

Virginia Retirement System
2024 Fiscal Impact Statement

1. **Bill Number:** HB 631

House of Origin Introduced Substitute Engrossed

Second House In Committee Substitute Enrolled

2. **Patron:** Cherry

3. **Committee:** Appropriations

4. **Title:** Virginia Law Officers' Retirement System; emergency dispatchers.

5. **Summary:** Extends membership in the Virginia Law Officers' Retirement System (VaLORS) to emergency dispatchers who are employed by the Department of State Police and agencies whose law-enforcement officers are eligible for membership in VaLORS. The bill has a delayed effective date of July 1, 2025, and provides that such membership would apply only to service earned on or after July 1, 2025.

6. **Summary of Impacts**

Benefit(s) impacted: VaLORS. The bill moves 911 dispatchers employed by the Department of State Police (VSP) and other agencies described in § 51.1-212 of the *Code* from the State plan into VaLORS beginning July 1, 2025. Eligible covered Hybrid Plan employees' membership would be transferred to Plan 2.

Impact to unfunded liability (see Item 9 for details): Since the bill only applies to service earned on or after July 1, 2025, there is no impact to unfunded liabilities of VaLORS.

Impact to contribution rate(s) (see Item 9 for details): Increases contribution requirements for certain employers beginning in FY 2026. The total estimated increase for agencies identified in the bill is approximately \$875,000 for FY 2026. A more detailed breakdown by agency is provided in Item 7. While the difference in contribution rates between the State plan and VaLORS plan is currently 12.08%, this difference is based on maintaining the higher VaLORS plan rate as included in the Governor's proposed budget.

Specific Agency or Political Subdivisions Affected (see Item 10): VRS, VSP and other agencies described in § 51.1-212 of the *Code* with 911 dispatchers, specifically, the Capitol Police, the Department of Wildlife Resources (DWR), the Virginia Marine Resources Commission (VMRC), and the Department of Corrections (DOC), and all employers with employees participating in VaLORS. The Virginia Alcoholic Beverage Control Authority advised they do not have dispatchers.

VRS cost to implement (see Item 7 and Item 8 for details): Approximately \$119,000 for FY 2025.

Employer cost to implement (see Item 7 and Item 8 for details): The agencies identified in the bill will need approximately \$875,000 to add additional employees covered by VaLORS in FY 2026. Any of the employers other potential costs to implement this change have not been captured here, except for the increased contribution rates required.

Other VRS and employer impacts (see Item 7, Item 9, Item 11, and Item 12 for details): The addition of these dispatchers to VaLORS will impact future VaLORS contribution rates for all VaLORS employers.

GF budget impacts (see Item 8 for details): Approximately \$630,000 increase in FY 2026 for the increase in employer contribution costs for VaLORS coverage.

NGF budget impacts (see Item 8 for details): Approximately \$245,000 increase in FY 2026 for the increase in employer contribution costs for VaLORS coverage. \$119,000 NGF in FY 2025 for VRS implementation.

7. Budget Amendment Necessary: Yes.

Item 484: VRS would need a NGF appropriation of approximately \$119,000 for FY 2025 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 State or VaLORS contribution rates for FY 2026 or to the funded status of the State or VaLORS plans, which are discussed below.

The agencies that employ 911 dispatchers covered by the bill (VSP, Capitol Police, DWR, VMRC, and DOC) will require appropriations in total of approximately \$875,000 (\$630,000 GF and \$245,000 NGF) for FY 2026 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 these 911 dispatchers currently participate.

Contribution rates required under this bill will be affected by passage of SB 130. The costs estimated here do not include that impact or additional costs to perform new valuations to make the changes that would be required by SB 130.

8. Fiscal Impact Estimates:

Fiscal Impact Estimates/Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>New Positions</i>	<i>General Fund</i>	<i>Non-General Fund & Local Funds</i>
2024	--	--	--	--
2025	\$119,000			\$119,000
2026	\$875,000		\$630,000	\$245,000
2027	\$875,000		\$630,000	\$245,000
2028	\$875,000		\$630,000	\$245,000
2029	\$875,000		\$630,000	\$245,000
2030	\$875,000		\$630,000	\$245,000

Please see the discussion in Item 9 for details.

9. **Fiscal Implications:** The provisions of the bill would make 911 dispatchers with VSP, Capitol Police, DWR, VMRC, and DOC eligible for VaLORS for service on or after July 1, 2025.

The addition of state 911 dispatchers to VaLORS would not impact the unfunded liabilities of the VaLORS plan since dispatchers would only earn service prospectively in the VaLORS plan. The addition of state 911 dispatchers to VaLORS will likely not have a large impact on the normal cost rate as we expect only about 160 additional members added to a fairly large pooled plan with approximately 7,500 active members.

The dispatchers leaving the State plan would maintain their accrued benefit from the State plan and earn service under the VaLORS plan effective July 1, 2025. Upon retirement, their benefit would be based on service and benefits earned at the State plan up through July 1, 2025, combined with service and benefits earned after July 1, 2025, from the VaLORS plan.

Estimated required budget amendment amounts by agency expected for FY 2026 are in Exhibit 1 below, based on estimated payrolls. Each agency will require a budget amendment related to the increase provided below. The budget amendment for FY 2026 would 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 dispatchers currently participate. Based on the budget for the current biennium, the VaLORS contribution rate that these employers will have to contribute for these dispatchers is 12.08% of applicable payroll greater than the State Plan contribution rate that they are already paying, as reflected in Exhibit 1.

Exhibit 1

State Police Dispatchers

	Agency	Active Count	Estimated Payroll FY 2025	Retirement Contribution Rates *	Estimated Employer Contributions **
				FY 2025/FY 2026	FY 2026
As Member of State Plan	State Police	127	\$6,616,000	12.52%	\$917,000
	Capitol Police	10	\$468,000		\$65,000
	ABC Authority	0	\$0		\$0
	Virginia Marine Commission	6	\$262,000		\$36,000
	Wildlife Resources	13	\$744,000		\$103,000
	Department of Corrections	1	\$52,000		\$7,000
	Total	157	\$8,142,000		\$1,128,000
As Member of VaLORS Plan	State Police	127	\$6,616,000	24.60%	\$1,628,000
	Capitol Police	10	\$468,000		\$115,000
	ABC Authority	0	\$0		\$0
	Virginia Marine Commission	6	\$262,000		\$64,000
	Wildlife Resources	13	\$744,000		\$183,000
	Department of Corrections	1	\$52,000		\$13,000
	Total	157	\$8,142,000		\$2,003,000
Additional Funds Needed	State Police	127	\$6,616,000	12.08%	\$711,000
	Capitol Police	10	\$468,000		\$50,000
	ABC Authority	0	\$0		\$0
	Virginia Marine Commission	6	\$262,000		\$28,000
	Wildlife Resources	13	\$744,000		\$80,000
	Department of Corrections	1	\$52,000		\$6,000
	Total	157	\$8,142,000		\$875,000

* Effective July 1, 2024, the Board-certified contribution rate for the State Plan no longer includes an amount for expected contributions to the defined contribution component of the Hybrid retirement plan. In addition to paying the defined benefit rate, the employer is also responsible for funding the employer contributions to the defined contribution plan on behalf of hybrid members which will be between 1.0% - 3.5% of a hybrid member's payroll depending on the match of employees' voluntary contributions.

The FY 2025/2026 contribution rate for VaLORS is held at the FY 2023/2024 level in the proposed budget.

** The expected employer contributions to the State Plan include estimated DC contributions of 1.35% of total payroll.

10. Specific Agency or Political Subdivisions Affected: VRS, VSP, Capitol Police, DWR, VMRC, DOC, and all employers with employees participating in VaLORS.

11. Technical Amendment Necessary: No.

12. Other Comments: This bill would move full-time dispatchers for a public safety answering point, as defined in § 56-484.12¹ for VSP and the other state agencies already listed in § 51.1-212 of the *Code* from the State plan to VaLORS. The bill has a delayed effective date of July 1, 2025, and provides the benefits for service earned on or after July 1, 2025.

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.

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.

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. If this legislation is enacted, any member who has at least five years of service in a hazardous duty position, including service as a state 911 dispatcher, will be eligible (at the time of their retirement) to receive a retirement benefit under VaLORS.

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. 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.” It should be noted that JLARC only looked at local 911 dispatchers and VSP dispatchers; dispatchers employed by the other agencies listed in § 51.1-212 of the *Code* were not considered in the JLARC report. 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.

Several similar bills have been introduced that would allow localities to elect hazardous duty benefits for local 911 dispatchers for service earned on or after July 1, 2025 (HB 38, HB 300, HB 630, SB 328, and SB 472).

Date: 1/25/2024

Document: HB631.DOC/VRS