



**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 198 (\$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, 2011 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 school division's cost based on their particular payroll.

		Cost of Proposed HIC Benefit for Local School Divisions with Current HIC Benefit (a)	Cost of Providing Current HIC Benefit for Local School Divisions Not Providing Current HIC Benefit* (b)	Cost of Increase from Current HIC Benefit to Proposed HIC Benefit for Local School Divisions Not Providing Current HIC Benefit (c)	Total Cost of Providing Proposed HIC Benefit for Local School Divisions Not Providing Current HIC Benefit (d) = (b) + (c)	Total Cost of Providing Proposed HIC Benefit for Local School Divisions (e) = (a) + (d)
6/30/2011 Valuation Basis	Impact on HIC cost for first year	\$1,104,817	\$1,618,174	\$4,557,913	\$6,176,087	\$7,280,904
	Impact on unfunded accrued liability	\$14,740,164	\$14,044,847	\$68,579,764	\$82,624,611	\$97,364,775
	Impact on normal contribution	\$295,826	\$847,343	\$794,022	\$1,641,365	\$1,937,191
	Covered payroll for affected employers	\$166,200,020	\$334,612,660	\$334,612,660	\$334,612,660	\$500,812,680
	Impact on HIC cost for first year	0.66%	0.48%	1.36%	1.84%	1.45%
	Impact on unfunded accrued liability	8.87%	4.20%	20.50%	24.70%	19.44%
	Impact on normal contribution	0.18%	0.25%	0.24%	0.49%	0.39%
Plan 2	Impact on normal contribution rate as a percent of payroll	0.17%	0.24%	0.22%	0.46%	0.36%

\*Does not include the cost of providing benefits for those members who retired prior to 6/30/2011.

**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:** No

**11. Other Comments:** Due to the proposed change, a reduction in the HIC benefit to disabled retirees may result. The current minimum HIC benefit to disabled retirees is \$45 per month (not service based). Under the new proposal, the benefit is service based, and a reduction in benefit may occur for those with service less than 5.625 years. The fiscal impact of this change would be de minimis. A legislative change would be necessary in order to avoid this result.

**Date:** 01/25/2012

**Document:** SB198.DOC