

Virginia Retirement System 2003 Fiscal Impact Statement

1. Bill Number HB2706

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Rapp

3. Committee Appropriations

4. Title Health insurance credits for certain retirees.

5. Summary/Purpose:

Health insurance credits for certain retirees. Increases the monthly health insurance credit used to offset the cost of health insurance premium costs to \$4 for each year of creditable service, not to exceed a maximum monthly credit of \$120 for retired (i) teachers, (ii) local government employees, (iii) constitutional officers and their employees, and (iv) local social service employees. Under current law the monthly health insurance credit for teachers is \$2 for each year of creditable service up to a maximum monthly amount of \$75, and, for the remainder of these employees, these amounts are \$1.50 and \$45, respectively.

6. Fiscal Impact Estimates are:

State (GF)	\$14.7 Million Annually
Teacher (State)	\$4.9 Million Annually
Teacher (Local)	\$4.9 Million Annually

7. Budget amendment necessary: No

8. Fiscal implications: This bill enhances benefits and results in a fiscal impact. The Commonwealth is currently contributing below the level recommended by the VRS actuary. In addition, VRS investment returns are currently below the actuarial investment assumption and deferred investment losses exist. In the absence of this benefit enhancement, VRS expects future required contributions to increase and approval of this enhancement will increase contributions even more. VRS is also concerned that a review of the overall objectives and benefits of the system has not taken place in many years and recommends that, prior to significant enhancements to benefits being approved, a major study of the system be initiated by the General Assembly similar to that recommended during the 2002 Session in HJR 49. Note that benefit enhancements approved this year will be considered in the June 30, 2003 actuarial valuations and first reflected in contribution rates on July 1, 2004.

9. Specific agency or political subdivisions affected: VRS and public school divisions

10. Technical amendment necessary: No

11. Othercomments: None

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