



**Virginia Retirement System  
2025 General Assembly Session  
State Fiscal Impact Statement**

manage the process for auxiliary police officers and volunteer deputy sheriffs, and provide the statutorily required LODA training to eligible employees.

**Other VRS and employer impacts:** LODA Fund impacts will depend on the demographics of the employees and the claims experience. DHRM indicates that LODA Health Benefits Plans impacts will depend on the demographics of the employees and the claims experience.

**GF budget impacts:** VRS' one-time implementation costs 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)). A \$3,000 GF appropriation will be required for VRS implementation costs. DHRM indicates there will be minimal implementation costs.

**NGF budget impacts:** None.

Details regarding the specific costs can be found in the Fiscal Analysis section.

**General Fund Expenditure Impact:**

<u>Agency</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>
VRS	\$3,000					
<b>TOTAL</b>						

**Nongeneral Fund Expenditure Impact:\***

<u>Agency</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>
<b>TOTAL</b>						

**Position Impact:**

<u>Agency</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>
<b>TOTAL</b>						

*\*Note: This table does not include increased costs for political subdivisions that are or would become LODA participating employers.*

**Fiscal Analysis:**

Va. Code § 15.2-1731 authorizes localities to establish auxiliary police forces. Auxiliary police officers are required to complete training requirements set by the Department of Criminal Justice Services (DCJS). Auxiliary police officer training is graduated based on the duties assigned. DCJS data indicates that there

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are 619 auxiliary officers that have completed DCJS training. Volunteer sheriffs are not subject to the training requirements applicable to auxiliary police officers. It is unknown how many volunteer deputy sheriffs there are in Virginia. Employers of auxiliary police officers and volunteer deputy sheriffs (i.e., localities and sheriffs' offices) will likely already either be a participating LODA employer or an employer that has opted to self-fund LODA benefits. At this time, we are unable to determine the number of individuals that would be included in the VRS-administered LODA Fund versus those that would be included with employers who are either self-insured or rely on third-party insurance.

VRS will incur administrative costs to implement the bill, regardless of how many auxiliary police officers and volunteer deputy sheriffs will become eligible for LODA. We are generally estimating first-year implementation costs to be about \$3,000, primarily for communications to employers and participants, and handbook and website changes. There are additional factors, such as those discussed below, that will affect the one-time and ongoing administrative costs.

These cost estimates do not include DHRM's implementation or administrative costs or impacts to the LODA Health Benefit Plans premiums.

Since LODA is not a VRS benefit, the costs cannot be recovered from the VRS Trust Fund. However, the administrative costs will impact premiums for employers that participate in the LODA Fund. Since LODA is a pay-as-you-go fund, VRS cannot use the LODA Fund as the source for administrative implementation costs.

DHRM indicates there will be minimal implementation cost. However, the addition of categories of employees will increase the ongoing cost of administering LODA and thereby increase the LODA Health Benefit Plans costs. Fiscal implications will depend on the demographics of the employees and the claims experience.

Employers with auxiliary law-enforcement officers and volunteer deputy sheriffs will pay a premium per covered employee to the LODA Fund each year. The LODA Fund premium effective July 1, 2024, is \$1,015.00 per eligible employee. Employers are charged 25% of the FTE premium for eligible volunteers. It is anticipated that the annual cost per employee will continue to increase over time as the cost of health insurance continues to rise at a rate higher than general inflation.

LODA Fund premiums cover:

- the LODA death benefit (\$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 (\$75,000 if the death occurred on or after January 1, 2025); surviving family members receive health coverage with some restrictions)

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- \$25,000 for disabilities that occur in the line of duty (injuries as well as certain medical conditions found to be directly caused by line of duty activities)
- eligible individuals receive health insurance coverage administered by DHRM (VRS cannot address implications of adding auxiliary law-enforcement officers and volunteer deputy sheriffs to LODA health insurance plans)
- VRS and DHRM administration costs (VRS makes eligibility determinations, and DHRM administers the LODA health benefits)

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 influx of up to 619 covered employees is not expected to materially impact the premium in the short term but increasing the number of individuals eligible for benefits will increase the probability of additional LODA Fund benefit payments in future years. As a result, the LODA Fund premium may increase in the future for all LODA Fund participating employers due to changes in anticipated death benefit payments and disability benefit (including health benefit) payments.

**Other:**

Other than implementation costs, LODA premiums will be the responsibility of the local employer. That stated, for participating employers any adverse plan experience associated with the addition of this new category of covered participants could potentially impact the overall LODA premiums.