

**Virginia Retirement System
2026 General Assembly Session
Fiscal Impact Statement**

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ORIGINAL

Bill Number: HB 1267

Patron: Nivar

Bill Title: Virginia Law Officers' Retirement System; membership.

Bill Summary: Adds (i) full-time sworn members of the enforcement division of the Department of Motor Vehicles (DMV), (ii) probation officers employed by the Department of Corrections (DOC), (iii) full-time sworn law-enforcement officers employed by the DOC, and (iv) full-time sworn law-enforcement officers employed by the Department of Juvenile Justice (DJJ) to membership in the Virginia Law Officers' Retirement System (VaLORS). The bill has a delayed effective date of July 1, 2027, and provides that such membership applies only to service earned on or after July 1, 2027.

Budget Amendment Necessary: Yes

Items Impacted: 483, 428, 390, 414

Explanation: Additional budget amendments would be required to provide additional appropriation to individual agencies that require additional support to implement the provisions of the bill.

Employers of eligible employees will require additional funding in FY 2028 for the difference between the State contribution rate and the higher VaLORS contribution rate.

Item 483. VRS would need a NGF appropriation of approximately \$187,000 for FY 2027 to cover the cost of programming and testing, as well as updating employee and employer communications for VaLORS, with minimal ongoing costs. VRS's costs are specific to the implementation of this legislation if enacted. It cannot be determined at this time whether the enactment of any other bill during this session that would require implementation by VRS would increase or decrease implementation costs.

This does not include the potential impact to future State or VaLORS contribution rates for FY 2028 in Item 469 or to the funded status of the State or VaLORS plans, which are discussed below.

Item 428: DMV will require appropriations in total of approximately \$565,000 (\$0 GF and \$565,000 NGF) for FY 2028 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 their sworn members of the enforcement division currently participate.

Item 390: DOC will require appropriations in total of approximately \$402,000 (\$397,000 GF and \$5,000 NGF) for FY 2028 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 their sworn law-enforcement officers currently participate. DOC probation officers already participate in VaLORS.

Item 414: DJJ will require appropriations in total of approximately \$197,000 (\$197,000 GF and \$0 NGF) for FY 2028 to cover the additional employer cost associated with the higher contribution rate for VaLORS

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compared to the contribution rate in the State Plan in which their sworn law-enforcement officers currently participate.

Technical Amendment Necessary: Yes

Explanation: Probation officers employed by DOC already participate in VaLORS. DOC has confirmed that its Community Corrections Division does not distinguish between parole and probation officers, categorizing its employees as “Probation and Parole Officers.” As these Probation and Parole Officers are appointed pursuant to Va. Code § 51.1-143, DOC already properly reports all such officers under VaLORS. Technical amendments are, therefore, needed to remove probation officers employed by DOC from the bill.

1. Line 26, after (xii)

Strike

Probation officer appointed pursuant to § 53.1-143, (xii)

2. Line 36, after **(ii)**

Strike

a probation officer, (iii)

3. Beginning of line 38

Strike

(iv)

Insert

(iii)

Fiscal Summary:

Benefit(s) impacted: VaLORS and Hybrid Retirement Plan. The bill moves certain DMV, DOC, and DJJ employees from the State Plan into VaLORS beginning July 1, 2027. Eligible covered Hybrid Plan employees’ membership would be transferred to Plan 2.

Impact to unfunded liability: Since the bill only applies to service earned on or after July 1, 2027, there is no impact to unfunded liabilities of VaLORS. There is no immediate impact to unfunded liabilities of the State plan, however, retiring sooner under VaLORS retirement eligibility requirements would add additional unfunded liabilities for the State plan, because the portion of the benefit accrued under the State plan would likely commence sooner than it would have under the State retirement eligibility requirements.

Impact to contribution rate(s): Increases contribution requirements for certain DMV, DOC, and DJJ employees beginning in FY 2028. The total estimated increase for these agencies is approximately \$1,164,000 for FY 2028. A more detailed breakdown by agency is provided in Exhibit 1. The difference in contribution rates between the State plan and VaLORS plan is currently 11.53%.

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Specific Agency or Political Subdivisions Affected: VRS, DMV, DOC, DJJ, and all employers with employees participating in VaLORS.

VRS cost to implement: Approximately \$187,000 in FY 2027.

Employer cost to implement: The agencies identified in the bill will need approximately \$1,164,000 to add additional employees covered by VaLORS in FY 2028, as shown in Exhibit 1. Any of the employers' other potential costs to implement this change have not been captured here, except for the increased contribution rates required.

Other VRS and employer impacts: The addition of these employees to VaLORS may impact future VaLORS contribution rates for all VaLORS employers. It may also enable employees to retire sooner because of the earlier age and service requirements in VaLORS.

GF budget impacts: Approximately \$594,000 increase in FY 2028 for the increase in employer contribution costs for VaLORS coverage. See Exhibit 1 for more details.

NGF budget impacts: Approximately \$570,000 increase in FY 2028 for the increase in employer contribution costs for VaLORS coverage. See Exhibit 1 for more details. Approximately \$187,000 in FY 2027 for VRS implementation.

Details regarding the specific costs for each agency, including the affected budget item, can be found in the Fiscal Analysis section.

General Fund Expenditure Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
Various			\$594,000	\$594,000	\$594,000	\$594,000
TOTAL			\$594,000	\$594,000	\$594,000	\$594,000

Nongeneral Fund Expenditure Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
VRS		\$187,000				
Various			\$570,000	\$570,000	\$570,000	\$570,000
TOTAL		\$187,000	\$570,000	\$570,000	\$570,000	\$570,000

Position Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
TOTAL						

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Fiscal Analysis: The addition of these employees to VaLORS would not impact the unfunded liabilities of the VaLORS plan since the employees would only earn service prospectively in the VaLORS plan. DJJ currently employs 21 law-enforcement officers, DOC employs 46 law-enforcement officers, and DMV employs 60 sworn members in its law-enforcement division. The addition of these employees to VaLORS will likely not have a large impact on the normal cost rate as we expect only about 130 additional members added to a fairly large, pooled plan with approximately 7,500 active members.

The employees leaving the State plan would maintain their accrued benefit from the State plan and earn service under the VaLORS plan effective July 1, 2027. Upon retirement, their benefit would be based on service and benefits earned at the State plan up through July 1, 2027, combined with service and benefits earned after July 1, 2027, from the VaLORS plan.

Estimated required budget amendment amounts by agency expected for FY 2028 are in Exhibit 1 below, based on estimated payrolls. Each agency will require a budget amendment related to the increase provided below. The budget amendment for FY 2028 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 employees currently participate. Based on the proposed budget for the coming biennium, the VaLORS contribution rate that these employers will have to contribute for these employees is 11.53% of applicable payroll greater than the State Plan contribution rate that they are already paying, as reflected in Exhibit 1.

Exhibit 1

Law Enforcement Officers

Agency	Active Count	Estimated Payroll FY 2027	Estimated Employer Contributions FY 2028 *		
			As Member of State Plan - 11.07% + DC **	As Member of VaLORS Plan - 22.60%	Additional Funds Needed
Department of Corrections	46	\$4,005,000	\$503,000	\$905,000	\$402,000
Department of Juvenile Justice	21	\$1,971,000	\$248,000	\$445,000	\$197,000
Department of Motor Vehicles	60	\$5,637,000	\$709,000	\$1,274,000	\$565,000
Total	127	\$11,613,000	\$1,460,000	\$2,624,000	\$1,164,000

* 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 expected employer contributions to the State Plan include estimated DC contributions of 1.5% of total payroll.

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Other: 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.

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 earned after July 1, 2027, in any of the positions contained in this bill, 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:

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“...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.”

Regarding sworn members in its law-enforcement division, the 2023 JLARC report determined that “DMV law enforcement officers have a low level of public safety responsibility compared with other public safety occupations.... DMV law enforcement officers face a low level of demand compared with other public safety occupations.”

Regarding DOC law-enforcement officers, the 2023 JLARC report determined “DOC special investigators have a low level of public safety responsibility compared with other public safety occupations.... The overall demand facing DOC special investigators is moderate compared with other public safety occupations.”

Regarding DJJ law-enforcement officers, the 2023 JLARC report determined that they had a low level of public safety responsibility and a minimal level of demand.

The 2023 JLARC report also made no recommendation on who should be covered by enhanced hazardous duty benefits.

The bill is similar to HB 205 and HB 1269 which would move certain state dispatchers to VaLORS and to HB 1055 which would move certain sworn investigators in the Office of the Attorney General to VaLORS.