

Virginia Retirement System 2013 Fiscal Impact Statement

1. Bill Number: HB2289

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: McQuinn

3. Committee: Appropriations

4. Title: Health insurance credits for retired school division employees.

5. Summary: Yes. Health insurance credits for retired school division employees. Expands the recipients of the health insurance credits currently going to retired teachers to all retired employees of local school divisions.

6. Budget Amendment Necessary: While the cost to fund the increased/additional HIC will be borne solely by localities, estimated costs for VRS to implement this bill are approximately \$87,240. These estimated costs include systems modifications, mailing costs, revising and reprinting VRS publications, and updating the web site.

7. Fiscal Impact Estimates:

The first year cost to increase the health insurance credit (HIC) from \$1.50 to \$4 would be \$1.2 million for school divisions that currently participate in the program. Similarly, the first year cost to provide a \$4 HIC for school divisions that do not currently participate in the HIC program is estimated to be \$6.2 million. These costs, however, would be borne by the school divisions. The table below displays the local cost of providing this benefit to all local school division employees.

	FY13 Cost	FY14 Cost	FY15 Cost	FY16 Cost	FY17 Cost	FY18 Cost
Payroll Growth Assumption (includes promotion, COLA, etc.):	Member contributions / corresponding payroll increases	2.00%	0.00%	0.00%	0.00%	0.00%
State - General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SPORS - General Fund	-	-	-	-	-	-
VaLORS - General Fund	-	-	-	-	-	-
JRS - General Fund	-	-	-	-	-	-
Teacher - General Fund	-	-	-	-	-	-
TOTAL General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State - Non-General Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SPORS - Non-General Funds	-	-	-	-	-	-
VaLORS - Non-General Funds	-	-	-	-	-	-
TOTAL - Non-General Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Teacher - Local Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Political Subs - Schools with HIC	1,225,000	1,259,000	1,269,000	1,279,000	1,289,000	1,289,000
Political Subs - Schools w/o HIC	6,167,000	6,345,000	6,569,000	6,600,000	6,623,000	6,674,000
Political Subs - Non School	-	-	-	-	-	-
TOTAL Local Funds	\$ 7,392,000	\$ 7,604,000	\$ 7,838,000	\$ 7,879,000	\$ 7,912,000	\$ 7,963,000
Grand Totals	\$ 7,392,000	\$ 7,604,000	\$ 7,838,000	\$ 7,879,000	\$ 7,912,000	\$ 7,963,000

Estimated projections based on employee data and valuations results as of June 30, 2012 and assume a level population throughout projection period.

8. Fiscal Implications: Only local implications.

Since the current HIC of \$1.50 for local government employees other than teachers is optional, some local school division employees currently are not receiving any health insurance 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 shows the cost impact of going from no coverage to \$4.00 as proposed by HB2289.

The table below presents the estimated cost increase of the proposed benefits for the affected employers. The bill's enactment clause requires that all eligible retirees, regardless of date of retirement, receive the HIC benefits prospectively beginning July 1, 2013. The table, including the payrolls presented, is based on the June 30, 2012 actuarial valuation. 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.

In general, for a local school division that is currently providing the \$1.50 HIC benefit, the increased cost for the first year will be 0.70%; for a locality that is not currently providing a HIC benefit, the increased cost to provide a \$4.00 HIC credit will be 1.90% for the first year.

	Cost of Proposed HIC Benefits for Local School Divisions with Current HIC Benefit (a.)	Cost of Providing Proposed HIC Benefit for Local School Divisions Not Providing Current HIC Benefit (b.)	Total Cost of Providing Proposed HIC Benefit for Local School Divisions (c.) = (a.) + (b.)
Impact Liabilities			
Impact on Normal Cost	\$ 309,000	\$ 1,629,000	\$ 1,938,000
Impact on Unfunded accrued liability	15,654,000	83,169,000	98,823,000
Covered Payroll for affected Employers	\$ 169,750,000	\$ 330,822,000	\$ 500,572,000
Impact as % of Covered Payroll			
Impact on Normal Cost	0.18%	0.49%	0.39%
Impact on Unfunded accrued liability	0.52%	1.41%	1.10%
Impact on HIC cost for first year	0.70%	1.90%	1.49%

9. Specific Agency or Political Subdivisions Affected: VRS, localities, and local school divisions that will be required to provide this coverage for eligible non-professional school division retired members.

10. Technical Amendment Necessary: No.

11. Other Comments: This bill would require that localities provide the \$4 HIC under § 51.1-1401 to all retired members of local school divisions with at least 15 years of total creditable service. Currently the \$4 HIC is mandatory only for teachers. Non-teacher school division employees are only covered up to \$1.50 if the locality has elected such coverage.

The enactment clause provides that the provisions of this bill shall not apply to any local school division employee who retired on disability prior to July 1, 2013 if the provisions of this bill would reduce the monthly HIC currently payable to such former member. This

would preclude the potential for certain members who retire on disability with fewer than 5.6 years of service to receive a lower amount of HIC than the flat rate of \$45 provided for in § 51.1-1402. Local school division employees who retire on disability after July 1, 2013, or members of the hybrid retirement plan on and after January 1, 2014 who are on long-term disability, will receive the HIC as calculated under the provisions of § 51.1-1401.

The bill also contains an amendment that removes a cross reference to § 51.1-1401 from § 51.1-1400. The cross reference to § 51.1-1401 is no longer necessary as the HIC provided for under § 51.1-1401 is not optional and no election is applicable.

This bill is similar to SB787, which allows localities to elect to provide the \$4.00 HIC under § 51.1-1401 to local school division employees other than teachers.

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