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SENATE BILL NO. 1327

Offered January 14, 2009

Prefiled January 14, 2009

A BILL to amend and reenact §§ 51.1-1400 and 51.1-1401 of the Code of Virginia, relating to health insurance credits for retired school division employees.

Patron—McEachin

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That §§ 51.1-1400 and 51.1-1401 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, or 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 \$4 per year of creditable service, which amount 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 (i) employee participant pursuant to § 51.1-126, 51.1-126.1, 51.1-126.3, 51.1-126.4, 51.1-126.5, or 51.1-126.7 receiving long-term disability, or (ii) retired state employee retired under the provisions of § 51.1-156 or 51.1-307, or (iii) any participating employee receiving long-term disability pursuant to § 51.1-1112 or 51.1-1123 shall receive a maximum monthly credit which is the greater of (i) \$120, (ii) \$4 per year for each year of creditable service at the time of disability retirement, or (iii) \$4 per year for each year of creditable service at the time of eligibility for long-term disability. 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, subsection C of § 51.1-205 or subsection C of § 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, the health insurance credit shall be determined based upon the amount of state service or service as a teacher as an employee of a local school division, whichever is greater.

D. The Virginia Retirement System shall actuarially determine the amount necessary to fund all

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59 credits provided by this section to reflect the cost of such credits in the employer contribution rate
60 pursuant to § 51.1-145, and prescribe such terms and conditions as are necessary to carry out the
61 provisions of this section. The costs associated with the administration of the health insurance credit
62 program provided for in this section shall be recovered from the health insurance credit trust fund.

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

70 § 51.1-1401. Health insurance credits for employees of local school divisions.

71 A. ~~A teacher, as defined in § 51.1-124.3,~~ *An employee of a local school division* retired under the
72 Virginia Retirement System, and any employee retired under a defined contribution plan pursuant to
73 § 51.1-126.6, who rendered at least 15 years of total creditable service under the System or plan shall
74 receive a health insurance credit to his monthly retirement allowance, which shall be applied to reduce
75 the retired member's health insurance premium cost. The amount of each monthly health insurance credit
76 payable under this section shall be \$4 for each full year of the retired member's creditable service;
77 however, each former member whose retirement was for disability shall receive a monthly health
78 insurance credit of \$4 multiplied by the smaller of (i) twice the amount of his creditable service or (ii)
79 the amount of creditable service he would have completed at age 60 if he had remained in service to
80 that age. Eligibility for the credit shall be determined in a manner prescribed by the Virginia Retirement
81 System. Any member who elects to defer his retirement pursuant to subsection C of § 51.1-153 shall be
82 entitled to receive the allowable credit provided by this section on the effective date of his retirement.

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

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

89 D. Any person included in the membership of a retirement system provided by Chapter 1
90 (§ 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
91 title who (i) rendered at least 15 years of total creditable service as ~~a teacher as defined in § 51.1-124.3~~
92 *an employee of a local school division* and (ii) after terminating service as ~~a teacher~~ *an employee of a*
93 *local school division*, was employed by a local government that does not elect to provide a health
94 insurance credit under § 51.1-1402, shall be eligible for the credit provided by subsection A and
95 subsection B if provided by the school division from which the service described in clause (i) was
96 rendered, provided that the retired employee is participating in a health insurance plan. The
97 Commonwealth and local school division, if appropriate, shall be charged with the credit as ~~provided for~~
98 ~~in subsection F.~~ In such case, the health insurance credit shall be determined based upon the amount of
99 state service or service as ~~a teacher~~ *an employee of a local school division*, whichever is greater.

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

106 **2. That the provisions of this act shall apply to all eligible retired employees of a local school**
107 **division, regardless of whether such employee retired prior to or on or after July 1, 2009.**
108 **However, the health insurance credit under § 51.1-1401 of the Code of Virginia shall only be**
109 **available on a prospective basis for those eligible retired employees of a local school division who**
110 **retired prior to July 1, 2009, but who did not receive a health insurance credit pursuant to such**
111 **section prior to such date.**

112 **3. That the provisions of this act shall not apply to any former member, retired prior to July 1,**
113 **2009, whose retirement was for disability, if such application would reduce the monthly health**
114 **insurance credit payable to such former member.**