

Virginia Retirement System
2024 Fiscal Impact Statement

1. **Bill Number:** HB 751

House of Origin Introduced Substitute Engrossed

Second House In Committee Substitute Enrolled

2. **Patron:** Walker

3. **Committee:** Public Safety

4. **Title:** Line of Duty Act; campus police officers; private police officers.

5. **Summary:** Provides employees of contributing nonprofit private institutions of higher education, defined in the bill, and contributing private police departments, defined in the bill and including airport police officers employed by the Lynchburg Regional Airport Police Department (LRAPD), with the benefits granted to employees of participating employers under the Line of Duty Act. The bill clarifies that the Line of Duty Act shall not apply to any private institution of higher education or private police department that is not a contributing nonprofit private institution of higher education or contributing private police department, respectively.

6. **Summary of Impacts**

Benefit(s) impacted: Allows nonprofit private college public safety departments and private police departments to make a one-time irrevocable election to participate in LODA for their campus police officers or their private police officers, including the LODA Health Benefits Plans administered by DHRM. The bill does not allow participation for campus security officers. No other private employers are authorized to provide LODA benefits to their employees.

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): These new employers that elect to provide LODA benefits will participate in the VRS-administered Line of Duty Death and Health Benefits Trust Fund (LODA Fund), and will impact premium rates for all participating employers in the Fund. The ultimate impact will be dependent on the number of employers who elect to participate and the number of new members covered. LODA is a pay-as-you-go pooled plan, which means that premiums are paid by all participating employers each year to cover expected benefits, and all premiums will be used to pay benefits for any eligible employees. Ultimate costs will be based on the costs of the claims incurred and overall plan experience.

Specific Agency or Political Subdivisions Affected (see Item 10): VRS, DHRM, and all LODA participating employers. Will also impact Virginia nonprofit private colleges and

universities and private police departments, including LRAPD, that elect to participate in LODA.

VRS cost to implement (see Item 7 and Item 8 for details): Approximately \$35,000 in one-time implementation costs, primarily for communications to employers and participants and handbook and website changes. Potential increases to ongoing LODA administration costs are indeterminate, depending on the number of nonprofit private colleges and private police departments that elect to participate. This does not include DHRM's costs to implement the bill.

DHRM cost to implement (see Item 7 and Item 8 for details): DHRM indicates there will be minimal implementation costs.

Employer cost to implement (see Item 7 and Item 8 for details): In addition to the LODA premiums, eligible employers that elect to provide LODA benefits will need to provide any internal infrastructure needed to manage the process for the contributing nonprofit private college or university, and provide the required LODA training to eligible employees.

Other VRS and employer impacts (see Item 7, Item 9, Item 11, and Item 12 for details): 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 (see Item 8 for details): 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)). See Item 11 for suggested language that would allow implementation costs to be shared by the nonprofit private higher education institutions and private police departments that elect to provide LODA benefits to their eligible employees. Otherwise, a GF appropriation will be required for VRS implementation costs. As nonprofit private colleges and universities with existing campus police departments and private police departments in Virginia represent a relatively small population, the overall impacts may be limited. DHRM indicates there will be minimal implementation costs.

NGF budget impacts (see Item 8 for details): 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)). See Item 11 for suggested language that would allow implementation costs to be shared by the nonprofit private higher education institutions and private police departments that elect to provide LODA benefits to their eligible employees.

7. **Budget Amendment Necessary:** Yes. See Item 8. If the nonprofit private higher education institutions and private police departments are not paying the implementation costs on a pro-rata basis, VRS will need a GF appropriation of \$35,000 to cover these costs. DHRM indicates they do not need an appropriation to implement the bill.

8. Fiscal Impact Estimates:

VRS Impact Estimates

VRS will incur administrative costs to implement the bill, regardless of how many nonprofit private colleges and private police departments opt in. We are generally estimating first-year implementation costs to be about \$35,000, primarily for communications to employers and participants, and handbook and website changes. For LODA-eligible participants who are not VRS members, administration is handled manually, so adding categories of employers and employees will increase the ongoing cost of administering LODA and thereby increase the LODA premium. 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. VRS could potentially charge each contributing nonprofit private college and contributing private police department a pro rata portion of the implementation costs.

DHRM Impact Estimates

DHRM indicates there will be minimal implementation cost. However, the addition of categories of employers and 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.

- 9. Fiscal Implications:** There are nine nonprofit private colleges and universities in Virginia (Virginia nonprofit private colleges) that have existing campus police departments and 10 private police departments, including LRAPD, which is treated as a private police department for purposes of this bill. LODA participating employers currently cover approximately 18,160 full-time equivalent (FTE) public employees and volunteers (“employees” as defined in [§ 9.1-400](#) of the *Code of Virginia*). If all 19 private entities elect to participate in LODA, approximately 123 campus police officers and 355 private police officers would be added. No other private employers are authorized to provide LODA benefits to their employees.

The LODA statutes do not provide for any new entity covered under LODA to elect to be a “non-participating employer” (as defined in [§ 9.1-400](#) of the *Code*), meaning they will participate in the VRS-administered LODA Fund, rather than self-funding their LODA-equivalent benefits. This means that each Virginia nonprofit private college and private police department that elects to participate in LODA benefits will pay a premium per covered employee to the LODA Fund each year. The LODA Fund premium effective July 1, 2024 is \$995.00 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; surviving family members receive health coverage with some restrictions)
- \$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 nonprofit private college campus police officers 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 355 covered employees is not expected to 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.

Using the current LODA Fund premium, for the first year the total premium cost for each of the Virginia nonprofit private colleges authorized to establish campus police departments and private police departments would be estimated at:

Virginia Nonprofit Private College	Campus Police Department Headcount	Estimated LODA Premium Cost for FY 2024 (\$995.00/FTE)
Bridgewater College	7	\$6,965
Emory & Henry College	5	\$4,975
Ferrum College	9	\$8,955
Hampden-Sydney College	12	\$11,940
Hampton University	9	\$8,955
Liberty University	38	\$37,810
Regent University	13	\$12,935
University of Richmond	22	\$21,890
Virginia Union University	8	\$7,960

Private Police Department	Private Police Department Headcount	Estimated LODA Premium Cost for FY 2024 (\$995.00/FTE)
Aquia Harbour Police Department	7	\$6,965
Bridgewater Airpark Police Department	7	\$6,965

BWXT Police Department	230	\$228,850
Carilion Clinic Police Department	61	\$60,695
Kings Dominion Police Department	2	\$1,990
Kingsmill Police Department	13	\$12,935
Lake Monticello Police Department	5	\$4,975
Lynchburg Regional Airport Police Department	5	\$4,975
Roanoke Regional Airport Commission Police Department	14	\$13,930
Wintergreen Police Department	11	\$10,945

10. Specific Agency or Political Subdivisions Affected: VRS, DHRM, and all LODA participating employers. Will also impact Virginia nonprofit private colleges and universities and private police departments, including LRAPD, that elect to provide LODA benefits.

11. Technical Amendment Necessary: Yes, if implementation costs are to be covered by the nonprofit private higher education institutions and private police departments. In lieu of the General Assembly providing a GF appropriation to cover implementation costs, each nonprofit private higher education institution that elects to provide LODA benefits to their eligible employees could be charged a pro rata portion of the implementation costs. Following line 650, insert:

4. That each contributing nonprofit private higher education institution and contributing private police department shall pay its pro rata share of the initial implementation costs, as determined by VRS.

12. Other Comments: This legislation would allow the nine nonprofit private colleges and universities in Virginia that have established campus police departments and the 10 private police departments, including LRAPD, to make a one-time irrevocable election to offer LODA benefits to their eligible police officers within 180 days of the effective date of the legislation. No other private employers are authorized to provide LODA benefits to their employees.

Nonprofit private higher education institutions and private police departments that elect to provide LODA benefits to their eligible employees would be required to provide all the benefits under chapter 4 of Title 9.1 of the *Code of Virginia*. They would pay annual premiums for each eligible employee to the LODA Fund, which would then cover the cost of benefits. They could be required to pay their pro rata share of the implementation costs, as determined by VRS.

The legislation is prospective and would apply to any campus police officer employed by a nonprofit private institution of higher education or private police officer whose death or disability occurred on or after the effective date of the substitute and the effective date of

such institution's irrevocable election to fund the cost of benefits under the Line of Duty Act and participate in the Line of Duty Death and Health Benefits Trust Fund. Nonprofit private higher education institutions that subsequently establish campus police departments will have 180 days from the establishment of the campus police department to make an irrevocable one-time election to provide LODA benefits to their eligible campus police officers through participation in the LODA Fund.

This bill is similar to HB 232 and SB 466.

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