

# Commission on Local Government

## Estimate of Local Fiscal Impact

2022 General Assembly Session

**Bill:** HB131

**Special Session:**

**Patron:** Cherry

**Date:** 1/24/2022

In accordance with the provisions of §30-19.03 of the Code of Virginia, the staff of the Commission on Local Government offers the following analysis of the above-referenced legislation:

### Bill Summary:

Virginia Retirement System; enhanced retirement benefits for 911 dispatchers. Adds 911 dispatchers to the list of local employees eligible to receive enhanced retirement benefits for hazardous duty service. Under current law, localities may provide such benefits to first responders, including firefighters and emergency medical technicians, and certain other hazardous duty positions. The bill provides that such benefits would be available only to dispatchers hired starting on or after January 1, 2022.

### Executive Summary:

Localities have evaluated a negative fiscal impact ranging from \$0 - \$0.26 million.

Localities reported negative fiscal impacts stemming from increases in employer payments towards impacted employee's retirement, due to the increase in employer contribution rates. Several localities reported this fiscal impact would increase over time, as the retirement population of the covered employees increased and as employee turnover increased the number of eligible employees.

Some localities reported that the bill would produce no fiscal impact, as their localities were not responsible for 911 dispatch services or did not participate in VRS. Additionally, several localities noted the legislation was permissive, meaning any fiscal impacts incurred would be under the discretion of the locality.

### Local Analysis:

**Locality:** Amherst

**Estimated Fiscal Impact:** \$0.00

unknown fiscal impact

**Locality:** Augusta County

**Estimated Fiscal Impact:** \$0.00

We have not hired anyone since Jan 1, 2022, so the value shown is zero. To arrive at a true value over time, VRS would need to provide an actuarial report with the new employees added (when hired). There are 22 positions in our ECC, so do not expect the overall change in the VRS rate to be significant.

**Locality:** City of Alexandria..

**Estimated Fiscal Impact:** \$263,000.00

Future cost of \$250,000-\$300,000, phased in with turnover. If passed, preliminary fiscal estimate in range of \$250,000-\$300,000. While this bill proposes to add these retirement benefits to this group only to dispatchers hired on or after January 1, 2022, this fiscal impact total assumes that eventually all City dispatchers will fall under this regulation i.e. potential net fiscal impact.

~~~~~  
**Locality:** City of Danville

**Estimated Fiscal Impact:** \$0.00

Danville does not participate in VRS. However, if this bill did apply, the cost would be upwards of \$250,000 per year to cover ongoing service and to fund their prior service.

~~~~~  
**Locality:** City of Harrisonburg

**Estimated Fiscal Impact:** \$0.00

Unable to estimate cost without estimated actuarial rates provided by VRS reflecting change in legislation.

~~~~~  
**Locality:** City of Manassas

**Estimated Fiscal Impact:** \$5,000.00

We believe the fiscal impact of this legislation will be minimal, with some potential increased costs for VRS contributions and insurance.

~~~~~  
**Locality:** City of Winchester

**Estimated Fiscal Impact:** \$2,000.00

This would be a minimum cost to the City and would certainly help us attract new dispatchers, we we desperately need.

~~~~~  
**Locality:** County of Albemarle

**Estimated Fiscal Impact:** \$0.00

Albemarle County is a funding partner in a regional emergency communications center. Enhance retirement benefits for 911 dispatchers would likely increase the employer contribution to VRS. This increase would be proportionally passed along to the County. However, the increase would start out minimal and grow over time as this bill only applies to new hires after January 1, 2022. Future budgetary impact.

~~~~~

**Locality:** County of Mecklenburg

**Estimated Fiscal Impact:** \$3,300.00

Without being able to determine the UAAL of any given employee who does not yet exist (with unknown age and demographic data), nor the knowledge of how one or a few additional Plan 1/2 level employees changes the composition of overall employer liability amount (we know it would be higher, but it may be offset by other general workforce transitions), it is hard to calculate the impact of this bill. It is assumed that the unfunded amortization would increase as a result of the bill and the transfer of employees from hybrid to Plan 1/2 benefits. Nevertheless, given that the average employer contribution for plans with enhanced hazardous duty, in the prior biennium, is about 83% higher than the average contribution for plans with no hazardous duty, for the purposes of this very rough estimate, costs are assumed to be 83% higher after enactment of this bill (presumably, the average enhanced hazardous duty amount has a mixture of 1.7% and 1.85% elections, however, that decision would also make an impact on cost). Given the current entry level salary of a new PSAP employee for our county, with an estimated employer contribution rate 83% higher than the hybrid plan the employee hired after 1/1/2022 would otherwise receive, the average cost per employee would be about \$3,300-\$3,500 higher. We currently employ 18 PSAP/9-1-1 operators. If all were to change over tomorrow, then the total cost would be \$60,000 higher. It is more likely that only a couple would become eligible per year. In the long run, it is likely that employee turnover would increase not decrease at the senior PSAP level, as employees would be more likely to depart once they achieve twenty years of service and become eligible for the supplement prior to Social Security. With more employees drawing the supplement, then the actuarial calculations would likely be adjusted and cause the cost of the employer rate to increase further. This is because the benefits drawn by a employee making the pay range maximum would with the higher percent plus supplement is about 179% to 194% greater than the employee with a standard retirement multiplier (this would be a net addition of 79% - 94% in added annual employer side costs relative to the baseline.)

~~~~~  
**Locality:** County of York

**Estimated Fiscal Impact:** \$185,000.00

York County has 39 Full-time dispatchers. The County have dispatchers that are included in Plan 1, Plan 2 and Hybrid. Currently we have approximately 6 to 8 vacancies. The turnover rate is very high for dispatchers therefore the expectation is within a two to three year period, a majority of the dispatchers would fall under this provision. Currently the County provides for hazardous duty coverage for first responders, therefore dispatchers who are hired after 1/1/22 would fall under this coverage and the multiplier for them would be increased to 1.85%. They would be considered Plan 2 employees and not Hybrid as well. The average employer cost for political subdivisions under this provision is 20.64% compared to 8.07% for general employees. The starting salary of a dispatcher in York County is \$35,882. The impact to the County is estimated to be approximately \$185,000 per year.

~~~~~  
**Locality:** Fairfax County

**Estimated Fiscal Impact:** \$0.00

No impact as Fairfax County has its own retirement system and is not a part of the Virginia Retirement System.

~~~~~  
**Locality:** Montgomery County

**Estimated Fiscal Impact:** \$0.00

There would be increased costs for each locality (amount is unknown) and the benefits would be only available to dispatchers hired on or after January 1, 2022. The existing dispatchers would not receive the benefits.

~~~~~

**Locality:** Prince George County

**Estimated Fiscal Impact:** \$40,000.00

The fiscal impact for this change at the locality level is currently unknown (confirmed by VRS). Providing this expanded benefit to 17 employees employed in our Dispatch Center (6% of our current workforce) would likely have an impact on our VRS rate, which is blended across all employee groups - hazardous duty and non-hazardous duty. We estimated \$40,000 as a place-holder, but it is a rough estimate at best.

~~~~~  
**Locality:** Rappahannock County

**Estimated Fiscal Impact:** \$1.00

It is very difficult to calculate the fiscal impact of this legislation if enacted by a local government, but it is permissive, so localities could choose to incur the additional fiscal impact or not. If they do, the fiscal impact would be felt over time with a higher locality VRS contribution rate that would be necessary to cover the higher multiple (1.85 vs. 1.7) and the shorter work period needed to reach retirement age.

Because it is permissive, I have shown a \$1 fiscal impact.

~~~~~  
**Locality:** Richmond County

**Estimated Fiscal Impact:** \$10,000.00

Not a terrible idea, but will come with additional costs.

~~~~~  
**Locality:** Town of Blacksburg

**Estimated Fiscal Impact:** \$1,500.00

The Town is a member of a Regional 911 Authority. This is an estimate of our portion of the increase in the VRS rate on the Authority.

~~~~~  
**Locality:** Town of Christiansburg

**Estimated Fiscal Impact:** \$125,000.00

Assuming a 2% increase in the New River Valley Emergency Communications Regional Authority's contribution rate for this change, the cost to the Town would be an additional \$125,000 per year. The estimated \$125,000 annual increase would also be borne by the three other authority members (Town of Blacksburg, Montgomery County, and Virginia Tech) -- for a total of approximately \$500,000 across all four members.

~~~~~  
**Locality:** Town of Leesburg

**Estimated Fiscal Impact:** \$3,969.00

Assumes the liability gets added to the Town's actuarial contributions by VRS based upon avg salaries of dispatchers and portion of actuarial contributions considering historical turnover.

~~~~~  
**Locality:** Town of Luray

**Estimated Fiscal Impact:** \$0.00

Dispatch services are provided by the County. Additional costs to the County will be borne by Town residents.

~~~~~

**Locality:** Town of Marion.  
county function

**Estimated Fiscal Impact:** \$0.00

~~~~~  
**Locality:** Town of Scottsville

**Estimated Fiscal Impact:** \$0.00

No impact to Scottsville, nor to similarly situated small towns.

In our area, 911 dispatch is a regional partnership of a city, county, and university. The town, being very small, is not represented on the board of this regional agency and does not pay in to the services.

Increasing VRS benefits to dispatchers might help with retention, but might also increase operating costs. However, there would be not direct cost impacts to the Town budget.

~~~~~  
**Locality:** Town of Victoria

**Estimated Fiscal Impact:** \$0.00

For the Town of Victoria there would be no fiscal impact with this bill as the town does not employ 911 dispatchers.  
~~~~~