

## Virginia Retirement System 2017 Fiscal Impact Statement

**1. Bill Number:** HB 1416

House of Origin	<input checked="" type="checkbox"/>	Introduced	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Engrossed
Second House	<input type="checkbox"/>	In Committee	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Enrolled

**2. Patron:** Helsel

**3. Committee:** Appropriations

**4. Title:** Line of Duty Act; payments to beneficiaries

**5. Summary:** Effective July 1, 2017, increases from \$100,000 to \$125,000 the death benefit payable to the beneficiary of a deceased law-enforcement officer or other person covered by the Line of Duty Act whose death occurred on or after January 1, 2006, while in the line of duty as the direct or proximate result of the performance of his duty.

**6. Budget Amendment Necessary:** No. See Item 8.

**7. Fiscal Impact Estimates/Expenditures and Revenue Impacts:** The proposed legislation would increase the annual premiums for the LODA Fund due to the \$25,000 increase in covered death benefit, from \$100,000 to \$125,000. Exhibit 1 below shows the expected impact on State funding of LODA premiums for employers participating in the LODA fund. The following cost impacts assume that the intent of the bill was to increase the death benefit only for deaths occurring on or after July 1, 2017. If death benefit increase were to be applied retroactively to January 1, 2006, the cost impact would be significantly greater.

**a. Fiscal Impact Estimates/Expenditure Impact:**

Exhibit 1

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>General Fund</i>	<i>Non-General Fund</i>
2018	\$32,520		\$30,280	\$2,240
2019	\$27,780		\$25,860	\$1,920
2020	\$27,780		\$25,860	\$1,920
2021	\$27,780		\$25,860	\$1,920
2022	\$27,780		\$25,860	\$1,920
2023	\$27,780		\$25,860	\$1,920

The above cost impacts are for LODA Fund participants funded directly by the State. Local employers participating in the LODA Fund would also experience cost increases due to the increased death benefit. Local employers who have opted out and are insured through a third party provider, or have self-insured the LODA benefit, could also experience some level of rate increase due to the enhanced death benefit. See Exhibit 3 below for further detail on cost increases.

**b. Fiscal Impact Estimates/Revenue Impact: N/A**

- 8. Fiscal Implications:** This Fiscal Impact Statement addresses only the cost impacts to the LODA Fund. VRS does not anticipate any additional operating expenses or capital outlay, as this is an increase to an existing benefit. Beginning in 2010, localities were allowed to make an irrevocable choice between participating in the LODA Fund (“participating employers”), a pay-as-you-go fund administered by the Virginia Retirement System, or covering LODA benefit costs by either self-insuring or using a private insurance product (“nonparticipating employers”). All state employers with LODA-eligible employees are required to participate in the LODA Fund. VRS does not have financial or claims data related to non-participating employers and, therefore, no information related to the costs for non-participating employers is included in this impact statement. Both participating and non-participating employers are required to provide LODA benefits. Only the funding mechanism differs.

The premium for the LODA Fund is set biennially by the VRS Board of Trustees at a rate to cover the estimated death and health benefit expenses as well as the administrative costs incurred by the Virginia Retirement System and the Department of Accounts. As of July 1, 2017, VRS and the Department of Human Resource Management will administer LODA jointly. DOA will no longer be involved after July 1, 2017. Employees of participating employers who qualify for line of duty coverage and are full-time equivalent (FTE) are calculated at 100% of the rate. Volunteers are assessed at 25% of the rate and part-time National Guard are assessed at 10% of an FTE for purposes of the LODA Fund premium.

The provisions of HB 1416 would cause an increase in the expected LODA Fund premium rate of approximately \$2.81 per FTE in the initial year followed by an increase of \$2.40 per year thereafter.

Exhibit 2 below shows the expected impact on LODA premium rates to increase the death benefit to \$125,000 for deaths occurring on or after July 1, 2017 for members of the LODA fund directly funded by the State.

Exhibit 2  
**Impact of HB 1416 on LODA Fund Premium Rates**

	2018	2019	2020	2021	2022	2023
Projected LODA Premiums per FTE prior to HB 1416 Provisions	564.48*	\$640.05	\$692.00	\$737.26	\$796.87	\$851.02
Projected LODA Premiums per FTE with HB 1416 Provisions	\$567.29	\$642.44	\$694.40	\$739.66	\$799.27	\$853.42
Impact of Change per FTE	\$2.81	\$2.40	\$2.40	\$2.40	\$2.40	\$2.40

\* Adjusted rate based on June 30, 2016 actuarial valuation of LODA fund.

In addition to the State and National Guard costs provided in Item 7 above, Exhibit 3 below provides a more detailed breakdown of costs as well as the anticipated funding increases for participating political subdivisions over the next six years.

**Exhibit 3**  
**Additional Funding Required - Impact of HB 1416**

Coverage Group	Covered Members	FTE Weight	FTE Members	2018	2019	2020	2021	2022	2023
State/VaLORs/SPORS	10,147	100%	10,147.00	\$28,510	\$24,350	\$24,350	\$24,350	\$24,350	\$24,350
National Guard									
Full-Time	654	100%	654.00	\$1,840	\$1,570	\$1,570	\$1,570	\$1,570	\$1,570
Part-Time	7,731	10%	773.10	\$2,170	\$1,860	\$1,860	\$1,860	\$1,860	\$1,860
Total State & National Guard LODA Members	18,532		11,574.10	\$32,520	\$27,780	\$27,780	\$27,780	\$27,780	\$27,780
Participating Political Subdivisions									
Full-Time	6,753	100%	6,753.00	\$18,980	\$16,210	\$16,210	\$16,210	\$16,210	\$16,210
Volunteers	2,710	25%	677.50	\$1,900	\$1,630	\$1,630	\$1,630	\$1,630	\$1,630
Total Political Subdivision Covered Members	9,463		7,430.50	\$20,880	\$17,840	\$17,840	\$17,840	\$17,840	\$17,840
Aggregated Total	27,995		19,004.60	\$53,400	\$45,620	\$45,620	\$45,620	\$45,620	\$45,620

**9. Specific Agency or Political Subdivisions Affected:** VRS and all public employers with LODA-covered personnel, as defined in § 9.1-400.

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** The LODA death benefit for direct and proximate causes has increased several times since the inception of the program. According to JLARC's 2014 Line of Duty Act Report, LODA benefits began in 1972 and have evolved as follows:

- 1972 – Program created with a \$10,000 benefit for a direct and proximate cause death
- 1976 – Covered events expanded to include a death due to certain presumptive causes
- 1995 – The benefit for a direct and proximate cause death was increased to \$50,000, and the benefit for a death due to a presumptive cause was increased to \$25,000
- 2000 – Covered events expanded to include a disability due to a direct and proximate cause or a presumptive cause
  - The benefit for a direct and proximate cause death was increased to \$75,000
  - Benefits expanded to include lifetime health insurance for any death or disability due to a direct and proximate cause or a presumptive cause
- 2006 – The benefit for a direct and proximate cause death was increased to \$100,000

**Date:** 01-17-2017

**Document:** HB1416.DOC/VRS