

## Virginia Retirement System 2009 Fiscal Impact Statement

**1. Bill Number:** HB1651

House of Origin	<u>  X  </u>	Introduced	<u>      </u>	Substitute	<u>      </u>	Engrossed
Second House	<u>      </u>	In Committee	<u>      </u>	Substitute	<u>      </u>	Enrolled

**2. Patron:** Carrico

**3. Committee:** Appropriations

**4. Title:** Line of Duty Act; short-term disability benefits for state police officers.

- 5. Summary:** Line of Duty Act; short-term disability benefits for state police officers. Provides that a state police officer who incurs a work-related injury in the line of duty shall receive supplemental short-term disability coverage providing income replacement for 100 percent of the officer's creditable compensation for up to one calendar year.

**6. Fiscal Impact Estimates:**

- 6a. Expenditure Impact:** The proposed legislation would have the effect of deferring the long-term disability benefits of State Police officers who are disabled in the line of duty for an additional 6 months. At the end of the one-year period, the officer would be eligible for supplemental long-term disability benefits, which provide income replacement at 60 percent of the officer's creditable compensation. Currently, the maximum period that an eligible employee generally may receive short-term disability benefits, before getting long-term disability benefits at the 60 percent rate, is 125 work days.

Long-term disability payments are paid from the disability trust. Since short-term disability payments come from agency resources and not VSDP trust funds, delaying the start of the disability benefits would result in a cost decrease to the VSDP program. The VRS actuary estimates that this bill will save the VSDP plan \$18,500 in the first year which would be factored into the next valuation of the Virginia Sickness and Disability Plan. However, the estimated cost to the State Police would be approximately \$40,898. While the VSDP plan benefits from this legislation, the individual agency will incur additional costs.

**7. Budget Amendment Necessary:** No.

- 8. Fiscal Implications:** While this legislation reduces costs for the VSDP program, it would increase costs at the agency level, specifically for the State Police. The estimated costs for this bill are relatively minor, because this bill applies to a small number of employees.

The cost for State Police includes increases in salary and fringe benefit expenses related to the increases in income replacement during periods of both short- and long-term disability. Currently, the first 125 days of VSDP are covered at 100%, 80%, and 60% of salary for specified periods of time based on length of service. After 125 days, the employee would go into long-term disability and income replacement would be reduced to 60 percent of salary. As such, costs for paying affected employees' salaries at 100% of compensation for an additional 6 months as well the incremental cost of paying for compensating the employee at 100 percent for the first six months are included. In addition, under current practice the

employer portion of health care premiums ceases after 6 months, when the employee enters long-term disability.

As the benefits of this bill only apply to work-related claims, most State Police expenditures would be offset by Worker's Compensation benefits, which are 66<sup>2/3</sup>% of the employee's average weekly wage and the cost estimate reflects this offset. Worker's Compensation benefits are tax free.

**9. Specific Agency or Political Subdivisions Affected:** State Police, VRS, DHRM, and potentially DOA

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

**11. Other Comments:** This bill provides a new benefit to one group of law enforcement officers. Members of VaLORS, for example, may be interested in seeking this benefit as well. Finally, VSDP has a strong return to work component with vocational rehabilitation. Since an employee in this status would incur no reduction in pay for the entire twelve-month period, this bill could potentially serve as a disincentive to return to work.

**Date:** 1/23/2009 pas

**Document:** HB1651