

VIRGINIA RETIREMENT SYSTEM

2002 Fiscal Impact Statement

1. Bill Number SB120

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

2. Patron Stosch

3. Committee Finance

4. Title Sickness and Disability Program.

5. Summary/Purpose:

Virginia Sickness and Disability Program. Enroll certain state employees into the Virginia Sickness and Disability Program (VSDP) unless such employees opt not to be enrolled. Members of the Virginia Retirement System, the State Police Officers' Retirement System, the Virginia Law Officers' Retirement System, certain part-time employees of the Commonwealth, and employees of higher education participating in the Retirement System, who are not already participating in the program, will be automatically enrolled into the VSDP unless such persons provide written notice to VRS of their decision not to participate. In general, the opt-out period will run from October 1, 2002, through December 31, 2002, and VSDP coverage will be effective January 10, 2003. Employees of higher education commencing employment on or after October 1, 2002, who are employed in a faculty position performing teaching, research or administrative duties, who elect to participate in VRS for their pension plan, have 60 days to elect participation in VSDP or the institution's sickness and disability program beginning with their first date of employment. Any person enrolled into the VSDP will have his sick leave balances converted to disability credits at the rate of one hour of disability credit for each hour of sick leave. The bill only applies to employees who currently are not participating in the VSDP; the bill does not affect employees who previously elected to enroll in the VSDP or who were enrolled by effect of law. The bill also authorizes VRS to provide a long-term care insurance program for members of the VSDP and pay for such program out of the VSDP trust fund.

6. Fiscal Impact Estimates are: No fiscal impact. See No. 8 below

7. Budget amendment necessary: No

8. Fiscal implications: There are costs associated with the implementation of the long-term care insurance for VSDP participants. There are also costs associated with the open enrollment because of adverse selection. There is, however, an offsetting reduction in costs for the VRS retirement plan because the costs associated with disability retirement is greater than the cost of benefits under the VSDP. This is because of the managed disability provisions of the VSDP and the added return to work incentives that do not exist under disability retirement. Because of these implications, the actuarial cost of this bill is offset by actuarial gains by having fewer incidences of disability retirement under the VRS.

9. Specific agency or political subdivisions affected: VR Sand state agencies.

10. Technical amendment necessary: No

11. Other comments: This is the same bill as HB 197. This bill was requested by the Board of Trustees of the Virginia Retirement System.

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