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HOUSE BILL NO. 147

Offered January 12, 2000

A BILL to amend and reenact §§ 2.1-20.1:2, 2.1-20.1:3, 51.1-155, and 51.1-1133 of the Code of Virginia, relating to service retirement allowance and health insurance credit benefits under the Virginia Retirement System.

Patrons—Tata, Broman, Bryant, Callahan, Cantor, Christian, Councill, Davis, Diamonstein, Dickinson, Dillard, Drake, Hamilton, Hargrove, Howell, Kilgore, Larrabee, Louderback, McDonnell, Orrock, Parrish, Purkey, Putney, Robinson, Ruff, Sherwood, Thomas, Wardrup, Ware and Weatherholtz

Referred to Committee on Appropriations

Be it enacted by the General Assembly of Virginia:

1. That §§ 2.1-20.1:2, 2.1-20.1:3, 51.1-155, and 51.1-1133 of the Code of Virginia are amended and reenacted as follows:

§ 2.1-20.1:2. Health insurance credits for retired state employees.

A. The Commonwealth shall provide a credit toward the cost of health insurance coverage for any former state employee, as defined in § 2.1-20.1, who retired under the Virginia Retirement System, State Police Officers Retirement System, Judicial Retirement System or any retirement system authorized pursuant to § 51.1-126 and who (i) rendered at least fifteen years of total creditable service under the Retirement System or (ii) rendered service as a temporary employee of the General Assembly in 1972 and became a member of the retirement system from 1972 to 1985 immediately following such temporary service. The amount of each monthly health insurance credit payable under this section shall be four dollars per year of creditable service, ~~not to exceed a maximum monthly allowance of \$120,~~ which amount shall be credited monthly to any retired state employee participating in the state retiree health benefits program pursuant to § 2.1-20.1:6 or an alternative personal health insurance plan as provided herein. However, such credit shall not exceed the health insurance premium for retiree-only coverage as provided under such alternative personal health insurance plan. Any retired state employee retired under the provisions of §§ 51.1-156 and 51.1-307 shall receive ~~the maximum credit provided by this section~~ a credit of four dollars per year of creditable service or \$120, whichever is greater. Any person included in the membership of a retirement system provided by Chapter 1 (§ 51.1-124.1 et seq.), 2 (§ 51.1-200 et seq.) or 3 (§ 51.1-300 et seq.) of Title 51.1 who elects to defer his retirement pursuant to subsection C of §§ 51.1-153, 51.1-205 or § 51.1-305 shall be entitled to receive the allowable credit provided by this section on the effective date of his retirement.

B. 1. For those retired state employees participating in the state retiree health benefits program, such credit shall be applied to the monthly premium deducted from benefits payable to retired state employees in accordance with Chapters 1 (§ 51.1-124.1 et seq.), 2 (§ 51.1-200 et seq.) and 3 (§ 51.1-300 et seq.) of Title 51.1. In the event that either no benefit is payable or the benefit payable is insufficient to deduct the entire health care premium, the payment of the credit shall be determined in the manner prescribed by the Virginia Retirement System. Eligibility for the credit shall be determined in a manner prescribed by the Virginia Retirement System.

2. For those retired state employees not electing or eligible to participate in the state retiree health benefits program and who purchase an alternative personal health insurance policy from a carrier or organization of his own choosing, such retirees shall be eligible to receive a credit in the amount specified in subsection A. Eligibility for the credit and payment for the credit shall be determined in a manner prescribed by the Virginia Retirement System.

3. Any person included in the membership of a retirement system provided by Chapter 1 (§ 51.1-124.1 et seq.), 2 (§ 51.1-200 et seq.), or 3 (§ 51.1-300 et seq.) of Title 51.1 who (i) rendered at least fifteen years of total creditable service as a state employee as defined in § 2.1-20.1 and (ii) after terminating state service, was employed by a local government that does not elect to provide a health insurance credit under § 2.1-20.1:3 or § 2.1-20.1:4, shall be eligible for the credit provided by subsection A, provided that the retired employee is participating in a health insurance plan. The Commonwealth shall be charged with the credit as provided for in subsection C. In such case, the health insurance credit shall be determined based upon the amount of state service or service as a teacher rendered by the employee.

C. The Virginia Retirement System shall actuarially determine the amount necessary to fund all credits provided by this section to reflect the cost of such credits in the employer contribution rate pursuant to § 51.1-145, and prescribe such terms and conditions as are necessary to carry out the provisions of this section. The costs associated with the administration of the health insurance credit

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HB147

60 program provided for in this section shall be recovered from the health insurance credit trust fund.

61 D. Notwithstanding anything contained in this section to the contrary, the Medical College of
62 Virginia Hospitals Authority shall pay the cost of coverage for employees of such Authority who (i)
63 retired under the Virginia Retirement System or any retirement system authorized pursuant to
64 §§ 23-50.16:24.1, 51.1-126, 51.1-126.1, or former § 51.1-126.2; (ii) were employed by such Authority
65 prior to July 1, 1998, and were not subsequently rehired by such Authority on or after July 1, 1998; and
66 (iii) served no less than fifteen years of creditable service as regularly employed full-time employees of
67 such Authority or the Commonwealth.

68 § 2.1-20.1:3. Health insurance credits for retired teachers.

69 A. A teacher, as defined in § 51.1-124.3, retired under the Virginia Retirement System who rendered
70 at least fifteen years of total creditable service under the System shall receive a health insurance credit
71 to his monthly retirement allowance, which shall be applied to reduce the retired member's health
72 insurance premium cost. The amount of each monthly health insurance credit payable under this section
73 shall be two dollars and fifty cents for each full year of the retired member's creditable service, ~~not to~~
74 ~~exceed a maximum monthly credit of seventy-five dollars;~~ however, each former member whose
75 retirement was for disability shall receive a monthly health insurance credit of seventy-five dollars *or*
76 *two dollars and fifty cents for each full year of the retired member's creditable service, whichever is*
77 *greater.* Eligibility for the credit shall be determined in a manner prescribed by the Virginia Retirement
78 System. Any member who elects to defer his retirement pursuant to subsection C of § 51.1-153 shall be
79 entitled to receive the allowable credit provided by this section on the effective date of his retirement.
80 The cost of such credit shall be borne by the Commonwealth.

81 B. In addition to the health insurance credit authorized in subsection A, localities which participate in
82 the Virginia Retirement System may elect to provide an additional health insurance credit of one dollar
83 per month for each full year of the retired member's creditable service, not to exceed a maximum
84 monthly credit of thirty dollars. The costs of such additional health insurance credit shall be borne by
85 the locality.

86 C. 1. Those retired employees who purchase an alternative personal health insurance policy from a
87 carrier or organization of their own choosing shall be eligible to receive a credit in the amount specified
88 in subdivision C 2. Eligibility for the credit and payment of the credit shall be determined in a manner
89 prescribed by the Virginia Retirement System.

90 2. The credit shall be in (i) the amount provided in subsection A, or subsection A and subsection B
91 if the additional credit authorized by subsection B is provided or (ii) the amount of premium paid for
92 the personal health insurance policy, whichever is less.

93 3. Any person included in the membership of a retirement system provided by Chapter 1
94 (§ 51.1-124.1 et seq.), 2 (§ 51.1-200 et seq.), or 3 (§ 51.1-300 et seq.) of Title 51.1 who (i) rendered at
95 least fifteen years of total creditable service as a teacher as defined in § 51.1-124.3 and (ii) after
96 terminating service as a teacher, was employed by a local government that does not elect to provide a
97 health insurance credit under § 2.1-20.1:4, shall be eligible for the credit provided by subsection A and
98 subsection B if provided by the school division from which the service described in clause (i) was
99 rendered, provided that the retired employee is participating in a health insurance plan. The
100 Commonwealth and local school division, if appropriate, shall be charged with the credit as provided for
101 in subsection D. In such case, the health insurance credit shall be determined based upon the amount of
102 state service or service as a teacher rendered by the employee.

103 D. The Virginia Retirement System shall (i) actuarially determine the amount necessary to fund all
104 credits provided under this section, (ii) reflect the cost of such credits in the applicable employer
105 contribution rate pursuant to §§ 51.1-145, 51.1-204, and 51.1-304, and (iii) prescribe such terms and
106 conditions as are necessary to carry out the provisions of this section. The costs associated with the
107 administration of the health insurance program provided for in this section shall be recovered from the
108 health insurance credit trust fund.

109 § 51.1-155. Service retirement allowance.

110 A. Retirement allowance. - A member shall receive an annual retirement allowance, payable for life,
111 as follows:

112 1. Normal retirement. - The allowance shall equal 1.70 percent of his average final compensation
113 multiplied by the amount of his creditable service.

114 2. Early retirement; applicable to teachers, state employees, and certain others. - The allowance shall
115 be determined in the same manner as for normal retirement with creditable service and average final
116 compensation being determined as of the date of actual retirement. If the member has less than thirty
117 years of service at retirement, the amount of the retirement allowance shall be reduced on an actuarial
118 equivalent basis for the period by which the actual retirement date precedes the earlier of (i) his normal
119 retirement date or (ii) the first date on which he would have completed a total of thirty years of
120 creditable service. The provisions of this subdivision shall apply to teachers and state employees. These
121 provisions shall also apply to employees of any political subdivision that participates in the retirement

system if the political subdivision makes the election provided in subdivision 3 of this subsection.

3. Early retirement; applicable to employees of certain political subdivisions. - The allowance shall be determined in the same manner as for normal retirement with creditable service and average final compensation being determined as of the date of actual retirement. If the creditable service of the member equals thirty or more years but the sum of his age at retirement plus his creditable service at retirement is less than ninety, the amount of the retirement allowance shall be reduced on an actuarial equivalent basis for the period by which the actual retirement date precedes the earlier of (i) his normal retirement date or (ii) the first date on which the sum of his then attained age plus his then creditable service would have been equal to ninety or more had he remained in service until such date. If the member has less than thirty years of creditable service, the retirement allowance shall be reduced for the period by which the actual retirement date precedes the earlier of (i) his normal retirement date or (ii) the first date on which he would have completed a total of at least thirty years of creditable service and his then creditable service plus his then attained age would have been equal to ninety or more.

The provisions of this subdivision shall apply to the employees of any political subdivision that participates in the retirement system. The participating political subdivision may, however, elect to provide its employees with the early retirement allowance set forth in subdivision 2 of this subsection. Any election pursuant to this subdivision shall be set forth in a legally adopted resolution.

4. Additional allowance. - In addition to the allowance payable under subdivisions 1, 2, and 3 of this subsection, a member shall receive an additional allowance which shall be the actuarial equivalent, for his attained age at the time of retirement, of the excess of his accumulated contributions transferred from the abolished system to the retirement system, including interest credited at the rate of two percent compounded annually since the transfer to the date of retirement, over the annual amounts equal to four percent of his annual creditable compensation at the date of abolishment for a period equal to his period of membership in the abolished system.

5. 50/10 retirement. - The allowance shall be payable in a monthly stream of payments equal to the greater of (i) the actuarial equivalent of the benefit the member would have received had he terminated service and deferred retirement to age fifty-five or (ii) the actuarially calculated present value of the member's accumulated contributions, including accrued interest.

6. *Retirement with more than thirty years of service. - In addition to all other applicable allowances payable under this section, a member who retires with more than thirty years of creditable service shall receive an additional allowance that shall equal one percent of his average final compensation multiplied by the amount by which his creditable service exceeds thirty years.*

B. Beneficiary serving in position covered by this title.

1. Except as provided in subdivision 2, if a beneficiary of a service retirement allowance under this chapter is at any time in service as an employee in a position covered for retirement purposes under the provisions of this or any chapter other than Chapter 7 (§ 51.1-700 et seq.) of this title, his retirement allowance shall cease while so employed. Any member who retires and later returns to covered employment shall not be entitled to select a different retirement option for a subsequent retirement.

2. Active members of the General Assembly who are eligible to receive a retirement allowance under this title, excluding their service as a member of the General Assembly, shall be eligible to receive a retirement allowance based on their creditable service and average final compensation for service other than as a member of the General Assembly. Such members of the General Assembly shall continue to be reported as any other members of the retirement system. Upon ceasing to serve in the General Assembly, members of the General Assembly receiving a retirement allowance based on their creditable service and average final compensation for service other than as a member of the General Assembly shall have their retirement allowance recomputed prospectively to include their service as a member of the General Assembly. Active members of the General Assembly shall be prohibited from receiving a service retirement allowance under this title based solely on their service as a member of the General Assembly.

§ 51.1-1133. Life and accident insurance coverage during disability absences.

A. Participating full-time employees participating in a group life and accident insurance program established pursuant to Chapter 5 (§ 51.1-500 et seq.) of this title shall continue to participate in such program during periods of absence covered by short-term and long-term disability benefits.

B. During periods of absence covered by short-term disability benefits, the amount of the life insurance benefit shall be based on the annual salary of the participating full-time employee at the commencement of the disability and shall be adjusted to include salary increases awarded during the period covered by short-term disability benefits.

C. During periods of absence covered by long-term disability benefits, the amount of the life insurance benefit shall be based on the annual salary of the participating employee at the commencement of the disability. Such amount shall (i) not include salary increases awarded during the period covered by long-term disability benefits and (ii) be increased annually by an amount recommended by the

183 actuary of the Virginia Retirement System and approved by the Board.

184 D. An employee receiving long-term disability benefits shall receive ~~the maximum~~ a health insurance
185 premium credit as provided for in § 2.1-20.1:2 *in the amount of four dollars per year of creditable*
186 *service or \$120, whichever is greater.*

187 **2. That the provisions of this act shall apply only to persons who retire on or after July 1, 2001.**