

**Virginia Retirement System
2026 General Assembly Session
Fiscal Impact Statement**

PUBLISHED: 1/25/2026 9:05 PM

ORIGINAL

Bill Number: HB 205

Patron: Cherry

Bill Title: Virginia Retirement System; enhanced retirement benefits for 911 dispatchers; delayed effective date.

Bill Summary: Allows local governments to provide enhanced retirement benefits for hazardous duty service to full-time salaried 911 dispatchers. The bill provides that such enhanced retirement benefits apply only to service earned as a full-time salaried 911 dispatcher on or after July 1, 2027, but allows an employer, as that term is defined in relevant law, to provide such enhanced retirement benefits for service earned as a full-time salaried 911 dispatcher before July 1, 2027, in addition to service earned on or after that date. The bill has a delayed effective date of July 1, 2027.

Budget Amendment Necessary: Yes

Items Impacted: 483

Explanation: VRS would need a NGF appropriation of approximately \$159,700 for FY 2027 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. VRS's costs are specific to the implementation of this legislation if enacted. It cannot be determined at this time whether the enactment of any other bill during this session that would require implementation by VRS would increase or decrease implementation costs.

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 911 dispatchers for service on or after July 1, 2027, 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. The bill also allows employers to simultaneously make an irrevocable election to provide enhanced benefits for dispatcher service earned prior to the effective date of the bill.

Impact to unfunded liability: Will vary by employer for those employers that elect the benefits for 911 dispatchers and whether they choose to provide benefits for retroactive service.

Impact to contribution rate(s): Will vary by employer (due to local plan demographics and experience) for those employers that elect the benefits for 911 dispatchers and whether they choose to provide benefits for retroactive service as well as whether they have previously elected the benefits for other employees. 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 the rate for general employees as of the June 30, 2025, rate-setting valuations.

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

VRS cost to implement: Approximately \$159,700 for FY 2027. This bill will create a programming challenge as well as the potential for employer contribution rate increases. Programming to allow for an election by each political subdivision to provide benefits retroactively or only prospectively will incur additional costs and increase the complexity of administering the benefits, particularly since members may have creditable service with various employers that have elected different benefit provisions.

Employer cost to implement: Would vary by employer and could vary widely depending on whether any additional funding requirements are applicable, especially if retroactive application of provisions is elected. Providing retroactive benefits will further increase employer costs.

Other VRS and employer impacts: The bill may make it more difficult for jurisdictions to retain dispatchers or fill open positions if they do not elect the coverage. It may also encourage employees to retire sooner because of the earlier age and service requirements provided by enhanced hazardous duty benefits. Dispatchers 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: \$159,700 NGF in FY 2027 for VRS implementation.

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

General Fund Expenditure Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
TOTAL						

Nongeneral Fund Expenditure Impact:*

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
VRS		\$159,700				
TOTAL		\$ 159,700				

Position Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
TOTAL						

**Note: This table does not include increased costs for political subdivisions that elect this benefit for their 911 dispatchers. The increase in employer contribution rates will vary by employer. In addition, employer contribution rate*

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increases will vary depending on whether this benefit is elected on a prospective or retroactive basis. 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 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 hazardous duty service to qualify for the hazardous duty supplement. The supplement is currently equal to \$1,488 per month or \$17,856 per year 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 subdivision has to 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 the demographics of employees impacted by the provisions, as well as the employer's decision to elect prospective or retroactive application of the provisions. In general, electing these benefits would increase the locality's contribution rate and its liabilities since hazardous duty benefits are generally 15% of pay higher than the rates for general employees. However, electing 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, and whether to elect them retroactively or only prospectively. 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 dispatchers or fill open positions if they do not opt to provide the enhanced coverage, as their dispatchers would have the opportunity to seek

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employment with other jurisdictions that offer enhanced coverage. In addition, due to the earlier age and service provisions of enhanced hazardous duty benefits, dispatchers of localities that elect the enhanced benefits would be eligible to retire sooner than under the provisions for general employees.

An employer's election regarding retroactive coverage under this bill may impact an employee's eligibility for the hazardous duty supplement:

- If a member is employed with an employer that has made an irrevocable election to allow service that was performed prior to the date the coverage is elected to count as hazardous duty, moves to a position with a locality that has elected the coverage but did not elect to allow service earned prior to the effective date of coverage to count as hazardous duty, the hazardous duty service with the prior employer will count toward the supplement as it is charged to the employer where the service is rendered.
- If a member is employed with an employer that has made an irrevocable election that does not allow service that was performed prior to the date the coverage is elected to count as hazardous duty, then moves to a position with a locality that has elected the coverage and allowed the service earned prior to the effective date of coverage to count as hazardous duty, the member could request that the first employer certify time earned in the position prior to July 1, 2027 as hazardous duty and the second employer would pay for earlier service.

Costs to Implement

As this bill is permissive in nature and political subdivision plans 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, other demographic data, plan experience, and other information, and whether the employer elects to provide the benefit retroactively or only prospectively.

Dispatchers are currently not specifically identified by job name in VRS employer reporting, so it is difficult to anticipate the exact number of members who could be eligible. During implementation for a bill passed in the 2025 General Assembly session (HB 1705), VRS has collected data indicating that there are 1,969 emergency dispatchers who are currently VRS members, plus an estimated 300 vacant dispatcher positions.

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.

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Type of Benefit	General Employee	Enhanced Hazardous Duty Benefits
Average Employer Cost (of applicable payroll)	5.75%	20.29%

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 would 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, 2025, 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. 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 dispatchers, the benefits provided to dispatchers would be at the same 1.7% or 1.85% multiplier already elected.

To add the same benefit for 911 dispatchers, 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. If the employer chooses to do nothing or does not pass a resolution, their emergency dispatchers would not receive the benefit.

Other: This bill would add full-time local 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 for service beginning on or after July 1, 2027. The bill also allows employers to choose whether to allow service as a dispatcher prior to this date to be eligible for enhanced retirement benefits. The election is either for service earned on or after July 1, 2027, following election of the benefit, or service earned following election of the benefit and for all prior service in the position.

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 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 "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.

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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 a dispatcher on or after July 1, 2027, and after a VRS-participating local employer elects the benefit, would earn hazardous duty service, unless the VRS-participating employer chooses to provide hazardous duty benefits to dispatchers for service earned prior to an election made following the effective date of the bill. If the political subdivision has made an irrevocable election to provide enhanced benefits for other categories of employees, the benefits provided to eligible dispatchers 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 911 dispatchers 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. Dispatchers with prior service who are in Plan 1 or Plan 2 would remain in the same plan.

Impact of Option to Provide Retroactive Benefits

Allowing a political subdivision to elect to provide hazardous duty benefits for prospective service only may serve to reduce the cost to the political subdivision, but affording political subdivisions the option to elect to provide benefits for retroactive service will likely result in some employers choosing to provide benefits for retroactive service and other employers choosing not to provide benefits for retroactive service. This necessarily increases VRS' implementation costs since both the prospective and retroactive options must be available. Making both options available likewise makes counseling members with and administering the enhanced benefits provided for in the legislation substantially more complex. As one example, upon retirement or when a member requests a benefit estimate, a member may have some service that provided the retroactive coverage and some service that did not, requiring particular attention to ensuring the service is accounted for correctly. Additionally, allowing political subdivisions to elect to provide benefits for retroactive service may cause complications in calculating the amount of hazardous duty service for a 911 dispatcher who has moved between employers that have elected retroactive coverage and those that did not.

Benefit Eligibility

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The Joint Legislative Audit and Review Commission (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...”

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 “911 dispatchers have a high level of public safety responsibility and face a high level of psychological demand, but a low level of physical demand compared with other public safety occupations.” The report also noted that only 15 of the 50 states included 911 dispatchers under hazardous duty coverage. The 2023 JLARC report also made no recommendation on who should be covered by enhanced hazardous duty benefits.

Other Bills

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The bill is identical to HB 750 and SB 304. 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, 2027 (HB 204). The bill is also similar to HB 1128 for local dispatchers that does not include eligibility towards the hazardous duty supplement, to SB 154 for animal control officers, and to HB 585 for animal control officers and 911 dispatchers.