.

- A. For those members in service on December 31, 1994, service as a judge shall be multiplied by a factor of 3.5, the weighted years of service factor, to calculate years of creditable service. To calculate years of creditable service for those members appointed or elected to an original term commencing on or after January 1, 1995, service as a judge shall be multiplied by the weighted years of service factor of 2.5. To calculate years of creditable service for those members appointed or elected to an original term commencing on or after July 1, 2010, the following formula shall be used: if (i) the member was less than 45 years old at the time he was appointed or elected to such original term, then service as a judge shall be multiplied by the weighted years of service factor of 1.5, (ii) the member was at least 45 years old but less than 55 years old at the time he was appointed or elected to such original term, then service as a judge shall be multiplied by the

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weighted years of service factor of 2.0, and (iii) the member was at least 55 years old at the time he was appointed or elected to such original term, then service as a judge shall be multiplied by the weighted years of service factor of 2.5. For purposes of this section, "original term" means the first term for which the member was appointed or elected to a position covered by the Judicial Retirement System.