

Virginia Retirement System 2011 Fiscal Impact Statement

1. Bill Number: SB 805

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

2. Patron: Marsden

3. Committee: Finance

4. Title: Health insurance; credits for retired school division employees.

5. Summary: Health insurance credits for retired school division employees. Provides that the health insurance credit currently being provided to retired teachers would also be provided to all retired employees of the local school division at the option of the local school division and as a cost borne by the local government.

6. Budget Amendment Necessary: No, this will be funded by local funds only.

7. Fiscal Impact Estimates:

7a. Expenditure Impact: Assuming all school divisions opted for the \$4 per month HIC benefit, the first year cost to increase the HIC from \$1.50 to \$4 would be \$1.8 million for school divisions that currently participate in the program. Similarly, the first year cost to provide a \$4 HIC for localities that do not currently participate in the HIC program is estimated to be \$4.3 million. These costs, however, would be borne by the school that elected to provide the HIC benefit. The table below displays the local cost of providing this benefit to all local school division employees.

	<u>FY12 Cost</u>	<u>FY13 Cost</u>	<u>FY14 Cost</u>	<u>FY15 Cost</u>	<u>FY16 Cost</u>	<u>FY17 Cost</u>
State - General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SPORS - General Fund	-	-	-	-	-	-
VALORS - General Fund	-	-	-	-	-	-
JRS - General Fund	-	-	-	-	-	-
Teacher - General Fund	-	-	-	-	-	-
TOTAL General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State - Non-General Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SPORS - Non-General Funds	-	-	-	-	-	-
VALORS - Non-General Funds	-	-	-	-	-	-
TOTAL - Non-General Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Teacher - Local Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Political Subs - Schools with HIC	1,789,000	1,843,000	1,898,000	1,955,000	2,014,000	2,074,000
Political Subs - Schools W/O HIC	4,258,000	4,386,000	4,518,000	4,654,000	4,794,000	4,938,000
Political Subs - Non School	-	-	-	-	-	-
TOTAL Local Funds	\$ 6,047,000	\$ 6,229,000	\$ 6,416,000	\$ 6,609,000	\$ 6,808,000	\$ 7,012,000
Grand Totals	\$ 6,047,000	\$ 6,229,000	\$ 6,416,000	\$ 6,609,000	\$ 6,808,000	\$ 7,012,000

8. Fiscal Implications: Only local implications.

Since the current health credit of \$1.50 is optional, some local school division employees currently are not receiving any health credit. For those local school divisions that currently provide the \$1.50 HIC, the table below shows the cost to increase the credit from \$1.50 to \$4. For the non-participating groups, the table below presents the cost impact in two steps: first, adopting the plan (\$0 to \$1.50); and then the additional impact of SB 805 (\$1.50 to \$4.00).

The table below presents the estimated cost increase of the proposed benefits for the affected employers. The table, including the payrolls presented, is based on the June 30, 2010 actuarial valuation. For those local school boards that elect to provide the optional increase in the HIC, the cost as a percent of payroll shown in the table below could be used to provide a reasonable estimate of the local's cost based on their particular payroll.

		Cost of Increase to \$4.00 for Local School Divisions with Current Health Credit of \$1.50	Cost of Increase from \$0.00 to \$1.50 for Local School Divisions with No Current Health Credit	Cost of Increase from \$1.50 to \$4.00 for Local School Divisions with No Current Health Credit	Cost of Increase from \$0.00 to \$4.00 for Local School Divisions with No Current Health Credit
Plan 1	Cost for first year	\$1,707,000	\$1,522,000	\$2,537,000	\$4,059,000
	Payroll for affected employers	\$210,348,130	\$304,795,893	\$304,795,893	\$304,795,893
	Cost as a percent of payroll	0.81%	0.50%	0.83%	1.33%
	Impact on unfunded accrued liability	\$16,931,000	\$12,739,000	\$21,231,000	\$33,970,000
	Impact on normal contribution rate as a percent of payroll	0.33%	0.25%	0.42%	0.67%
Plan 2	Impact on normal contribution rate as a percent of payroll	0.32%	0.24%	0.40%	0.64%

9. Specific Agency or Political Subdivisions Affected: VRS, localities, and local school divisions who have elected VRS coverage for non-professional and local school employees.

10. Technical Amendment Necessary:

11. Other Comments:

Date: 02.15.2011

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