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HOUSE BILL NO. 2293**AMENDMENT IN THE NATURE OF A SUBSTITUTE**(Proposed by the Senate Committee on Finance
on February 6, 2001)

(Patron Prior to Substitute—Delegate Cox)

A BILL to amend and reenact §§ 51.1-124.3, 51.1-203, and 51.1-214 of the Code of Virginia, to amend the Code of Virginia by adding a section numbered 51.1-142.2, and to repeal §§ 51.1-142, 51.1-142.1, and 51.1-143 of the Code of Virginia, relating to retirement credit for prior service and certain accumulated sick leave.

Be it enacted by the General Assembly of Virginia:

1. That §§ 51.1-124.3, 51.1-203, and 51.1-214 of the Code of Virginia are amended and reenacted, and that the Code of Virginia is amended by adding a section numbered 51.1-142.2 as follows:

§ 51.1-124.3. Definitions.

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

"Abolished system" means the Virginia Retirement Act, §§ 51-30 through 51-111, repealed by Chapter 1 of the Acts of Assembly of 1952.

"Accumulated contributions" means the sum of all amounts deducted from the compensation of a member and credited to his individual account in the member's contribution account, all amounts the member may contribute to purchase creditable service, all member contributions contributed by the employer on behalf of the employee, on or after July 1, 1990, except those amounts contributed on behalf of members of the General Assembly who are otherwise retired under the provisions of this chapter, and all interest accruing to these funds. If a member is retired for disability from a cause which is compensable under the Virginia Workers' Compensation Act (§ 65.2-100 et seq.), dies in service prior to retirement, or requests a refund of contributions in accordance with § 51.1-161, "accumulated contributions" shall include all member contributions paid by the employer on behalf of the member on and after July 1, 1980, and all interest which would have accrued to these funds.

"Actuarial equivalent" means a benefit of equal value when computed upon the basis of actuarial tables adopted by the Board.

"Average final compensation" means the average annual creditable compensation of a member during his thirty-six highest consecutive months of creditable service or during the entire period of his creditable service if less than thirty-six months. If a member ceased employment prior to July 1, 1974, "average final compensation" means the average annual creditable compensation during the five highest consecutive years of creditable service.

"Beneficiary" means any person entitled to receive benefits under this chapter.

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

"Creditable compensation" means the full compensation payable annually to an employee working full time in his covered position. In cases where compensation includes maintenance or other perquisites, the Board shall fix the value of that part of the compensation not paid in money. Remuneration received by members of the General Assembly not otherwise retired under the provisions of this chapter pursuant to §§ 30-19.11 and 30-19.12 shall be deemed creditable compensation. In addition, for any member of the General Assembly, creditable compensation shall include the full amount of salaries payable to such member for working in covered positions, regardless of whether a contractual salary is reduced and not paid to such member because of service in the General Assembly.

"Creditable service" means prior service, *as set forth in § 51.1-142.2*, plus membership service for which credit is allowable. ~~Creditable service may include sick leave credit accumulated as of the employee's retirement date as certified by the employer to the Board as set forth in § 51.1-142.1.~~

"Employee" means any teacher, state employee, officer, or employee of a locality participating in the Retirement System.

"Employer" means the Commonwealth in the case of a state employee, the local public school board in the case of a teacher, or the political subdivision participating in the Retirement System.

"Joint Rules Committee" means those members of the House of Delegates and the Senate designated by the Speaker of the House and the Chairman of the Senate Committee on Rules, respectively, to meet with each other and to act jointly on behalf of the Committee on Rules for each house.

"Local officer" means the treasurer, commissioner of the revenue, attorney for the Commonwealth, clerk of a circuit court, or sheriff of any county or city, or deputy or employee of any such officer.

"Medical Board" means the board of physicians as provided by this chapter.

"Member" means any person included in the membership of the Retirement System.

"Membership service" means service as an employee rendered while a contributing member of the Retirement System except as provided in this chapter.

60 "Normal retirement date" means a member's sixty-fifth birthday.

61 "Political subdivision" means any county, city, or town, any political entity, subdivision, branch, or
62 unit of the Commonwealth, or any commission, public authority, or body corporate created by or under
63 an act of the General Assembly specifying the powers, privileges, or authority capable of exercise by the
64 commission, public authority, or body corporate.

65 "Primary social security benefit" means, with respect to any member, the primary insurance amount
66 to which the member is entitled, for old age or disability, as the case may be, pursuant to the provisions
67 of the federal Social Security Act as in effect at his date of retirement, under the provisions of this
68 chapter except as otherwise specifically provided.

69 "Prior service" means service rendered prior to becoming a member of the Retirement System.

70 "*Purchase of service contract*" means a contract entered into by the member and the Retirement
71 System for the purchase of service credit by the member as provided in § 51.1-142.2.

72 "Retirement allowance" means the retirement payments to which a member is entitled.

73 "Retirement System" means the Virginia Retirement System.

74 "Service" means service as an employee.

75 "State employee" means any person who is regularly employed full time on a salaried basis, whose
76 tenure is not restricted as to temporary or provisional appointment, in the service of, and whose
77 compensation is payable, no more often than biweekly, in whole or in part, by the Commonwealth or
78 any department, institution, or agency thereof. "State employee" shall include the Governor, Lieutenant
79 Governor, Attorney General, and members of the General Assembly but shall not include (i) any local
80 officer, (ii) any employee of a political subdivision of the Commonwealth, (iii) individuals employed by
81 the Department for the Visually Handicapped pursuant to § 63.1-73, (iv) any member of the State Police
82 Officers' Retirement System, (v) any member of the Judicial Retirement System, or (vi) any member of
83 the Virginia Law Officers' Retirement System.

84 "Teacher" means any person who is regularly employed full time on a salaried basis as a professional
85 or clerical employee of a county, city, or other local public school board.

86 § 51.1-142.2. *Prior service or membership credit for certain members; service credit for accumulated*
87 *sick leave.*

88 *Certain members may purchase credit for service as provided in this section.*

89 A. 1. *In order to receive credit for the service made available in subsection B, a member in service*
90 *shall be required to make a payment. For each year, or portion thereof, to be credited at the time of*
91 *purchase, a member shall pay an amount equal to five percent of his creditable compensation or five*
92 *percent of his average final compensation, whichever is greater. However, if a person becoming a*
93 *member on or after July 1, 2001, does not purchase, or enter into a purchase of service contract for,*
94 *such service within three years from his first date of hire or within three years of the final day of any*
95 *leave of absence under subdivision B. 3., as applicable, then, for each year to be credited at the time of*
96 *purchase, the member shall pay an amount equal to the actuarial equivalent cost.*

97 2. *If a member in service on June 30, 2001, and July 1, 2001, did not, prior to July 1, 2001,*
98 *purchase, or enter into a contract with the Retirement System to purchase, such service under former*
99 *§ 51.1-142, then, for each year, or portion thereof, to be credited at the time of purchase, the member*
100 *shall pay an amount equal to the actuarial equivalent cost, unless such member purchases, or enters*
101 *into a purchase of service contract for, such service within three years from the date he became eligible*
102 *to purchase the service or by July 1, 2004, whichever is later. If the service is purchased or a purchase*
103 *of service contract is entered into within such time period, the cost to the member for each year to be*
104 *credited at the time of purchase shall be five percent of his creditable compensation or five percent of*
105 *his average final compensation, whichever is greater. If such member first becomes eligible to purchase*
106 *any of the service under subsection B after July 1, 2001, the cost of such service or portion thereof*
107 *shall be as provided in subsection A, except that the three-year period in which to purchase, or enter*
108 *into a purchase of service contract for, such service shall commence on the first day the member*
109 *becomes eligible to purchase the service.*

110 3. *When a member requests credit for a portion of the period, the most recent portion shall be*
111 *credited. Payment may be made in a lump sum at the time of purchase or by an additional payroll*
112 *deduction. Only one additional deduction shall be permitted at any time. Should the additional*
113 *deduction be terminated prior to purchasing the entire period that might otherwise be credited, the*
114 *member shall be credited with the number of additional months of service for which full payment is*
115 *made. If the additional deduction is continued beyond the point at which the entire period has been*
116 *purchased, the member shall be credited with no more than the entire period that might otherwise have*
117 *been credited and the excess amount deducted shall be refunded to the member.*

118 Any employer may elect to pay an equivalent amount in lieu of all member contributions required of
119 its employees for the purpose of service credit pursuant to this section. These contributions shall not be
120 considered wages for purposes of Chapter 7 (§ 51.1-700 et seq.) of this title, nor shall they be
121 considered to be salary for purposes of this chapter.

B. 1. Any member in service may purchase prior service credit for (i) active duty military service in the armed forces of the United States, provided that the discharge from the armed forces was not dishonorable, (ii) creditable service of another state or of a political subdivision or public school system of this or another state, as certified by such state, political subdivision or public school system, (iii) creditable service of a political subdivision of this state not credited to the member under an agreement as provided for in § 51.1-143.1, as certified by such political subdivision, (iv) civilian service of the United States, (v) any period of time, except for any period of service in a full-time hourly wage position with the Commonwealth, when the member was employed by a participating employer and not otherwise eligible to participate in the retirement system because the member was not an employee as defined in § 51.1-124.3, or (vi) any period of time prior to July 1, 1988, when the member was employed in a full-time hourly wage position with the Commonwealth.

2. Any member in service may purchase service credit for creditable service lost from ceasing to be a member under this chapter, as provided in § 51.1-128, because of the withdrawal of his accumulated contributions. Notwithstanding any other provision in this section, the cost to purchase such service shall be five percent of his creditable compensation or five percent of his average final compensation, whichever is greater. If the member either purchases or enters into a contract to purchase such service within three years of the date he became eligible to purchase the service or by July 1, 2004, whichever is later, then the service may be purchased in a lump sum at the time of purchase or through an additional payroll deduction. Any purchase of such service made at a time later than such period shall be made in a lump sum at the time of purchase.

3. Any member:

(i) granted a leave of absence for educational purposes may purchase service credit for such leave of absence; or

(ii) granted any unpaid leave of absence due to the birth or adoption of a child may purchase up to one year of service credit per occurrence of leave.

C. Any member in service may purchase service credit for accumulated sick leave on his effective date of retirement based upon such sums as the employer may provide as payment for any unused sick leave balances. The cost of service credit purchased under this subsection shall be the actuarial equivalent cost of such service.

D. In any case where member and employer contributions, as required under this chapter, were not made because of an error in the payroll, personnel, or other classification system of a locality participating in the retirement system, service that has not been credited because of such error may be purchased on the following basis:

1. the most recent three years of service shall be purchased, using applicable member and employer contribution rates and creditable compensation in effect for such period, in a manner and cost prescribed by the Board; and

2. all other years of service shall be purchased at an actuarial equivalent cost.

E. The service credit to be credited to a member under this section shall be calculated at the ratio of one year of service credit, or portion thereof, to one year of service purchased, or portion thereof. Up to a maximum of four years of service credit may be purchased for each of clauses (i) through (v) of subdivision B. 1. and clauses (i) and (ii) of subdivision B. 3. Up to a maximum of two years of service credit may be purchased for clause (vi) of subdivision B. 1. In addition, a member in service may purchase service credit for every year or portion thereof for service lost from cessation of membership as described in subsection B.

Except as otherwise required by Chapter 1223 of Title 10 of the United States Code, the service credit made available under this section may not be purchased if, before being purchased or at the time of such purchase pursuant to this section, the service to be purchased is service that is included in the calculation of any retirement allowance received or to be received by the member from this or another retirement system.

F. Any member may receive credit at no cost for service rendered in the armed forces of the United States provided (i) the member was on leave of absence from a covered position, (ii) the discharge from the armed forces was not dishonorable, (iii) the member has not withdrawn his accumulated contributions, and (iv) the member reenters service in a covered position within one year after discharge from the armed forces. No period of service rendered through reenlistment beyond the cessation of hostilities shall be creditable service. In order to receive such service, the member must complete such forms and other requirements as are required by the Board and the retirement system.

§ 51.1-203. Creditable service.

A. Service qualifying for credit under the provisions of the Virginia Retirement System shall be included as creditable service for the purposes of this chapter, provided the requirements set forth in Chapter 1 (§ 51.1-124.1 et seq.) of this title for crediting service have been complied with and any payment required is credited in the member's contribution account.

B. Service purchased in accordance with the provisions of § 51.1-143 shall not be considered:

1. In determining the actuarial equivalent for early retirement.

2. In determining the twenty years of service requirement of subsection B of § 51.1-206, except for that which had been rendered in a hazardous position and had been credited in the retirement system of a political subdivision of this Commonwealth.

3. Twice in determining any disability allowance payable under this chapter.

C. If a member ceases to be employed as a state police officer, has not received a refund of the accumulated contributions credited to his member's contribution account, and accepts employment in a position covered by the Virginia Retirement System or the Judicial Retirement System, he shall be entitled to credit for his previous creditable service under this chapter. His accumulated contributions shall be transferred and credited to his member's contribution account in the appropriate retirement system. Future retirement rights shall be as set forth under the provisions of the appropriate retirement system.

§ 51.1-214. Creditable service.

A. Service qualifying for credit under the provisions of the Virginia Retirement System shall be included as creditable service for the purposes of this chapter, provided the requirements set forth in Chapter 1 (§ 51.1-124.1 et seq.) of this title for crediting service have been complied with and any payment required is credited in the member's contribution account.

B. Service purchased in accordance with the provisions of § 51.1-143 shall not be considered:

1. In determining the actuarial equivalent for early retirement.

2. In determining the twenty years of service requirement of subsection B of § 51.1-217, except for that which had been rendered in a hazardous position and had been credited in the retirement system of a political subdivision of this Commonwealth.

3. Twice in determining any disability allowance payable under this chapter.

C. If a member ceases to be an employee, has not received a refund of the accumulated contributions credited to his member's contribution account, and accepts employment in a position covered by the Virginia Retirement System, the Judicial Retirement System or the State Police Officers' Retirement System, he shall be entitled to credit for his previous creditable service under this chapter. His accumulated contributions shall be transferred and credited to his member's contribution account in the appropriate retirement system. Future retirement rights shall be as set forth under the provisions of the appropriate retirement system.

2. That §§ 51.1-142, 51.1-142.1, and 51.1-143 of the Code of Virginia are repealed.

3. That the provisions of this act shall not affect any contract for the purchase of service entered into between a member and the Virginia Retirement System before the effective date of this act.

4. That any rights granted under §§ 51.1-142, 51.1-142.1 and 51.1-143, as such rights existed in these sections immediately before the effective date of this act, and only to the extent that such rights conflict with the provisions of this act, shall remain in effect until July 1, 2002.