

Virginia Retirement System 2016 Fiscal Impact Statement

1. Bill Number: SB 5

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

2. Patron: Stanley

3. Committee: Finance

4. Title: Virginia Retirement System; health insurance credit.

5. Summary: Increases the monthly health insurance credit for retired local government employees, local officers, general registrars, employees of a general registrar, and employees of local social services boards from \$1.50 per year of creditable service with a cap of \$45, to \$4 per year of creditable service, with no cap.

6. Budget Amendment Necessary: No. Estimated internal implementation costs for this bill are minimal.

7. Fiscal Impact Estimates: The proposed legislation would increase the amount of the monthly health insurance credit (HIC) payable to certain local service retirees with 15 or more years of total creditable service from \$1.50 per year of creditable service capped at a maximum benefit of \$45 (30 years of creditable service) to \$4.00 per year of creditable service with no benefit cap. 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 greater of:

- \$120;
- \$4.00 per year of creditable service at the time of disability retirement; or
- \$4.00 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 prospectively to the eligible active, inactive, retired, and disabled members of those political subdivisions participating in the Plan, constitutional officers, employees of constitutional officers, general registrars, and local social service employees.

Exhibit 1 below shows the impact to unfunded liability and cost impact as a percent of payroll for each of the local health insurance credit programs.

Exhibit 1

Impact of SB 5			
Employer Group	Unfunded Liability as of June 30, 2015	Increase in Unfunded Liability	Increase in Annual Cost as Percentage of Covered Payroll
Participating Locals	\$ 17,564,729	\$ 62,236,000	0.67%
Constitutional Officers	\$ 25,579,700	\$ 46,194,000	0.74%
Social Service Employees	\$ 12,492,300	\$ 23,734,000	0.92%
General Registrars	\$ 497,000	\$ 837,000	0.79%

Exhibit 2 shows the estimated future cost impacts associated with the bill.

Exhibit 2

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
State - General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SPORS - General Fund	-	-	-	-	-	-
VaLORS - General Fund	-	-	-	-	-	-
JRS - General Fund	-	-	-	-	-	-
Teacher - General Fund	-	-	-	-	-	-
Constitutional Officers - HIC	4,414,000	4,414,000	4,414,000	4,414,000	4,414,000	4,414,000
Social Services Employees - HIC	2,144,000	2,144,000	2,144,000	2,144,000	2,144,000	2,144,000
General Registrars - HIC	80,000	80,000	80,000	80,000	80,000	80,000
TOTAL General Fund	\$ 6,638,000	\$ 6,638,000	\$ 6,638,000	\$ 6,638,000	\$ 6,638,000	\$ 6,638,000
State - Non-General Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SPORS - Non-General Funds	-	-	-	-	-	-
VaLORS - Non-General Funds	-	-	-	-	-	-
TOTAL - Non-General Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Teacher - Local Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Participating Locals - HIC	\$ 6,153,000	\$ 6,153,000	\$ 6,153,000	\$ 6,153,000	\$ 6,153,000	\$ 6,153,000
TOTAL Local Funds	\$ 6,153,000	\$ 6,153,000	\$ 6,153,000	\$ 6,153,000	\$ 6,153,000	\$ 6,153,000
Grand Totals	\$ 12,791,000	\$ 12,791,000	\$ 12,791,000	\$ 12,791,000	\$ 12,791,000	\$ 12,791,000

Estimated projections based on employee data and valuation results as of June 30, 2015 and assume a level population throughout projection period.

Payroll projections are assumed to remain level throughout projection period.

8. Fiscal Implications: See Fiscal Impact Estimates above.

9. Specific Agency or Political Subdivisions Affected: VRS, participating local employers, and employees of participating local employers, local officers, employees of local officers, general registrars, employees of a general registrar, and employees of local social services boards who offer a Health Insurance Credit benefit.

10. Technical Amendment Necessary: No.

11. Other Comments: SB5 would provide an increase in the amount of the HIC for local government employees whose employers have elected the HIC from the current \$1.50 per year of service with a \$45.00 monthly cap to \$4.00 per year of service with no cap. The increase would also apply to employees of participating local employers, local officers, general registrars, employees of a general registrar, and employees of local social services boards. Retirees must have at least 15 years of creditable service to be eligible for the HIC.

The HIC for eligible members receiving VRS disability income would be increased to \$120, \$4.00 per year of creditable service at the time of disability retirement, or \$4.00 per year for each year of creditable service at the time of eligibility for long-term disability, whichever is greater.

Subsection B of § 51.1-1403 allows a local employer to provide an additional HIC benefit of \$1 per month for local officers, general registrars, employees of a general registrar, or employees of a local social services board. If SB5 were enacted, it would allow a maximum HIC benefit of \$5 per year of service for eligible employees whose employers elected the additional \$1 benefit under § 51.1-1403(B). The cost of the additional benefit would be borne by the locality. The cost impacts provided in this impact statement only reflect the increase from the current \$1.50 to \$4.00 and do not include the optional additional \$1.00 that is currently allowed under § 51.1-1403(B).

The HIC was first provided effective July 1, 1992 for local employees with at least 15 years of creditable service whose employers elected to provide the benefit. The amount at that time was \$1.50 per year of creditable service, with a monthly cap of \$45.00, and has remained unchanged since then. As of July 1, 1999, the \$1.50 HIC capped at \$45.00 was extended to sheriffs, sheriff's deputies, constitutional officers, and local social service worker retirees with at least 15 years of creditable service. The HIC benefit is intended to help defray the cost of health care coverage for the retiree only.

HB 69 is a similar bill that would provide a HIC benefit of \$4.00 per year of service to all local school division retirees with at least 15 years of creditable service and commensurate increases for those receiving VRS disability income. Currently, the \$4 HIC benefit is provided only to eligible retired teachers.

Date: 1-13-2016

Document: SB5.DOC/VRS