

Virginia Retirement System

2024 Fiscal Impact Statement

1. **Bill Number:** SB 328

House of Origin Introduced Substitute Engrossed

Second House In Committee Substitute Enrolled

2. **Patron:** Jordan

3. **Committee:** Finance and Appropriations

4. **Title:** Virginia Retirement System; enhanced retirement benefits for 911 dispatchers.

5. **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, 2025, 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, 2025, in addition to service earned on or after that date. The bill has a delayed effective date of July 1, 2025.

6. Summary of Impacts

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, 2025, 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 choose to provide enhanced benefits for dispatcher service earned prior to the effective date of the bill.

Impact to unfunded liability (see Item 9 for details): 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) (see Item 9 for details): 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.

Specific Agency or Political Subdivisions Affected (see Item 10): VRS and participating local employers with 911 dispatchers.

VRS cost to implement (see Item 7 and Item 8 for details): Approximately \$188,000 for FY 2025. Programming to allow for an election to provide benefits retroactively or only prospectively will incur additional costs and increase the complexity of administering the benefits.

Employer cost to implement (see Item 7 and Item 8 for details): Would vary by employer and could vary widely depending on whether any additional funding requirements are applicable if retroactive application of provisions is elected.

Other VRS and employer impacts (see Item 7, Item 9, Item 11, and Item 12 for details): 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 enable employees to retire sooner because of the earlier age and service requirements with hazardous duty benefits.

GF budget impacts (see Item 8 for details): None.

NGF budget impacts (see Item 8 for details): \$188,000 NGF in FY 2025 for VRS implementation.

- 7. Budget Amendment Necessary:** Yes. In Item 484, VRS would need a NGF appropriation of approximately \$188,000 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 local contribution rates or to the funded status of the local plans, which are discussed below.

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:** More detail on the fiscal impact is explained in Item 9 below.
- 9. Fiscal Implications:** The provisions of the bill would make local 911 dispatchers eligible to receive enhanced hazardous duty benefits for service on or after July 1, 2025, if local employers make an irrevocable election to provide the enhanced coverage. The bill also allows employers to choose to provide enhanced benefits for service earned prior to the effective date of the bill. The cost of the benefits would be borne by the local political subdivision.

The VRS funding policy requires political subdivision employer plans to be at least 75% funded in order to elect benefit enhancements. Benefit enhancements that result in a funded status less than 75% require 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 as well as the decision on prospective or retroactive application of the provisions. 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.

A likely potential consequence of the bill is that it may be 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 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 (HD) 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 HD, 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 HD, the HD 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 HD, moves to a position with a locality that has elected the coverage and to allow the service earned prior to the effective date of coverage to count as HD, the member could request that the first employer certify time earned in the position prior to July 1, 2025 as HD and the second employer would pay for earlier service.

Information gathered in 2022 (the most recent data available at the time this FIS was completed) indicates that there are 119 local 911 centers throughout Virginia that answer wireless 911 calls as referenced in *Code of Virginia* § 56-484.12. Since dispatchers 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. 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 911 dispatchers as well as managers, supervisors, and administrative staff who are trained and certified to answer 911 calls.

While the costs to provide these benefits will vary by employer due to the underlying demographics of each employer, we do know the average employer cost for political subdivisions to provide enhanced hazardous duty benefits as of the last rate-setting valuations was 22.07% of applicable payroll as compared to 6.06%, which is the average employer cost for general employees. The higher cost 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 June 30, 2023.

The bill will provide localities with the option to provide enhanced hazardous duty coverage to 911 dispatchers. 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. The hazardous duty 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. 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.

Therefore, 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 to add the same benefit for 911 dispatchers. If the employer chooses to do nothing, their emergency dispatchers would not receive the benefit.

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 associated with this benefit enhancement will vary by employer and depend upon such elements as the number of 911 dispatchers, their years of service, and other demographic data and information. Additionally, the increases in liabilities and contribution rates associated with this benefit enhancement will further vary depending on whether the employer elects to provide the benefit retroactively.

10. Specific Agency or Political Subdivisions Affected: VRS, participating local employers, and VRS members who would become eligible for hazardous duty benefits.

11. Technical Amendment Necessary: No.

12. Other Comments: This bill would add full-time 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, 2025. 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, 2025 following election of the benefit, or service earned following election of the benefit and for all prior service in the position.

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%. Currently, local employers may elect either the 1.7% multiplier or the 1.85% multiplier. Age and service requirements for an unreduced retirement benefit also differ for those with enhanced hazardous duty benefits. SPORS normal retirement age is 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.

Under this bill, only service earned as a dispatcher on or after July 1, 2025, and after a VRS-participating local employer elects the benefit would earn hazardous duty service. If the political subdivision has made an irrevocable election to provide enhanced benefits for other categories of employees, the benefits provided to dispatchers would be at the same 1.7% or 1.85% multiplier already elected. 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, this legislation allows VRS-participating employers to choose to

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.

provide hazardous duty benefits to dispatchers for service earned prior to an election made following the effective date of the bill. 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 administering the enhanced benefits provided for in the legislation substantially more complex. 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. 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 service to qualify for the hazardous duty supplement.

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, 911 dispatchers (except for those with prior service) whose employers have elected enhanced benefits would be moved to Plan 2 (while retaining their DC plan balances) instead of the Hybrid Plan. Dispatchers with prior service who are in Plan 1 or Plan 2 would remain in the same plan.

Whether to provide these enhanced benefits is a local election funded by each separately actuarially rated locality that participates in VRS. If the bill is enacted, any participating locality that wishes to provide enhanced hazardous duty benefits to its full-time dispatchers must adopt a resolution adding such employees to the locality's list of covered employees under § 51.1-138, if any. Adding benefits for these employees would be an individual decision by each participating locality and would not be mandatory. In general, electing these benefits would increase the locality's contribution rate and its liabilities, however the prospective application would mitigate the impact.

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.

This bill is identical to HB 38, HB 300, HB 630, and SB 472.

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