

## Department of Planning and Budget 2013 Fiscal Impact Statement

1. **Bill Number:** HB2188

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

2. **Patron:** Jones

3. **Committee:** Appropriations

4. **Title:** Line of Duty Act.

5. **Summary:** This bill allows a political subdivision with employees eligible for coverage under the Line of Duty Act to make an irrevocable election to self-fund the benefits available under the Line of Duty Act.

6. **Budget Amendment Necessary:** Yes; item 268 – language.

7. **Fiscal Impact Estimates:** Preliminary; see item 8 below.

8. **Fiscal Implications:** This Line of Duty Act (LODA) plan was originally set up as a pooled, self-insurance program for multiple parties, rather than an individually rated arrangement, providing every locality and agency with the same premium amount. The intent is to spread risk and the associated costs over all LODA members. At the time the program was initiated, membership was expected to be about 70,000 full time equivalent employees. In the first year, the fund was established, but no funds were allocated to cover costs and no premiums were charged, so the Virginia Retirement System (VRS) took a loan of approximately \$10 million from the VRS Group Life insurance fund to cover LODA costs. So consequently, after the first year, participating employers had to pay an additional charge to pay back the initial loan amount, in addition to paying a premium for the LODA coverage. As employers were given the opportunity to opt-out of the fund, they were required to take all future claims and also payback any claims associated with the initial loan. About half of the remaining localities in the LODA fund do not currently have any claims.

*If those employers with no claims opt-out and only employers with claims that incurred loan balances remain, LODA premiums will increase for all remaining members. If all localities opt-out and those with claims associated with the Group Life Loan balance are required to pay back their respective loan amounts, then future premiums for the State agencies remaining in the fund would more than likely decrease from today's rates, because very few claims have been incurred by state agencies.*

In addition to concerns about impact on future premiums, VRS also thinks that this bill, as written, conflicts with the language in Item 268 of the Appropriation Act (Chapter 3, 2012 Special Session I, Acts of Assembly), which would obviously override the bill. Among other things, current Appropriation Act language calls for an irrevocable opt-out period that ended

on July 1, 2012. The Act also provides detailed information relating to the establishment of the fund (Item 268 section B.1.) and how to establish employer contributions to the fund (Item 268 section 3(c)). If the bill is going to codify certain parts of the LODA fund structure (such as defining participating and non-participating employers), it would be prudent to include provisions on how the fund is structured and how premiums are to be set.

Lastly, without adding language to this bill, the State agencies and remaining localities in the LODA fund could be responsible for paying off claims from other localities that could leave their share of the loan balance unpaid if allowed to opt-out under the current bill as written. Language similar to below (which appeared in the 2010 and 2011 Appropriation Acts) would be necessary to ensure that opt-out employers pay their prior claims.

*“The State Comptroller shall be reimbursed by any non-participating employer for all Line of Duty Act benefit payments made on behalf of such non-participating employer for which payments have been approved by the State Comptroller. The State Comptroller shall be reimbursed on no more than a monthly basis from documentation provided to the non-participating employer.”*

**9. Specific Agency or Political Subdivisions Affected:** Virginia Retirement System, Department of Accounts, Virginia State Police, localities.

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

**11. Other Comments:** None.

**Date:** 01/28/2013

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