

Virginia Retirement System 2006 Fiscal Impact Statement

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 Credit; Removes the \$120 monthly cap .

5. Summary/Purpose:

Health insurance credits for retired state employees. Retains the monthly health insurance credits provided to retired state employees at \$4 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	1,621,000	1,686,000	1,753,000	1,823,000	1,896,000	1,972,000
SPORS-GF	85,000	88,000	92,000	96,000	100,000	104,000
VaLORS-GF	328,000	341,000	355,000	369,000	384,000	399,000
JRS-GF	59,000	61,000	63,000	66,000	69,000	72,000
Teacher-GF	-	-	-	-	-	-
Total GF	2,093,000	2,176,000	2,263,000	2,354,000	2,449,000	2,547,000
State-NGF	2,014,000	2,095,000	2,179,000	2,266,000	2,357,000	2,451,000
SPORS-NGF	19,000	20,000	21,000	22,000	23,000	24,000
VaLORS-NGF	25,000	26,000	27,000	28,000	29,000	30,000
Total NGF	2,058,000	2,141,000	2,227,000	2,316,000	2,409,000	2,505,000
Teacher-Local	-	-	-	-	-	-
Local Agregate	-	-	-	-	-	-
Total Local	-	-	-	-	-	-
Grand Total	4,151,000	4,317,000	4,490,000	4,670,000	4,858,000	5,052,000

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	737,000	766,000	797,000	829,000	862,000	896,000
SPORS-GF	39,000	41,000	43,000	45,000	47,000	49,000
VaLORS-GF	149,000	155,000	161,000	167,000	174,000	181,000
JRS-GF	27,000	28,000	29,000	30,000	31,000	32,000
Teacher-GF	-	-	-	-	-	-
Total GF	952,000	990,000	1,030,000	1,071,000	1,114,000	1,158,000
State-NGF	915,000	952,000	990,000	1,030,000	1,071,000	1,114,000
SPORS-NGF	9,000	9,000	9,000	9,000	9,000	9,000
VaLORS-NGF	12,000	12,000	12,000	12,000	12,000	12,000
Total NGF	936,000	973,000	1,011,000	1,051,000	1,092,000	1,135,000
Teacher-Local	-	-	-	-	-	-
Local Agregate	-	-	-	-	-	-
Total Local	-	-	-	-	-	-
Grand Total	1,888,000	1,963,000	2,041,000	2,122,000	2,206,000	2,293,000

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: 02/16/06/pas

Document: HB59H1