

Virginia Retirement System

2022 Fiscal Impact Statement

1. **Bill Number:** HB 854

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron:** Reid

3. **Committee:** pending

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

5. **Summary:** 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.

6. **Summary of Impacts**

Benefit(s) impacted: Individual local plans. The bill allows localities to elect enhanced benefits for 911 dispatchers.

Impact to unfunded liability (see Item 9 for details): Indeterminate. Will vary by employer for those that elect the benefits for 911 dispatchers.

Impact to contribution rate(s) (see Item 9 for details): Indeterminate. Will vary by employer for those that elect the benefits for 911 dispatchers.

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

VRS cost to implement (see Item 7 and Item 8 for details): Approximately \$124,000 for FY 2022.

Employer cost to implement (see Item 7 and Item 8 for details): Indeterminate.

Other VRS and employer impacts (see Item 7, Item 9, Item 11, and Item 12 for details): Going forward, requires the locality to cover all employees in the new “first responder” definition (firefighters, emergency medical technicians, and 911 dispatchers) if the locality chooses to cover any of the employees within the definition.

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

NGF budget impacts (see Item 8 for details): \$124,000 NGF in FY 2022 for implementation.

7. **Budget Amendment Necessary:** Yes. In Item 494, VRS would need a NGF appropriation of approximately \$124,000 for FY 2022 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.

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 911 dispatchers eligible to receive enhanced hazardous duty benefits if local employers opt to provide the enhanced coverage. The cost of the benefits would be borne by the local political subdivision.

The most recent information available 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 Integrated Service Program at VITA, which provides support to the 911 Board, was able to provide generalized staffing information indicating that smaller localities may have 5-6 dispatchers, while the largest localities could have up to 150 dispatchers on staff. Based on this information, VRS assumes that there could potentially be in excess of 1,000 full-time dispatchers statewide..

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 June 30, 2021 was 20.64% as compared to 8.07%, which is the average employer cost for general employees. The higher cost is due to both earlier retirement eligibility as well as the cost of the hazardous duty supplement, which is currently \$1,222 per month for those with at least 20 years of hazardous duty service.

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% multiplier and a 1.85% multiplier for the retirement benefit, as well as the option to elect a hazardous duty supplement currently equal to \$1,222 per month and continuing 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 benefit for 911 dispatchers. If the employer chooses to do nothing, their emergency dispatchers would not receive the benefit.

The bill combines full-time salaried firefighters, full-time salaried emergency medical technicians, and full-time dispatchers for a public safety answering point as defined in § 56-484.12 into a new definition of “first responder.” By combining these positions into one definition, it requires employers that are electing enhanced hazardous duty benefits going forward to elect them for all of these positions or none of them.

As this bill is permissive in nature and political subdivision plans each have the ability to elect these benefits and 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.

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: Yes.

VRS is requesting that the effective date of this legislation be delayed until July 1, 2023 to allow for necessary systems adaptations along with necessary system validation testing. A delayed effective date will also allow for communications and outreach to affected employees and employers and updating web and handbook content. As a large number of VRS-related pieces of legislation are being proposed this year, additional time is needed in order to provide for the effective implementation of concurrent legislative initiatives.

In addition, adding “salaried” after “full-time” will make full-time dispatchers for a public safety answering point as defined in § 56-484.12 consistent with “full-time salaried firefighters and “full-time salaried emergency medical technicians.”

VRS believes that creating a new definition of “first responder” eliminates a locality’s ability to elect enhanced hazardous duty benefits for just one of these categories of employees, as is currently the case, and going forward would require the election to cover all employees in the new “first responder” definition.

In addition to the other amendments referenced above, in line 88, add an enactment clause two as follows:

2. That the provisions of this act providing enhanced retirement benefits to positions as full-time salaried dispatchers for a public safety answering point shall take effect July 1, 2023.

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.

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, 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. VRS 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.

Local elections to provide hazardous duty benefits to other eligible categories of employees are currently retroactive, so that any active employee in the eligible category will receive the enhanced benefits, which will also be applied to any past hazardous duty service. In order to retire with the enhanced benefits an eligible 911 dispatcher 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.

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 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 as drafted, any locality that wishes to provide enhanced hazardous duty benefits to its full-time dispatchers must adopt a resolution adding first responders, which includes dispatchers, full-time salaried firefighters and full-time salaried emergency medical technicians, to the locality's list of covered employees under § 51.1-138. 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.

Because the bill combines full-time salaried firefighters, full-time salaried emergency medical technicians, and full-time dispatchers for a public safety answering point as defined in § 56-484.12 into a new definition of "first responder," it requires employers that are

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.

electing enhanced hazardous duty benefits going forward to elect them for all of these positions or none of them.

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. 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...”

The bill is identical to SB 585. It is also similar to HB 131.

Date: 1/18/2022

Document: HB854.DOC/VRS