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#### ORIGINAL

Bill Number:HB1705 ERPatron:BulovaBill Title:Virginia Retirement System; disability benefits; emergency dispatchers.

**Bill Summary:** Requires that, beginning July 1, 2026, local emergency dispatchers for a public safety answering point<sup>1</sup> employed by a VRS-participating employer who are not members of the hybrid retirement plan become participants in the Virginia Local Disability Program (VLDP) for hybrid retirement plan members 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. The substitute provides certain exceptions to eligibly for coverage and provides an election of coverage under VLDP for local employees who are employed on June 30, 2025, and July 1, 2025. The employers of such dispatchers shall provide the costs required for funding participation in such program.

Budget Amendment Necessary:YesItems Impacted:484Explanation:VRS would need a NGF appropriation of approximately \$41,000 in FY 2025 and \$375,400 in<br/>FY 2026 to cover the cost of programming and testing, employer and employee<br/>communications and education, and implementing the required employee election. VRS<br/>anticipates minimal ongoing costs. This does not include the potential impact to future local<br/>contribution rates or the funded status of the local plans, which are discussed below.

### **Fiscal Summary:**

**Benefit(s)** impacted: Disability coverage. Disability retirement in local plans with participating emergency dispatchers that participate in VRS.

<u>Impact to unfunded liability</u>: No impact to VLDP unfunded liabilities as coverage is prospective only. Will vary by employer for those employers who hire emergency dispatchers on or after July 1, 2026, or whose current eligible emergency dispatchers elect VLDP coverage. No negative impact expected to local retirement plans for those electing to be covered by VLDP.

**Impact to contribution rate(s):** Will vary by employer (for those employers who employ emergency dispatchers). We do not expect a large impact to the VLDP plan due to the limited number of local emergency dispatchers compared to the total VLDP population. We would expect minimal decreases in local employer retirement plan rates which will vary depending on the number of emergency dispatchers covered and how many of those members elect VLDP coverage.

<sup>&</sup>lt;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.

<u>Specific Agency or Political Subdivisions Affected</u>: 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.

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

GF budget impacts: None.

**<u>MGF budget impacts</u>** \$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:**

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

### Nongeneral Fund Expenditure Impact:

Agency	FY2025	<u>FY2026</u>	FY2027	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>
VRS	\$41,000	\$375,400				
TOTAL	\$41,000	\$375,400				
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

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 VRSparticipating 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

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.