

## Town of Windsor

### Memorandum

August 10, 2021

**TO:** The Honorable Mayor and Town Council

**FROM:** William G. Saunders, IV, Town Manager WGS IV

**SUBJECT:** Budget Transfer – Enhanced Hazardous Duty Retirement Study

#### Background

During the recent discussions on the salary study, consideration was briefly given to Virginia Retirement System (VRS) enhanced hazardous duty retirement for law enforcement officers. As the discussion related to salary and not benefits, a deeper dive into it was postponed. At the time, a brief overview of the additional costs related to enhanced retirement was provided by VRS (Enclosed), but an actual study would need to be conducted to know the actual impact. The cost of the study is \$1,250.

Due to the Police Department having an open position through July, enough funds have accrued in the Police Salary line item to fund the study.

#### Specifics

Chief Riddle is requesting a budget transfer of \$1,250 from the Police Salary line item in the FY22 budget to the Police Retirement line item in the FY22 budget to fund the study.

Approval of this budget transfer is recommended.

#### Enclosures

Email from Chief Riddle  
Brief overview of enhanced retirement

#### Recommended Motion

Move that Council approve a budget transfer of \$1,250 from the Police Salary line item in the FY22 budget to the Police Retirement line item in the FY22 budget to fund the study.

**From:** Rodney Riddle  
**To:** William Saunders  
**Subject:** LEOS VRS Study  
**Date:** Wednesday, July 28, 2021 1:47:35 PM


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Mr. Saunders,

I know that we have discussed the ever evolving situation in regards to police hiring and retention in the current ultra competitive environment. I would ask that you consider moving monary from the police salary line item, primarily salary savings from our current vacancy to fund an official study on the cost of adding the LEOS/Hazardous Duty retirement from VRS. Upon completion of the study I would then like to approach the council for a formal discussion on the addition of LEOS retirement for our police officers. I believe that adding this important retirement benefit will be a key component necessary to remain competitive in the current environment and retain our current officers long term.

Respectfully,

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R.D. "Dan" Riddle  
Chief of Police  
Windsor Police Department  
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From: **Rory Badura** <[rbadura@varetire.org](mailto:rbadura@varetire.org)>  
 Date: Wed, Mar 3, 2021 at 1:13 PM  
 Subject: Enhanced Hazardous Duty Coverage  
 To: [wsaunders@windsor-va.gov](mailto:wsaunders@windsor-va.gov) <[wsaunders@windsor-va.gov](mailto:wsaunders@windsor-va.gov)>

William,

Based on our conversation last week I went back and reviewed the employer study from 2014 which looked at providing enhanced hazardous duty benefits for police officers of the Town of Windsor. At the time of the study in 2014, the town had 13 covered employees in VRS with four members eligible for enhanced hazardous duty benefits. The increase in the employer rate for adding enhanced hazardous duty benefits with the 1.70% multiplier was estimated at 3.65% and equated to an increase in annual cost of approximately \$20,280.

	Valuation Results 6/30/2013	Estimated Cost to Add Enhanced Hazardous Duty with 1.7% Multiplier 6/30/2013
Total Payroll	\$554,855	\$554,855
Actuarial Accrued Liability	\$608,897	\$690,964
Actuarial Value of Assets	\$496,051	\$496,051
Unfunded Liability	\$112,846	\$194,913
Gross Normal Cost Rate	10.56%	13.40%
Member Contributions	5.00%	5.00%
Employer Normal Cost	5.56%	8.40%
Unfunded Actuarial Liability Rate	1.12%	1.93%
Total Employer Rate	6.68%	10.33%
Estimated Annual Employer Cost	\$37,060	\$57,340
Estimated Increase in Annual Cost		\$20,280
Plan Funded Status	81.5%	71.8%

In order to determine the actual cost impact to the plan, the town would be required to perform a study similar to the study performed in 2014, which would cost \$1,250 to perform. At your request, I am providing a rough high-level estimate on what you may expect from this study, though the results below are only a rough estimate and are subject to change based on an actual valuation of the plan change. The estimate is based on the results of the 2020 actuarial valuation which had 11 members covered by VRS, of which six would be eligible for enhanced hazardous duty coverage based on your identification of eligible hazardous duty members. We are aware that there is actually one additional member who was hired after the 2020 valuation who would also be eligible for the enhanced hazardous duty coverage, however this member had not been included in the estimate below as of June 30, 2020. Of the six members eligible, one would be immediately eligible for retirement under the plan with enhanced coverage. Two of the members are currently in the hybrid plan and would be move to Plan 2 since hazardous duty members under enhanced coverage are not eligible for the hybrid plan.

We estimate an increase in accrued liability of over \$230,000. This increase in accrued liability would be amortized as part of your employer contribution and would be paid off over the next 20 years. Therefore the plan would go from an overfunded position to again having unfunded liabilities. We estimate the funded status to drop from 105% to approximately 88% with the plan change. In addition we would expect the annual

contribution to more than double to roughly \$48,700 per year. Contributions are developed as a percentage of pay, therefore as the covered payroll increases, the funding dollars would also increase. This percentage of pay level could be expected over the next 20 years as the additional liability generated by the enhanced benefits is paid off. After 20 years the rate would presumably decrease closer to the employer normal cost rate of approximately 7.5%. Also note that this is an irrevocable election, once benefits are granted you cannot unwind the coverage.

<b>DRAFT RESULTS - NOT OFFICIAL COST ESTIMATE</b>		
	<b>Valuation Results 6/30/2020</b>	<b>Estimated Cost to Add Enhanced Hazardous Duty with 1.7% Multiplier 6/30/2020</b>
Total Payroll	\$540,282	\$540,282
Actuarial Accrued Liability	\$1,169,268	\$1,403,000
Actuarial Value of Assets	\$1,234,757	\$1,234,757
Unfunded Liability	-\$65,489	\$168,243
Gross Normal Cost Rate	9.59%	12.28%
Member Contributions	4.69%	5.00%
Employer Normal Cost	4.90%	7.28%
Admin Expense	0.13%	0.13%
Unfunded Actuarial Liability Rate	-1.42%	1.61%
Total Employer Rate - DB Plan	3.61%	9.01%
Estimated DC Match Hybrid Plan	0.39%	0.00%
Total Employer Rate	4.00%	9.01%
Estimated Annual Employer Cost	\$21,610	\$48,710
Estimated Increase in Annual Cost		\$27,100
Plan Funded Status	105.6%	88.0%

Again, this is only an extrapolated estimate of possible plan costs, actual costs would need to be determined by an employer study. If you have any questions or would like to discuss further please feel free to give me a call.



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