

Virginia Retirement System

2023 Fiscal Impact Statement

1. **Bill Number:** HB 2327

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron:** Cherry

3. **Committee:** Appropriations

4. **Title:** Virginia Retirement System; enhanced retirement benefits for 911 dispatchers.

5. **Summary:** Adds 911 dispatchers to the list of local employees eligible to receive enhanced retirement benefits for hazardous duty service earned after July 1, 2024 under the Virginia Retirement System if the employer elects to provide coverage. Under current law, localities may provide such benefits to first responders, including law enforcement officers, firefighters, emergency medical technicians, and certain other hazardous duty positions. The bill also specifies that localities may choose to provide the enhanced benefits for service earned as a dispatcher prior to July 1, 2024. The bill has a delayed effective date of July 1, 2024.

6. **Summary of Impacts**

Benefit(s) impacted: Individual local plans that participate in VRS. The bill allows localities to elect enhanced benefits for 911 dispatchers. When a locality elects enhanced benefits for a new position, prior service in the position is generally credited as hazardous duty and included in the analysis of the estimated cost of the enhanced benefit. The provisions of the bill would make local 911 dispatchers eligible to receive enhanced hazardous duty benefits for service on or after July 1, 2024 if local employers opt to provide the enhanced coverage. The bill also allows employers to choose to provide enhanced benefits for service earned prior to the effective date of the bill.

Impact to unfunded liability (see Item 9 for details): Will vary by employer for those employers that elect the benefits for 911 dispatchers.

Impact to contribution rate(s) (see Item 9 for details): Will vary by employer for those employers that elect the benefits for 911 dispatchers.

Specific Agency or Political Subdivisions Affected (see Item 10): VRS and participating local employers with 911 dispatchers.

VRS cost to implement (see Item 7 for details): Approximately \$137,000 for FY 2024.

Employer cost to implement (see Item 7 for details): Depending on the political subdivision, the average employer cost for political subdivisions to provide enhanced

hazardous duty benefits as of the last rate-setting valuations was 20.46% as compared to 8.07%, which is the average employer cost for general employees.

Other VRS and employer impacts (see Item 7, Item 9, Item 11, and Item 12 for details):

The contribution rate and unfunded liabilities, if any, of the local participating employers that elect this coverage will reflect the additional costs related to this coverage.

GF budget impacts (see Item 8 for details): None.

NGF budget impacts (see Item 8 for details): \$137,000 NGF in FY 2024 for VRS implementation.

7. **Budget Amendment Necessary:** Yes. In Item 498, VRS would need a NGF appropriation of approximately \$137,000 for FY 2024 to cover the cost of programming and testing, as well as updating employee and employer communications, with minimal ongoing costs. This does not include the potential impact to future local contribution rates or to the funded status of the local plans, which are discussed below.
8. **Fiscal Impact Estimates:** More detail on the fiscal impact is explained in Item 9 below.
9. **Fiscal Implications:** The provisions of the bill would make local 911 dispatchers eligible to receive enhanced hazardous duty benefits for service on or after July 1, 2024 if local employers opt to provide the enhanced coverage. The bill also allows employers to choose to provide enhanced benefits for service earned prior to the effective date of the bill. The cost of the benefits would be borne by the local political subdivision.

Information gathered in 2022 (the most recent data available at the time this FIS was completed) indicate that there are 119 local 911 centers throughout Virginia that answer wireless 911 calls as referenced in *Code of Virginia* § 56-484.12. Since dispatchers are currently not specifically identified by job name in VRS employer reporting, it is difficult to anticipate the number of members who could be eligible. The Integrated Service Program at VITA, which provides support to the 911 Board, was able to provide generalized staffing information indicating that smaller localities may have 5-6 dispatchers, while the largest localities could have up to 150 dispatchers on staff. Based on this information, VRS assumes that there could potentially be in excess of 1,000 full-time local dispatchers statewide.

While the costs to provide these benefits will vary by employer due to the underlying demographics of each employer, we do know the average employer cost for political subdivisions to provide enhanced hazardous duty benefits as of the last rate-setting valuations was 20.46% as compared to 8.07%, which is the average employer cost for general employees. The higher cost is due to both earlier retirement eligibility as well as the cost of the hazardous duty supplement, which is currently \$1,222 per month for those with at least 20 years of hazardous duty service.

The bill will provide localities with the option to provide enhanced hazardous duty coverage to 911 dispatchers. Under § 51.1-138, localities can make an irrevocable election to provide enhanced hazardous duty benefits to any or all of the various categories of employees listed.

The election generally involves choosing between a 1.7% multiplier with a hazardous duty supplement and a 1.85% multiplier with a hazardous duty supplement for the retirement benefit. The hazardous duty supplement is currently equal to \$1,222 per month and continues until Social Security normal retirement age. The supplement is increased every two years based on Social Security cost of living adjustments. The VRS normal retirement age for employees eligible for enhanced hazardous duty coverage becomes age 60 rather than 65, and employees are eligible for an unreduced benefit at age 60 with at least five years of service credit or at age 50 with at least 25 years of service credit.

Therefore, even if a locality is already providing enhanced hazardous duty coverage to other eligible job classifications, it would need to follow the standard election procedures of requesting an actuarial study and then passing a new resolution to add the benefit for 911 dispatchers. If the employer chooses to do nothing, their emergency dispatchers would not receive the benefit.

As this bill is permissive in nature and political subdivision plans each have the ability to elect these benefits either prospectively or retroactively and have their own actuarially determined contribution rates based on their individual plan experience, the increases in liabilities and contribution rates associated with this benefit enhancement will vary by employer and depend upon such elements as the number of 911 dispatchers, their years of service, and other demographic data and information.

10. Specific Agency or Political Subdivisions Affected: VRS, participating local employers, and VRS members who would become eligible for hazardous duty benefits.

11. Technical Amendment Necessary: No.

12. Other Comments: This bill would add full-time dispatchers for a public safety answering point, as defined in § 56-484.12¹, to the categories of local employees who are eligible for enhanced hazardous duty benefits, at the election of their employer, under § 51.1-138.

Local employers that participate in VRS may make an irrevocable election to provide categories of hazardous duty employees specified in § 51.1-138 with benefits equivalent to those provided under the State Police Officers' Retirement System (SPORS). Benefits for SPORS members include a supplement payable from retirement until the retiree's Social Security normal retirement age, as well as a higher multiplier of 1.85%, instead of 1.7%. Currently, employers may elect either the 1.7% multiplier or the 1.85% multiplier. Age and service requirements for an unreduced retirement benefit also differ for those with enhanced hazardous duty benefits. SPORS normal retirement age is 60. Eligibility for an unreduced benefit is age 60 with at least five years of service credit or at age 50 with at least 25 years of service credit.

¹ "Public safety answering point" or "PSAP" means a facility (i) equipped and staffed on a 24-hour basis to receive and process 9-1-1 calls or (ii) that intends to receive and process 9-1-1 calls and has notified CMRS providers in its jurisdiction of its intention to receive and process such calls.

Under this bill, only service earned as a dispatcher on or after July 1, 2024 and after a VRS-participating local employer elects the benefit would earn hazardous duty service. However, this legislation allows VRS-participating employers to choose to provide hazardous duty benefits to dispatchers for service earned prior to an election made following the effective date of the bill. In order to retire with the enhanced benefits an eligible 911 dispatcher must generally have at least five years of hazardous duty service except in limited circumstances for employees who were in service on June 30 and July 1, 2002.

Local employees who are not eligible for enhanced hazardous duty benefits under § 51.1-138, and who were hired for the first time on or after January 1, 2014, are in the Hybrid Retirement Plan. Under this legislation, 911 dispatchers (except for those with prior service) whose employers have elected enhanced benefits would be moved to Plan 2 instead of the Hybrid Plan. Dispatchers with prior service who are in Plan 1 or Plan 2 would remain in the same plan.

Whether to provide these enhanced benefits is a local election funded by each separately actuarially rated locality that participates in VRS. If the bill is enacted, any participating locality that wishes to provide enhanced hazardous duty benefits to its full-time dispatchers must adopt a resolution adding 911 dispatchers to the locality's list of covered employees under § 51.1-138, if any. Adding benefits for these employees would be an individual decision by each participating locality and would not be mandatory. In general, electing these benefits would increase the locality's contribution rate and its liabilities, however the prospective application would mitigate the impact.

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. 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...”

In 2023, the Joint Legislative Audit and Review Commission (JLARC) is undertaking a comprehensive review of hazardous duty eligibility and benefits.

This bill is similar to HB 1571 for local 911 dispatchers, HB 2328 including state dispatchers in VaLORS for service earned on or after July 1, 2024, and SB 1201 for local dispatchers and including dispatchers with the Department of State Police in SPORS for service earned on or after July 1, 2024.

Date: 1/18/2023

Document: HB2327.DOC/VRS