

Virginia Retirement System 2014 Fiscal Impact Statement

1. Bill Number: SB 103

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Ruff, Jr.

3. Committee: Finance

4. Title: Health insurance; credit for retired state employees.

5. Summary: Increases the amount of the monthly health insurance credit for retired state employees from \$4 per year of creditable service to \$5 per year of creditable service.

6. Budget Amendment Necessary: No.

- 7. Fiscal Impact Estimates:** SB 103 would increase the amount of the monthly health insurance credit payable to eligible state service retirees with 15 or more years of total creditable service from \$4.00 per year of creditable service to \$5.00 per year of creditable service. Additionally, monthly plan benefits for those eligible members receiving disability income from an eligible VRS plan (either disability retirement or long-term disability) would be increased to the maximum of:
- \$150;
 - \$5.00 per year of creditable service at the time of disability retirement; or
 - \$5.00 per year for each year of creditable service at the time of eligibility for long-term disability

In determining the cost impact of the legislation, the benefit changes outlined above were assumed to apply to the eligible active, inactive, retired, and disabled members of the State, State Police (SPORS), Judges (JRS), Virginia Law Officers (VaLORS), Optional Retirement Plan (ORP), and University of Virginia (UVA) employer groups.

As of June 30, 2013 the Health Insurance Credit Program for State employees had an unfunded liability of \$889.8 million. The proposed changes would increase the unfunded liability for the State employees by \$209.6 million. The increase in annual cost is expected to be 0.28% of covered payroll. The table below provides estimated cost impacts.

	<u>FY15 Cost</u>	<u>FY16 Cost</u>	<u>FY17 Cost</u>	<u>FY18 Cost</u>	<u>FY19 Cost</u>	<u>FY20 Cost</u>
State - General Fund	\$ 4,516,000	\$ 4,516,000	\$ 4,516,000	\$ 4,516,000	\$ 4,516,000	\$ 4,516,000
SPORS - General Fund	260,000	260,000	260,000	260,000	260,000	260,000
VaLORS - General Fund	874,000	874,000	874,000	874,000	874,000	874,000
JRS - General Fund	178,000	178,000	178,000	178,000	178,000	178,000
Teacher - General Fund	-	-	-	-	-	-
TOTAL General Fund	\$ 5,828,000	\$ 5,828,000	\$ 5,828,000	\$ 5,828,000	\$ 5,828,000	\$ 5,828,000
State - Non-General Funds	\$ 5,890,000	\$ 5,890,000	\$ 5,890,000	\$ 5,890,000	\$ 5,890,000	\$ 5,890,000
SPORS - Non-General Funds	45,000	45,000	45,000	45,000	45,000	45,000
VaLORS - Non-General Funds	84,000	84,000	84,000	84,000	84,000	84,000
TOTAL - Non-General Funds	\$ 6,019,000	\$ 6,019,000	\$ 6,019,000	\$ 6,019,000	\$ 6,019,000	\$ 6,019,000
Teacher - Local Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Political Subs - Schools with HIC	-	-	-	-	-	-
Political Subs - Schools w/o HIC	-	-	-	-	-	-
Political Subs - Non School	-	-	-	-	-	-
TOTAL Local Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grand Totals	\$ 11,847,000	\$ 11,847,000	\$ 11,847,000	\$ 11,847,000	\$ 11,847,000	\$ 11,847,000

Estimated projections based on employee data and valuations results as of June 30, 2013 and assume a level population throughout projection period.

Payroll projections include only known payroll increases; including FY 2014 across the board merit increase and increases for compression for State employees and payroll increases for Teachers & Locals employees transitioning member contribution requirements effective July 1, 2012.

8. Fiscal Implications: See Fiscal Impact Estimates above.

9. Specific Agency or Political Subdivisions Affected: VRS and all state employers.

10. Technical Amendment Necessary: Yes. Apparent typographical error in line 29 should be corrected.

Line 29 strike 4

Insert 5

11. Other Comments: This bill would increase the amount of the Health Insurance Credit (HIC) payable to State service retirees who retire with at least 15 years of creditable service and those members on disability retirement or long-term disability from the current \$4 per year to \$5 per year. The HIC was first provided effective January 1, 1990 for state retirees with at least 15 years of creditable service at the rate of \$1.50 per year of service, capped at the lower of \$45 or the cost of the insurance premium. The HIC for state retirees increased to \$2.50 effective July 1, 1993. It was last increased effective July 1, 1999, when it was increased from \$2.50 to \$4.00, not to exceed \$120 per month. The \$120 per month cap was eliminated effective July 1, 2007. The benefit is intended to help defray the cost of the state retiree health benefits program or the cost of an alternative personal health insurance plan for retiree-only coverage.

SB 103 is identical to HB 1104.

SB 109 is a similar bill that would provide an increase from \$1.50 per year of service to \$4 per year of service with no cap for local employees with at least 15 years of creditable

service and whose employers have elected to provide the HIC benefit under § 51.1-1402. No bill currently before the General Assembly would provide a similar increase in the HIC benefit for Teachers.

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