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HOUSE BILL NO. 1866

Offered January 12, 2005

Prefiled January 6, 2005

A BILL to amend and reenact §§ 51.1-1400 through 51.1-1403 of the Code of Virginia, relating to health insurance credits for certain retirees.

Patron—Morgan

Referred to Committee on Appropriations

Be it enacted by the General Assembly of Virginia:

1. That §§ 51.1-1400 through 51.1-1403 of the Code of Virginia are amended and reenacted as follows:

§ 51.1-1400. 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 § 2.2-2818, who retired under the Virginia Retirement System, State Police Officers' Retirement System, Judicial Retirement System, Virginia Law Officers' Retirement System, or any retirement system authorized pursuant to §§ 51.1-126, 51.1-126.1, 51.1-126.3, 51.1-126.4, 51.1-126.5, and 51.1-126.7 and who (i) rendered at least 15 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 ~~which amount~~ (i) \$4 per year of creditable service; ~~not to exceed a maximum monthly allowance of \$120, for retirees having less than 25 years of total creditable service and~~ (ii) \$7 per year of creditable service for retirees having 25 or more years of total creditable service, not to exceed \$210. All these amounts, including the cap of \$210, shall be increased on July 1, 2006, and on each July 1 thereafter by a percentage amount equivalent to the average annual percentage increase in the premiums for the state retiree health benefits plans for the then current fiscal year over the prior fiscal year. These amounts shall be credited monthly to any retired state employee participating in the state retiree health benefits program pursuant to § 51.1-1405 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 or from any retirement system authorized pursuant to §§ 51.1-126, 51.1-126.1, 51.1-126.3, 51.1-126.4, 51.1-126.5 and 51.1-126.7 for reason of disability shall receive the maximum credit provided by this ~~section~~ *subsection at that time*. 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.), 2.1 (§ 51.1-211 et seq.), or 3 (§ 51.1-300 et seq.) of this title 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. For those retired state employees:

1. 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.), 2.1 (§ 51.1-211 et seq.), and 3 (§ 51.1-300 et seq.) of this title. 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. 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.

C. 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.), 2.1 (§ 51.1-211 et seq.), or 3 (§ 51.1-300 et seq.) of this title who (i) rendered at least 15 years of total creditable service as a state employee as defined in § 2.2-2818 and (ii) after terminating state service, was employed by a local government that does not elect to provide a health insurance credit under § 51.1-1401 or § 51.1-1402, 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 D. In such case,

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59 the health insurance credit shall be determined based upon the amount of state service or service as a
60 teacher, whichever is greater.

61 D. The Virginia Retirement System shall actuarially determine the amount necessary to fund all
62 credits provided by this section to reflect the cost of such credits in the employer contribution rate
63 pursuant to § 51.1-145, and prescribe such terms and conditions as are necessary to carry out the
64 provisions of this section. The costs associated with the administration of the health insurance credit
65 program provided for in this section shall be recovered from the health insurance credit trust fund.

66 E. Notwithstanding anything contained in this section to the contrary, the Virginia Commonwealth
67 University Health System Authority shall pay the cost of coverage for employees of such Authority who
68 (i) retired under the Virginia Retirement System or any retirement system authorized pursuant to
69 §§ 23-50.16:24.1, 51.1-126, 51.1-126.1, or former § 51.1-126.2; (ii) were employed by such Authority
70 prior to July 1, 1998, and were not subsequently rehired by such Authority on or after July 1, 1998; and
71 (iii) served no less than 15 years of creditable service as regularly employed full-time employees of such
72 Authority or the Commonwealth.

73 § 51.1-1401. Health insurance credits for retired teachers.

74 A. A teacher, as defined in § 51.1-124.3, retired under the Virginia Retirement System, and any
75 employee retired under a defined contribution plan pursuant to § 51.1-126.6, who rendered at least 15
76 years of total creditable service under the System or plan shall receive a health insurance credit to his
77 monthly retirement allowance, which shall be applied to reduce the retired member's health insurance
78 premium cost. The amount of each monthly health insurance credit payable under this section shall be
79 (i) \$2.50 for each full year of the retired member's creditable service, ~~not to exceed a maximum monthly~~
80 ~~credit of \$75; however, each for retirees having less than 25 years of total creditable service and (ii) \$7~~
81 ~~for each full year of the retired member's creditable service, not to exceed a maximum monthly~~
82 ~~allowance of \$210, for retirees having 25 or more years of total creditable service. All these amounts,~~
83 ~~including the cap of \$210, shall be increased on July 1, 2006, and on each July 1 thereafter by a~~
84 ~~percentage amount equivalent to the average annual percentage increase in the premiums for the state~~
85 ~~retiree health benefits plans for the then current fiscal year over the prior fiscal year. Each former~~
86 ~~member whose retirement was for disability shall receive a the maximum monthly health insurance credit~~
87 ~~of \$75 available under this subsection at that time.~~ Eligibility for the credit shall be determined in a
88 manner prescribed by the Virginia Retirement System. Any member who elects to defer his retirement
89 pursuant to subsection C of § 51.1-153 shall be entitled to receive the allowable credit provided by this
90 section on the effective date of his retirement. The cost of such credit shall be borne by the
91 Commonwealth.

92 B. In addition to the health insurance credit authorized in subsection A, localities which participate in
93 the Virginia Retirement System may elect to provide an additional health insurance credit *to retirees*
94 *having less than 25 years of total creditable service* of \$1 per month for each full year of the retired
95 member's creditable service, ~~not to exceed a maximum monthly credit of \$30. This \$1 amount shall be~~
96 ~~increased on July 1, 2006, and on each July 1 thereafter by a percentage amount equivalent to the~~
97 ~~average annual percentage increase in the premiums for the state retiree health benefits plans for the~~
98 ~~then current fiscal year over the prior fiscal year.~~ The costs of such additional health insurance credit
99 shall be borne by the locality.

100 C. Those retired employees who purchase an alternative personal health insurance policy from a
101 carrier or organization of their own choosing shall be eligible to receive a credit in the amount specified
102 in subsection D. Eligibility for the credit and payment of the credit shall be determined in a manner
103 prescribed by the Virginia Retirement System.

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

107 E. Any person included in the membership of a retirement system provided by Chapter 1
108 (§ 51.1-124.1 et seq.), 2 (§ 51.1-200 et seq.), 2.1 (§ 51.1-211 et seq.), or 3 (§ 51.1-300 et seq.) of this
109 title who (i) rendered at least 15 years of total creditable service as a teacher as defined in § 51.1-124.3
110 and (ii) after terminating service as a teacher, was employed by a local government that does not elect
111 to provide a health insurance credit under § 51.1-1402, shall be eligible for the credit provided by
112 subsection A and subsection B if provided by the school division from which the service described in
113 clause (i) was rendered, provided that the retired employee is participating in a health insurance plan.
114 The Commonwealth and local school division, if appropriate, shall be charged with the credit as
115 provided for in subsection F. In such case, the health insurance credit shall be determined based upon
116 the amount of state service or service as a teacher, whichever is greater.

117 F. The Virginia Retirement System shall (i) actuarially determine the amount necessary to fund all
118 credits provided under this section, (ii) reflect the cost of such credits in the applicable employer
119 contribution rate pursuant to §§ 51.1-145, 51.1-204, and 51.1-304, and (iii) prescribe such terms and
120 conditions as are necessary to carry out the provisions of this section. The costs associated with the

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

§ 51.1-1402. Health insurance credits for retired local government employees.

A. Retired local government employees, whose localities have elected to participate in the Virginia Retirement System, who have rendered at least ~~fifteen~~ 15 years of total creditable service under the System shall receive a health insurance credit to his monthly retirement allowance, which shall be applied to reduce the retired member's health insurance premium cost, provided the retiree's employer elects to participate in the credit program. The amount of each monthly health insurance credit payable under this section shall be (i) \$1.50 for each full year of the retired member's creditable service, ~~not to exceed a maximum monthly credit of forty-five dollars; however, each for retirees having less than 25 years of total creditable service and~~ (ii) \$7 for each full year of the retired member's creditable service, ~~not to exceed a maximum monthly allowance of \$210, for retirees having 25 or more years of total creditable service. All these amounts, including the cap of \$210, shall be increased on July 1, 2006, and on each July 1 thereafter by a percentage amount equivalent to the average annual percentage increase in the premiums for the state retiree health benefits plans for the then current fiscal year over the prior fiscal year. Each former member whose retirement was for disability shall receive a the maximum monthly health insurance credit of forty-five dollars available under this subsection at that time.~~ Eligibility for the credit shall be determined in a manner prescribed by the Virginia Retirement System. Any member who elects to defer his retirement pursuant to subsection C of § 51.1-153 shall be entitled to receive the allowable credit provided by this section on the effective date of his retirement.

B. Those retired employees who purchase an alternative policy from a carrier or organization of their own choosing shall be eligible to receive a credit in the amount specified in subsection C. Eligibility for the credit and payment of the credit shall be determined in a manner prescribed by the Virginia Retirement System.

C. The credit shall be in the amount provided in subsection A or the amount of premium paid for the personal health insurance policy, whichever is less.

D. The cost of the monthly health insurance credit payable under this section shall be borne by the locality.

E. The Virginia Retirement System shall actuarially determine the amount necessary to fund all credits provided under this section, reflect the cost of such credits in the applicable 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 program provided for in this section shall be recovered from the health insurance credit trust fund.

§ 51.1-1403. Health insurance credits for retired constitutional officers, employees of constitutional officers, and local social service employees.

A. A local officer, as defined in § 51.1-124.3, or an employee of a local social services board, retired under the Virginia Retirement System who rendered at least ~~fifteen~~ 15 years of total creditable service under the System shall receive a health insurance credit to his monthly retirement allowance, which shall be applied to reduce the retired member's health insurance premium cost. The amount of each monthly health insurance credit payable under this section shall be ~~one dollar and fifty cents~~ (i) \$1.50 for each full year of the retired member's creditable service, ~~not to exceed a maximum monthly credit of forty-five dollars; however, each for retirees having less than 25 years of total creditable service and~~ (ii) \$7 for each full year of the retired member's creditable service, ~~not to exceed a maximum monthly allowance of \$210, for retirees having 25 or more years of total creditable service. All these amounts, including the cap of \$210, shall be increased on July 1, 2006, and on each July 1 thereafter by a percentage amount equivalent to the average annual percentage increase in the premiums for the state retiree health benefits plans for the then current fiscal year over the prior fiscal year. Each former member whose retirement was for disability shall receive a the maximum monthly health insurance credit of forty-five dollars provided under this subsection at that time.~~ Eligibility for the credit shall be determined in a manner prescribed by the Virginia Retirement System. Any member who elects to defer his retirement pursuant to subsection C of § 51.1-153 shall be entitled to receive the allowable credit provided by this section on the effective date of his retirement. The cost of such credit shall be borne by the Commonwealth.

B. In addition to the health insurance credit authorized in subsection A, localities which participate in the Virginia Retirement System may elect to provide an additional health insurance credit to *retirees having less than 25 years of total creditable service* of ~~one dollar~~ \$1 per month for each full year of the retired member's creditable service, ~~not to exceed a maximum monthly credit of thirty dollars. This \$1 amount shall be increased on July 1, 2006, and on each July 1 thereafter by a percentage amount equivalent to the average annual percentage increase in the premiums for the state retiree health benefits plans for the then current fiscal year over the prior fiscal year.~~ The costs of such additional

182 health insurance credit shall be borne by the locality.

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

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

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

196 **2. That the provisions of this act shall affect the amount of health insurance credits provided on**
197 **and after July 1, 2005, and shall apply to applicable employees who retired prior to July 1, 2005,**
198 **as well as those who retire on or after July 1, 2005.**