

Virginia Retirement System 2014 Fiscal Impact Statement

1. Bill Number: SB 109

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

2. Patron: Stanley

3. Committee: Finance

4. Title: Virginia Retirement System; health insurance credit.

5. Summary: Increases health insurance credit for retired local government employees, local officers, constitutional officers, employees of constitutional officers, general registrars, employees of a general registrar, and employees of local social services boards from \$1.50 per year of creditable service with a cap of \$45, to \$4 per year of creditable service, with no cap.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Under the proposed legislation, SB 109 would increase the amount of the monthly health insurance credit (HIC) payable to service retirees with 15 or more years of total creditable service from \$1.50 per year of creditable service capped at a maximum benefit of \$45 (30 years of creditable service) to \$4.00 per year of creditable service with no benefit cap. Additionally, monthly Plan benefits for those eligible members receiving disability income from an eligible VRS plan (either disability retirement or long-term disability) would be increased to the maximum of:

- \$120
- \$4.00 per year of creditable service at the time of disability retirement
- \$4.00 per year for each year of creditable service at the time of eligibility for long-term disability

In determining the cost impact of the legislation, the benefit changes outlined above were assumed to apply to the eligible active, inactive, retired, and disabled members of those political subdivisions participating in the Plan, constitutional officers, employees of constitutional officers, general registrars, and local social service employees.

Exhibit 1 below shows the impact to unfunded liability and cost impact as a percent of payroll for each of the local health insurance credit programs.

Exhibit 1

	Unfunded Liability as of June 30, 2013	Impact of SB 109	
		Increase in Unfunded Liability	Increase in Annual Cost as Percentage of Covered Payroll
Participating Locals	\$ 17,167,000	\$ 56,152,000	0.54%
Constitutional Officers	\$ 23,938,708	\$ 42,854,000	0.62%
Social Service Employees	\$ 11,900,446	\$ 22,271,000	0.81%
General Registrars	\$ 446,567	\$ 738,000	0.66%

Exhibit 2 shows the estimated future cost impacts associated with SB 109.

Exhibit 2

	<u>FY15 Cost</u>	<u>FY16 Cost</u>	<u>FY17 Cost</u>	<u>FY18 Cost</u>	<u>FY19 Cost</u>	<u>FY20 Cost</u>
State - General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SPORS - General Fund	-	-	-	-	-	-
ValORS - General Fund	-	-	-	-	-	-
JRS - General Fund	-	-	-	-	-	-
Teacher - General Fund	-	-	-	-	-	-
Constitutional Officers - HIC	3,345,000	3,345,000	3,345,000	3,345,000	3,345,000	3,345,000
Social Services Employees - HIC	1,597,000	1,597,000	1,597,000	1,597,000	1,597,000	1,597,000
General Registrars - HIC	56,000	56,000	56,000	56,000	56,000	56,000
TOTAL General Fund	\$ 4,998,000	\$ 4,998,000	\$ 4,998,000	\$ 4,998,000	\$ 4,998,000	\$ 4,998,000
State - Non-General Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SPORS - Non-General Funds	-	-	-	-	-	-
ValORS - Non-General Funds	-	-	-	-	-	-
TOTAL - Non-General Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Teacher - Local Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Participating Locals - HIC	4,531,000	4,560,000	4,588,000	4,588,000	4,588,000	4,588,000
TOTAL Local Funds	\$ 4,531,000	\$ 4,560,000	\$ 4,588,000	\$ 4,588,000	\$ 4,588,000	\$ 4,588,000
Grand Totals	\$ 9,529,000	\$ 9,558,000	\$ 9,586,000	\$ 9,586,000	\$ 9,586,000	\$ 9,586,000

Estimated projections based on employee data and valuations results as of June 30, 2013 and assume a level population throughout projection period.

Payroll projections include only known payroll increases; including FY 2014 across the board merit increase and increases for compression for State employees and payroll increases for Teachers & Locals employees transitioning member contribution requirements effective July 1, 2012.

8. Fiscal Implications: See Fiscal Impact Estimates above.

9. Specific Agency or Political Subdivisions Affected: VRS, participating local employers, and local government employees, local officers, Constitutional Officers, employees of Constitutional Officers, general registrars, employees of a general registrar, and employees of local social services boards who offer a Health Insurance Credit benefit.

10. Technical Amendment Necessary: No.

11. Other Comments: SB 109 would provide an increase in the amount of the HIC for local government employees whose employers have elected the HIC from the current \$1.50 per year of service with a \$45.00 monthly cap to \$4.00 per year of service with no cap. The increase would also apply to local officers, general registrars, employees of a general registrar, and employees of local social services boards. Retirees must have at least 15 years of creditable service to be eligible for the HIC.

The HIC for eligible members receiving VRS disability income would be increased to \$120, \$4.00 per year of creditable service at the time of disability retirement, or \$4.00 per year for each year of creditable service at the time of eligibility for long-term disability, whichever is greater.

The HIC was first provided effective July 1, 1992 for local employees with at least 15 years of creditable service whose employers elected to provide the benefit. The amount at that time was \$1.50 per year of creditable service, with a monthly cap of \$45.00, and has remained unchanged since then. As of July 1, 1999, the \$1.50 HIC capped at \$45.00 was extended to sheriffs, sheriff's deputies, constitutional officers, and local social service worker retirees with at least 15 years of creditable service. The HIC benefit is intended to help defray the cost of health care coverage for the retiree only.

SB 103 and HB 1104 are similar bills that provide an increase from \$4.00 per year of service to \$5.00 for state service retirees with at least 15 years of creditable service and commensurate increases for those receiving VRS disability income. No bill currently before the General Assembly would provide a similar increase in the HIC benefit for Teachers.

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