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Bill Number: SB1195 Patron: Deeds

Bill Title: Line of Duty Act; payments to beneficiaries.

Bill Summary: Provides that if a deceased person, as that term is defined in the Line of Duty Act, died as a result of certain cancers within 10 years from his date of retirement, his beneficiary shall be entitled to the payment of certain benefits. Under current law, such beneficiary shall be entitled to such payment if the deceased person's death (i) arose out of and in the course of his employment or (ii) was within five years from his date of retirement.

Budget Amendment Necessary: Yes **Items Impacted:** Various **Explanation:**

VRS expects minimal implementation costs. VRS' costs associated with this bill, approximately \$3,000, 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 Line of Duty Act (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 future LODA premiums. Item 469 of the introduced budget bills includes the current funding for the LODA premium.

NGF employers will need increased NGF funding for LODA premiums.

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

Fiscal Summary:

Benefit(s) impacted: LODA death benefit.

<u>Impact to unfunded liability:</u> By law, the VRS-administered LODA fund is a "pay-as-you-go" arrangement and does not pre-fund or develop unfunded liabilities.

<u>Impact to LODA premium rate(s)</u>: Estimated to increase LODA premiums for fiscal years 2026 by \$7.00 per full-time equivalent (FTE), from \$1,015.00 per FTE to \$1,022.00 per FTE, or an annual increase of approximately \$126,000 in increased premiums.

<u>Specific Agency or Political Subdivisions Affected:</u> VRS, DHRM, and all LODA participating and non-participating employers.

<u>VRS cost to implement:</u> Minimal ongoing costs to implement and administer. VRS cannot use VRS Trust Funds to administer LODA.

<u>DHRM cost to implement:</u> DHRM indicates there will be minimal implementation costs.

Employer cost to implement: Cannot be determined at this time.

<u>Other VRS and employer impacts:</u> LODA Fund impacts will depend on the demographics of the employees and the claims experience.

<u>GF budget impacts:</u> Estimated \$65,350 per year associated with additional funding required by State covered entities. VRS' one-time implementation costs of \$3,000 in FY 2025 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: Estimated \$7,650 per year associated with additional funding required by State covered entities. 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)). NGF employers will also need increased funding for LODA premiums. In addition, localities would be required to pay an additional \$53,000 per year in funding.

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

General Fund Expenditure Impact:

<u>Agency</u>	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
VRS	\$3,000					_
Various		\$65,350	\$65,350	\$65,350	\$65,350	\$65,350
TOTAL	\$3,000	\$65,350	\$65,350	\$65,350	\$65,350	\$65,350

Nongeneral Fund Expenditure Impact:*

<u>Agency</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	FY2029	FY2030
Various		\$7,650	\$7,650	\$7,650	\$7,650	\$7,650
						_
TOTAL		\$7,650	\$7,650	\$7,650	\$7,650	\$7,650

Position Impact:

Agency	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030

TOTAL

*Note: This table does not include increased costs for political subdivisions that are LODA participating employers or non-participating employers, or for contributing nonprofit private institutions of higher education or contributing private police departments who may become eligible for LODA benefits under introduced legislation.

Fiscal Analysis:

The bill increases the period of time after retirement that the beneficiaries of a presumptive death benefit for certain cancers may be entitled to the payment from five years to ten years after retirement. VRS has no way of knowing the number of claims that will be presented given the extended time period. Below are the presumptive death claims approved under LODA since 2018.

Presumptive Death Claims - Cancers

									Average Claims
Claim Type	2018	2019	2020	2021	2022	2023	2024	2025	per year
Presumptive Death Claims	2	4	3	1	2	2	8	4	3.25

Since the LODA fund is pay-as-you-go, if this bill were to pass it would be prudent to include funding for at least one additional claim per year until credible experience can be developed for a 10-year look-back period. Based on the current FTE headcount of 18,005 members, a single presumptive claim could increase LODA premiums by approximately \$7 per FTE if the beneficiary is under age 65 and still eligible for healthcare payments from the fund.

The LODA Fund premium, effective July 1, 2024, is \$1,015.00 per eligible employee. 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)
 - 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

- By current law, the death benefit is payable if the death related to a disability arose out of and in the course of employment, or if it was within five years from the date of retirement
- \$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 and DHRM administration costs (VRS makes eligibility determinations, and DHRM administers the LODA health benefits)

By law, 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.

Currently, the survivors of an eligible individual who dies of certain conditions statutorily presumed to have arisen in the court of employment are entitled to a LODA presumptive death benefit provided the eligible individual's death occurred within five years from the date of their retirement; i.e., there is a five-year lookback period from the date of death in order to be eligible for a LODA presumptive death benefit. The LODA presumptive death award was recently increased from \$25,000 to \$75,000 (2024 Va. Acts ch. 380 and 381), effective for deaths that occur on or after January 1, 2025.

The bill increases from five years to ten years the lookback period for an award of LODA presumptive death benefits for certain cancers (leukemia or pancreatic, prostate, rectal, throat, ovarian, breast, colon, brain, testicular, bladder, or thyroid cancer). The bill is prospective in its application (see Va. Code § 1-238), which means the 10-year lookback period will apply to individuals whose deaths occur after the effective date of the bill and individuals whose deaths occur prior to the effective date of the bill for whom the current five-year lookback period has not lapsed as of the effective date of the bill. The bill will not serve to revive claims for individuals who died more than five years after retirement prior to the effective date of the bill.

The effect of the increase in the lookback period is that the survivors of an eligible individual will be entitled to a LODA presumptive death award for a longer period of time. Thus, the bill will necessarily increase the number of individuals eligible for benefits and 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.

The VRS administered LODA fund covered 18,005 full-time equivalent (FTE) members as of June 30, 2024. State, VaLORS, and SPORS members including members of the National Guard made up 10,403 FTEs, with political subdivision employees making up the remaining 7,603 FTEs. This enrolled bill would require \$73,000 (\$65,350 in general funds and \$7,650 in non-general funds) in additional funding for State entities and \$53,000 from participating political subdivisions.

Other: As a pay-as-you-go plan, if the actual claim experience exceeds our assumptions and as a result sufficient funds aren't available to fund benefits, VRS would need to adjust employer contribution rates outside the established biennial process. In other words, if there more claims than expected, additional funding will need to be secured through increased contribution rates.

The bill is identical to HB 2204.