

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

Specific Agency or Political Subdivisions Affected: VRS and participating local employers with emergency dispatchers.

VRS cost to implement: Approximately \$41,000 in FY 2025 and \$375,400 for FY 2026.

Employer cost to implement: Would vary by employer.

Other VRS and employer impacts: VRS will coordinate with employers of eligible dispatchers to manage the election and change in benefits.

GF budget impacts: None.

NGF budget impacts: \$41,000 NGF in FY 2025 and \$375,400 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	\$41,000	\$375,400				
TOTAL						

Position Impact:

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

Fiscal Analysis:

Under Va. Code § 51.1-1150, an employee eligible for coverage under the VLDP is defined as a person who is participating in the hybrid retirement program as described in Va. Code § 51.1-169 and who is not eligible for the sickness and disability program pursuant to Va. Code § 51.1-1100 et seq. Currently, emergency dispatchers who are members of VRS Plan 1 or Plan 2 are eligible for disability retirement benefits under Va. Code § 51.1-156. This bill will allow emergency dispatchers in service on June 30, 2025, and July 1, 2025, to

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make an irrevocable election no later than March 31, 2026, to remain covered by disability retirement benefits pursuant to Va. Code § 51.1-156; a dispatcher who does not so elect shall become a participant in VLDP.

Since dispatchers are currently not specifically identified by job name in VRS employer reporting, it is difficult to anticipate the exact number of members who could be eligible. The 911 and Geospatial Services Bureau, which is a part of the Virginia Department of Emergency Management, was able to provide estimated staffing information for public safety answering points indicating that there are approximately 3,100 communications professionals employed at public safety answering points, including full-time emergency dispatchers as well as managers, supervisors, and administrative staff who are trained and certified to answer 911 calls. It is unknown how many of these dispatchers are VRS Plan 1 or Plan 2 members and, of those, how many will elect to continue coverage under the disability retirement program.

Currently, local emergency dispatchers who are in Plan 1 or Plan 2 are covered by disability retirement provisions within the retirement plan. The blended disability normal cost in the political subdivision pension plans is approximately 1.40% of covered payroll and is part of the employer normal cost rate (the ongoing cost of the plan). This rate will vary by employer based on employee demographics.

Under the provisions of the substitute, members could elect to be covered under the VLDP plan in lieu of disability retirement. Employers would be charged a rate for the member to participate in the managed disability program, currently 0.74% of member payroll. If the member elects to be covered under VLDP, they would no longer be eligible for the disability retirement provision under the retirement plan. The employer rate for the pension plan would reflect the coverage change for the employer during the next rate-setting valuation. The reduction in the employer rate for the retirement plan would be dependent on the number of members who elected to be covered under VLDP. We anticipate minimal reductions to the total employer rate for the retirement plan.

Other:

The substitute requires VRS-participating local employers of public emergency dispatchers who are not Hybrid Plan employees to provide coverage in the Hybrid Plan managed disabilities program, VLDP, or the comparable disability program provided by an employer in the case of an employer that has made an irrevocable election not to participate in the VLDP. Currently, emergency dispatchers employed by a VRS-participating locality who are Plan 1 or Plan 2 members do not participate in VLDP, but are currently eligible for disability retirement. Political subdivision employees in Plan 1 or Plan 2, essentially those who began employment prior to 2014, are eligible to be considered for disability retirement. Members who are covered by the VLDP are not eligible for disability retirement. Thus, dispatchers who are Plan 1 or Plan 2 members who elect to move to VLDP under the substitute will change the benefits available to them. Disability retirement may offer unique benefits to a member depending upon their individual circumstances. For example, there are

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no minimum requirements for age or service under VRS disability retirement, and members may apply from the first day of covered employment. If a disability retirement application is approved, the member will receive a lifetime monthly benefit. In addition to the monthly benefit, disability retirement provides a continuation of some benefits under the VRS Group Life Insurance Program if the member was covered before retiring on disability; cost of living (COLA) increases; and the health insurance credit, a tax-free benefit that assists with the portion of health insurance premiums the member pays for individual coverage. Work-related guaranteed disability benefits are not subject to federal or state income taxes.

In contrast, the VLDP program focuses on assisting a member with recovery and providing income protection for the period of time that a member is unable to work. Under VLDP, a member is eligible for short-term disability coverage, long-term disability coverage, and COLA increases. Members are not eligible for short-term disability coverage for non-work related disabilities for the first year of participation in the program, although work-related disabilities are covered from the first day of employment. VLDP benefits end when the member is able to return to work, leaves covered employment or retires.

Whether VLDP or disability retirement provides a higher benefit for a particular person will necessarily depend on such person's individual circumstances.