

Virginia Retirement System 2005 Fiscal Impact Statement

1. Bill Number SB878

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

2. Patron Wampler

3. Committee Finance

4. Title Line of Duty Act.

5. Summary/Purpose:

Line of Duty Act. Provides for funding of continued health insurance and death payment benefits under the Line of Duty Act from employer contributions to a Line of Duty Act Fund administered by the Virginia Retirement System. The Retirement System shall set the rate of annual employer contributions. All payments for continued health insurance and death benefit payments shall be made from the Fund. In general, health insurance coverage under the Line of Duty Act shall be the basic health insurance plan for state employees. Localities that have a comparable program may elect not to participate in these benefits.

6a. Expenditure Impact:

6. Fiscal Impact Estimates are:

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Total GF	\$ 700,000	\$ 1,442,000	\$ 1,485,000	\$ 1,530,000	\$ 1,575,000	\$ 1,623,000
Total NGF	\$ 136,000	\$ 280,000	\$ 289,000	\$ 297,000	\$ 1,061,000	\$ 1,093,000
Total Local	\$ 1,821,000	\$ 3,787,000	\$ 3,901,000	\$ 4,018,000	\$ 4,139,000	\$ 4,263,000

7. Budget amendment necessary: If this bill is approved, VRS will require an additional appropriation of \$600,000 (NGF) in FY06 and 2 FTE's.

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 contains a premium holiday. 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.

There is no reliable data readily available with respect to the previous incidence of Line of Duty benefits or persons currently receiving benefits under the Act. This fiscal impact analysis was prepared based on the census of persons currently participating in SPORS, VaLORS, and LEOS, and no other groups that might be eligible for benefits. In addition, the following assumptions were incorporated: 80% of members are married, 50% of those who are married have dependents, 50% of members covered by the Line of Duty act who die or become disabled will be eligible for Line of Duty benefits, and 6% annual increases in the cost of medical benefits. If the legislation is passed, experience data will be accumulated over time and these initial assumptions will be revised to reflect actual experience. All other assumptions and methods are the same as those used to complete the June 30, 2004 actuarial valuation of SPORS, VaLORS, and LEOS.

These costs assume actuarial funding of the benefits in a separate risk pool with a common contribution rate for all employers. The lump sum benefit will be prefunded and the health insurance premiums will be funded on the current disbursement basis. The first contribution rate that will be impacted by any legislation is the rate for FY07, which will be determined by the June 30, 2005 valuation.

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, and all employers with covered employees.

10. Technical amendment necessary: No

11. Other comments: The bill has a delayed implementation of January 1, 2006.

Date: 02/03/05 / wgh

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