

1999 RECONVENED SESSION

HOUSE SUBSTITUTE

994115811

HOUSE BILL NO. 1704

AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the Governor
on March 29, 1999)

(Patron Prior to Substitute—Delegate Dickinson)

A *BILL to amend and reenact §§ 2.1-20.1:2, 2.1-20.1:3, and 51.1-600 of the Code of Virginia and to amend the Code of Virginia by adding in Chapter 2 of Title 2.1 a section numbered 2.1-20.1:5 and in Chapter 6 of Title 51.1 a section numbered 51.1-606, relating to benefits for state employees; deferred compensation plans; participation in the state retiree health benefits program; health insurance credits for retired state employees and teachers.*

Be it enacted by the General Assembly of Virginia:

1. That §§ 2.1-20.1:2, 2.1-20.1:3, and 51.1-600 of the Code of Virginia are amended and reenacted, and that the Code of Virginia is amended by adding in Chapter 2 of Title 2.1 a section numbered 2.1-20.1:5 and in Chapter 6 of Title 51.1 a section numbered 51.1-606, as follows:

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

A. The Commonwealth shall ~~pay~~ *provide a credit toward* the cost of health insurance coverage for any former state ~~employees~~ *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. ~~Notwithstanding the preceding, the Medical College of Virginia Hospitals Authority shall pay the cost of coverage for employees of such Authority who~~ (i) ~~retired under the Virginia Retirement System or any retirement system authorized pursuant to §§ 23-50.16:24.1, 51.1-126, 51.1-126.1, or former § 51.1-126.2;~~ (ii) *were employed by such Authority prior to July 1, 1998, and were not subsequently rehired by such Authority on or after July 1, 1998; and* (iii) *served no less than fifteen years of creditable service as regularly employed full-time employees of such Authority or the Commonwealth.* ~~An~~ *The amount of each monthly health insurance credit payable under this section shall be two dollars and fifty cents per year of creditable service, not to exceed a maximum monthly allowance of seventy-five dollars, which amount shall be credited monthly to any retired state employee participating in the state retiree health plan established by § 2.1-20.1:5 or a 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. Any member 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 and 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 plan 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 ~~electing~~ *not electing or eligible* to participate in the state ~~retiree health plan 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. A retired state employee who fails to elect to participate in the state health plan within thirty-one days of the effective date of retirement, or who, once having elected to participate, discontinues participation, is barred from participating in the state health plan thereafter. 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

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60 *is participating in a health insurance plan. The Commonwealth shall be charged with the credit as*
61 *provided for in subsection C. In such case, the health insurance credit shall be determined based upon*
62 *the amount of state service or service as a teacher rendered by the employee.*

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

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

75 § 2.1-20.1:3. Health insurance credits for retired teachers.

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

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

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

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

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

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

115 § 2.1-20.1:5. *Participation in the state retiree health benefits program.*

116 A. *As used in this section:*

117 *"Involuntarily separated" means separated from state service as the result of any dismissal, requested*
118 *resignation, or failure to obtain reappointment, excluding a separation resulting from a conviction for a*
119 *felony or crime involving moral turpitude or dishonesty or a separation related to the job performance*
120 *or misconduct of the state employee.*

121 *"Retiree health benefits program" or "program" means the plan for providing health insurance*

coverage for retired state employees provided pursuant to subsection E of § 2.1-20.1.

"State employee" has the same meaning as defined in § 2.1-20.1.

"State retiree" means a state employee retired under the Virginia Retirement System, State Police Officers Retirement System, Judicial Retirement System or any retirement system authorized pursuant to § 51.1-126, who is eligible to receive a monthly retirement annuity from that retirement system.

B. A state retiree shall be eligible to participate in the retiree health benefits program only if he makes an election to participate in the program within thirty-one days following the date of termination of employment with the Commonwealth. A retired state employee who fails to elect to participate in the state health plan within thirty-one days of the effective date of retirement, or who, once having elected to participate, discontinues participation, is barred from participating in the state health plan thereafter.

C. Any state retiree who was involuntarily separated who on July 1, 1999, is participating in the retiree health benefits program and is receiving monthly retirement annuity payments may elect, by notifying the Virginia Retirement System and the Department of Personnel and Training before September 1, 1999, to cease receiving monthly retirement annuity payments until re-applying for such benefits at a later date and to continue participation in the retiree health benefits program.

§ 51.1-600. Definitions.

As used in this chapter, unless the context requires a different meaning:

"Act" means the Government Employees Deferred Compensation Plan Act.

"Board" means the Board of Trustees of the Virginia Retirement System.

"Deferred compensation plan" means a plan which allows an employee to elect to defer some portion of income until some stated time in the future; provides that the federal and state income tax on such income will be deferred until the actual receipt of such income; and is established pursuant to the provisions of § 457 of the Internal Revenue Code.

"Employee" means any salaried person, including appointed or elected officials, providing services for the Commonwealth, state agencies, counties, municipalities, or other political subdivisions.

"Participating employer" means the Commonwealth or any political subdivision that has elected pursuant to § 51.1-603.1 to participate in the deferred compensation plan established by the Board pursuant to this chapter or a sponsor of a plan established pursuant to § 403 (b) of the Internal Revenue Code of 1986, as amended.

"Qualified participant" means an employee of a participating employer with at least twelve consecutive months of service who is making continuous deferrals of at least ten dollars per pay period in the deferred compensation plan established by the Board pursuant to this chapter or in a plan established pursuant to § 403 (b) of the Internal Revenue Code of 1986, as amended.

§ 51.1-606. Contribution to qualified participants.

A. A participating employer or, on behalf of the Commonwealth, the Department of Accounts or any agency of the Commonwealth not covered under the central payroll system, shall transfer funds from its appropriations to the private corporation or institution designated to hold investments under the plan or plans adopted or established by the participating employer pursuant to § 401 (a) or § 403 (b) of the Internal Revenue Code of 1986, as amended. The funds shall be held, administered and invested as provided for in the applicable document adopted for the administration of such contributions.

B. The amount credited on behalf of a qualified participant pursuant to this section shall not exceed, on a semi-monthly basis, the lesser of fifty dollars or fifty percent of the amount that the qualified participant voluntarily contributes to the deferred compensation plan established under this chapter or to a plan established pursuant to § 403 (b) of the Internal Revenue Code of 1986, as amended.

C. The Board shall have the authority to establish a plan pursuant to § 401(a) or § 403 (b) of the Internal Revenue Code of 1986, as amended, for the purpose of implementation of this section.

2. That any former state employee or teacher who has been ineligible to receive the health insurance credit pursuant to § 2.1-20.1:2 or § 2.1-20.1:3 of the Code of Virginia as in effect prior to the enactment of this act, but would be eligible to receive the health insurance credit pursuant to § 2.1-20.1:2 or § 2.1-20.1:3 as amended by this act, shall be prospectively entitled to receive the health insurance credit in accordance with the requirements of § 2.1-20.1:2 or § 2.1-20.1:3 as amended by this act and other applicable law, provided application for the health insurance credit is made by such former employee to the Virginia Retirement System within 180 days following the effective date of this act.

3. That the provisions of this act amending and reenacting § 51.1-600 of the Code of Virginia and adding in Chapter 6 of Title 51.1 of the Code of Virginia a section numbered 51.1-606 shall become effective on January 1, 2000.