

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

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REVISED

Bill Number: HB 1055

Patron: Phillips

Bill Title: Virginia Law Officers' Retirement System; membership

Bill Summary: Extends membership in the Virginia Law Officers' Retirement System to full-time sworn investigators appointed by the Attorney General to the unit that audits and investigates providers of services furnished under the State Medical Assistance Plan (the Medicaid Fraud Control Unit). 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, 54

Explanation:

Item 483. VRS implementation costs are estimated to be approximately \$151,300 in FY 2027. This does not include the impact to current or future contribution rates or to the funded status of the plans, discussed below. The estimated costs take into account system changes that would need to be made to accurately reflect benefits for a new population of VaLORS members. 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.

Item 54. The Office of the Attorney General (OAG) will require an additional budget amendment of approximately \$73,000 beginning in FY 2028 to cover the additional employer cost associated with the higher contribution rate for VaLORS. The OAG has nine sworn investigators currently, although the Code allows for up to 30 investigators. Additional investigators will increase the budget required.

Fiscal Summary:

Benefit(s) impacted: VaLORS and Hybrid Retirement Plan. The bill moves Medicaid Fraud Control Unit investigators sworn as law-enforcement officers from the State plan into VaLORS for service earned beginning July 1, 2027.

Impact to unfunded liability: As coverage in the VaLORS plan is proposed as prospective only, there would be no additional unfunded liabilities added to the VaLORS plan due to this legislation. 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 VRS contribution rate(s): Increases contribution requirements for the OAG beginning in FY 2028. The total estimated increase for positions identified in the bill is approximately \$73,000 for FY 2028.

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A more detailed breakdown is provided in Exhibit 1. The difference in contribution rates between the State plan and VaLORS plan is currently 11.53%.

Specific Agency or Political Subdivisions Affected: VRS, OAG, the Department of Human Resource Management (DHRM), and all employers with employees participating in VaLORS.

VRS cost to implement: Approximately \$151,300 in FY 2027.

Employer cost to implement: The employer contribution rate for the VaLORS plan in the introduced budget for fiscal year 2027 is 22.60% of payroll as compared to 11.07% for the State plan. Based on the covered payroll of 9 members, the OAG will need to provide an additional 11.53% of covered payroll for these members if they are to be covered in VaLORS beginning in FY 2028. Any of the OAG's 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 OAG Medicaid Fraud Control Unit sworn unit investigators to VaLORS is not expected to have a significant impact on future contribution rates for all VaLORS employers as 9 new members would represent a small portion of the approximately 7,500 active members already covered in VaLORS. It may enable these investigators to retire sooner because of the earlier age and service requirements in VaLORS.

GF budget impacts: Approximately \$40,000 increase beginning in FY 2028 for the increase in employer contribution costs for VaLORS coverage.

NGF budget impacts: Approximately \$33,000 increase beginning in FY 2028 for the increase in employer contribution costs for VaLORS coverage. Approximately \$151,300 NGF in FY 2027 for VRS implementation.

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

General Fund Expenditure Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
OAG			\$40,000	\$40,000	\$40,000	\$40,000
TOTAL			\$40,000	\$40,000	\$40,000	\$40,000

Nongeneral Fund Expenditure Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
VRS		\$151,300				
OAG			\$33,000	\$33,000	\$33,000	\$33,000
TOTAL		151,300	\$33,000	\$33,000	\$33,000	\$33,000

Fiscal Analysis: The Code allows for up to 30 sworn investigators in the Medicaid Fraud Control unit, although the OAG has filled only nine positions at this time. The addition of 9 Medicaid Fraud Control Unit sworn

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unit investigators to VaLORS is not expected to cause a material change in the employer contribution rate as 9 new members would represent a small portion of the approximately 7,500 active members already covered in VaLORS. Further, these investigators would only earn service prospectively in the VaLORS plan. VaLORS is a pooled retirement plan and the employer contribution rates are based on the demographics of the total covered employee group. The addition of these investigators to VaLORS is not expected to increase the plan's unfunded liability.

The estimated required budget amendment amount expected for FY 2028 is in Exhibit 1 below, based on estimated payrolls. OAG 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 investigators currently participate. Based on the proposed budget for the coming biennium, the VaLORS contribution rate that these employers will have to contribute for these dispatchers 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

Office of the Attorney General - Sworn Unit Investigators

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
OAG sworn unit investigators	9	\$725,000	\$91,000	\$164,000	\$73,000

* 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.

Because sworn unit investigators designated by the Attorney General are included in the definition of "law-enforcement officer" in § 9.1-101, they are considered "law enforcement officers of the Commonwealth" under § 9.1-400, thus, they are already covered under the Line of Duty Act (LODA) in Title 9.1, Chapter 4.

Other: This bill would move sworn unit investigators designated by the Attorney General from the State plan to VaLORS. The bill has a delayed effective date of July 1, 2027, and provides the benefits for service beginning on or after July 1, 2027.

Because these members do not currently participate in VaLORS, some of them participate in the Hybrid Retirement Plan. If this bill passes, these members will be placed in VaLORS and will no longer participate

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in the Hybrid Retirement Plan. Because this legislation places these members in VaLORS prospectively, prior service as a sworn unit investigator in the OAG will not be considered hazardous duty service. If the member had any other prior hazardous duty service, it would be eligible for the VaLORS 2% multiplier.

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 prospective service as a sworn unit investigator in the OAG Medicaid Fraud Control Unit earned on or after July 1, 2027, will be eligible (at the time of their retirement) to receive a retirement benefit under VaLORS. For these sworn unit investigators, prior service that was not hazardous duty will not be counted as hazardous duty service for the purpose of vesting to the hazardous duty benefit.

The Joint Legislative Audit and Review Commission (JLARC) has reviewed enhanced benefit eligibility in 2008 and in 2023. In its 2008 report, *Review of State Employee Total Compensation*, <http://jlarc.virginia.gov/pdfs/reports/Rpt378.pdf>, 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...”

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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:

“...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.”

Due to the fact that before July 1, 2023, the Medicaid Fraud Control Unit did not employ investigators with law-enforcement authority, the 2023 JLARC report determined that the “risk and responsibility levels of Medicaid Fraud Control Unit (MFCU) investigators with the Office of the Attorney General (OAG) cannot be assessed at this time.... Because MFCU is only just beginning to conduct all aspects of its investigations, it is too soon to assess the extent of their investigators’ public safety responsibilities in practice or the demand levels they face.” The 2023 JLARC report also made no recommendation on who should be covered by enhanced hazardous duty benefits.