

**Virginia Retirement System**  
**2006 Fiscal Impact Statement**  
**Revised 1/25**

**1. Bill Number** HB59

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

**2. Patron** Putney

**3. Committee** Appropriations

**4. Title** Health insurance; increases credits for retired state employees.

**5. Summary/Purpose:**

Health insurance credits for retired state employees. Increases the monthly health insurance credits provided to retired state employees from \$4 per year of creditable service to \$6 per year of creditable service, and removes the maximum monthly cap of \$120.

**6. Fiscal Impact Estimates are:**

**6a. Expenditure Impact (Full-Funding):**

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
State-GF	16,501,000	17,161,000	17,847,000	18,561,000	19,303,000	20,075,000
SPORS-GF	866,000	901,000	937,000	974,000	1,013,000	1,054,000
VaLORS-GF	3,341,000	3,475,000	3,614,000	3,759,000	3,909,000	4,065,000
JRS-GF	605,000	629,000	654,000	680,000	707,000	735,000
Teacher-GF	-	-	-	-	-	-
Total GF	21,313,000	22,166,000	23,052,000	23,974,000	24,932,000	25,929,000
State-NGF	20,505,000	21,325,000	22,178,000	23,065,000	23,988,000	24,948,000
SPORS-NGF	197,000	205,000	213,000	222,000	231,000	240,000
VaLORS-NGF	259,000	269,000	280,000	291,000	303,000	315,000
Total NGF	20,961,000	21,799,000	22,671,000	23,578,000	24,522,000	25,503,000
Teacher-Local	-	-	-	-	-	-
Local Agregate	-	-	-	-	-	-
Total Local	-	-	-	-	-	-
Grand Total	42,274,000	43,965,000	45,723,000	47,552,000	49,454,000	51,432,000

**6b. Expenditure Impact (Pay-as-you-go):**

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
State-GF	9,134,000	9,499,000	9,879,000	10,274,000	10,685,000	11,112,000
SPORS-GF	480,000	499,000	519,000	540,000	562,000	584,000
VaLORS-GF	1,850,000	1,924,000	2,001,000	2,081,000	2,164,000	2,251,000
JRS-GF	335,000	348,000	362,000	376,000	391,000	407,000
Teacher-GF	-	-	-	-	-	-
Total GF	11,799,000	12,270,000	12,761,000	13,271,000	13,802,000	14,354,000
State-NGF	11,351,000	11,805,000	12,277,000	12,768,000	13,279,000	13,810,000
SPORS-NGF	109,000	113,000	118,000	123,000	128,000	133,000
VaLORS-NGF	143,000	149,000	155,000	161,000	167,000	174,000
Total NGF	11,603,000	12,067,000	12,550,000	13,052,000	13,574,000	14,117,000
Teacher-Local	-	-	-	-	-	-
Local Agregate	-	-	-	-	-	-
Total Local	-	-	-	-	-	-
Grand Total	23,402,000	24,337,000	25,311,000	26,323,000	27,376,000	28,471,000

**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 FY07 and would be recognized as an increase in the employer contribution rates beginning in FY09.

**8. Fiscal implications:** The fiscal impact calculations for this bill include both the pre-funded and the pay-as-you-go costs. The Government Accounting Standards Board (GASB) will require that future liabilities that are not covered under the pay-as-you-go funding plan must be reported. The Virginia Retirement System Board of Trustees has certified rates for the 2006-2008 biennium for the HIC in order to begin funding these liabilities.

**9. Specific agency or political subdivisions affected:** VRS and State Agencies

**10. Technical amendment necessary:** No

**11. Other comments:** The language provides for a health insurance credit maximum for those who retire for disability at \$180 per month. This language does not include a cap on the health insurance credit for those members who are receiving long-term disability payments under the Virginia Sickness and Disability Program. Long-term disability claimants accrue service credit each month just as active members. The language in the VSDP statute says that the health credit will be the maximum credit provided in the health credit statute for state employees. Because the language of this bill removes the cap for the health credit, it is unclear as to whether the intent is to interpret the language to mean there is no maximum for

VSDP LTD claimants or apply the maximum stated in the legislation for disability retirees, which is the \$180 per month. VSDP LTD claimants continue to to accrue service credit each month just as an active employee does.

**Date:** 01/26/06/pas

**Document:** HB59