

# VIRGINIA ACTS OF ASSEMBLY -- 1997 SESSION

## CHAPTER 273

*An Act to amend and reenact §§ 51.1-146, 51.1-510, 51.1-512, 51.1-512.1, and 51.1-514 of the Code of Virginia, relating to the Virginia Retirement System; insurance proceeds and programs.*

[S 830]

Approved March 12, 1997

**Be it enacted by the General Assembly of Virginia:**

**1. That §§ 51.1-146, 51.1-510, 51.1-512, 51.1-512.1, and 51.1-514 of the Code of Virginia are amended and reenacted as follows:**

§ 51.1-146. Failure to report or pay contributions or insurance premiums.

Every employer shall file all reports and pay all contributions *and insurance premiums* required by this ~~chapter~~ title or Board regulation. Failure to file reports or pay contributions *or insurance premiums* by the end of the month in which due may result in a penalty of five percent of the amount due plus interest at the rate of one percent per month until payment is made. The Board may waive all or a part of the penalty and interest if good cause is shown. Delinquent contributions, *insurance premiums*, penalties, and interest may be recovered by action in a court of competent jurisdiction. At the discretion of the Board, contributions, *insurance premiums*, penalties and interest may be deducted from the retirement allowance account of the employer or may be deducted by the State Treasurer, upon warrant of the Comptroller, from any non earmarked moneys distributable to the employer by any department or agency of the Commonwealth.

§ 51.1-510. Insurance exempt from process.

A. *Except as provided in subsection B*, the insurance provided for in this chapter, including any optional insurance, and all proceeds therefrom shall be exempt from levy, garnishment, and other legal process. However, the insured may make a voluntary, irrevocable assignment of his group life insurance and any individual conversion policy that may be issued upon termination of his group life insurance by executing an assignment on a form prepared by the Board of Trustees of the Virginia Retirement System.

B. *From any insurance proceeds payable pursuant to this chapter to a retiree's beneficiaries, the Board may deduct any overpayment of retirement allowance paid to such retiree.*

§ 51.1-512. Optional insurance for employees.

A. The Board shall, under the terms and conditions specified in this chapter, make available to each active insured employee optional life, accidental death, and dismemberment insurance in incremental amounts up to four times the employee's annual salary, not to exceed a total of \$500,000 of additional insurance. Such maximum shall be increased every other calendar year, beginning January 1, 1998, to an amount recommended by the actuary of the Virginia Retirement System, based upon the annual increases in the United States Average Consumer Price Index for all items, all urban consumers (CPI-U), as published by the Bureau of Labor Statistics of the United States Department of Labor. 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 and § 51.1-512.1, the annual salary of a member of the General Assembly and for an employee retired for service or disability on an immediate retirement allowance shall be determined as provided in § 51.1-505.

B. The optional life, accidental death, and dismemberment insurance shall be made available to each active insured employee ~~under age seventy~~ under conditions prescribed by the Board. The conditions prescribed by the Board shall provide that offering the optional insurance does not materially increase the rates for any group life insurance policy provided pursuant to § 51.1-505. Optional amounts of insurance shall not be made available to any employee retired for service.

C. All optional insurance on an employee shall cease upon the earliest of (i) the date the employee retires for service; *or* (ii) the date the employee's basic coverage ceases; ~~or (iii) the end of the month in which the employee attains age seventy.~~ The optional amount of life insurance in force on an employee who retires for disability on an immediate retirement allowance may be continued, subject to payment of any required premium by the employee, during continuance of such disability but not beyond the end of the month in which the employee attains age sixty-five.

D. During any period in which an active employee has the optional insurance in force, the full cost thereof shall be withheld from his salary. During any period in which an employee continues optional life insurance after retiring for disability on an immediate retirement allowance, the full cost thereof shall be withheld from his retirement allowance.

E. The cost of the optional insurance shall be determined periodically by the Board on the basis it considers appropriate. On or after July 1, 1998, the Board may discontinue the optional insurance plan at any time upon determination that employee participation is not sufficient to continue the plan on a

sound actuarial basis.

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

G. ~~The provisions of § 51.1-514 shall not apply to the optional insurance.~~ The Board shall determine the form and content of the accounting reports to be made by the insurance company with respect to the optional insurance. *Any expenses incurred by the Retirement System for operating and administering the optional insurance programs provided in this section may be recovered by the Board from the advance premium deposit reserve required by subsection B of § 51.1-514.*

§ 51.1-512.1. Optional insurance for the spouse and minor dependents of employees.

A. The Board shall, under the terms and conditions specified in this chapter, make available to any active insured employee optional life, accidental death, and dismemberment insurance on the employee's spouse and minor dependents in the following amounts:

1. For the spouse of an active insured employee: an amount up to fifty percent of the maximum amount of optional insurance available to the employee under § 51.1-512.

2. For any minor dependent of an active insured employee: \$5,000, \$10,000, or \$15,000. The Board shall adjust these amounts periodically to account for changes in the purchasing power of money over time.

B. The optional life, accidental death, and dismemberment insurance on the employee's spouse and minor dependents shall be made available for purchase by each active insured employee under conditions prescribed by the Board.

C. All optional insurance on an employee's spouse shall cease upon the earliest of (i) the date the employee retires from service, (ii) ~~the date the spouse attains age 70;~~ (iii) the date the employee's basic coverage ceases, or ~~(iv)~~ (iii) the entry of a final divorce decree terminating the marriage of the employee and the employee's spouse. All optional insurance on an employee's minor dependent shall cease upon the earliest of (i) the date the employee retires for service, (ii) the minor dependent attains the age of twenty-one, unless the minor dependent is a full-time college student, then age twenty-five; ~~and or~~ unless the minor dependent is under a mental or physical disability, in which event coverage shall not terminate until three months following cessation of the disability, (iii) marriage of the minor dependent, or (iv) the date the employee's basic coverage ceases. Subject to foregoing limitations, the optional amount of life insurance in force on the spouse or minor dependent of an employee who retires for disability on an immediate retirement allowance may be continued, subject to payment of any required premium by the employee, during continuance of such disability but not beyond the end of the month in which the employee attains age sixty-five.

D. During any period in which an active employee has optional insurance in force on the employee's spouse or minor dependent, the full cost thereof shall be withheld from the employee's salary. During any period in which an employee continues optional life insurance on the employee's spouse or minor dependent after retiring for disability on an immediate retirement allowance, the full cost thereof shall be withheld from the employee's retirement allowance.

E. The cost of the optional insurance shall be determined periodically by the Board on the basis it considers appropriate. On or after July 1, 1998, the Board may discontinue the optional insurance plan at any time upon determination that employee participation is not sufficient to continue the plan on a sound actuarial basis.

F. The amount of optional life, accidental death, and dismemberment insurance in force on an employee's spouse or minor dependent at the date of his or her death shall be paid as provided in this chapter.

G. ~~The provisions of § 51.1-514 shall not apply to optional insurance provided for the spouse and minor dependents of employees.~~ The Board shall determine the form and content of the accounting reports to be made by the insurance company with respect to the optional insurance. *Any expenses incurred by the Retirement System for operating and administering the optional insurance programs provided in this section may be recovered by the Board from the advance premium deposit reserve required by subsection B of § 51.1-514.*

H. As used in this section, an employee's "minor dependent" means a child member of the employee's family who is eligible for coverage under the family membership program offered under policies and procedures of the Department of Personnel and Training governing health insurance plans administered pursuant to § 2.1-20.1 or § 2.1-20.1:02.

I. The provisions of this chapter applicable to the provision of group insurance policies to insure eligible employees shall apply to optional insurance insuring the spouses and minor dependents of eligible employees pursuant to this section, with the respective differences having been considered.

§ 51.1-514. Policies to provide for accounting to Board; advance premium deposit reserve.

A. Each policy purchased by the Board shall provide for an accounting to the Board not later than 120 days after the end of each policy year. The accounting shall include (i) the amounts of premiums actually accrued under the policy during the policy year, (ii) the total amount of all mortality and other claim charges incurred during the policy year, and (iii) the amounts of the insurer's expenses and risk charges for the policy year.

*B.* Any portion of the excess of the total of item (i) over the sum of items (ii) and (iii) may, with the approval of the Board, be held by the insurance company in an advance premium deposit reserve to be used by the company for charges under the policy only. Any expenses incurred by the Board on behalf of the group insurance program may be deducted from the advance premium deposit reserve. The advance premium deposit reserve shall bear interest at a rate to be determined in advance of each policy year by the insurance company. The rate shall be subject to Board approval as being consistent with the rates generally used by the company for similar funds held under other group life insurance policies. Any portion of the excess not held by the insurance company shall be held by the Board to be used for charges under the policy only. If the Board determines that the advance premium deposit reserve, together with any portion of the excess accumulated and held by the Board, has attained an amount estimated to make satisfactory provision for adverse fluctuations in future charges under the policy, any further excess shall inure to the benefit of the Commonwealth and other employers participating in the group insurance program as determined by the Board.

*C.* For purposes of this section, the insurance company may combine and consolidate the policies issued by it as directed by the Board.