

Virginia Retirement System 2007 Fiscal Impact Statement

1. Bill Number HB 2370

House of Origin ☐ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☒ Enrolled

2. Patron Tata

3. Committee Finance

4. Title Health insurance credits; teachers and other local school board employees.

Summary/Purpose: This bill increases the monthly health insurance credit for retired teachers from \$2.50 to \$4.00 for each full year of the retired member's creditable service. The bill eliminates the overall cap to the credit, and provides disability retirees with the lesser of (1) \$4 times twice the amount of their creditable service or (2) the amount of service completed at age 60 had they remained in service to that age. Pursuant to the provisions of this bill, a locality would no longer have the option of providing an additional \$1 health insurance credit to retired teachers. Finally, the bill is applicable to current and future retirees.

6. No Fiscal Impact (or)

Fiscal Impact Estimates are:

6a. Expenditure Impact:

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
State-GF						
SPORS-GF						
VaLORS-GF						
JRS-GF						
Teacher-GF	12,070,000	12,553,000	13,055,000	13,577,000	14,120,000	14,685,000
Total GF	12,070,000	12,553,000	13,055,000	13,577,000	14,120,000	14,685,000
State-NGF						
SPORS-NGF						
VaLORS-NGF						
Total NGF						
Teacher-Local	18,634,000	19,379,000	20,154,000	20,960,000	21,798,000	22,670,000
Local Agregate						
Total Local	18,634,000	19,379,000	20,154,000	20,960,000	21,798,000	22,670,000
Grand Total	30,704,000	31,932,000	33,209,000	34,537,000	35,918,000	37,355,000

7. Budget amendment necessary: Yes. The cost of this legislation will be reflected in increased employer contribution rate for FY08.

8. Fiscal implications: See Expenditure Impact above.

9. Specific agency or political subdivisions affected: VRS and local school divisions

10. Technical amendment necessary: Yes

Currently, all teachers who receive disability retirement receive a monthly health credit of \$75 regardless of the years of creditable service.

The provisions of this bill includes a revised methodology for calculating a health credit amount for teachers who receive disability retirement based on the lesser of (1) \$4 times twice the amount of their creditable service or (2) the amount of service completed at age 60 had they remained in service to that age. Application of this methodology would result in a reduction in the monthly health credit for approximately 225 disability retirees currently receiving the \$75 health credit.

To ensure members currently retired on disability experience no reduction in benefits, the following enactment clause is recommended:

“4. That the provisions of this act shall not apply to any former member, retired prior to July 1, 2007, whose retirement was for disability, if such application would reduce the monthly health insurance credit payable to such former member.”

11. Other comments: None

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