

Virginia Retirement System

2024 Fiscal Impact Statement

1. **Bill Number:** SB 649

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

2. **Patron Prior to Substitute:** Salim

3. **Committee:** Finance and Appropriations

4. **Title:** Line of Duty Act; payment of benefits.

5. **Summary:** Increases from \$25,000 to \$50,000 the death benefit payout under the Virginia Line of Duty Act for a death caused by occupational cancer, respiratory disease, or hypertension or heart disease for those deaths that will occur on or after January 1, 2025.

6. **Summary of Impacts**

Benefit(s) impacted: Line of Duty Act (LODA) death benefit.

Impact to unfunded liability (see Item 9 for details): The VRS-administered LODA fund is a “pay-as-you-go” arrangement and does not pre-fund or develop unfunded liabilities.

Impact to LODA premium rate(s) (see Item 9 for details): Estimated to increase LODA premiums for fiscal years 2025 and 2026 by \$15.00 per full-time equivalent (FTE), from \$995.00 per FTE to \$1,010.00 per FTE, or an annual increase of approximately \$272,416 in increased premiums.

Specific Agency or Political Subdivisions Affected (see Item 10): VRS, DHRM, and all LODA participating and non-participating employers.

VRS cost to implement (see Item 7 and Item 8 for details): Minimal ongoing costs to implement and administer. VRS cannot use VRS Trust Funds to administer LODA.

Employer cost to implement (see Item 7 and Item 8 for details): Indeterminate.

Other VRS and employer impacts: See Item 7, Item 9, Item 11, and Item 12 for details.

GF budget impacts (see Item 8 for details): Estimated \$143,436 per year associated with additional funding required by State covered entities. VRS’ one-time implementation costs of \$2,300 in FY 2024 to provide LODA benefits cannot be borne by the VRS Trust Fund due to the exclusive benefit rule (*See* § 51.1-124.30(C) of the *Code of Virginia*, art. 10, § 11 of the Constitution of Virginia, and 26 U.S.C. § 401(a)). GF employers will also need increased funding for LODA premiums.

NGF budget impacts (see Item 8 for details):): Estimated \$16,397 per year associated with additional funding required by State covered entities. VRS’ one-time implementation costs to

provide LODA benefits cannot be borne by the VRS Trust Fund due to the exclusive benefit rule (See § 51.1-124.30(C) of the *Code of Virginia*, art. 10, § 11 of the Constitution of Virginia, and 26 U.S.C. § 401(a)). NGF employers will also need increased funding for LODA premiums.

- 7. Budget Amendment Necessary:** Yes. See Item 8. VRS expects minimal implementation costs. VRS' costs associated with this bill, approximately \$2,300, cannot be borne by the VRS Trust Fund due to the exclusive benefit rule (See § 51.1-124.30(C) of the Code of Virginia, art. 10, § 11 of the Constitution of Virginia, and 26 U.S.C. § 401(a)). Va. Code § 9.1-400.1(C) provides that VRS' administrative costs are paid out of the LODA Fund. Absent a General Fund appropriation for the costs associated with this bill, VRS will ultimately need to recover these costs through an increase to the LODA premium. However, that means that the change will be subsidized by the LODA fund participating employers unless VRS also increases the costs charged for reviewing claims from non-participating employers who do not pay into the LODA Fund.

GF employers will need increased GF funding for LODA premiums.

NGF employers will need increased NGF funding for LODA premiums.

Political subdivisions that are non-participating LODA employers, meaning they have opted out of the LODA Fund and so are self-insured or use a separate provider, may also need increased funding for LODA premiums and implementation.

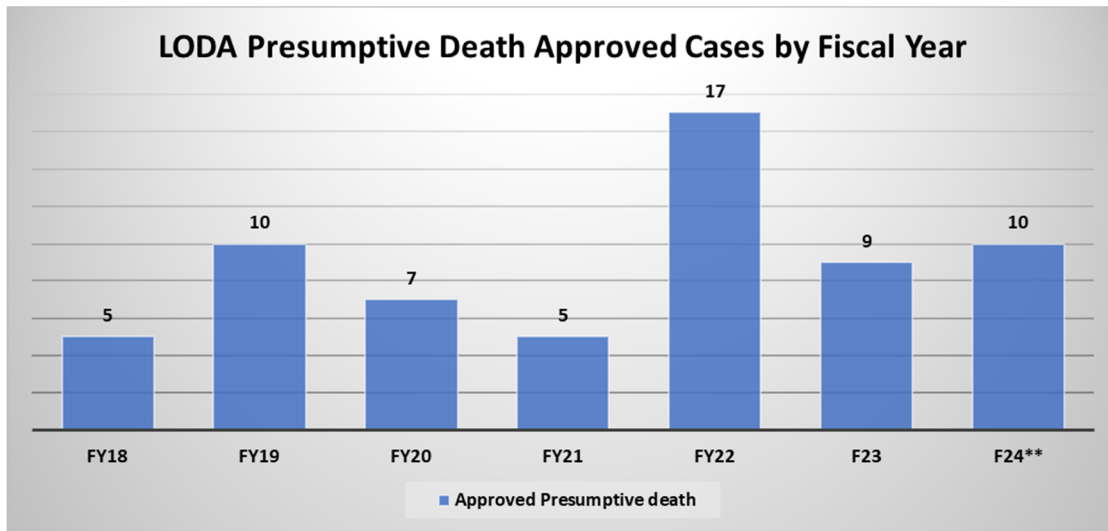
- 8. Fiscal Impact Estimates:** The VRS administered LODA fund covered 18,161 full-time equivalent (FTE) members as of June 30, 2023. State, VaLORS, and SPORS members including members of the National Guard made up 10,655 FTE, with political subdivision employees making up the remaining 7,506 FTEs. This substitute would require \$159,833 in additional funding for State entities and \$112,583 in additional funding from participating political subdivisions payable on the proposed effective date of January 1, 2025. The table below does not include non-participating LODA employers that will also be required to provide and fund the increased benefit.

Funding Source	Entities	Full-Time Equivalents (FTE)	Expected Premiums for Fiscal Year 2025	Premiums for Fiscal Year 2025 with SB 649	Additional Premiums Associated with HB 321	General Fund	Non-General Fund	Local funds
State Funded	State, SPORS, VaLORS	9,025.25	\$8,980,124	\$9,115,503	\$135,379	\$118,981	\$16,397	\$0
	Virginia National Guard	1,630.30	\$1,622,149	\$1,646,603	\$24,455	\$24,455	\$0	\$0
	Total State Covered	10,655.55	\$10,602,272	\$10,762,106	\$159,833	\$143,436	\$16,397	\$0
Political Subdivision Funded	Political Subdivisions	7,505.50	\$7,467,973	\$7,580,555	\$112,583	\$0	\$0	\$112,583
Total LODA Fund	Total LODA Fund	18,161.05	\$18,070,245	\$18,342,661	\$272,416	\$143,436	\$16,397	\$112,583

Of the \$272,416 of additional premiums required, \$143,436 would be from General fund, \$16,397 from Non-general fund, and the remaining \$112,583 would come from local sources.

A more detailed breakdown of estimated costs is shown in Item 9 below.

- 9. Fiscal Implications:** The LODA Fund is a pay-as-you-go fund, which means that there is no pre-funding, and the premiums are generally set to cover costs anticipated over the next two years of benefit payments. The LODA Fund premium effective July 1, 2024 is \$995.00 per eligible employee. The exhibit below provides historical data on LODA presumptive death benefit payments, which have averaged about nine per year since 2018. Increasing the death benefit payment from \$25,000 to \$50,000 will increase LODA expenses by approximately \$272,000 per year. Because the effective date was moved to January 1, 2025 VRS assumes half the increase in the first year. The corresponding premium increase will require an additional \$15.00 in LODA premiums for FY 2025-2026 per eligible employee.



**LODA cases for FY 2024 as of January 10, 2024.

- 10. Specific Agency or Political Subdivisions Affected:** VRS, DHRM, and all LODA participating and non-participating employers.

- 11. Technical Amendment Necessary:** No.

- 12. Other Comments:** The substitute increases the LODA death benefit payment from \$25,000 to \$100,000 for a death related to a disability directly related to service in the line of duty that occurs on or after January 1, 2025. By statute, deaths related to a disability directly related to service in the line of duty are those caused by occupational cancer, respiratory disease, or hypertension or heart disease.

In addition to potential ongoing benefits, the one-time LODA death benefit is currently:

- \$100,000 to survivors of eligible individuals killed in the line of duty or
- \$25,000 in the event of a death related to a disability directly related to service in the line of duty.
- In addition, surviving family members receive health coverage with some restrictions.

Passage of this substitute will also increase estimated costs for SB 466.

This substitute is identical to HB 321-E.

Date: 2/23/2024

Document: SB649S1.DOC/VRS