

Virginia Retirement System 2004 Fiscal Impact Statement

1. Bill Number SB284

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

2. Patron Wampler

3. Committee Appropriations

4. Title Line of Duty Act.

5. Summary/Purpose:

Relating to the Line of Duty Act. The Bill clarifies the retroactivity of Line of Duty Act benefits, transfers administration of the Act to the Virginia Retirement System, and provides for a Line of Duty Act fund that is capitalized from the VRS life insurance fund.

6. Fiscal Impact Estimates are:

6a. Expenditure Impact:

	% of Payroll	State (All funds)	Local
FY05	0.31%	\$1.22 million	\$7.03 million
FY06	0.28%	\$1.13 million	\$6.54 million
FY07	0.31%	\$1.29 million	\$7.46 million
FY08	0.35%	\$1.50 million	\$8.67 million
FY09	0.40%	\$1.77 million	\$10.21 million
FY10	0.44%	\$2.01 million	\$11.56 million

7. Budget amendment necessary: If this Bill is approved, VRS will require an additional appropriation of \$350,000 (NGF) in FY05 and one FTE.

8. Fiscal implications: This Bill requires that the Line of Duty fund be capitalized from the group life insurance fund and paid back through contributions. Because of repeated premium holidays, the group life insurance fund is experiencing negative cash flows. The 04-06 biennium budget proposal before the General Assembly contains a premium holiday for the next two years. VRS has concerns with initially funding the Line of Duty program from a fund where premiums have not been paid and that is experiencing a negative cash flow. The fiscal impact shown above does not include any effects of this funding mechanism on the group life insurance fund. The fiscal impact assumes prefunding of the lump sum death benefit and funding of the health insurance benefits on a current disbursement basis. The increased cost in the first year assumes payment of the retroactive health insurance benefits.

The Bill also allows localities to certify to the VRS annually that they offer local health insurance to affected employees in lieu of the state provided benefit. In those cases, the localities will only be charged for the cost of prefunding the death benefit provided in this Bill.

VRS will reimburse the Department of Human Resource Management for reasonable administrative fees associated with the provisions of this Bill.

9. Specific agency or political subdivisions affected: VRS, DHRM, state agencies, and cities, counties and towns with covered employees.

10. Technical amendment necessary: No

11. Other comments: This Bill has a delayed implementation date January 1, 2005.

Date: 02/23/04 / wgh

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