

# Virginia Retirement System

## 2023 Fiscal Impact Statement

1. **Bill Number:** SB 1201 S1

**House of Origin** ☐ Introduced ☒ Substitute ☐ Engrossed

**Second House** ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron Prior to Substitute:** Reeves

3. **Committee:** Finance and Appropriations

4. **Title:** Virginia Retirement System and Virginia Law Officers' 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 under the Virginia Retirement System earned on or after July 1, 2024. The substitute also extends membership in the Virginia Law Officers' Retirement System (VaLORS) to 911 dispatchers who are employed by the Department of State Police (VSP) for service earned on or after July 1, 2024. The substitute specifies that localities and VSP may choose to provide the enhanced benefits for service earned as a dispatcher prior to July 1, 2024. The substitute has a delayed effective date of July 1, 2024. The substitute contains a reenactment clause and provides that it shall not take effect unless reenacted by the 2024 Session of the General Assembly.

6. **Summary of Impacts**

**Benefit(s) impacted:** Individual local plans and VaLORS. The substitute allows localities to elect enhanced benefits for 911 dispatchers for service earned on or after July 1, 2024. A local employer that elects the enhanced benefits for 911 dispatchers is not required to provide benefits for prior service as a 911 dispatcher. Moves VSP 911 dispatchers from the State Plan into VaLORS, for service earned on or after July 1, 2024. This legislation allows a local employer, if it elects the benefits for 911 dispatchers, or VSP, to provide the hazardous duty service for prior service as a 911 dispatcher.

**Impact to unfunded liability (see Item 9 for details):** If the employer (local or VSP) elects to provide retroactive enhanced benefits, the proposed substitute may have an impact on unfunded liabilities.

**Impact to contribution rate(s) (see Item 9 for details):** For localities, the impacts will vary by employer for those that elect the benefits for 911 dispatchers. The substitute would increase contribution requirements for certain employers beginning in FY 2025: VSP will need approximately \$603,000 for FY 2025. Note that the impact of including additional members in the VaLORS plan for future rate setting has not been contemplated in the approximate difference in future rates. While the difference in rates between the State plan and VaLORS plan is currently 10.14%, this difference is based on maintaining the higher

State plan rate from the fiscal year 2019 rate setting. The actual difference in the employer rates for fiscal year 2025 could have a wider spread due to maintaining the higher State rate for fiscal years 2023 and 2024.

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

**VRS cost to implement (see Item 7 and Item 8 for details):** VRS would not begin implementation unless the bill is reenacted in 2024. If the bill is reenacted, approximately \$226,700 for FY 2024.

**Employer cost to implement (see Item 7 and Item 8 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. VSP will need approximately \$603,000 to add additional employees covered by VaLORS in FY 2025. VSP costs to implement this change are unknown other than the increased contribution rates required.

**Other VRS and employer impacts (see Item 7, Item 9, Item 11, and Item 12 for details):** Going forward, allows localities to cover 911 dispatchers prospectively and choose whether to provide the enhanced benefits for prior service as a dispatcher. The addition of VSP dispatchers to VaLORS will impact future VaLORS contribution rates for all VaLORS employers.

**GF budget impacts (see Item 8 for details):** Approximately \$476,000 increase in FY 2025 for the increase in employer contribution costs for VaLORS coverage if the legislation is reenacted.

**NGF budget impacts (see Item 8 for details):** VRS would not begin implementation unless the bill is reenacted in 2024. Approximately \$127,000 increase in FY 2025 for the increase in employer contribution costs for VaLORS coverage. Approximately \$226,700 NGF in FY 2024 for VRS implementation if the bill is reenacted.

7. **Budget Amendment Necessary:** Not in FY 2023, since VRS would not begin implementation unless the bill is reenacted in 2024. However, in FY 2024 in Item 498, VRS would need a NGF appropriation of approximately \$226,700 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, State, or VaLORS contribution rates or to the funded status of the local, State, or VaLORS plans, which are discussed below in Item 9.
8. **Fiscal Impact Estimates:** Estimated individual employer impacts and impacts for VSP are reflected in Item 9.

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>General Fund</i>	<i>Non-General Fund &amp; Local Funds</i>
2023	--	--	--	--
2024	--	--	--	\$226,700
2025	\$603,000		\$476,000	\$127,000
2026	\$603,000		\$476,000	\$127,000
2027	\$603,000		\$476,000	\$127,000
2028	\$603,000		\$476,000	\$127,000
2029	\$603,000		\$476,000	\$127,000

Please see the discussion in Item 9 for details.

- 9. Fiscal Implications:** The provisions of the substitute 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 cost of the benefits would be borne by the local political subdivision. The substitute also makes 911 dispatchers with VSP eligible for VaLORS. For VSP dispatchers, the substitute is prospective and applies only to service on or after July 1, 2024. The substitute also allows local employers and VSP to choose to provide enhanced benefits for service earned prior to the effective date of the substitute. However, the substitute contains a reenactment clause and provides that it shall not take effect unless reenacted in 2024.

### **Local impacts**

Information gathered in 2022 (the most recent data available at the time this FIS was completed) indicates 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 substitute 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, funded by employer contributions, 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 substitute is permissive in nature and political subdivision plans each have the ability to elect these benefits both prospectively and 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.

### **VSP Impacts**

Overall, the addition of VSP 911 dispatchers to VaLORS would not impact the unfunded liabilities of the VaLORS plan if dispatchers only earn service prospectively in the VaLORS plan. The substitute would allow VSP to choose to provide enhanced benefits for service earned prior to the effective date of the substitute. The addition of VSP dispatchers to VaLORS will likely have minimal impact on the normal cost rate as we expect only about 111 additional members added to a fairly large, pooled plan with approximately 7,200 active members.

The VSP dispatchers leaving the State plan would maintain their accrued benefit from the State plan and earn service under the VaLORS plan effective July 1, 2024. Upon retirement their benefit would be based on service and benefits earned at the State plan up through July 1, 2024 combined with service and benefits earned from the VaLORS plan after July 1, 2024. 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.

Currently, VSP dispatchers are approximately 79.00% funded by general funds, and this was assumed to continue to be the case for purposes of estimating cost changes under the substitute. The VaLORS plan is currently 90.6% funded by general funds and 9.4% by non-general funds. If this substitute were enacted, 90.5% of the VaLORS plan would become funded by general funds and 9.5% would become funded by non-general funds.

The VSP will require additional budget in FY 2025 of \$603,000 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 the VSP dispatchers currently participate. Based on the budget for the current biennium, the VaLORS contribution rate that VSP will have to contribute for these agents is 10.14% of payroll greater than the State Plan contribution rate that they are already paying, as reflected in Exhibit 1. The contribution rate for the FY 2025-2026 biennium has not been determined.

### Exhibit 1

#### State Police Dispatchers

Plan	Estimated Payroll FY 2025*	Retirement Contribution Rates **	Estimated Employer Contributions
		FY 2023/FY 2024	FY 2025
As Member of State Plan	\$5,952,000	14.46%	\$861,000
As Member of VaLORS Plan	\$5,952,000	24.60%	\$1,464,000
Additional Funds Needed			\$603,000

\* The estimated payroll impacted was an estimate provided by the Department of State Police associated with VSP Dispatchers including vacant positions

\*\* Rates of Fiscal 2025 are subject to change based on June 30, 2023 rate setting valuations

**10. Specific Agency or Political Subdivisions Affected:** VRS, VSP and participating local employers with 911 dispatchers.

**11. Technical Amendment Necessary:** Yes. The third enactment clause of the substitute currently allows individual local employers and any state employer that employs dispatchers to choose to provide the enhanced benefit for service as a dispatcher prior to July 1, 2023. As line 111 of the substitute references the definition of “employer” in § 51.1-124.3, it would indicate that any state employer that employs dispatchers can elect to provide the benefits retroactively. The legislation does not add any state dispatchers other than those employed by VSP to VaLORS, though. If the substitute is only intended to allow for local employers and VSP to elect coverage retroactively and does not intend for additional state employers of dispatchers to be able to elect to provide enhanced benefits retroactively to their dispatchers, a technical amendment would be necessary to specify which employers may elect retroactive

service instead of referring to the definition of “employer” in § 51.1-124.3. Similarly, if the substitute does not intend for VSP to be able to elect to provide enhanced benefits retroactively to their dispatchers, a technical amendment would be necessary to specify which employers may elect retroactive service instead of referring to the definition of “employer” in § 51.1-124.3.

- 12. Other Comments:** The substitute would add full-time dispatchers for a public safety answering point, as defined in § 56-484.12<sup>1</sup>, to the categories of local employees who are eligible for enhanced hazardous duty benefits, at the election of their employer, under § 51.1-138. It also moves VSP dispatchers from the State plan to VaLORS. The substitute has a delayed effective date of July 1, 2024 and provides the benefits for service earned on or after July 1, 2024. The substitute contains a reenactment clause and provides that it shall not take effect unless reenacted by the 2024 Session of the General Assembly.

#### Local Dispatchers

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 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. The SPORS normal retirement age is age 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.

Under this substitute, 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, the VRS-participating employer could choose to provide hazardous duty benefits to dispatchers for service earned prior to an election made following the effective date of the substitute. 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.

General employees who are not eligible for enhanced hazardous duty benefits under § 51.1-138, SPORS or VaLORS, 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 and VSP 911 dispatchers would be moved to Plan 2 instead of the Hybrid Plan. Local or VSP 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 substitute is enacted, any locality that

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<sup>1</sup> "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.

wishes to provide enhanced hazardous duty benefits to its full-time dispatchers must adopt a resolution adding them to the locality's list of covered employees under § 51.1-138. 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 prospective application would mitigate the impact.

### VSP Dispatchers

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.

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. There have been numerous bills introduced, but not enacted, since then to add certain groups to the VaLORS membership.

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 and for inclusion of VSP 911 dispatchers in VaLORS. 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.

**Date:** 1/30/2023

**Document:** SB1201S1.DOC/VRS