

Bettina K. Ring  
State Forester



## COMMONWEALTH of VIRGINIA

### DEPARTMENT OF FORESTRY

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September 30, 2015

The Honorable Walter Stosch  
Co-Chairman, Senate Finance Committee  
Innsbrook Centre  
4551 Cox Road, Suite 110  
Glen Allen, Virginia 23060  
[District12@senate.virginia.gov](mailto:District12@senate.virginia.gov)

The Honorable Charles S. Colgan  
Co-Chairman, Senate Finance Committee  
10660 Aviation Lane  
Manassas, Virginia 20110  
[District29@senate.virginia.gov](mailto:District29@senate.virginia.gov)

The Honorable S. Chris Jones  
Chairman, House Appropriations Committee  
P.O. Box 5059  
Suffolk, VA 23435  
[DelCJones@house.virginia.gov](mailto:DelCJones@house.virginia.gov)

Dear Chairmen:

In accordance with Item 98 in Chapter 665 of the 2015 Virginia Act of Assembly, the Department of Forestry submits the following report to the Chairmen of the House Appropriations and Senate Finance Committees on the cost and feasibility of providing retirement credits for special forest wardens who participate directly in extinguishing forest fires.

Sincerely,

A handwritten signature in black ink, appearing to read "Bettina K. Ring".

Bettina K. Ring  
State Forester

*Report on the cost and feasibility of providing retirement credits for  
special forest wardens who participate directly in extinguishing forest fires*

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**Document Title**

Report on the cost and feasibility of providing retirement credits for special forest wardens who participate directly in extinguishing forest fires.

**Author**

Department of Forestry

**Mandate**

Item 98(K) of Chapter 665 of the 2015 Acts of Assembly

**EXECUTIVE SUMMARY**

The Department of Forestry (DOF), in consultation with the Department of Human Resources Management (DHRM) and the Virginia Retirement System (VRS), evaluated the cost and feasibility of providing retirement credits for forest wardens who participate directly in extinguishing fires.

The implementation of a special enhanced retirement program for forest wardens would be unique to the Virginia Retirement System's range of benefits that would require additional funding to procure the necessary technology and programming changes. Doing so would also result in a surcharge for DOF and an increase in the unfunded liability of the State plan. In lieu of a special enhanced retirement program for forest wardens, VRS staff offered an alternative to consider that would still recognize employees in fighting fire. This alternative is a special defined contribution. DOF would contribute a set amount of money to a defined contributions fund in correspondence to each hour an employee spends in actual fire suppression. The fund would be available when an employee meets the normal retirement eligibility criteria.

## **Mandate**

This document is submitted pursuant to item 98(K) of Chapter 665 of the 2015 Acts of Assembly which requires the Department of Forestry, in consultation with the Department of Human Resource Management and the Virginia Retirement System, to report to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees on the cost and feasibility of providing retirement credits for special forest wardens who participate directly in extinguishing forest fires.

## **Background**

DOF is responsible, among other duties, for the protection of human life and forest resources, as well as minimizing property damage through the control and suppression of forest fires. DOF is also responsible for the enforcement of all forestry-related laws throughout the Commonwealth. Each year, an average of 1,000 wildfires burn approximately 11,000 acres of Virginia forestland. Agency efforts protect more than 1,100 homes and structures worth an estimated \$121 million.

DOF currently has approximately 150 employees in positions responsible for the management and suppression of forest fires throughout the Commonwealth. The ability to adapt to emergencies enables a relatively small formal fire suppression force to limit losses due to wildland fires. This is accomplished through the coordination of work with local fire departments, forest industry partners, federal agencies, other state agencies, and DOF's own organized volunteer fire crews.

DOF maintains a current Forest Fire Readiness and Mobilization Plan to ensure the appropriate level of preparedness. This plan is implemented agency-wide twice a year during fire season, from February 15 to April 30 and from October 15 to November 30. The plan may also be activated by agency leadership at any time when emergency situations develop. All positions that have active wildland fire fighting or emergency response duties are required to be on duty or available 24 hours a day on days of elevated fire danger. The expected response time for these employees is under two hours, depending on the level of fire danger for that day.

Fighting wildland fires is an extremely dangerous assignment with nonstop challenges. Besides fire, other challenges include smoke inhalation, downed trees, difficult terrain, risk of dehydration, possible equipment failure, long hours on the fire line, and a host of other issues that cause great physical stress.

## **Analysis**

Wildland fire fighting is unique to the forestry positions at DOF whose responsibilities extend beyond the routine land management and timber procurement responsibilities of typical forestry positions. The curriculum of most forestry degree programs typically includes very little coverage of wild fire fighting. The majority of wild fire training is provided by DOF after initial employment. Consequently, it is difficult to find and retain employees who desire the arduous responsibility of wildland fire fighting on top of their typical land management duties. Combined with the expectation of being essentially on-call for four months of the year, attraction and retention of employees are challenges for DOF.

In the 2014 “HR At a Glance” report, DHRM indicated that the vacancy rate at DOF was 14.1%. Subsequent analysis of more recent data indicates that the agency’s turnover rate was 10.5% as of July 31, 2015, and that over 84% of all resignations in the agency involve field personnel. When we combine these numbers with the current number of employees that are eligible for reduced and unreduced retirement (57% as of March 2015), the agency’s continued ability to sustain adequate staffing levels is compromised.

The majority of exit interviews cite low salary, long on-call durations, and overwhelming workloads as the top reasons for leaving DOF. Currently, the only additional compensation for working on active fires is overtime pay for exempt employees performing non-exempt work in emergency situations. On-call time and hazardous pay differentials are not paid to employees.

From DOF records from 1997 to 2007, VRS determined that on average, a forest warden accumulated approximately 152 hours of “fire suppression” hours each year. Since then, that average increases to about 177 hours per year. DOF records show that staff has spent approximately 57,000 hours on active wildland firefighting since 2007.

### **Methodology and Assumptions**

This analysis assumes that credits would be granted to special forest wardens who participate directly in extinguishing forest fires. Eight hours of retirement credit would be provided for each portion of a day a special forest warden fights forest fires. The service only may be credited toward either the 30 years of service required for Plan 1 members to be eligible for unreduced retirement, or the service component of the “Rule of 90” eligibility for unreduced retirement applicable to Plan 2 members and members of the hybrid retirement program. The maximum service credit could not exceed five years, and would be restricted to determination of unreduced retirement eligibility only. Each 173 hours of accumulated additional retirement credits would equal one month of eligibility service. Up to 60 months of these eligibility credits could be used to satisfy retirement eligibility requirements.

### **Cost**

Based on the methodology described above, DOF would be expected to pay approximately \$49,000 more each year to the VRS to cover the expected cost of providing additional retirement eligibility credits. This is approximately 0.432% of DOF’s payroll. Additionally, VRS would require a one-time appropriation of \$120,000 for implementation costs, including programming and system changes.

### **General Considerations**

Data on fire suppression is only available since 1997 and the data prior to 2006 is contained within a legacy system. A decision would need to be made whether hours spent on fire suppression is considered retroactively or prospectively. If a determination is made to go retroactively, the overall cost of funding this benefit will increase and employees may question the validity of their calculated hours given the questionable accuracy of the data.

A previous similar measure, House Bill 983 of the 2014 session of the Virginia General Assembly, provided that a special forest warden needed to have at least 25 years of actual service credit before being eligible to receive any retirement credits. Furthermore, the bill excluded time spent on “prescribed burning” as defined in the *Code of Virginia* § 10.1-1150.1. The bill was left in the House Committee on Appropriations. This year’s budget language does not provide these specific requirements and limitations.

### **Feasibility**

VRS states that this would be a departure from a key plan design provision as well as an exceptional process and would create administrative complexity, including changes to member counseling education, communications, and benefit calculation processes. It could also encourage other specialized groups of employees to seek similar treatment, which would add even more stratification to VRS systems and benefits administration.

Any retirement credit proposal could create a precedent for other VRS employers (all state agencies, local school boards, and local political subdivisions) to request similar legislation for all or specific groups of employees.

VRS estimates that if these provisions were applied retroactively to the current active population going back to 1997, it would increase the unfunded liability of the State plan by approximately \$430,000. As DOF is part of a pooled retirement plan, additional steps would need to be taken to ensure that the changes made to DOF members would not impact the costs of other members of the State plan. This would require isolating the additional liability for this retirement credit and applying a surcharge to the Department of Forestry.

Because VRS’ systems are not set up for a surcharge, this would require programming and testing for the additional system changes. A surcharge would require additional work from the Plan actuary as the current pricing is based on all employers in a particular plan, here the state employees’ plan, paying the same contribution rate.

Proposed legislation would need to include enactment clauses specifying that the additional service would not be calculated prior to 1997 (since there is no data available prior to that date) and that it would only apply to active eligible employees as of the effective date of the legislation.

A budget amendment would be necessary for the Department of Forestry to meet the financial obligations of implementing an enhanced retirement program.

### **Alternative**

#### ***Supplemental Defined Contribution Plan***

In seeking enhanced retirement benefits for special forest wardens who actively participate in fighting forest fires, VRS suggested that an alternative idea to retirement credits be considered. Whereas a retirement eligibility credit could benefit members who are able to retire earlier than anticipated,

recognition of the time spent fighting forest fires could also be accomplished through a defined contribution plan supplement that could be available upon retirement to every member who spent time directly fighting fires.

By way of background, a defined benefit plan and a defined contribution plan differ in the way retirement benefits are calculated. A defined benefit plan identifies the specific benefit payable to an individual upon retirement. Usually, this specific benefit (i.e., a pension) is calculated using a combination of different factors: average final compensation, years of service, and a retirement multiplier, among others. Most special forest wardens within DOF are members of the Virginia Retirement System's (VRS) Plan 1 or Plan 2, both of which are defined benefit plans. Even the Hybrid Retirement Plan, however, contains a defined benefit component in addition to its defined contribution component.

A defined contribution plan identifies a specific amount of money that will be put towards an individual's retirement account today. The contributions can be made by an employee and/or his or her employer, and they are normally stated as a percentage of salary or as a defined dollar amount. Over an employee's career, these contributions are invested with the expectation that the account value will increase over time, although there is no guarantee and the amount invested is subject to market fluctuations. Upon retirement, the employee is entitled to the full value of the account.

An example of a defined contribution plan is the Commonwealth of Virginia 457 Deferred Compensation Plan. As a state employee, each special forest warden is eligible to participate in this defined contribution plan and make contributions to his or her individual 457 account. In the private industry, a 401(k) account is the most prevalent example of a defined contribution plan.

As opposed to retirement credits, the recognition of the unique service rendered by special forest wardens while fighting forest fires may be similarly accomplished through a defined contribution supplement. An example of this idea already exists with the Virginia Supplemental Retirement Plan (VSRP). The *Code of Virginia* §§ 51.1-617 and -618 permit a defined contribution supplement for public school teachers who serve as a turnaround specialist or as a member of the middle school teaching corps. Currently, these are the only employees eligible for the VSRP. The 2004 General Assembly created this supplemental defined contribution plan to (i) recognize the unique service provided by turnaround specialists and members of the middle school teaching corps, and (ii) serve as an incentive to attract individuals into critical shortage positions.

Similar to the turnaround specialists and members of the middle school teaching corps, DOF could recognize the unique service provided by special forest wardens in fighting forest fires. If legislation created a similar supplemental 401(a) defined contribution plan for special forest wardens that is adequately funded, then DOF could make contributions on their behalf for the time spent fighting forest fires. Using a 401(a) account for the employer contributions would not affect the member's ability to contribute the maximum allowed amount to a supplemental 457 account. In addition, this option would not affect a special forest warden's ability to retire early as would be the case with retirement credits, but would instead provide additional assets upon retirement. As an example, if a new forest warden

were hired today at age 30 and we used the average days of fire suppression from the historical information provided, and assumed that a contribution of \$15 would be deposited in a special savings plan for each day a forest warden recorded retirement credits for fire suppression, then on average DOF would contribute \$330 into a member's account each year. Assuming a 6% investment return, over a 30 year career, the average forest warden would have approximately \$28,000 in additional funds at retirement. Under this scenario, the annual cost to DOF would be approximately \$45,000 per year, which is slightly less than the \$49,000 expected under the retirement credit proposal outlined above. Contribution amounts other than the \$15 used in the example could be considered for different results.

### **Conclusion**

As drafted in the Appropriation Act language, VRS staff expressed concerns about the departure from long-standing policy, administrative complexity, ongoing administration costs, ability to apply eligibility credits accurately, and to collect a surcharge in a cost sharing pool. The supplemental defined contribution plan would potentially provide an easier, simpler, and less expensive option to allow recognition of forest wardens' fire suppression service.