

**Virginia Retirement System
2025 General Assembly Session
State Fiscal Impact Statement**

PUBLISHED: 1/15/2025 12:20 PM

ORIGINAL

Bill Number: HB1812

Patron: Campbell

Bill Title: Virginia retirement system; enhanced retirement benefits; animal control officers.

Bill Summary: Adds full-time animal control officers to the list of local employees eligible to receive enhanced retirement benefits for hazardous duty service for service earned in such positions on or after July 1, 2026. Under current law, localities may provide such benefits to first responders, including firefighters and emergency medical technicians, and certain other hazardous duty positions. The bill has a delayed effective date of July 1, 2026.

Budget Amendment Necessary: Yes

Items Impacted: 486

Explanation:

In Item 486, VRS would need a NGF appropriation of approximately \$143,000 for FY 2026 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.

Fiscal Summary:

Benefit(s) impacted: Individual local plans that participate in VRS. The bill allows localities to make an irrevocable election of enhanced hazardous duty benefits for animal control officers for service earned on or after July 1, 2026, on the same basis as enhanced benefits provided to other eligible employees for which the locality may have elected to provide hazardous duty coverage. Eligible covered Hybrid Plan employees' membership would be transferred to Plan 2.

Impact to unfunded liability: Will vary by employer for those that elect the benefits for animal control officers.

Impact to contribution rate(s): Will vary by employer (due to local plan demographics and experience) for those employers that elect the benefits for animal control officers. Prospective application of the provisions will avoid adding unfunded liabilities, but the average normal cost rate (ongoing cost of the plan) associated with hazardous duty members is approximately 15% of covered payroll higher than general employees as of the June 30, 2023 rate-setting valuations.

Specific Agency or Political Subdivisions Affected: VRS and participating local employers with animal control officers.

VRS cost to implement: Approximately \$143,000 for FY 2026.

Employer cost to implement: Will vary by employer.

Other VRS and employer impacts: The bill may make it more difficult for jurisdictions to retain animal control officers or fill open positions if they do not elect the coverage. It may also encourage employees to

**Virginia Retirement System
2025 General Assembly Session
State Fiscal Impact Statement**

retire sooner because of the earlier age and service requirements with hazardous duty benefits. Animal control officers who retired on or prior to the effective date of the legislation would not be eligible for a change in benefits.

GF budget impacts: None.

NGF budget impacts: \$143,000 NGF in FY 2026 for VRS implementation.

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

General Fund Expenditure Impact:

<u>Agency</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>
TOTAL						

Nongeneral Fund Expenditure Impact:*

<u>Agency</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>
VRS		\$143,000				
TOTAL		\$143,000				

Position Impact:

<u>Agency</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>
TOTAL						

**Note: This table does not include increased costs for political subdivisions that elect this benefit for their animal control officers. The increase in employer contribution rates will vary by employer. See discussion below for more detail.*

Fiscal Analysis:

Under § 51.1-138, enhanced hazardous duty benefits are equivalent to those provided under the State Police Officers' Retirement System (SPORS) and include either a 1.7% or a 1.85% multiplier for the retirement benefit, depending on what the political subdivision has chosen, and the hazardous duty supplement. Each participating locality would decide whether to add benefits for these employees. A locality is not required to add benefits for these employees, but if a locality decides to add benefits, such decision is irrevocable.

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. In order to retire with the

**Virginia Retirement System
2025 General Assembly Session
State Fiscal Impact Statement**

enhanced benefits, an eligible employee 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.

Further, eligible members with enhanced benefits must have at least 20 years of service to qualify for the hazardous duty supplement. The supplement is currently equal to \$1,407 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.

Funded Status

The VRS funding policy requires political subdivision employer plans to be at least 75% funded in order to elect benefit enhancements or the political subdivisions must make a lump sum contribution to bring the funded status to at least 75% funded. Consistent with current practice, employers will be required to perform an actuarial study showing the impacts on their individual plan of the additional coverage prior to electing the benefit for new classifications of employees. Impacts will vary by employer based on demographics of employees impacted by the provisions. In general, electing these benefits would increase the locality's contribution rate and its liabilities, however the prospective application of the benefits would mitigate the overall impact, particularly the potential impacts to unfunded liabilities that would occur with a retroactive application. Employers can consider the various impacts to the health of their plans as they determine whether to elect benefits. They may also opt not to elect the coverage under the bill for other reasons.

Recruitment and Retention

The bill may make it more difficult for jurisdictions to retain animal control officers or fill open positions if they do not opt to provide the enhanced coverage, as their officers would have the opportunity to seek employment with other jurisdictions that offer enhanced coverage. In addition, due to the earlier age and service provisions of enhanced hazardous duty benefits, animal control officers of localities that elect the enhanced benefits would be eligible to retire sooner than under the provisions for general employees.

Costs to Implement

As this bill is permissive in nature for prospective service and political subdivision plans have their own actuarially determined contribution rates based on their individual plan experience, the increases in liabilities and contribution rates for employers associated with this benefit enhancement will vary by employer and will depend upon such elements as the number of animal control officers employed by the employer, their years of service, other demographic data, plan experience and other information.

Since animal control officers 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. In its 2023 report, *Eligibility of Public Safety Occupations for Enhanced Retirement Benefits*, <https://jlarc.virginia.gov/pdfs/reports/Rpt578.pdf>, the Joint Legislative Audit and Review Commission (JLARC) estimated that there were 490 active animal control officers in the Commonwealth, including some police officers and deputy sheriffs who work as animal control officers.

**Virginia Retirement System
2025 General Assembly Session
State Fiscal Impact Statement**

Employer Costs

The costs to provide these benefits will vary by employer due to the underlying demographics of each employer. By way of background, the contribution rate for each political subdivision is determined for the plan as a whole, based on the benefit provisions applicable to each member. The employer contribution rate is shown as a percentage of each employer’s aggregate employee creditable compensation. Based on the most recent rate setting valuation, the exhibit below shows the average employer cost for general employees versus the average employer cost for enhanced hazardous duty benefits.

Type of Benefit	General Employee	Enhanced Hazardous Duty Benefits
Average Employer Cost (of applicable payroll)	6.56%	22.07%

The higher cost for enhanced benefits is due to earlier retirement eligibility, higher benefit multiplier and the hazardous duty supplement for those with at least 20 years of hazardous duty service. Prospective application of the provisions will avoid adding unfunded liabilities, but the average normal cost rate (ongoing cost of the plan) associated with hazardous duty members is approximately 15% of covered payroll higher than general employees as of the June 30, 2023 rate-setting valuations.

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 involves choosing between a 1.7% or a 1.85% multiplier for the retirement benefit. If the political subdivision has already made an irrevocable election to provide enhanced benefits for other categories of employees and chooses to add benefits for animal control officers, the benefits provided to animal control officers would be at the same 1.7% or 1.85% multiplier previously elected.

To add enhanced hazardous duty benefits for animal control officers, even if the locality is already providing enhanced hazardous duty coverage to other eligible job classifications, a locality would need to follow the standard election procedures of requesting an actuarial study and then passing a new resolution. If the employer chooses to do nothing or does not pass a resolution, their animal control officers would not receive the benefit.

Other: This bill would add full-time animal control officers, as defined in § 3.2-6500, to the categories of local employees who are eligible for enhanced hazardous duty benefits, at the election of their employer, under § 51.1-138 for service beginning on or after July 1, 2026.

Election to Provide Enhanced Benefits

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

Virginia Retirement System
2025 General Assembly Session
State Fiscal Impact Statement

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%. However, local employers may elect either a 1.7% multiplier or a 1.85% multiplier for local hazardous duty employees. SPORS members also have lower age and service requirements for an unreduced retirement benefit. 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.

Generally, local elections to provide hazardous duty benefits to other categories of employees are retroactive and the enhanced benefit will be applied to any of the active employee's past service in the position, and such retroactive application increases the cost to the political subdivision. However, under this bill, only service earned as an animal control officer on or after July 1, 2026, and after a VRS-participating local employer elects the benefit, would earn hazardous duty service toward hazardous duty retirement eligibility. If the political subdivision has made an irrevocable election to provide enhanced benefits for other categories of employees, the benefits provided to eligible animal control officers would be at the same 1.7% or 1.85% multiplier previously elected.

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, those animal control officers whose employers elect enhanced benefits would be moved to Plan 2 with the enhanced benefits (while retaining their DC plan balances that other Plan 2 members do not have) instead of the Hybrid Plan for general employees. Animal control officers with prior service who are in Plan 1 or Plan 2 would remain in the same plan.

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...”

Virginia Retirement System
2025 General Assembly Session
State Fiscal Impact Statement

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.”

The 2023 JLARC report determined that “animal control officers have a moderate level of public safety responsibility and face a moderate level of demand compared with other public safety occupations.” The report also noted that only 11 of the 50 states included animal control officers under hazardous duty coverage. The 2023 JLARC report also made no recommendation on who should be covered by enhanced hazardous duty benefits.

The bill is identical to SB 1396.

The bill is similar to HB 1564, HB 1619, SB 1083, SB 1088, and SB 1156 for dispatchers, HB 2579 for dispatchers, animal control officers, and municipal park rangers (prospective with additional retroactive election) and similar to HB 2194 for juvenile detention specialists (prospective with the additional retroactive election). A similar bill has been introduced that would extend membership in the Virginia Law Officers’ retirement System (VaLORS) to emergency dispatchers employed by certain state agencies for service earned on or after July 1, 2026 (HB 1563).