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HOUSE BILL NO. 561

Offered January 13, 2010

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A *BILL to amend and reenact §§ 51.1-505 and 51.1-512 of the Code of Virginia, relating to the Virginia Retirement System; optional life insurance.*

 Patron—Tata

 Referred to Committee on Appropriations

Be it enacted by the General Assembly of Virginia:**1. That §§ 51.1-505 and 51.1-512 of the Code of Virginia are amended and reenacted as follows:**

§ 51.1-505. Amounts of life and accident insurance for each employee; reduction and termination of insurance.

A. Each employee to whom this chapter applies shall, subject to the terms and conditions thereof, be eligible to be insured for an amount of group life insurance plus an amount of group accidental death and dismemberment insurance, each amount equal to twice the amount of his annual salary. If an employee's annual salary is not an even multiple of \$1,000, his annual salary for purposes of this section shall be considered to be the next higher \$1,000. For purposes of this section, the annual salary of a member of the General Assembly shall be his creditable compensation for his last full calendar year of service or his salary under § 30-19.11, whichever is greater, and shall include the full amount of any salaries payable to such member for working in covered positions, regardless of whether such salaries were paid, reduced, or not paid because of such member's service in the General Assembly. The annual salary for an employee retired for service or disability on an immediate retirement allowance may be adjusted by the Board in accordance with the provisions of Chapter 1 (§ 51.1-124.1 et seq.) of this title.

Subject to the conditions and limitations of the group insurance policy, the accidental death and dismemberment insurance shall provide payments as follows:

Loss	Amount Payable
For loss of life	Full amount determined in accordance with the provisions of this section
Loss of one hand or of one foot or loss of sight of one eye	One-half of the amount determined in accordance with the provisions of this section
Loss of two or more such members	Full amount determined in accordance with the provisions of this section.

For any one accident, the aggregate amount of accidental death and dismemberment insurance that may be paid shall not exceed the maximum amount of accidental death and dismemberment insurance determined in accordance with this section.

Notwithstanding the provisions of § 51.1-124.8, the amount of life insurance for which an employee shall be eligible shall be equal to twice the amount of his annual salary without regard to the date of the employee's qualification for a retirement allowance.

B. The amount of life insurance on an employee who retires for service on an immediate retirement allowance or who elects to postpone the receipt of his retirement allowance to some date other than his last day of service shall be the amount set forth in subsection A, reduced by an amount equal to 25 percent thereof on the January 1 following the first full year from the date the employee is separated from service and each January 1 thereafter. The amount of life insurance on an employee who retires for disability on an immediate retirement allowance shall be the amount set forth in subsection A on the date the employee last rendered service reduced by an amount equal to 25 percent thereof on January 1 following the first full year from the date the employee attains age 65, and each January 1 thereafter. If the employee by statute or Board regulation has been construed to be in service to the beginning of the next school year, the reduction shall not apply until the beginning of the next school year. The reduction shall not decrease the amount of life insurance on an employee to less than 25 percent of the amount of life insurance to which the initial reduction is applied. For purposes of this subsection, an employee shall be deemed to have retired only if the employee has five or more years of service as an employee prior to the date of retirement. This requirement shall not be applicable if the employee is retired for disability.

Any employee who was denied membership in the Retirement System because of having attained age 60 at the time of being employed or reemployed and who has five or more years of service immediately

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58 prior to separation from service shall retain the life insurance coverage as though he had retired on an
59 immediate retirement allowance.

60 C. For any employee, who at any time has at least 20 years of creditable service in any retirement
61 plan administered by the Virginia Retirement System or other Virginia public plan participating in the
62 group life program established by this chapter, the amount of group life insurance shall be an amount
63 equal to twice the amount of the highest annual salary earned during such employment.

64 The provisions of subsection B providing a reduction in the amount of life insurance shall apply to
65 the amount of group life insurance as determined under this subsection for such employees with at least
66 20 years of creditable service.

67 D. The amount of life insurance for an employee who is retired for disability on an immediate
68 retirement allowance, who also has attained age 55, and who elects to receive a retirement allowance as
69 set forth in subsection C of § 51.1-160, shall be reduced as set forth in subsection B of this section. The
70 reduction shall begin the January 1 following the first full year from the date the employee elects a
71 service retirement allowance.

72 E. All accidental death and dismemberment insurance on an employee shall cease upon the earliest of
73 (i) his separation from service, (ii) his failure to pay, in the manner prescribed by the Board, the
74 contribution required for the first 24 months of leave without pay, (iii) if the employee has not returned
75 to pay status, the expiration of 24 months of leave without pay, or (iv) his retirement.

76 F. Except in case of retirement as provided in subsections B, C, and D of this section, all life
77 insurance on an employee shall cease upon the earliest of (i) his separation from service, or (ii) his
78 failure to pay, in the manner prescribed by the Board, the contribution required for the first 24 months
79 of leave without pay, or, (iii) if the employee has not returned to pay status, the expiration of 24 months
80 of leave without pay. Except in the case of retirement, life insurance shall be subject to a temporary
81 extension of 31 days. During this 31-day extension, the employee may convert his life insurance into an
82 individual policy of life insurance (without disability or other supplementary benefits) in any one of the
83 forms, except term insurance, then customarily issued by the insuring company. The amount of life
84 insurance which may be converted shall not exceed the amount of his life insurance under the group
85 insurance policy at the time coverage is terminated. The insurance shall be converted to an individual
86 policy (a) without evidence of insurability, (b) at the premium applicable to the class of risk to which he
87 belongs, and (c) to the form and amount of the individual policy at his then attained age, provided
88 application for the individual policy and payment of the first premium thereon is made to the issuing
89 company within the 31 days. The right to convert to an individual policy as provided in § 38.2-3333
90 shall not apply upon termination of this group policy or elimination of a class of insured employees.

91 Except as provided in subsection C, the amount of life insurance on each insured employee who
92 retires shall be determined under the provisions of this chapter as it exists on the employee's date of
93 retirement.

94 G. Each employee of a state institution of higher education or of a local school board who remains
95 in service until the completion of the school year and who makes contributions required to provide
96 insurance coverage until service normally will be resumed the beginning of the next school year shall be
97 deemed to be in service as an employee through the period to which the payments apply. If the
98 employee is retired for service or disability during this period, contributions made by the employee shall
99 be accepted and retained as proper.

100 Each state employee of a public institution of higher education or a teaching hospital affiliated with a
101 public institution of higher education who (i) is employed pursuant to a contract (a) that is for a term of
102 employment of at least nine months and (b) that does not coincide with the normal scholastic year, (ii)
103 remains in service until the completion of the contract year, and (iii) makes contributions required to
104 provide insurance coverage until service normally will be resumed at the beginning of the next contract
105 year shall be deemed to be in service as an employee through the period to which the payments apply.
106 If the employee is retired for service or disability during this period, contributions made by the
107 employee shall be accepted and retained as proper.

108 H. ~~The provisions of limit of 24 months of leave without pay, after which accidental death and~~
109 ~~dismemberment insurance and life insurance shall cease, referred to in~~ subsections E and F of this
110 section shall not apply to an employee who is on leave without pay while performing active duty
111 military service in the armed forces of the United States.

112 I. ~~That the~~ The provisions of this section shall apply to all members of the Virginia Retirement
113 System who, on and after July 1, 1995, are covered under the group life insurance program created
114 pursuant to this section and whose effective date of retirement is (i) before July 1, 1970, or (ii) on and
115 after July 1, 1970.

116 § 51.1-512. Optional life insurance.

117 A. The Board shall, under the terms and conditions specified by the Board, make available to each
118 active insured employee optional life, accidental death, and dismemberment insurance in incremental
119 ~~additional~~ amounts not to exceed a ~~total of \$600,000 of additional insurance~~ maximum amount

120 *determined by the Board.* Such maximum shall be reviewed at least once every five calendar years by
121 the actuary of the Virginia Retirement System and increased by the Board upon the recommendation of
122 the actuary. The amount recommended by the actuary shall be based upon the annual increases in the
123 United States Average Consumer Price Index for all items, all urban consumers (CPI-U), as published
124 by the Bureau of Labor Statistics of the United States Department of Labor.

125 B. The optional life, accidental death, and dismemberment insurance shall be made available to each
126 active insured employee under conditions prescribed by the Board. The conditions prescribed by the
127 Board shall provide that offering the optional insurance does not materially increase the rates for any
128 group life insurance policy provided pursuant to § 51.1-505.

129 C. All optional insurance on an employee shall cease upon the earlier of (i) the date the employee's
130 basic coverage ceases or (ii) the date insurance being continued in retirement terminates pursuant to
131 subsections D and E.

132 D. The optional amount of life insurance in force on an employee who retires for disability on an
133 immediate retirement allowance may be continued, subject to payment of any required premium by the
134 employee, during continuance of such disability but not beyond the end of the month in which the
135 employee attains age 65.

136 E. The optional amount of life insurance in force on an employee who retires for service on an
137 immediate retirement allowance, or for an employee who retired for disability on an immediate
138 retirement allowance and who attains age 65, may be continued provided the retiree was continuously
139 insured under this section for a period of at least 60 continuous months prior to retirement, or prior to
140 reaching age 65 for a disability retirement. This continued insurance shall be in incremental amounts not
141 to exceed \$200,000 *a maximum amount determined by the Board* and the amounts and corresponding
142 maximum coverage shall reduce beginning at age 65 as determined by the Board. This maximum
143 coverage amount shall be reviewed at least once every five calendar years as provided for under
144 subsection A. The life insurance continued under this subsection shall cease upon the earliest of (i) the
145 date the retiree attains age 80, (ii) lapse for nonpayment of premium, or (iii) return to employment and
146 eligibility for active employee life insurance under Chapter 5 (§ 51.1-500 et seq.) of Title 51.1. All
147 accidental death and dismemberment insurance shall cease at retirement.

148 F. The cost of the optional insurance shall be determined periodically by the Board on the basis it
149 considers appropriate. The Board may discontinue the optional insurance plan at any time upon
150 determination that employee participation is not sufficient to continue the plan on a sound actuarial
151 basis.

152 G. The amount of optional life, accidental death, and dismemberment insurance in force on any
153 employee at the date of his death shall be paid as provided in this chapter.

154 H. The Board shall determine the form and content of the accounting reports to be made by the
155 insurance company with respect to the optional insurance. Any expenses incurred by the Retirement
156 System for operating and administering the optional insurance programs provided in this section may be
157 recovered by the Board from the advance premium deposit reserve required by subsection B of
158 § 51.1-514.