

Virginia Retirement System 2013 Fiscal Impact Statement

1. Bill Number: SB 787

House of Origin	X	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: Marsden

3. Committee: Finance

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

5. Summary: Health insurance credits for retired school division employees. Provides that the health insurance credit (HIC) currently being provided to retired teachers would also be provided to all retired employees of the local school division at the option of the local school division and as a cost borne by the local government.

6. Budget Amendment Necessary: While the cost to fund the increased/additional HIC will be borne solely by localities that elect the coverage, 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:

Assuming all school divisions opted for the \$4 per month HIC benefit, 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 that elected to provide the HIC benefit. 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 presents the cost impact in two steps: first, adopting the plan (\$0 to \$1.50); and then the additional impact of SB 787 (\$1.50 to \$4.00).

The table below presents the estimated cost increase of the proposed benefits for the affected employers. The table, including the payrolls presented, is based on the June 30, 2012 actuarial valuation. For those local school boards that elect to provide the optional increase in the HIC, 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 currently not 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%
* Does not include the cost of providing benefits for those members who retired prior to 6/30/12.			

9. Specific Agency or Political Subdivisions Affected: VRS, localities, and local school divisions who have elected or will elect this coverage for non-professional school division employees.

10. Technical Amendment Necessary: No

11. Other Comments: Due to the proposed change, a reduction in the HIC benefit to disabled non-professional school division retirees may result. The current minimum HIC benefit to disabled retirees is \$45 per month (not service based). Under the new proposal, the benefit is service based, and a reduction in benefit may occur for those with service less than 5.625 years. The fiscal impact of this change would be de minimis. A legislative change would be necessary in order to avoid this result.

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