

# Virginia Retirement System

## 2005 Fiscal Impact Statement

**1. Bill Number** HB1866

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

**2. Patron**        Morgan

**3. Committee**   Appropriations

**4. Title**            Health insurance credits for state and local retirees.

**5. Summary/Purpose:**

Health insurance credits for state and local retirees. Increases the monthly health insurance credits provided to local and state employees retiring with 25 or more years of creditable service to \$7 per year of creditable service, not to exceed a maximum of \$210 per month. These amounts, as well as the amount of the monthly credits under current law for employees retiring with less than 25 years of service, are indexed to the average annual increase in the premiums for the state retiree health benefits plans. The bill applies to state employees, local employees, teachers, constitutional officers and their employees, and local social service employees, whether they retired before or retire after the effective date of the bill, July 1, 2005. Currently, retired teachers receive a health insurance credit of \$2.50 with a maximum of \$75 and retired local government employees whose employers have elected to provide the credit receive a health credit of \$1.50 with a maximum of \$45.

**6. Fiscal Impact Estimates are:**

**6a. Expenditure Impact:**

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
STATE GF	\$ 8,439,000	\$ 8,692,000	\$ 8,953,000	\$ 9,221,000	\$ 9,498,000	\$ 9,783,000
VALORS GF	\$ 1,519,000	\$ 1,565,000	\$ 1,612,000	\$ 1,660,000	\$ 1,710,000	\$ 1,761,000
SPORS GF	\$ 470,000	\$ 484,000	\$ 499,000	\$ 514,000	\$ 529,000	\$ 545,000
JRS	\$ 307,000	\$ 316,000	\$ 326,000	\$ 336,000	\$ 346,000	\$ 356,000
TEACHERS STATE	\$ 13,748,000	\$ 14,161,000	\$ 14,586,000	\$ 15,023,000	\$ 15,474,000	\$ 15,938,000
TOTAL GF	\$ 24,483,000	\$ 25,218,000	\$ 25,976,000	\$ 26,754,000	\$ 27,557,000	\$ 28,383,000
STATE NGF	\$ 10,314,000	\$ 10,624,000	\$ 10,942,000	\$ 11,270,000	\$ 11,609,000	\$ 11,957,000
VALORS NGF	\$ 380,000	\$ 391,000	\$ 403,000	\$ 415,000	\$ 427,000	\$ 440,000
SPORS NGF	\$ 52,000	\$ 54,000	\$ 55,000	\$ 57,000	\$ 59,000	\$ 61,000
TOTAL NGF	\$ 10,746,000	\$ 11,069,000	\$ 11,400,000	\$ 11,742,000	\$ 12,095,000	\$ 12,458,000
TEACHERS LOCAL	\$ 20,622,000	\$ 21,241,000	\$ 21,878,000	\$ 22,535,000	\$ 23,211,000	\$ 23,907,000
LOCAL AGGREGATE	\$ 23,180,000	\$ 23,876,000	\$ 24,592,000	\$ 25,330,000	\$ 26,090,000	\$ 26,872,000
TOTAL LOCAL	\$ 43,802,000	\$ 45,117,000	\$ 46,470,000	\$ 47,865,000	\$ 49,301,000	\$ 50,779,000

- 7. Budget amendment necessary:** No. The Code of Virginia requires the VRS to set contribution rates every two years. The costs associated with this bill would accrue in FY06, but would not be recognized in the employer contribution rates until FY07.
- 8. Fiscal implications:** The above costs are pay-as-you-go. Prefunded costs would be greater. There may be implications for financial reporting as a result of not prefunding post employment benefits.

The most significant cost driver associated with this bill is the indexing of future credits in accordance with the average increase in premiums for the state retiree health benefits plans. Although not immediately apparent in the pay-as-you-go rates, the impact would be more apparent in the pre-funded rates because this change, coupled with the increase to \$7 for persons with 25 or more years of service, is estimated to increase the unfunded liability for future benefits significantly (\$1.2B to \$3.9B).

- 9. Specific agency or political subdivisions affected:** VRS and employers providing the health insurance credit.

**10. Technical amendment necessary:** No

**11. Other comments:** No

**Date:** 01/21/05 / wgh

**Document:** HB1866