

**Virginia Retirement System
2026 General Assembly Session
Fiscal Impact Statement**

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ORIGINAL

Bill Number: HB 1296

Patron: Glass

Bill Title: Health insurance credits for general registrars and employees of general registrars

Bill Summary: Increases the amount of monthly health insurance credits received by retired general registrars and employees of general registrars with a minimum of 15 years of creditable service from \$1.50 to \$1.75 per month per year of creditable service not to exceed \$52.50 per month beginning July 1, 2026.

Budget Amendment Necessary: Yes

Items Impacted: 483, 469

Explanation:

Item 483. VRS would require a NGF appropriation to cover implementation costs of approximately \$97,900 in FY 2026 for system programming and communications efforts necessary to implement this legislation. This does not include the impact to current or future contribution rates or to the funded status of the plan, which are discussed in the Fiscal Analysis. VRS requests a delayed effective date of July 1, 2027. This would allow for adequate time to develop system programming and perform applicable testing. In addition, a delayed effective date provides the agency with some flexibility in assigning existing resources to the programming and implementation of the bill's provisions which could result in lower costs by reducing the need to hire additional contractors and other resources to meet a July 1, 2026 deadline. Further, VRS's costs are specific to the implementation of this legislation if enacted. It cannot be determined at this time whether the enactment of any other bill during this session that would require implementation by VRS would increase or decrease implementation costs.

Item 469. As the Commonwealth provides funding for benefits for general registrars, an additional \$10,000 in GF will be required annually for contribution rates, beginning in FY 2027.

Fiscal Summary:

Benefit(s) impacted: Health insurance credit (HIC) for general registrars and employees of general registrars only, beginning July 1, 2026. Will equal the HIC for constitutional officers that was effective July 1, 2024. The HIC for local social services boards remains \$1.50. See the chart at the end for the current HIC for all eligible retirees.

Impact to unfunded liability: Adds approximately \$96,000 to unfunded liabilities of the general registrars' health insurance credit plan.

Impact to contribution rate(s): The bill will require an estimated increase in annual contributions of approximately \$10,000 per year.

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Specific Agency or Political Subdivisions Affected: VRS and the Commonwealth since they cover costs for political subdivisions that have general registrars.

VRS cost to implement: Approximately \$97,800 NGF in FY 2026.

Employer cost to implement: Expected to have minimal costs to employers for implementation.

Other VRS and employer impacts:

GF budget impacts: Approximately \$10,000 per year beginning in FY 2027.

NGF budget impacts: Approximately \$97,900 NGF in FY 2026 for VRS implementation.

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

General Fund Expenditure Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
Central Appropriations		\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
TOTAL		\$10,000	\$10,000	\$10,000	\$10,000	\$10,000

Nongeneral Fund Expenditure Impact:*

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
VRS	\$97,900					
TOTAL	\$97,900					

Position Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
TOTAL						

**Note: This table does not include increased costs for political subdivisions.*

Fiscal Analysis: Effective July 1, 2026, the bill provides an HIC benefit increase to active, inactive, and retired general registrars and their employees with 15 or more years of total creditable service from the current \$1.50 to \$1.75 per year of creditable service not to exceed \$52.50.

Additionally, monthly HIC benefits for eligible general registrars and their employees receiving disability income from an eligible VRS plan (either disability retirement or long-term disability) would be increased to \$52.50.

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These changes will mirror the HIC benefits for constitutional officers that were effective July 1, 2024, and will not impact the HIC benefits for local social services boards.

The proposed increase in the HIC benefit to \$1.75 not to exceed \$52.50 would add \$96,000 to the unfunded liabilities of the general registrars' HIC plan. The change would lower the funded status of the general registrars' HIC plan by approximately 10.0% as shown in Exhibit 1 below.

Exhibit 1

Employer Group	Funded Status as of June 30, 2025	Funded Status After Increasing HIC to \$1.75
Registrars	69.51%	59.67%

The annual increase in required funding would be approximately \$10,000. In accordance with Va. Code § 51.1-1403, the cost of the HIC for general registrars and their employees is paid by the Commonwealth. Exhibit 2 below shows the impact to unfunded liability and the cost impact as a percent of payroll for the general registrars' health insurance credit plan.

Exhibit 2

Estimated Impact On Unfunded Liability and Annual Funding of Proposed \$1.75 HIC				
Employer Group	Unfunded Liability as of June 30, 2025	Increase in Unfunded Liability	Increase in Annual Cost as Percentage of Covered Payroll	Estimated Increase in Annual Funding
General Registrars	\$175,000	\$96,000	0.04%	\$9,910

Exhibit 3 shows the estimated future cost impacts associated with increasing the HIC benefit to \$1.75 for general registrars and their employees with 15 or more years of total creditable service.

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Exhibit 3

	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>	<u>FY 2032</u>
Constitutional Officers - HIC General Fund						
Social Services Employees - HIC General Fund						
General Registrars - HIC General Fund	\$9,910	\$10,100	\$10,100	\$10,100	\$10,100	\$10,100
TOTAL General Fund	<u>\$9,910</u>	<u>\$10,100</u>	<u>\$10,100</u>	<u>\$10,100</u>	<u>\$10,100</u>	<u>\$10,100</u>
Constitutional Officers - HIC Non-General Fund	\$0	\$0	\$0	\$0	\$0	\$0
Social Services Employees - HIC Non-General Fund	\$0	\$0	\$0	\$0	\$0	\$0
General Registrars - HIC Non- General Fund	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL - Non-General Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Grand Totals	<u>\$9,910</u>	<u>\$10,100</u>	<u>\$10,100</u>	<u>\$10,100</u>	<u>\$10,100</u>	<u>\$10,100</u>

Estimated projections based on employee data and valuation results as of June 30, 2025 and assume a level population throughout projection period.

Payrolls include proposed pay increases included in budget for FY 2027 and 2028. Payrolls are assumed to remain level beyond 2028 through remainder of the projection period.

Other: The bill increases the amount of the HIC for local general registrars and their employees with at least 15 years of creditable service from the current \$1.50 per year of service with a \$45 cap to \$1.75 per year of service not to exceed \$52.50. The bill increases the HIC for local general registrars and their employees on disability retirement to \$52.50 per month. The benefit is intended to help defray the cost of retiree health insurance for retiree-only coverage. The bill mirrors the HIC increase provided to local constitutional officers and their employees in 2024 and does not increase the HIC amount for local social services employees.

Subsection B of § 51.1-1403, which allows a local employer that participates in the Virginia Retirement System to provide an additional HIC benefit of \$1 per month, is not amended in the bill. The cost impacts provided in this impact statement only reflect the increase from the current \$1.50 to \$1.75 for local general registrars and their employees.

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. As of July 1, 1999, the \$1.50 HIC capped at \$45 was extended to sheriffs, sheriffs' deputies, constitutional officers, and local social service retirees with at least 15 years of creditable service. As of July 1, 2024, the HIC for local constitutional officers and their employees was increased to \$1.75, capped at \$52.50. The HIC benefit is intended to help defray the cost of health care coverage for the retiree only.

The chart below shows the current HIC dollar amounts for eligible retirees.

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Eligible Retirees	Service Retirement Credit Amount per Year of Service	Disability Retiree and Long-Term Disability	Maximum Credit
State employees	\$4.00	\$120 or \$4 per year of service, whichever is greater	No Maximum
Teachers	\$4.00	\$4 x the smaller of (a) twice the amount of service credit or (b) the amount of service that would have been earned had the member remained an active employee until age 60	No Maximum
Other school division employees (non-teachers)	\$1.50 Localities may elect to provide an additional \$1.00 per month for each year of service	\$1.50 multiplied by the smaller of (a) twice the amount of service credit or (b) the amount of service that would have been earned had the member remained an active employee until age 60	No Maximum
General registrars and their employees; local social service employees	\$1.50	\$45.00	\$45.00
Constitutional officers and their employees	\$1.75	\$52.50	\$52.50
General registrars and their employees; local social service employees if political subdivision elects \$1.00 enhancement	\$2.50	\$75.00	\$75.00
Constitutional officers and their employees if political subdivision elects \$1.00 enhancement	\$2.75	\$82.50	\$82.50
Other political subdivision employees as elected by the employer, such as school support personnel	\$1.50	\$45.00	\$45.00